

Plan "B": Less is More When Governments Respond to the Closing of the Stephenville Mill

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In mid December a desultory negotiating process between Abitibi Consolidated and its union in Stephenville, Newfoundland finally came to an unsatisfactory end.

After being promised a \$150 million subsidy from the province, the parties had been discussing changes to the collective agreement that would have allowed Abitibi more labour flexibility. That, combined with the subsidy, may have saved the thirty year old mill from permanent closure. On December 14th the company closed the mill for good and started doling out severance pay.

Although the provincial government expressed the usual outrage, it was clear that Abitibi, in the midst of hundreds of millions of dollars in annual losses, really wanted out of the Stephenville operation, and the provincial government is now moving on to Plan "B".

Plan "B" is the government's label for a response to the loss of 300 well paid jobs and the related jobs in the local service industry that may also go. But what form should Plan "B" take?

If the past is any thing to go by there are a number of possible government initiatives.

The first and most logical is to assist workers being laid off to find work elsewhere. That is usually implemented through tax subsidies for moving to new jobs. But direct assistance is also possible. Already employers from other parts of the country are recruiting from the highly trained workers being laid off.

Since the announced closure of the mill, a steady stream of employers from the tar sands of Alberta have descended on Stephenville hoping to pick off the best of the redundant millwrights, mechanics, electricians and other skilled tradesmen. With a significant skills shortage out west virtually all the tradesmen being displaced should find work quickly.

The second option is to attempt to force-grow industry in the Stephenville area to take up the slack that has been created. But that approach has a long, and mostly unsuccessful history in Canada, and often just wastes tons of taxpayers' money.

In the past, billions were spent through fisheries programs to create employment. Similar schemes were tried when the Newfoundland railway was closed in the late nineteen eighties, and many projects were tried in Cape Breton when steel and coal operations wound down.

Often a wack of money is given to a board of local politicians who proceed to be become victims of every get-rich scheme that is on the go. The Sprung greenhouse and Bricklyn quickly come to mind.

A variant of force-growing new jobs may be the possibility floated by the provincial government to nationalize the paper mill and sell it to another operator. Nationalization has a strange and bizarre sound to it these days. While it was common enough in decades gone by, it appears to be fiscal lunacy to buy a mill in a depressed market and try to sell it to other operators who already have excess capacity. The financial hit is likely to be hundreds of millions.

Often huge sums are committed to retraining, in an attempt to get the displaced workers employed elsewhere. When the hugely undereducated fisheries workforce was forced through retraining in the 1990s when cod stocks collapsed, massive sums were wasted that only benefited the private schools that sprang up to cash in. Workers resented being forced to go to school, and the success rates were disappointing. Frankly, given the high quality skills of the displaced workers, little of that is required for the Stephenville workers, although some may opt for this option.

Then what should governments do?

Frankly, little or nothing is called for. Most of the options available rarely justify their costs. However, if instead of investing tens of millions in forced job creation, money was used to lower taxes, both corporate and individual, the area would probably do much better. Give individuals and corporations in the area a 25% income tax rebate for the next five years, and allow that money to create job opportunities through the initiative of the local workforce. The plan is simple, non-discriminatory, and has the added blessing of being free of bureaucratic direction.

One major advantage of the layoffs at Stephenville is the generous severance pay the workers received. Experience in the past has shown that severance pay often becomes the nest egg used to create new businesses. During Margaret Thatcher's tenure in Britain thousands of workers were displaced as subsidies to the

mining and steel industry were canceled. But with their severance pay many displaced workers started the businesses that have recreated the British economy.

In a way, the job losses at Stephenville have come at a good time. The country, and the province, enjoy robust growth, have a shortage of the kind of workers that are being made redundant, and have the lowest unemployment rate in decades. Accommodating the mill closure will be much easier now than if the disruption had occurred during the depths of a recession.

But doing nothing will be difficult. Governments must be seen to be responding to the pain of their constituents, even if the pain is minor. So count on millions of our taxpayers dollars being funneled into every hair-brained scheme that promoters have been waiting for tax dollars to float.

It's what governments do, especially during election campaigns.

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