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NOV 13 1979 REC'D

STATEMENT TO THE LEGISLATURE

BY THE HONOURABLE FRANK MILLER
TREASURER OF ONTARIO AND
MINISTER OF ECONOMICS

TUESDAY, NOVEMBER 6, 1979

MR. SPEAKER,

MY STATEMENT THIS AFTERNOON IS OF
MAJOR SIGNIFICANCE TO THE TOWN OF DRYDEN.

TODAY, GREAT LAKES FOREST PRODUCTS
LIMITED WILL ANNOUNCE AN AGREEMENT WITH REED
LTD. AND REED INTERNATIONAL LIMITED, WHEREBY
GREAT LAKES WILL PURCHASE THE ASSETS OF REED'S
COMPLEX AT DRYDEN.

(MORE)

THE PURCHASE WILL INCLUDE THE CURRENT ASSETS AND ALL FIXED ASSETS OF REED'S DRYDEN PULP AND PAPER MILL, TOGETHER WITH ITS CHEMICAL PLANT ALSO LOCATED AT DRYDEN, A SAWMILL LOCATED SOME 40 MILES WEST OF THE COMMUNITY, AND ASSOCIATED WOODLANDS OPERATIONS, INCLUDING ITS 6,900 SQUARE MILES OF CROWN TIMBER LICENCE.

GREAT LAKES PLANS TO UNDERTAKE A MAJOR MODERNIZATION AND EXPANSION OF THE DRYDEN AREA COMPLEX, AT AN ESTIMATED COST OF \$200 MILLION. THIS WILL INVOLVE REBUILDING THE PRODUCTION FACILITIES TO MAKE THEM AS MODERN AND COMPETITIVE AS POSSIBLE, THEREBY ENSURING THE LONG-TERM VIABILITY OF THE OPERATION, AND A HEALTHY FUTURE FOR DRYDEN ITSELF.

MR. SPEAKER, I WOULD LIKE TO SAY A LITTLE ABOUT GREAT LAKES FOREST PRODUCTS LIMITED.

(MORE)

IT IS A UNIQUE COMPANY. ITS ENTIRE OPERATIONS ARE CENTRED IN NORTHWESTERN ONTARIO. ALL THE COMPANY'S EMPLOYEES, INCLUDING SENIOR MANAGEMENT, LIVE AND WORK IN THE REGION. IT IS CANADIAN-OWNED, WITH 98 PER CENT OF ITS SHARES HELD BY CANADIANS.

OVER THE YEARS, GREAT LAKES HAS SUCCESSFULLY IMPLEMENTED A NUMBER OF MODERNIZATION AND EXPANSION PROGRAMS, AND AT THE SAME TIME HAS SHOWN INNOVATION AND CONCERN IN ENVIRONMENTAL MATTERS. TODAY, GREAT LAKES IS A LARGE, FULLY-INTEGRATED, AND MODERN COMPANY WITH A PROVEN RECORD AND REPUTATION.

WITH THE INVOLVEMENT OF A COMPANY OF THIS CALIBRE, WITH ITS SUBSTANTIAL FINANCIAL RESOURCES, AND DEMONSTRATED TRACK RECORD FOR FOLLOWING THROUGH ON ITS PLANS, I AM CONFIDENT THE FUTURE OF DRYDEN WILL BE ENSURED.

(MORE)

AS I MENTIONED, GREAT LAKES HAS IMMEDIATE PLANS FOR CAPITAL EXPENDITURES OF SOME \$200 MILLION ON THE DRYDEN AREA OPERATION, WHICH INCLUDES \$40 MILLION FOR ENVIRONMENTAL IMPROVEMENT. THE COMPANY EXPECTS THAT APPROXIMATELY 95 PER CENT OF ITS TOTAL EXPENDITURES WILL BE MADE IN CANADA. IT IS ANTICIPATED ABOUT \$40 TO \$50 MILLION WILL BE SPENT ON GOODS AND SERVICES IN NORTHWESTERN ONTARIO. MUCH OF THIS SPENDING WILL BE OF BENEFIT TO THE IMMEDIATE DRYDEN AREA.

THE PROGRAM PROPOSED BY GREAT LAKES FOR THE DRYDEN OPERATIONS WILL MEET, AND IN A NUMBER OF CASES EXCEED, CURRENT ENVIRONMENTAL STANDARDS. THE IMPROVED OPERATIONS WILL RESULT IN A BETTERMENT OF THE ENVIRONMENTAL PERFORMANCE THAN UNDER THE PREVIOUS CONTROL ORDER.

(MORE)

WHILE THE COMPANY EXPECTS TO OPERATE AS MANY OF THE EXISTING FACILITIES AS POSSIBLE IN THE INTERIM, EXPANSION OF KRAFT OPERATIONS WILL NECESSITATE, AT THE APPROPRIATE TIME, THE DIVERSION OF PULP CURRENTLY REQUIRED FOR THE FINE PAPER OPERATIONS INTO THE MAIN PRODUCTION STREAM IN DRYDEN. CONSEQUENTLY, THE COMPANY PLANS TO PHASE OUT THE EXISTING FINE PAPER OPERATIONS.

