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PAUL K. McCANN

Dear Dean Albright:

My health has permitted me to spend time "cleaning up" a draft of the material on Great Northern Paper Company which you kindly accepted in 1992 for the special collections of the Folger Library. A new draft is enclosed which isn't error free, but certainly is a vast improvement on the version I rushed to complete when the cancer news first shocked me.

Thank you for your patience.

Best wishes for 1993 to you and your associates.

Paul K. McCann

P. O. Box 138, Surry, Maine, 04684

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January 10, 1993

Forward

The chapters which follow tell of events in the history of Great Northern Paper Company in the 1970s and 1980s.

Two former company presidents were among those who suggested that I should undertake the writing of this material, because I supervised the editing and publishing of an abridged history of the company's first 70 years. In addition, my files contained copies of a weekly newsletter for senior management which I, for the most part, wrote.

When I discovered my health was deteriorating in the spring and summer of 1992, it seemed appropriate to get as much of the project completed as possible and offer copies to libraries which contained other material on the company's history.

Great Northern Paper has been revived as an operating arm of Bowater, Inc., which purchased the land and facilities once owned by the Maine company from the Georgia-Pacific Corporation. This text covers the years prior to the GP takeover of Great Northern Nekoosa Corporation, parent company GNP.

This text isn't the same scope as John E. McLeod's original history of the company, or the published version edited by W.C. Lanzettel which was widely distributed. I have only covered the highlights of events of some two decades. In order to permit this text to stand alone for readers in the event of publication, I included a brief summary of the company's early years.

I regret errors of fact. Please remember I was always at heart a journalist, not a technical writer, and that influenced my approach to writing, as well as my shortcomings in dealing with some subjects. Further, I am sure my opinions will not be shared by all. I have intended no disrespect to any person in my recollections and apologize for omissions or misinterpretations.

I hope this manuscript will be of value to those with an interest in a company which was truly a industrial giant in this state's history. All of us who had the privilege to share in Great Northern Papers ups and downs in the seventies and eighties share, I believe, the hope that what's left of the company will again achieve great success with all of the benefits for Maine people provided in years past.

I thank those who have helped me with the fact finding, tolerated my questions and corrected some of my errors.

Paul K. McCann

Surry

June, 1992

Chapter Table of Contents

- i. In the Beginning: Biggest Mill in World Lonely Farm On Penobscot the “Perfect Site”
- ii. While GNN Grew and Prospered, Not so GNP; It Was All Down Hill After Years of Stagnation
- iii. After 70 Years, Modernization Means a Long, Long, Long Learning Curve
- iv. Diversification with the Pinkham Acquisition; Kraft and Waferboard Mills Proposals fail
- v. Energy Crisis of 1973; Closing the Mills? Next? Conservation? Coal? Wood? Hydro?
- vi. Great Northern’s Two Million Acres; Challenge of Protecting the Resource
- vii. Woodlands: A Company Within a Company; From River Drives to Intensive Management
- viii. The Spruce Budworm: Out of the Problem Came a New Era of Forest Management
- ix. GNP Became Center of National Attention; Indians “Frightened” Great Northern Nekoosa
- x. A Sales Strategy for the Millinocket Mill; Prolonging the Life of the Old Paper Machines
- xi. “Friendly Strike” Shatters Traditions; Things Were Never the Same Again
- xii. Of Many Things: Ospreys turn Bombers; The Strike that Wasn’t A Strike
- xiii. Big A: It Was an Uphill Battle; A Setback Fatal for the Company
- xiv. Finally, Modernization Wins GNN Funds; Millions for the East Millinocket Mill
- xv. 1400 Jobs to Go with a Goal of Smaller More Efficient, More Competitive Company
- xvi. After Years of Studies, Millinocket Project Wins GNN Approval With a German Partner
- xvii. Final Chapter in the Company History? Georgia Pacific Acquires GNN

CHAPTER I

In the Beginning: Biggest Mill! Schenck Turns Mullen's idea Into Reality

Papermaking in Maine began in 1731 in Falmouth and the industry was well established by 1897 when the first steps took place leading to the creation of Great Northern paper Company. That year the Legislature chartered a corporation to develop the water power potential of the Penobscot Rivers West Branch, flowing through what today is the community of Millinocket.

"Great Northern was organized to take advantage of a mill site in Maine that was perfection personified for a papermaker," wrote one of the last Bangor "captains of industry." Curtis M. Hutchins, owner of Dead River Company, was the author of a company history published in 1973. Hutchins' writings provided a rare insight into the early days of a company which became the giant of the paper industry in Maine. P

"The guiding force behind Great Northern was Garrett Schenck, its president, and, with the nineteenth century drawing to a close, Schenck was still looking for a solution to a problem that would plague him again and again in the early years of Great Northern. It was money, or more specifically, a lack of money. In this case wherewithal was no more than a fraction of what was needed. Eventually his search for capital led him to Oliver H. Payne of New York. Payne was a man of wealth and so was his brother-in-law, William C. Whitney, then Grover Cleveland's Secretary of the Navy.

"Of no less importance to Schenck, neither was stranger to the pulp and paper business. In 1890, Payne and Whitney had been among those who created the Manufacturing Investment Company which proposed to build a string of pulp mills that would use a German chemical pulping process with the improbable name of "Mitscherlich." A 50 ton mill was built on the Kennebec at Madison; another at Appleton, Wisconsin. Since neither ever made any money; Appleton was the end of the line.

"In 1898, the Madison mill was in receivership and Payne was looking for a way to recover some of what his and Whitney's loss in Manufacturing Investment. He found it in Garrett Schenck. Payne agreed to find the money to build a paper mill in the Indian Township No. 3 if Schenck would agree to take over the Madison mill and make it part of Great Northern. When Schenck - with little in the way of an

alternative – said yes, Payne bought the Madison mill at a receivers sale and sold it to Schenck for stock in Great Northern.

“Thus, in 1898, the owner of a mill he didn’t want, could start constructing a mill he did want. It was built on a lonely farm not far from the recently completed main line of the Bangor and Aroostook Railroad, and the town Great Northern built to house its working force was named Millinocket after a stream that carried off the discharge water of the mills hydraulic turbines.

“Busy though Schenck must have been with his project at Millinocket, he still found time to do something about Madison. He put in two paper machines and the facilities required to produce groundwood, and in November, 1899, Madison turned out its first roll of newsprint. Just one year later, on November 9, 1900, newsprint came off the machines in Millinocket.

“In 1906, the insatiable Schenck was building still another mill, this one a few miles down the Penobscot from the Millinocket mill. Once again a town was needed and built. Its name was no triumph of imagination, Great Northern called it East Millinocket.

Hutchins’ father, founder of Dead River, was a partner in the firm that supplied the Millinocket and East Millinocket mills with coal. When Schenck ran short of money and needed help in protecting Great Northern’s timber base, Dead River got into business of managing timberlands. Having withdrawn from the forest products industry, Dead River is best known as a leading supplier of gas and oil in Maine.

The Hutchins’ history, which associates say he personally wrote, provides a glimpse of Great Northern’s beginnings from the viewpoint of a man who grew up in the business as the paper company developed.

