

ACOA delivers promised \$10m loan to tire maker

Liberals promised loan to Michelin

By GORDON DELANEY Valley Bureau



WATERVILLE —It may have been late in coming, but the federal Conservative government has honoured a multimillion-dollar commitment to Michelin's Waterville plant.

The plant, which employs more than 1,000 people, will get a \$10-million interest-free loan for research and development, ACOA minister Peter MacKay announced Wednesday at the facility.

"Today's investment will be a catalyst for future research and development in Atlantic Canada," Mr. MacKay told about 50 Michelin employees and dignitaries, including former premier John Hamm, who worked on the Michelin file while in office.

Plant manager Grant Ferguson welcomed the news, saying research and development is a "passion" at Michelin, which has three plants in Nova Scotia, employing 3,500 people.

He added that the ACOA announcement "validates our belief that we have the ability here in Nova Scotia to deliver innovative products . . . to compete in the global marketplace successfully."

The money will be used to develop new technology and manufacturing equipment for production of the much-touted new X-One double-width truck tires. That will require development of prototype tire-building machinery, along with other advanced equipment and new rubber formulations.

There was much speculation last winter about whether Stephen Harper's new Conservative government would honour a \$10-million commitment to the project made by the previous Liberal government.

The money, promised by then-ACOA minister Robert Thibault, was to be part of a \$92-million expansion of the plant for the new truck-tire technology.

The tire maker, which unveiled its plans in January, is to create 75 new jobs.

The province said at the time it would contribute \$10.8 million over five years. But Ottawa's lack of any announcement raised alarm bells that the Conservatives would not fulfil the Liberal promise, and Prime Minister Stephen Harper's past criticisms of ACOA projects as "corporate welfare" also raised concerns about whether the cash would be forthcoming.

"It's not a delay. . . . I think this is pretty timely, given some of the delays in announcements made by the previous government," Mr. MacKay said. "There wasn't any signed, sealed deal in place."

When asked to describe the difference between this loan and the promise made by the Liberals, he responded: "We kept it. We delivered. We followed through."

Then he used a hockey analogy: "We delivered it in less than a hockey season."

An ACOA representative later said the money, from the Atlantic Innovation Fund, is repayable over a long period. But he said the agency has a policy of not releasing details, for corporate competitive reasons.

He also said zero-interest loans are the standard for the federal agency.

Last week, the province announced it would provide \$4.38 million toward a \$36-million expansion at Michelin's Bridgewater plant, creating 36 new jobs.

In 2004, the province promised \$4 million toward a \$41-million expansion of plants in Waterville and Bridgewater. In the 1990s, the province forgave a \$47.5-million loan and committed another \$17.5 million for job training.

In 1988, it gave the tire maker a \$48-million loan for a \$450-million expansion.

Michelin says it has invested nearly \$2 billion in capital in Nova Scotia since it opened in the province 35 years ago. The company has manufactured 200 million tires in the province.

About a dozen attempts to unionize the workers at the three plants have been unsuccessful. The latest effort was scaled back recently, after Michelin announced it was closing its unionized BF Goodrich plant in Kitchener, Ont., throwing 1,100 people out of work.

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Comment by HawkeyeNews Editor: Below you will read an article by Jim Meek , and to answer your question Jim ..."YES!" Stora is another Sysco . It pretty bad when the free market and free enterprise has to incorporate communist's traits , well are far as being financed by the state , but when it comes to profit sharing these business bums say hands off. Well it is time we taxpayers told these business bums to take a hike.



Is Stora Nova Scotia's new Sysco?

By JIM MEEK

STORA ENSO'S special pleadings grate on the nerves, so much so that the pulp and paper operator is starting to remind me of another fabled Cape Breton enterprise – the Sydney steel plant.

Certainly, it comes a-begging with Sysco-style consistency.

Stora now wants a 15 per cent cut in its power rates, and – true to form – threatens to pull up stakes in Nova Scotia if its arguments fail to carry the day.

Nova Scotia Power replies that its other customers will have to make up a shortfall of as much as \$200 million (over five years) – if Stora Enso Port Hawkesbury and Bowater Mersey Pulp and Paper Company have their way.

Make no mistake about this: A power-rate cut for Stora and Bowater would amount to one weird subsidy – provided by the utility's other customers, including thee and me. (The Utility and Review Board is now conducting hearings on this issue.)

In fact, Stora is by now a past master – a veritable Jedi Knight – of high-noon brinkmanship: "Enrich us or we're leaving town." This spring, Stora used this strategy to wrest concessions from its workers.

Earlier this year, the province announced it would hand \$65 million to Stora over the next seven years. This deal was struck in lieu of a 1997 agreement under which the province was to give the company access to 81,000 hectares of Crown land by 2013.

The Nova Scotia government also made a gift of \$15 million to Stora a few years back – when the company announced a \$90-million modernization. This public investment might have been viewed as a sound one – were it not thrown at a company that continually threatens to sing Farewell to Nova Scotia.

For a decade at least, then, Stora has probed every weakness, and pushed for every advantage: The province, the utility, woodlot owners, employees – all have sensed the light sabre descending, and have bought off its holder.

And those who find my Sysconian allusion odious should add up the cost of Stora's (and Bowater's) wins and demands: up to \$200 million in ratepayer subsidies; a direct \$15-million public investment in Stora's modernization; and another \$65-million infusion of our money over the next seven years.

So we're looking at as much as \$280 million in special concessions to the pulp and paper sector over a period of a decade or so. (The Sydney Steel Corporation's losses were casually estimated at \$1 billion over three decades. That would be a lot more in today's dollars.)

Yes, the Stora subsidy numbers are offset by benefits. With a payroll of about \$65 million a year, and thousands of spinoff jobs depending on its operations, Stora would be one of Nova Scotia's most important employers – if only it were operating.

Let's concede, as well, that every nation in the world provides incentives to big employers, and it is the provincial government's job to decide whether to confer a "comparative advantage" on its pulp and paper producers.

The question is one of balance: How much does a government spend, and to what end? (It should go without saying, almost, that this public policy issue should be resolved by governments, not by Nova Scotia's privately owned utility or its regulator.)

Here's where the Sysco analogy really gets troubling. Every time Stora asks for help, it makes the argument – implicit or otherwise – that it cannot be competitive as a Nova Scotia operator without concessions of one sort or another.

So the big question becomes: Are we really being asked to subsidize another loser like Sysco, a company that cannot compete long-term against emerging international competition? Certainly, there is no shortage of informed opinion to suggest that Stora might put its best equipment on barges and float it out of town within five years or so.

This makes the question of further public support problematic at best. And one thing is certain in this context: Premier Rodney MacDonald's government shouldn't spend another dime on Stora Enso – in the absence of a firm public commitment from the company that it intends to go on operating in Nova Scotia.

Otherwise, we could end up backing a loser – and a quitter.

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