THIS WILL BE DONE IN CONSULTATION WITH EMPLOYEE REPRESENTATIVES, AND WILL BE CARRIED OUT IN A REASONABLE AND PRACTICABLE MANNER, SO AS TO MINIMIZE ANY DISRUPTION OR HARDSHIP TO PRESENT EMPLOYEES.

IT IS SIGNIFICANT TO NOTE THAT, AT THE PEAK OF THE MODERNIZATION AND EXPANSION PROGRAM, AS MANY AS 400 TO 500 CONSTRUCTION AND RELATED SKILLED TRADES JOBS WILL BE CREATED. ALSO, THE COMPANY HAS ADVISED THAT THE EXPANSION OF PRESENT WOODLANDS ACTIVITY, TO SUPPORT THE EXPANDED COMPLEX, WILL CREATE 200 NEW PERMANENT JOBS.

(MORE)

INCLUDED IN THE COMPANY'S PROGRAM IS A NEW SAWMILL FACILITY TO REPLACE THE SAWMILL LOCATED WEST OF DRYDEN. THE LOCATION OF THIS HAS NOT YET BEEN DETERMINED, BUT A NUMBER OF SITES, INCLUDING THE EAR FALLS/RED LAKE AREA, ARE UNDER CONSIDERATION.

ALSO, IN ADDITION TO ITS IMMEDIATE PLANS, GREAT LAKES IS ACTIVELY CONSIDERING THE INSTALLATION IN DRYDEN OF A MODERN HIGH-SPEED NEWSPRINT MACHINE -- AN ADDITIONAL INVESTMENT OF \$190 MILLION -- WHICH WOULD BE INTEGRATED WITH THE EXPANDED MILL, AND CREATE APPROXIMATELY 400 MORE JOBS: 125 IN THE MILL, AND 275 TO 300 IN A FURTHER EXPANDED WOODLANDS OPERATION.

(MORE)

MEMBERS OF THIS HOUSE ARE AWARE OF THE ENVIRONMENTAL PROBLEMS OF REED LTD. AND ITS PREDECESSORS IN THE DRYDEN AREA. THESE HAVE BEEN A MAJOR IMPEDIMENT TO THE SALE OF THE DRYDEN OPERATION, BECAUSE OF POSSIBLE LIABILITIES FOR PAST ENVIRONMENTAL DAMAGES.

IN ORDER TO RESOLVE THIS MATTER, AND ENSURE THE ECONOMIC HEALTH OF DRYDEN, THE GOVERNMENT HAS GIVEN AN UNDERTAKING, IN THE FORM OF A LETTER TO INDEMNIFY GREAT LAKES AGAINST POSSIBLE LIABILITIES OVER A STATED AMOUNT. A COPY OF THE LETTER TO THE COMPANY EXPLAINING THE TERMS OF THIS LIMITATION IS APPENDED TO THIS STATEMENT.

no more than 15 million in liability if Co. spends 200 million on building & modernizing the mill

THE ONTARIO/CANADA PULP AND PAPER FACILITIES IMPROVEMENT INCENTIVES PROGRAM WAS ESTABLISHED TO PROVIDE INCENTIVES FOR INVESTMENT IN THIS INDUSTRY, AND IT MAY WELL BE THAT THE COMPANY WILL APPLY FOR SUPPORT UNDER THIS PROGRAM.

(MORE)

MR. SPEAKER, TODAY A MESSAGE IS BEING PROVIDED TO ALL DRYDEN EMPLOYEES BY THE CHAIRMAN AND PRESIDENT OF GREAT LAKES, MR. CHARLES J. CARTER. IN HIS MESSAGE, MR. CARTER STATES, "WE ARE COMMITTED TO PUTTING IN PLACE A MODERN PULP AND PAPER PRODUCING COMPLEX THAT WILL BE VIABLE MANY YEARS FROM NOW, THUS GIVING JOB SECURITY AND STABILITY TO ALL THE FAMILIES ASSOCIATED WITH US." I AM ATTACHING A COPY OF THAT LETTER TO THIS STATEMENT.

MR. SPEAKER, GREAT LAKES IS PROPOSING A TREMENDOUS UNDERTAKING -- ONE WHICH PROMISES TO BRING SIGNIFICANT BENEFITS TO DRYDEN, NORTHWESTERN ONTARIO AND THE ENTIRE PROVINCE.

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Ministry of
Treasury and
Economics

Frost Building
Queen's Park
Toronto, Ontario
416/965-6361

November 6, 1979.