The site of the Millinocket mill was identified by a Greenbush native, the engineer Charles Mullen, who was running a main line survey in 1891 for the Bangor and Aroostook Railroad. His enthusiasm reflected the energy potential of a site with tremendous fall of water, a railroad and vast stand of timber.

But Great Northern was actually born when Schenck entered the picture. After learning the paper business from the ground up, he focused on Maine because of abundant raw material. He managed an Orono company before building a giant mill at Rumford. His personality and abilities were to mold Great Northern for years to come.

While the company's first products came from Madison, it was in Millinocket that the company staked out a claim to fame.

On November 1, 1900, the first paper came off a machine in a mill which had been rushed to completion in a massive construction project involving as many as 1500 workers. The bulk of the construction took place in winter of 1900 with Chief Engineer Hardy S. Ferguson in charge of the spectacular undertaking.

So spectacular, in fact, that special trains brought sightseers to the scene. Not only did they see a mill taking shape, they also saw the birth of the town of Millinocket. A backwoods farm with a few people became the "Magic City" surrounding a 250-ton-a-day paper mill.

"But no man...can realize what an enormous industrial establishment this is unless he goes to Millinocket and sees it," reported a magazine writer.

The "head" of water on the West Branch which has attracted Mullen's attention now dropped 114 feet from a dam into a new mill.

From some 250,000 acres acquired by the company in its infancy, Great Northern's holding increase to over 2,100,000. From these and other lands, the trees were cut which were sent down the West Branch and by railroad from areas to the north to become the pulp for papermaking.

While the woodlands base of the company was expanded over a period of years. Schenck is credited with moving quickly to expand papermaking facilities. In 1906 a second newsprint mill was completed at East Millinocket with a companion hydroelectric development.

The company added paper machines and speeded up others to increase production while building a tradition of success which lasted for years.

Great Northern's paper machines were the first in the industry to make paper at a speed of 1,000 feet a minute.

For years, 1904 was remembered as the only red ink year in company history.

When the company broke a tradition of secrecy and issued a one-page balance sheet in 1931, the Bangor Daily News commented in an editorial that the summary told a story "unequalled even in fiction. This industry, the Great Northern Paper Company, still in its infancy, means more to people of Bangor and Eastern and Northern Maine than the average human intellect can comprehend."

The company's aggressive pricing policy made it a giant in the business. In 1938, Time Magazine reported "many publishers in recent years have contracted for their newsprint on the condition it (the price) not be above that asked by Great Northern. What Great Northern's competitors regard as its inexcusable policy of price cutting has worked out well for Great Northern..."

In his history, McLeod wrote that Schenck died in 1927, "he had done what he set out to do...he had built an organization. It was not perfect, being made up of human beings, but each of these, every one, each in his own way, and in his own place, was completely devoted to the welfare of the company and utterly determined to produce what was asked of him. It was unique."

CHAPTER II

While GNN grew and Prospered, Not So GNP; It Was All Down Hill After Years of Stagnation

For a half century, GNP grew and prospered within the structure of the company as created by Schenck.

When directors went outside of the organization to hire a president in 1951, they selected a man with a reputation as a builder in the paper industry. Manual C. McDonald became the fourth president of GNP and immediately went to work planning the expansion and modernization of the East Millinocket mill.

Two machines designed to be the widest, fastest and most efficient producers of newsprint in the United States were installed. They were like nothing any Great Northern Paper man had seen. The project was completed in the mid-fifties.

McDonald next turned to the Millinocket mill where he had the goal of converting old newsprint machines to making other grades of paper. The company targeted the magazine and catalog fields. A coater was installed in addition to the Millinocket mill.

McDonald's successor was Peter S. Paine who was convinced that GNP needed to expand into the south. Any one who has an acquaintance with people in the paper industry has heard about the many advantages of the region. Trees grow faster and contain more fiber than those grown in the northeast. There was strong perception of a better business climate with lower construction and operating costs. Labor unions were less militant. State governments in the south were actively recruiting industries, offering a slash regulatory red tape.

GNP found a partner in the Great Southern Land & Paper Company which was building a linerboard mill in Cedar Springs, Georgia, a little town on the border of Alabama and not far north of Florida line. Talent from Maine went south to help with the construction. In 1963 GNP became a sole owner. The mill was quickly expanded and eventually became one of the biggest in the business, as well as the most efficient in the 1980's.

Nekoosa-Edwards Paper Company with the roots to be traced back to the first sawmill in Wisconsin, also had a southern strategy and was building a paper mill in Ashdown, Arkansas. In Wisconsin, Nekoosa-Edwards' mills had converted successfully from newsprint to business papers.

In 1970, the two companies merged.

The original Maine corporation created in 1897 became Great Northern Nekoosa Corporation. Decentralization under Paine's successor Sam Casey saw GNN split into three operating branches, Great Northern in Maine, Great Southern in Georgia and Nekoosa Papers in Arkansas and Wisconsin. Technically, Nekoosa Papers was a subsidiary.

After merging, GNN made the installation of an eleventh paper machine in Millinocket mill a priority, but after that the corporation's major projects were in Ashdown and Cedar Springs mills, and later in Mississippi.

First the Ashdown mill was expanded with a second paper machine added.

Next, in several increments over the years, the machines at Cedar Springs were modernized and production increased. In the eighties, a kraft pulp mill was built in New Augusta, Mississippi, and in one stroke GNN was established in the pulp sales field. Even during an economic downturn, construction continued in Mississippi. Budgets were reduced in Maine, and elsewhere in GNN, to find construction funds for the new mill. Leaf River Forest Products became the fourth operating company of GNN, a 95-5 partnership with a Finnish Corporation, which had owned the sawmill on the site.

The Leaf River project was the high spot of Robert Hellendale's years as a GNN chairman. Hellendale had succeeded Casey, another corporate lawyer, who had risen to the top via the Nekoosa route. Hellendale's choice as a successor Peter F. Yacavone had to step aside for reasons of health. William Laidig, an engineer who started with Nekoosa in Wisconsin, went on to play a leading role in the Arkansas expansion, and moved from there to Georgia where he became president of Great Southern Paper, came north to fill the top job.

Butler Paper Company, acquired in the 60s by Nekoosa, rapidly developed into one of the largest paper distributors in the country, as one company after another was purchased. Eventually, Butler was split from Nekoosa Papers and became a fifth operating company.

Finally, Great Northern Paper successfully bid for GNN funds for a major modernization and a \$155 million was approved for rebuilding the two newsprint machines installed a half century before at East Millinocket. This good news was followed by a shocking development.

In 1987, plans to eliminate 1,200 jobs were announced in a restructuring designed to improve the Great Northern paper's earnings. The company promised all possible help for laid off employees, and help for mill towns to make the adjustment.

GNN continued authorizing funds for the modernization of the newsprint mill as the reductions in the labor force continued.

In the same year, GNN bid \$1.15 billion to acquire the Forest Products Company of Owens-Illinois with the mills in Georgia, Virginia and Wisconsin. The annual capacity of the three mills of over 1.1 million tons was added to approximately the same capacity in Cedar Springs. Re-named Nekoosa Packaging, the acquired company became the sixth operating division of GNN.

