

Lavallet explains K-C mill problems to committee

A transcript of the Ontario Standing Committee on Resources Development meeting on June 23 with the president of Kimberly-Clark of Canada, Jack L. Lavallet, was released to the News this week by Gilles Pouliot, Committee member and MPP for the Lake Nipigon riding.

In the transcript, Lavallet confirmed that an approved plan of action for the company's pulp mill in Terrace Bay, will be in the hands of K-C's Chairman of the Board and Chief Executive Officer, Darwin E. Smith, before the end of this year.

He added, though, that "whether our plan is accepted and put into effect by

the end of the year has to be his decision." He also said such a plan could include any number of alternatives which are now being considered.

"Some of these (alternatives) are very simple and straightforward and some are very complex," Lavallet explained. "I am still developing the plan of action myself with a limited number of deputies...the date for its implementation has not been set, though we are closer to it than we were on May 3."

Smith came to Terrace Bay himself on that date, May 3, to address the mill employees. At that time he said something must be done because the complex has been running at a loss.

"When we have a decision in whole or in part that is approved by Mr. Smith, we will share it and get whatever help we can or need from the government, provincial or federal, at that time," Lavallet added.

One possibility would be to sell part of the operations or the whole mill, he admitted to the Committee, adding that "the worst case scenario" would be a complete shutdown.

Pouliot asked Lavallet if he is optimistic, and the K-C President replied "I personally have to be optimistic that we will find (a) combination of things and effect them so that Terrace Bay will be a viable enterprise...That is my job and the reason I am here."

Lavallet was also asked to whom he will go if he and Smith decide to reduce the company's work force in northwestern Ontario in the future.

He replied he would first inform the K-C employees. "Then the government, and ultimately, probably the media. I am sure we would want to get some facts in the papers. There is enough speculation."

"They have been good to you," one of the Committee members reminded

him. "The duty is to return the favour."

The workers at the K-C plant were then mentioned at the meeting, and Lavallet was asked how those employees can help themselves in this situation.

"First, by continuing to produced quality, low or minimal cost tonnage at the mill while decisions are being made," Lavallet responded, adding that the workers should also be prepared to discuss the elements of any future plan plus any cost-saving ideas and changes that may be necessary in daily operations at the mill.

"We have a need for corporate profitability, for a return on invested assets at the mill that applies to every unit in the corporation," Lavallet told the Committee. "I have some very specific goals for return on the \$400 million

worth of machinery that is sitting there...we are looking for a percentage return on the assets the corporation has invested."

He pointed out that a number of cost-cutting efforts were made last year, along with the solicitation of ideas from employees at the mill, but it was not enough and the operation continues to lose "many millions of dollars."

"We notice that pulp prices are firming up," Pouliot told Lavallet. "The prices are somewhat better than they were at this time last year."

"If we were to graph pulp prices as compared with rates of inflation on everything else during the last several years, pulp pricing is very far behind," Lavallet replied. "We are projected to lose \$28 million this year. It will not be a plus number because of

any pulp increases we saw at April 1."

Lavallet said that these projected losses were the main reason behind the recent decision by Smith to come up with a plan for some changes at the mill before the end of 1986.

"One assumes that (you) have a plan of attack or options or alternatives in mind," Pouliot explained. "Could you perhaps illustrate in what direction, if any, you plan of options is directed?"

Though a few obvious possibilities were discussed, Lavallet told Pouliot that "I am not at liberty to share all the alternatives we are considering." He did add that Smith has committed to the company stockholders that "something has to change, all the way through...closing all or part of the business. We cannot continue to run an

unprofitable business at Terrace Bay."

Lavallet did add later that the key word is not necessarily "profit."

"It has to be profitable at market pulp price," he said. "That is not break-even, incidentally. The profitability is not better than break-even."

He stressed, though, that any decisions must originate from within the company itself.

"Our corporate position, and my personal position, still is that we must make a business decision and it must be a business-driven decision," he said. "Then we will involve as many people as are necessary for help."

As company President in Canada, Lavallet works out of an office located in Terrace Bay. Pouliot is the MPP for Terrace Bay.



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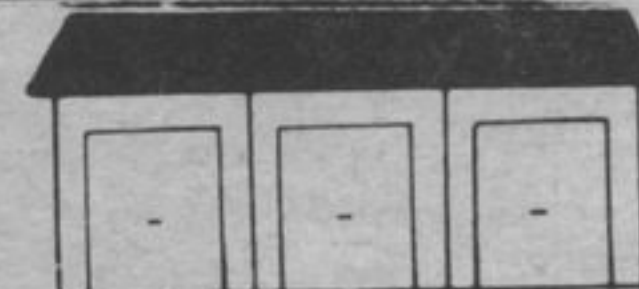
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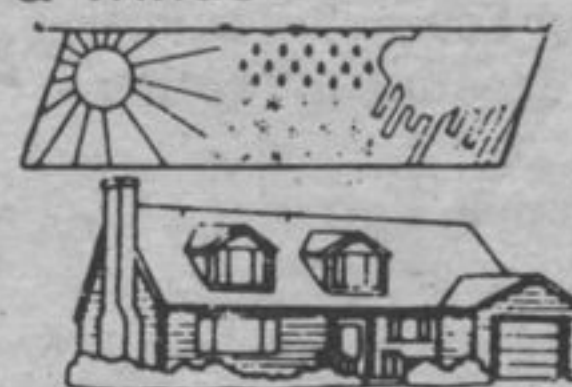
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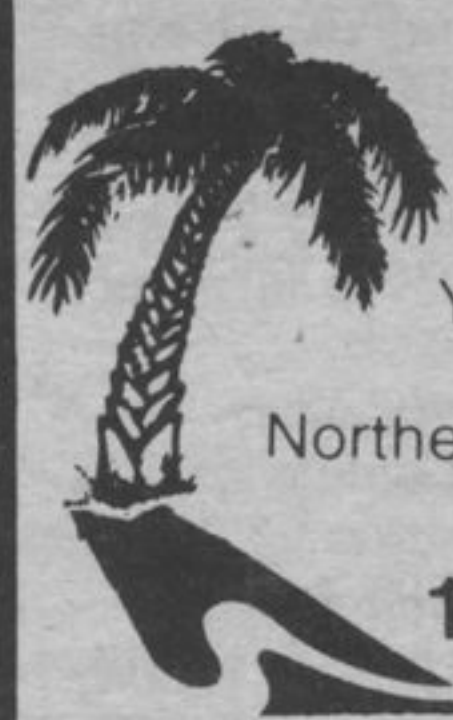
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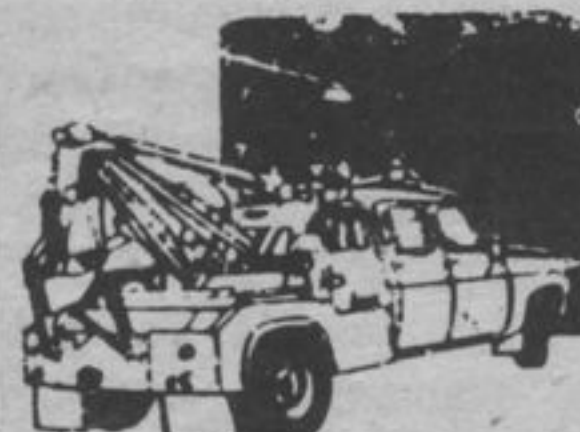
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