Mr. C.J. Carter,
Chairman and President,
Great Lakes Forest Products Limited,
Box 430,
Thunder Bay, Ontario.
P7C 4W3

Dear Mr. Carter,

I understand that Great Lakes Forest Products Limited has now reached a critical stage in its negotiations with the Reed group of companies concerning purchase by Great Lakes of the assets and undertaking of the Dryden complex of Reed Ltd.

I am aware from earlier discussions with you of your concern over potential liabilities for environmental damages caused by Reed Ltd. in the Dryden area prior to its purchase by Great Lakes. I further understand that the Reed group of companies and Great Lakes are willing to assume, on an equal basis, responsibility, up to a maximum of \$15 million, for any environmental damages attributable to the operations of Reed Ltd. or any of its predecessor companies in the Dryden area prior to this acquisition by Great Lakes.

The continued viability of the Dryden facilities and the undertaking of major modernization expenditures with respect to them are of considerable importance to the people of this Province. The substantial and beneficial employment and economic effects that the operation of a modernized facility will have on the population and economy of Dryden is of real significance.

In the event that Great Lakes negotiations with the Reed group of companies are successful then in the event that Great Lakes is required to pay any monies as a result of any final decision of a court against Great Lakes, Reed Ltd. or any other person prior to

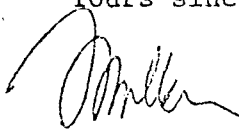
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Mr. C.J. Carter

November 6, 1979.

the year 2010 in respect of pollution caused by Reed Ltd. or any of its predecessor companies in the Dryden area prior to the date upon which Great Lakes acquires the assets and undertaking of the Dryden complex of Reed Ltd. or in the event that any settlement with any claimant is made the amount of which settlement has been approved by the Attorney General of Ontario, I have been authorized by the Executive Council of Ontario to advise you that I will make a Recommendation to the Executive Council of Ontario that the Government of Ontario take effective steps to ensure that Great Lakes Forest Products Limited will not be required to pay any monies in excess of the maximum amount of \$15 million referred to in paragraph 2 of this letter, provided that over the next three to four years Great Lakes expends in the order of \$200 million for the modernization and expansion of the Dryden facilities.

Yours sincerely,



Frank S. Miller
Treasurer of Ontario

 Great Lakes
Forest Products
Limited

Box 430
Thunder Bay
Ontario
P7C 4W3

MESSAGE TO DRYDEN EMPLOYEES

It was announced today that Great Lakes Forest Products has agreed to purchase the assets of the Dryden operations of Reed. We are all aware of the various rumours that have been circulating for some time. I believe you all know what Great Lakes stands for and here are the facts of our plans for Dryden.

It is our intention to rebuild the production facilities at Dryden to be as modern and up-to-date as possible thus ensuring the future of the operation with its resulting beneficial effect on the community itself. We will be spending a minimum of \$200 million to accomplish this task. The expenditures will be made over a three to four year period and it is our intention to run as many of the existing facilities as possible in the interim. When we are finished we intend to have in Dryden a complex similar to our own in Thunder Bay which you are no doubt aware is one of the finest in the country.

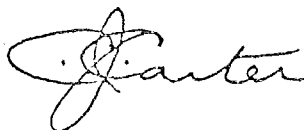
In accomplishing these tasks we are committed to an environmental programme which certainly will meet current standards and will take a positive approach to the matter of secondary treatment which has been the focus of much public debate.

Our intention is to modernize and expand the kraft operation to provide a fully-bleached market pulp mill having an annual capacity of 225,000 metric tons. In order to do this, at the appropriate time, the pulp currently required for the fine paper operations will be diverted into this production stream. Consequently, it will be necessary for us to phase out the fine paper operations in a reasonable and practicable manner so as to minimize any disruption or hardship to present employees. We need time to study this matter in full detail before we can determine how it is to be handled but rest assured such study will be done in co-operation with employee representatives and groups so that they will be able to have input into the ultimate decision.

While we could talk at length about the tremendous amounts of money involved, I believe it is sufficient when we say that this capital programme will exceed \$200 million and I think we all know the long-term economic benefits for the Dryden community. In the short term, without being too specific, in all probability \$40 to \$50 million will be spent in North-western Ontario, much of it in the Dryden area, for goods and services including wages for construction workers and skilled tradesmen.

In addition, we are actively considering the installation in Dryden of a modern high-speed newsprint machine capable of producing 175,000 metric tons of newsprint per year. We anticipate that the final decision on this matter will be reached in the very near future and, if it proves to be positive, will result in the creation of approximately 400 jobs with a minimum of 125 in the mill and 275 to 300 in the woods to cut the additional pulpwood required.

We at Great Lakes look forward to this new association with great expectations. We are committed to putting in place a modern pulp and paper producing complex that will be viable many years from now thus giving job security and stability to all the families associated with us. We realize that this is a tremendous undertaking and ask for your co-operation and assistance in order to make it possible. At the same time we pledge to you our support and understanding and look forward to all of us going forward together into a much brighter future.



Charles J. Carter
Chairman and President

November 6, 1979