In 1989, plans were announced to spend half a billion dollars to make Ashdown mill the largest facility of its type in the world by mid-1991.

But the future of the Millinocket mill remained in limbo with Laidig conceding the fact in the 1988 annual report. Finally, after rejecting more than one proposals from GNP, an answer satisfactory to GNN's management was found, but only when a new partner was found in West Germany. Plans for an entirely new mill were announced. Top people in Great Northern say the partnership proposal was a little different from the original proposal they made months before.

What was left of the company in Millinocket, the old mill, was another matter and had a future of all of its own, or at least that was what newspaper readers were led to believe. Confusion was widespread. Plans for a new mill had not answered the many questions surrounding the future of the Millinocket.

For Great Northern Paper, the eighties ended with a company which was money maker for its first 50 years, a loser month after month. Once the largest single employer among operating companies within GNN, it was now fourth. Once the operating company with the most production capacity in GNN, it was now fourth.

In early 1990, Georgia-Pacific absorbed GNN and GNP after a take-over battle in which the future of the Maine mills was a major issue, because GNN was chartered in this state. GP agreed not to sell its new Northern Paper Division for at least two years and pledged to study ways to modernize the Millinocket mill.

CHAPTER III

After 70 Years, Modernization Means A Long, Long, Long Learning Curve

Making paper for commercial markets requires machines, big machines!

When the Millinocket mill went into operation, the eight machines in the world's largest newsprint mill each had a "wire" the endless, woven mesh belt on which the paper sheet was formed, which was 70 feet long and 152 inches wide and lay flat.

There was more of the same when the East Millinocket mill went on line in 1907.

Great Northern Paper historian John McLeod said that by the late 1920s and early 1930s "new Canadian plants were, for the most part, turning out paper on high-speed machines half again as wide as any of GNP's 16, eleven of which were somewhat modernized vintaged1900."

Plans were junked by a company president in the 1940s for machines of 234 inches in width in favor of new narrow machines, which meant more of the same.

So when in the 1950s the first of two new machines were added in East Millinocket, McLeod, an old pro, said "...it was nothing like any Great Northern man had seen.

"It was 375 feet long with a wire 137 feet long and the sheet was removed from the wire full width by a pick-up felt. There were 54 dryers, each 60 inches in diameter, in three sections and an open-sided, 10-roll colander stack, different from older styles in that a roll could be pulled out without tearing down the whole stack.

"This machine was designed to be the widest, fastest and most efficient newsprint machines in the United States. It was expected to turn out from 200 to 250 tons a day." The machine and a second installed in the mill had speeds of up to 2500 feet a minute.

With two machines, the East Millinocket mill had a total of six and a capacity of approximately 1000 tons of newsprint a day. And the small machines were modernized, in some cases, to improve quality of product.

But it wasn't until 1972 that a modern machine was installed in the Millinocket mill. An investment of 50 million by a newly created GNN was made in a so-called verta-former with a trim of 297 inches (compare that with the other machines in the mills which were from 140 to 148 inches wide.) The chief advantage of such a machine was significant: quality on both sides of the paper virtually identical. While fourdrinier machines produced paper with different textures on either side of the sheet, a result of one-sided water removal in the papermaking process, the texture of the verta-former was much more uniform. The process was a better assurance of uniformity, sales literature would tell customers.

"Ultra 11" as it was named was designed to produce lightweight paper for telephone directories and mail order catalogs. But from the beginning, the machine was a headache for papermakers charged with starting it up. The problems were many, more than one expects even in the paper industry where long periods of agony for all those involved is frequently experienced before the ecstasy of profits. Some management people, worn out trying to make No. 11 live up to expectations, were moved to other jobs. A top manufacturing man moved on to another job (a better one, it turned out.) with another company. But the papermakers in the mill, the researchers who backed up the mill team, and others in the company, "hung in there" and were around to see the machine become immensely profitable. They rebuilt many elements of the paper machines, step-by-step, at a cost of millions of dollars.

When it was all over, Great Northern had a very competitive product, one which salesmen attracted customers by reputation. The late Bill Cozens, while vice president for sales said the directory paper of No. 11 had such favorable reputation that it could be sold any where in the world. Telephone companies in Indonesia, Australia, countries of Latin America as well as most U.S. companies publishing directories bought the Millinocket product.

When GNP was trying to remain a major supplier of newsprint in the northeast regional newsprint market and Gannett's new national daily U.S. Today became a standard for printing excellence because of its use of color, it was paper from No. 11 which enabled Great Northern to hold onto market share. Gannett accepted as satisfactory newsprint made No. 11 until the rebuild of the two wide machines in East Millinocket was completed.

When No. 11 was installed, a primary clarifier was added in Millinocket to treat discharges from the mill to the Penobscot. The state was engaged in a massive cleanup of pollution in the States Rivers which climaxed in September of 1976. In

Maine, the paper Industry spent 110 million on pollution abatement facilities, 30 million by Great Northern.

The 5.5 clarifier in Millinocket was a huge concrete vessel in which the suspended solids that are heavier than water settle out and were pumped away. A 40-acre secondary lagoon was added in which soluble solids were removed before the water was returned to the river. A clarifier went on line at East Millinocket in 1974 followed by a secondary system. Secondary sludge was hauled to a landfill at Dolby.

So while the company didn't add new production facilities during this period, engineers were busy with construction and start-up of the pollution abatement plants. The towns of East Millinocket and Millinocket cooperated with a company by approving tax free bond issues for the project involved. Other communities and companies elsewhere followed the same financing route to save dollars.

For years, visitors to the Millinocket mill were treated to a look at No. 11 in its huge, modern facility with adjacent computer room, training facilities and offices. This was Great Northern at Its best.

So also, visitors were told, was the sulfite recovery system which the company had installed before No. 11 project. It was decisive move in GNP's history because management decided to stick with the sulfite process, instead of converting to Kraft as did other Maine mills. Those involved said that sulfite pulps provide the strength and other qualities preferred for newsprint and groundwood printing papers. The sulfite recovery system won national attention because waste which previously had been a water pollution problem was burned to generate electricity. The sulfite recovery system with its stack towered over the mill.

There was another spark of newness in the sprawling old mill. At the same time an 200 million investment in the Ashdown mill was approved, 13 million was allocated to rebuild No. 10 paper machine. A gate roll coater was added to allow production of 45000 ton a year of Baxter Text, billed as a low cost alternative to free sheet in the printing of magazines and hard and soft cover books. It was a good investment, according to the sales department, paying off quickly at the anticipated rate of return.

At one time or another in the decade before the restructuring started, a few million was spent om almost all of the small machines.

In the 1980s one plan which got serious consideration was a proposal to rebuild the Millinocket mill with three of the rebuilt machines, the off-machine coater and No. 11 as the core of the business, while awaiting installation of one or two new machines. But the idea took second place to the final company proposal to add a new machine which would, with completely rebuilt No.11 (now 20 years old) constitute the sole papermaking units in the Millinocket mill of the future. The two would produce 60 percent as much paper as was made with ten machines in the 1970s with a few hundred workers, instead of a thousand or more.

All of these proposals were contingent on huge investments by GNN to modernize the pulp mill. The papermakers had to have a quality pulp with brightness and strength necessary for high-speed printing on the printing presses of today. Many people believed that researchers in Millinocket had found a way to provide a sulfite pulp which could provide furnish for papers which could compete in the marketplace.

CHAPTER IV

Diversification: Pinkham Acquisition, "No" on Kraft Pulp and Linerboard Mills

Tom Pinkham was equated with Paul Bunyon in Aroostook County. He was big and tough, yet charitable and very human, and best of all a success in a business where a few made the grade. From logging contractor to mill operator, he moved up in the world and finally sold his Skerry Siding complex in Nashville Plantation (just north of Ashland) to Great Northern Nekoosa Corporation. Pinkham Lumber became a division of Great Northern Paper.

Soon the Pinkham mystique acquired a new dimension as word spread that hero of Aroostook or the "bush" as he used to say, had become the largest individual owner of GNN stock as a result of the mill sale.

Pinkham had dreams and he needed to flow of GNN cash to make them become reality.

His "old mill" became one of two in the largest sawmill operation in the northeast and the "new" mill tripled production of spruce and fir lumber. This was the product that Pinkham and others in the Maine lumber business had worked long and hard to promote in eastern markets. They were convinced that eastern spruce and fir could equate with the western imports which so long had dominated the picture.

When an open house was held for three days to celebrate the expansion, Tom Pinkham was joined by the president of GNP in celebrating. Pinkham, used to associating with those in the woodlands department of the company, now found himself dealing with managers in all departments. He was a hero to the pulp and paper mill managers because of the high quality of the chips shipped to Millinocket for pulp production.

Once the Pinkham mills' profits for a month exceeded those of both the Millinocket and East Millinocket mills during a paper industry recession of the early 1970s.

But that was the expectation. Most of the time the Pinkham mills struggled to make money in depressed housing markets. And once Pinkham became part of GNP, the employees were unionized. Labor costs went up. So did the cost of raw material, in part because of higher costs but increasingly because of gradual

tightening of the market in The County Landowners wanted to stretch out their cash flow as the spruce budworm salvage came to an end with inventories of merchandisable stands depleted.

When the so-called Nader report was issued in the early 1970s, the companies operating in Maine were criticized for diverting high quality timber into pulp. (And the writer was labeled the industry's "minister of misinformation" in the public relations battle which followed publication of the report. The report was a source of controversy for a few years but most analysts considered the contents of the report out of date before it was published.) And all during the seventies and eighties, those same companies were criticized for selling sawlogs into Canada which could have been used in Maine if markets had existed. The Pinkham expansion was a dramatic answer to the criticism from GNP.

But when other proposals to use species of wood abundant in the forests of northern Maine, Great Northern Nekoosa backed off from making the major investments. The Pinkham expansion involved \$10 or \$15 million, the others would have been more substantial.

A study of the potential for a kraft pulp mill early in the 1970s died at the company level. It just wasn't feasible in the company management's opinion to ask GNN for funds to build a new kraft mill at Dolby deadwater when the product from such a mill couldn't compete in the off-shore markets with pulp from older mills build with less expensive dollars. The abundant hardwoods (hundreds of thousands of cords) on company lands would have been the mill's raw material. The project involved hundreds of millions of dollars.

Another kraft mill was being expanded by GNN in Arkansas where the end product had a much higher return on investment because of domestic demand for business papers. The same people evaluated the two projects. Separately, they agreed one was a loser, the other a moneymaker. That was the way it was in FNN, most of the time. Governor James Longley asked for an explanation of why Arkansas was preferred to Maine and got the facts from Hellendale, ranging from wood markets to workers compensation.

And in 1978 despite a rosy forecast for earnings, the GNN board of directors refused to approve the construction of a waterboard (a low cost substitute for plywood) mill at East Millinocket. GNN already was in the lumber products business in other divisions but in this case the reason for the refusal was that the corporation wanted to continue doing what it knew best, make paper. Only \$3-

million was involved and accountants said the ROI (return on investment) was very high. The raw material would have been the poplar on company lands.

Later Louisiana-Pacific, with an ex-Great Northern employee plotting strategy, built a mill near Houlton which resembled the plan turned down by GNN. And the New Limerick mill was a big success! A second was built at Easton in Central Aroostook County by J. M. Huber.

The simmering opposition to diversification within GNN came to a head in the 1980s when the corporation made a decision to sell off all woods product operation not incorporated into the operation of operating companies. That meant a plywood mill in Georgia and a sawmill in Mississippi would be retained. Pinkham Lumber went on the block as did some lumber companies of the Nekoosa Papers' operation. A buyer was found for the mill in Nashville Plantation.

GNN was determined to the end to remain a paper company.

CHAPTER V

Energy crisis of '73: Closing the Mills? What Next? Conservation? Coal? Wood? Hydro?

The papermaking process is energy intensive. But the industry as a whole had been a pioneer in co-generation, making electricity from steam required in papermaking.

That was true of Great Northern Paper.

But there was one difference between GNP and most other papermakers. From the beginning, GNP was structured to take advantage of the opportunities to generate hydroelectricity on the West Branch of the Penobscot River. Most people believe the system was unique for an industry in this country. It was described in trade publications as the largest industrial hydropower system.

Included were six generating sites and 13 storage dams in the upper reaches of the watershed which covered over 2,000 square miles. The waters of the melting snows in North County were trapped and released from a system with a capacity to store 58 billion cubic feet to power the mills in Millinocket and East Millinocket.

Under average conditions (and there were very dry years), slightly over half of the two mills' electrical load of 160,000 kilowatts could be obtained from the 31 hydroelectric generators in the six stations.

While Great Northern generated power with waste from its sulfite pulping process and from mixing waste bark with oil in one not-so efficient boiler in Millinocket, the mills had to have oil to operate. The oil came from Searsport, twenty or thirty cars a day, via the Bangor & Aroostook. With Irving Oil, the company shared ownership of tanks in Searsport.

When K. C. Irving, the legendary industrial developer in New Brunswick, built an oil refinery on the shores of the Bay of Fundy east of St. John, Great Northern signed a contract to become a major customer.

When the Arab oil embargo of 1973 materialized, the Irving company found it couldn't deliver the usual shipments to Searsport because of a Canadian government ban on exports when supplies were tight in eastern Canada, or so it went with the official line from Ottawa.

In Millinocket, the countdown started as Great Northern measured supplies against operating needs. The Maine press and the nation's business press closely followed every development. When some industrial oil (No. 6) was located in southern Maine, a fleet of chartered trucks rumbled north providing a few days supply. Christmas was near at hand. Great Northern had to save enough oil to heat the mills in the winter months, if no more was forthcoming. And a decision was made quietly, and never announced, to put enough aside to meet the needs of the people in the mill towns.

With Edmund S. Muskie as Maine's senior senator, Maine had a bridge to Ottawa and the government of Premier Elliot Treadeau. The Irvings, ethical and honorable as always in business, put their considerable political clout behind the effort to reverse the boycott on exports.

Great Northern Nekoosa Chairman Sam Casey and his crisis team flew to Ottawa and knocked on doors, pleading their case. The Great Northern case was strong. There were hundreds of Canadian workers on the payroll. Canadian firms were major suppliers of goods and services. In addition, it soon became obvious that there was more to it than met the eye: reports of a slowdown in across-the-border deliveries by U. S. companies on the West Coast.

Within hours of the time when a decision on closing down the two mills had to be made, an Irving coastal tanker left St. John for Searsport. The Canadians had relented.

But that crisis left Great Northern, the financial community and most important of all, its customers (who had rallied to Great Northern's cause in effectively lobbying Congress to pressure the administration to call for a release of oil by the Canadians,) recognizing how vulnerable the mills were to an oil cut-off.

The company solution was to start developing a strategy for energy independence, at least that was the public relations and advertising theme.

There were four parts to the plan. If all were approved, the oil use in the mills would be reduced from 2.4 million barrels a year to 400,000.

A bark boiler was planned in East Millinocket which in the event of an oil shut-off would allow 60 per cent production, 600 tons a day.

In Millinocket, two 300,000 pounds-per-hour boilers would be converted to coal at a cost of \$80 million. Anthracite from West Virginia would be brought up the East

Coast to Searsport by barge and delivered by the Bangor & Aroostook. By using 200,000 tons of coal, 800,000 barrels of oil a year would be eliminated. The company president and a team of aides visited a coal mine. With support from Rob Gardiner of the Natural Resources Council of Maine, permits were obtained from project.

Construction of a 34,000 kilowatt hydroelectric generating station was studied, and construction put off.

The fourth part of the plan was aimed at energy conservation. But the GNN board of directors stunned management by putting off approval of the coal project at the last minute. And soon talk of \$90 a barrel oil vanished. The Millinocket mill had again failed to attract dollars.

Millions were allocated for the modernization of existing generating systems and storage facilities. A one-of-a-kind computer system was installed to maximize water flows. Throughout the company, energy conservation had a high priority. It became a full time job for highly skilled people. They were the motivators who kept the company's management on track as oil consumption was drastically cut.

The importance of the company's energy system had been recognized internally a decade before the energy crisis. A power systems manager had been designated who ranked on par with the managers of the two paper mills under the manager of manufacturing. The first was the studious Dick Hill, the second was the aggressive Paul Violette who ably filled the role of company spokesman on energy issues. That's one reason why he was selected for the job in the early 1970s.

And \$35 million, and it turned out to cost seven million dollars more, was quickly allocated for the bark burning boiler at the East Millinocket mill (and at the same time a hydropower project was put on hold).

The new boiler was designed to burn 1,400 tons of bark a day, replacing 413,000 barrels of oil with 460,000 tons of bark. The boiler, when integrated into the company power system serving both mills, would produce 300,000 pounds of high pressure steam every hour. A turbine then converts the steam to low pressure for use in the paper mill, enough for 60 per cent of its needs. The turbine also drives an electric generator.

The boiler was housed in a new building covering 10,000 square feet, 100 feet high. It was one of several buildings involved in a system for receiving, processing and storage bark. A \$2.4 million dust collection system was included.

Bark has a high water content and the boiler built in Ontario was designed to use bark containing up to 60 per cent water. While other mills had boilers designed to burn waste wood or bark, the East Millinocket facility was the biggest in Maine at the time specifically designed for bark burning.

Members of Congress, governors, legislators, businessmen and hundreds of others flocked to see the system which began operation in 1980. Others in Maine were burning wood waste and generating electricity to sell to utilities but Great Northern's project was an insurance policy for a mill and the 1,000 men and women employed there at the time.

At the time the bark boiler was added to the system, the two mills had seven other boilers. In one of the seven, sulfite liquor was the fuel. Bark and oil was mixed in another old boiler in Millinocket. How big was the company's power system? Engineers estimated Great Northern could have met the needs of a city the size of Nashville and the home of Grand Ole Opry had a population of 450,000 at the time. But there was another plus in a time of growing environmental awareness. Bark was a major waste problem and hundreds of thousands of tons of the stuff were buried near the two mills.

When the bark boiler was started up, it was one of many such investments in cogeneration and alternate fuels by power companies, many of which utilized federal tax incentives in financing projects. Nearly all Maine mills did so. Some ended up selling electricity to power companies at a higher rate designed to attract investment and buying it back at a lower rate. Scott Paper was a leader in this field. But GNN decided against getting involved in such projects when approached by Bangor Hydro-Electric Company. A proposal by Pinkham Lumber to install a generator and burn bark, selling the power to Maine Power Service and using the steam to dry lumber never won company approval. After being forced to shut down a "teepee" burner because of air pollution standards, the Pinkham mill shipped 50,000 tons of bark a year to East Millinocket.

Great Northern Paper emerged from the energy crisis with only the East Millinocket measuring us against the competition. But the progress over-all was important. From a peak of 2.4 million barrels a year, conservation programs and projects cut use by the company by over 300,000 barrels. The use of bark as a substitute fuel reduced consumption by over 400,000 barrels. And Great Northern Paper was left with a demand for 1,200,000 barrels of oil a year instead of 400,000 which had been the objective in the wake of the crisis.

CHAPTER VI

Great Northern's Two Million Acres: The Challenge of Protecting the Resource

Cutting rights in Baxter State Park ... road-building providing access to remote areas ... mechanical harvesting ... LURC (Land Use Regulation Commission) zoning of one out of three acres ... a federal Wild & Scenic study of the Penobscot ... the "Grand Plantation" scheme to organize the unorganized ... the Dickey-Lincoln dam proposal on the St. John ... managing recreation on the St. John. Spraying to control the spruce budworm ... clear-cutting ... the Appalachian Trail ... Indian land claims ... Canadian labor in the woods ... intensive forest management ... herbicides ...

One issue after another, sometimes concurrently, swirled around the ownership of the timberlands of Great Northern.

These lands were the source of much of the pulp for the mills in East Millinocket and Millinocket and the sawlogs for Pinkham Lumber, and raw material for other wood users, large and small.

Statewide public opinion polls in the 70s and early 80s showed most people were aware of Great Northern's ownership and the vast majority thought the company was a responsible manager. One poll, taken by New England Telephone, showed more people had positive feelings about the paper company than about L. L. Bean, the Freeport darling of the world catalog market.

Ten per cent of the State of Maine, over two million acres, was in Great Northern ownership. There were holdings north of Jackman in the Kennebec watershed, remaining from the days when the company owned several townships bordered Moosehead Lake. There was a million acres to north and west Millinocket of Millinocket in the West Branch watershed of the Penobscot River, as well as lands on the East Branch of the river. There were also hundreds of thousands of acres in Aroostook County. Some were near Houlton and Patten. More was intermingled with those of major owners of timberlands west of Ashland and Eagle Lake. There were other lands in far northern Maine the Fish River drainage of Northern Maine and elsewhere, managed out of a Fort Kent office.

The frequent flyers in GNP were reminded time and time again of the scope of the company's holdings when they flew from Millinocket to the Pinkham mill for meetings. For those and others, flights on one mission or another provided a

close-up look at the land Henry David Thoreau had first made famous. Despite years of logging and the toll of the latest spruce budworm outbreak, it was a magnificent sight. It was a place of peace and harmony. A majority of those in decision-making roles in the company were hunters, fishermen or had camps on leased land in the region.

In the early 1970s, the company was caught up in a controversy which made headlines across the state. Finally a compromise was reached when Great Northern was paid to give up cutting rights in Baxter State Park.

While park managers and company foresters on the scene have always tried to be friendly with those involved in managing the park, they found that others just didn't trust the industrial foresters. More and more the park managers turned on the company whenever they couldn't get their own way. Sometimes, it was deserved, as it was in the case of a company representative who threatened park people during negotiations over a lease. But generally speaking the company over time accepted its responsibilities as a neighbor of a significant Maine landmark.

But it wasn't easy. A Maine Times writer who had a good sense of northern Maine never would accept the fact that the company had no responsibility to create a buffer on company lands bordering the park. Yet company historian John McLeod said the company sold Governor Baxter lands to create a buffer around Mount Katahdin. And McLeod was the company contact with the Governor. There were other examples of the difficulties created when a wilderness park was carved out of an industrial forest not far from a mill town. When the Baxter Park Authority planned a new headquarters, Attorney General Jon Lund was very upset when the company suggested a location on the edge of town. We tried to make him understand the location the park wanted was earmarked in the community plan for business development. He insisted. Next door to a very appropriate Baxter Park center today is a McDonald's restaurant and a shopping center. The company found it possible to put the breaks on strip development of this type on the road outside of town leading to the park where the other site was located, but was already committed to business development in the area when Lund insisted the park headquarters be located.

A plan proposed to organize the vast unorganized territories of the state and take control away from the owners such as Great Northern was rejected in 1974. It was proposed by Harrison Richardson, a Republican seeking his party's nomination for Governor. Richardson had the support of others in the Republican

leadership, according to former Senate President Kenneth McLeod who made no secret of the fact he personally felt it was time for the state to exert itself because, in his view, the paper industry had been acting like they owned the public lots. Labeled the "Grand Plantation" scheme, Richardson's plan created an uproar which lasted for months. Richardson failed in his bid for the Blaine House but the debate revived long-term interest in the issue.

Perhaps the greatest test of company ownership was the Indian land claims controversy, an issue that commanded national attention and required White House action before a settlement acceptable to the Penobscot and Passamaquoddy tribes, the State of Maine, the federal government and landowners, large and small, including Great Northern was approved.

In 1978, independent Governor James Longley told the federal government the state wanted no part of proposals to designate the Penobscot's West Branch a part of the national Wild & Scenic Rivers System. Longley preferred action at the state level to federal involvement, according to the later Robert Haskell, president of Bangor Hydro-Electric Company, a man whose advice Longley sought. Haskell, a former Senate president who served several days as Governor, knew the woods and waters of the area and also had a command of the history of the watershed.

Several months after Longley rejected federal involvement, the company and the state agreed on 78-mile scenic easement ruling out development on company-owned lands on the upper West Branch, but leaving the way open for a hydroelectric project between Ripogenus dam and Abol falls.

The growing controversy over the state's public lots, a small share of each township in the millions of acres of the unorganized territory created the next crises for land managers. Great Northern held cutting rights on 90,000 such acres but as the issue emerged had exchanged titles with the state and reduce its holdings to some 27,000 when a court stunned distinguished attorney on both sides of the issue and said the state owned the rights, sold long ago. That led to another round of negotiations in which the company's objective was to get the state "out of its hair" and the state's goal was to get the best possible deal in consolidating the scattered lots for timber and recreation management.

With a mill in Millinocket and a magnificent park 20 miles away, it was to be expected that a bitter battle would erupt with regulators sought to impose pristine Class I air quality standards on the region. Nothing happened except a classic debate. As the years went by, the company reduced its emissions step by step.

And as the years passed, traffic over company roads increased with more and more vacationers seeking to enjoy the “wilderness” experience. Over 1,000 cars a day passed over the company bridge at Abol Falls on the West Branch, the chief entry way into the region from Millinocket. Hundreds more each day came north from Greenville through checkpoints at Sias Hill on the east side of Moosehead Lake, or 20-mile checkpoint on the west side. The increase in the flow of visitors to the region exceeded, percentage-wise, that of Acadia National Park, or any other single Maine attraction. It was out of hand.

For years the company maintained an open door policy, absorbing the cost of recreation in its woodlands management. But in the 1980s the costs became so great something had to change. It was during this period that those administering the woodlands department were also scrambling to find the funds necessary to pay for more intensive forest management.

A general of managers who had preferred to leave the problems associated with fees to others had passed. Great Northern announced it was studying the matter and after a prudent period imposed fees. It wasn't the first time fees had been collected in some areas but it was a dramatic change and triggered a debate.

From the beginning, managers of the woodlands department were aware their survival depended on one thing – providing the paper mills with an adequate supply of wood. But, for the most part, the men who headed up the department were strong men, determined to ensure the forest resource would be protected for their successors. And top management went along with their recommendations for growth plot surveys, nurseries, computers and lots of other things. Company presidents did so despite the fact that dollars spent on forestry yielded a better return in the southern United States. The department probably reached a peak in budget and resources in the early 1980s. After that, the department, like the company, was in turmoil.

CHAPTER VII

Woodlands – A Company Within a Company; From River Drives to Intensive Forestry

While controversy after controversy swirled around the forests of Great Northern Paper, the department responsible for management of the lands was undergoing a dramatic transition.

From the founding days of GNP, the independence of the woodlands department had been clearly established. "Baron Fred" Gilbert was, in the by-laws of the company, as Second Vice President, the general superintendent of timberland operations. His role was clearly spelled out because Schenck wanted to assure Gilbert full sway in the Spruce Wood Department, forerunner of woodlands.

Gilbert had a rough tongue but he knew how to handle men and his people at all levels were devoted to him, John McLeod wrote in his company history, continuing: "He developed the only true forestry organization in Maine; established conservation cutting practices, and set up forest fire prevention policies and fire fighting procedures." His successor was William Hilton who was born in Great Northern country in the little village at the head of Chesuncook Lake and came to be universally respected for his honesty and fairness.

The Seventies and the early Eighties were periods of dramatic transition in the department.

The chain of command was changing. John Maines retired as vice president of woodlands in the early 1970s. At the same time the chief wood buyer left to take another job. The two jobs were merged into one and Ralph W. Currier was hired away from Georgia-Pacific to become manager of woodlands. Currier, a quiet veteran of the business who started as a pulpwood buyer, had won respect in the industry for pioneering in the mechanical harvesting and intensive forest management field. But Great Northern was a house divided. There had been a Bangor forest management office and a Millinocket wood procurement office. Currier said he was told by a key man in his new department, "I'm used to working for a vice president, I don't know if you can do the job working under a mill man." Currier reported to the vice president for operations in Millinocket, Maines had reported to the president.

In addition to consolidating the staff of the department in Millinocket, Currier decentralized operations, putting day to day decisions in the hands of

superintendents of five districts. After a heart attack and a lengthy leave of absence, he retired. His successor was Robert F. Bartlett, the son of a woods camp foreman. Bartlett had progressed rapidly upward through the financial side of the business. When he moved back to Maine to support Carrier as assistant manager of woodlands, he left behind the position of company controller. He had worked with Hellendale in restricting the decentralized approach Casey wanted for the business. He was an "insider" at the corporate level.

During the years he served as management, woodlands regained its vitality. Bartlett defined needs and got the dollars to provide the resources to manage those needs.

During these years, the department advanced from the early stage of mechanical harvesting to the point where huge feller-harvesters were cutting and hauling to roadside ten cords of timber at one time. A loyal domestic labor force was put in place in the mechanical harvesting camps, men and women who rejected union affiliation and retained great flexibility and high productivity.

New multi-million dollar maintenance centers were built in Millinocket and Portage, gateways to the company's two road systems.

Safety programs resulted in the company winning national attention in a very hazardous business.

The returns were measured in these terms:

Productivity per scheduled man hour in company logging operations almost doubled between 1975 and 1981.

The company's heavy duty road network allowed trucks to haul safely twice the payload on public highways.

These trends could be traced back to the late Fifties and early Sixties when it was decided to haul tree length pulpwood from the Jo Mary Lake area south of Millinocket. For many years, loggers had cut the trees into four foot lengths before it was loaded on trucks. Now the trees were delimbed in the woods but slashed into four foot sections to fit pulpmill systems on the grounds of the mill. the bigger rigs required for hauling needed improved roads, forerunners of the company's modern system.

In 1961, the company started experimenting with mechanical harvesters in the Telos logging operation northwest of Millinocket. Telos was the first of the

modern logging camps and for years a showplace, even sporting the "Telos International Airport." The landing strip was a stretch of logging road widened out and improved to permit landings and takeoffs. The camp itself was composed of pre-fabricated buildings with two-man rooms and showers in the sleeping areas. A modern dining hall, a recreation hall, an office and a small garage completed the complex. Often 50 or 60 people were in the dining hall for a meal.

There were many frustrations along the road to success with the mechanical harvesters. A new labor force had to be trained. The first generation of machines, and some elements of the second, baffled mechanics at times when they were striving for improved operating rates. One day when we arrived at Telos guiding a trade association official from Washington on a tour, a haggard foreman, Jerry Powers, welcomed us with the news that all of the de-limbers were broken down. But the de-limbers designed in Sweden and manufactured in Canada, went on to become the key element in the second generation of equipment. Harvesters, skidders and de-limbers were the three components. Later the harvesting and skidding (hauling the trees to road side) functions were combined in a single machine, the so-called feller-transporter.

The development of mechanical harvesting systems followed the end of an era in logging history in Northern Maine. The last pulpwood drive on the Penobscot's West Branch took place in 1971. Opposition to this old practice had been building up among environmentalists and fishermen. They complained rivers were choked with woods for several months out of the year. The Legislature ordered all river driving ended by 1976 as a result of the controversy, which centered on the upper Kennebec.

Within Great Northern's management, the need for "fresher" wood had been under consideration for some time as researchers looked for ways to improve product quality. Once it had been decided that a change was desirable, the biggest private road-building program in Maine history was authorized. This was the beginning of the famed "Golden Road" which now stretches from Millinocket to the Quebec border with spurs to the north. Later another such system was to be built in Aroostook County, leading out of the town of Portage Lake.

The company at first tried to truck freshly cut wood into the mills throughout the year over the West Branch system. That idea died in the muds of spring and in the embarrassment of a production cutbacks because of insufficient wood at the mills. But as the years went by, trucks hauled wood nine or ten months out of each year. Stockpiles near the mills and on railroad siding in Aroostook County

provided substantial quantities to bridge the months when mud halted hauling by trucks.

The last drive on the West Branch provided 110,000 cords. The next year crews cleaned up what had been left behind in 1971 and cleared out the boom logs.

While Scott Paper Company emerged as the leader in intensive forest management in Maine and the Irvings in New Brunswick were winning international attention, Great Northern made substantial progress. The forestry staff doubled between 1975 and 1980 when over 40 professionals were on the payroll.

The growing and planting of millions of seedlings from a nursery in Millinocket attracted statewide attention.

The great success of this era was, however, the controlling of the spruce budworm infestation on company lands. Foresters saw the problem turn from a potential disaster into a situation where new growth would exceed loss to the epidemic. That was a far cry from a decade before when the department balked at saying fiber could be found for a new paper machine proposed for the East Millinocket mill.

There were many other advances:

Up to 40,000 acres per year were treated with herbicides to accelerate growth of young stock;

A woodlands computer system was installed which allowed the company to model the future.

Mapping utilized space satellites.

Road-building was standardized with procedures incorporated in a manual. One goal was to reduce stream siltation.

Recreational planning was formalized.

Foresters and forest engineers traveled widely in Canada and around the world in search of new ideas.

In these years, the company's top people dedicated themselves to restoring harmonious relationships with others involved in the management of the forests of Northern Maine. Carrier had frequently expressed concern that GNP was so large

that others could easily be intimidated. (It turned out a few years later that the attorney general also had the same opinion, accusing several company managers of rigging wood prices by dominating the market place. All were found to be innocent.)

Bartlett, who grew up in Aroostook County, while considered a tough negotiator, also worked hard to build friendly relations with co-owners and suppliers.

One had only to look at the map of the woodlands of northern Maine with hundreds of thousands of acres owned by several owners to understand why productive relationships with the others is advantageous. In many townships, Great Northern owned a share of each acre. This historic ownership pattern involved individuals, families, land management and paper companies, and came to include the State of Maine and Native Americans.

In addition to forest management and wood harvesting, co-owners had to deal with matters as diversified as mineral exploration, Indian artifacts and recreation. When potentially profitable quantities of zinc and copper were discovered in T12 R8 near Bald Mountain west of Portage Lake, a co-owner was involved. That was also the case when University of Maine archaeologists found a rich cache of Indian artifacts north of Baxter Park. Usually the majority owner was responsible for handling matters, keeping others informed.

Fire control efforts of landowners were coordinated by the Maine Forest Service in the same manner as pest control. The state had authority in the forests of the state to requisition necessary equipment such as bulldozers to fight fires. One such fire swept out of Baxter Park onto company lands in mid-July of 1977, covering 3,500 acres, half company-owned. Lightning set off the fire in a blowdown area, the result of a windstorm two years earlier. The company immediately launched a salvage operation and recovered 30,000 cords of pulpwood.

Another natural disaster which had to be contended with jointly by landowners were blowdowns which occurred from time to time. Trees on a line from west of Chesuncook Lake to Baxter Park were toppled like matchsticks in 1980 by a windstorm. Again the company launched a massive salvage operation, this time utilizing mechanical harvesting equipment as well as skidders and handcrews. Three times as much wood was salvaged as from the 1977 fire. Because the salvage operation was off a main company road open to the public for access to

the Allagash Wilderness Waterway, there were many questions which had to be answered about "Mother Nature's clearcut."

One of the series of "image-building" advertisement published by the company in the early 1980s pointed out that Bartlett, E. B. Harvey, director of forest management, and Charles Nelson, superintendent of the million-acre West Branch district, were all sons of Maine. Harvey and Nelson were from Greenville; Bartlett from Portage Lake. J. M. Giffune, a mill manager, took over when Bartlett was promoted to president. Harvey followed Griffune who became vice president-operations. When Great Northern Nekoosa started shuffling management people in the late 1980s, Richard Schneider transferred to Maine from the Nekoosa operations to replace Harvey.

The company numbered 700 to 800 people before the reductions started. They came from all over Northern and Eastern Maine, small towns and the farming communities for the most part. Only the top department officials and the forestry planners were based in Millinocket. Job descriptions varied, from the traditional wood cutters (still mostly from Quebec), foresters (mostly graduates of the University of Maine), mechanical harvesting equipment operators (mostly Maine men), mechanics, cooks, clerks, map-makers, computer specialists, economists, logging equipment specialists, forest engineers, accountants, safety specialists, wood scalers, surveyors, wildlife biologists, training personnel, truck drivers, secretaries and others. No where else in the northeastern U. S. had one company assembled so many talents.

The department was consolidated into one operating division under Schneider as GNN sought new approaches. When Georgia-Pacific took over, the Millinocket staff was slashed and field operators turned over to contractors. Most other paper companies operating in Maine had taken this approach. They saw it as a more efficient and less costly way to do business. A department of several hundred people was reduced to far less than a hundred.

CHAPTER VIII

The Spruce Budworm: Out of the Problem Came a New Era of Forest Management

"The spruce-fir stands of Maine, New Hampshire and Vermont are the prime source of pulpwood for the region's paper mills. These dense stands have been created by the spruce budworm outbreaks, which periodically kill most of the mature trees and start a new forest cycle. In the late 1970s, we saw evidence of the recent budworm outbreak in the thin foliage and occasional dead tops in these stands. In early June the foliage is covered with tiny green caterpillars; in early June, the damaged needles give the forest canopy a rust-brown appearance over the millions of acres. In mid July, hordes of small brown budworm moths collect around lights at night," Lloyd C. Irland wrote in the *Wildlands and Woodlots - The Story of New England's Forests*.

Nothing plagued Great Northern Paper Company over four decades more than this insect, the spruce budworm.

Foresters raced to plan a harvest which could salvage timber before trees died as a result of the epidemic.

Papermakers complained over the poor quality of the raw material from which they were expected to make paper.

Researchers struggled to find ways to offset the poor quality of the raw material.

Salesmen complained because customers were blaming their quality and process problems on Great Northern.

Accountants complained because of the cost of pre-salvage in the forests, the research and all the other costs added to doing business in the spruce budworm era. Maine products were at a disadvantage in the marketplace when competing against products from mills in budworm-free states.

While corporate officers and their staffs, a growing number who had no experience in Maine operations, worried about the effect of the budworm epidemic on GNN stock and about the millions of dollars being spent on forest management. Most companies were walking away from the spraying problem, unwilling to invest the money. But GNN stuck it out and the company's woodlands today reflect a tremendous investment.

The spruce budworm has always inhabited the softwood forests of North America.

In the 1950s as stands in the spruce-fir belt in northern and eastern Maine, which had their origins in the wake of the last spruce budworm epidemic, were maturing another flareup in the Madawaska Lake area of Aroostook County was identified as a problem. But it wasn't until the 1970s that foresters said the state faced a crisis.

"In all of my career since 1929 I have never by far witnessed the grave and extensive holocaust posed to Maine forests by the budworm for 1975," State Entomologist Robley Nash told a Washington, D. C. symposium. The spraying of 2.2 million acres that year with the chemicals Zectran, Fenithrothion and Seven cost \$3.6 million with the federal and state governments sharing the cost with private landowners.

State and federal foresters teamed with those of the paper and land management companies in developing a control strategy heavily dependent on aerial spraying of millions of acres each year, along with stepped-up harvesting. Once foresters relied on DDT, the controversial pesticide linked with the decline of the eagle population and other serious damage to the environment. As criticism of spraying increased, the pressure on government agencies to reduce their role in the spraying dramatically increased.

In Maine, there had been historically a close working relationship between industrial foresters and state personnel. All that changed when forestry was submerged in a new super-department of Conservation.

When Governor James Longley took office, he said the use of state funds to cover a portion of the spraying cost was a subsidy for the paper industry. At the same time, the composition of the Legislature was changing with power shifting to Southern Maine where there was little understanding of forest management, only a dread of the spraying.

In Washington, dollar-hungry bureaucrats begrudged the annual drain of millions of dollars for spruce budworm control from budgets which otherwise would have been spent mostly on managing federal lands, mostly in the west.

For years only "Pete" Sawyer of Dunn Timberlands rejected the necessity for spraying. The Dartmouth-educated manager of some 150,000 acres told me in the sixties the answer was to cut on as many acres as possible every year, getting rid of the old growth which hosts the insect. But the remainder of the

managers of woodlands in the forest industry advocated spraying, perhaps because many in the group had hundreds of thousands of acres under their supervision. It would have been difficult if not impossible to cut every year over such a wide area.

For years industry's unified front made the politicians come together to fund the growing costs. The political debates increased and the margins of support dwindled over the years. There were also continuing debates inside the companies as the cost mounted. Once International Paper even considered a public relations campaign to resell DDT, only to back off after evaluating the political atmosphere and running into opposition from companies such as Great Northern. With IP, Georgia-Pacific, St. Regis and other companies having well-staffed Washington offices and with an effective team of lobbyists in Augusta centered around the Paper Industry Information Office, the spraying continued to win the support of federal and state governments.

But as enthusiasm waned, Great Northern Paper was forced into a leadership role.

In the company's Millinocket woodlands offices, a three-man team of foresters were assigned to spruce budworm planning.

A computer center in the office provided a tool for modeling forests of the future, evaluating the wood supply for years to come. An impending shortage in 2115 was predicted. That was likely even though the company planting seedlings from a new nursery in Millinocket on clearcuts where natural regeneration was seen as a problem, despite a road network which had been expanded to allow pre-salvage harvesting of damaged stands, despite the use of insecticides to spur growth of the plantations and despite a strong company commitment of financial resources.

GNN funds poured into the project in a manner the likes of which veterans of woodlands the department had never seen before.

With assistance from a shrinking group of allies, particularly from land management companies, Great Northern fought the battle in Washington with company presidents getting involved. George Carlisle of Prentiss & Carlisle Co., Inc. of Bangor joined Great Northern's Yacavone in pleading for continued financial assistance. Back in Maine, the company used its public relations and advertising campaigns to turn around, at least for a time, the legislative climate. Objections to spraying were over-ruled in Augusta after public opinion polls indicated public understanding and tolerance, if the spraying was done with care.

Airports in Millinocket and Presque Isle became the headquarters for the annual state coordinated spraying programs. At one point, Great Northern even built a landing strip west of Caribou Lake to facilitate spraying by small planes in remote areas of the West Branch region. In the final years, B. T. emerged as the environmentally accepted approach. B. T. is *Bacillus Thuringiensis*, a bacteria that attacks the larvae of moths and butterflies.

Finally the spruce budworm, which actually prefers fir, declined in numbers. Meanwhile the intensified forest management programs had wiped out projections of wood shortages on company lands. The bill for the over-all effort was staggering, millions of dollars a year for a decade or more, but the results were worth it, if the company was to survive and grow.

In the meantime at least one major project, a newsprint machine proposed for East Millinocket failed to attract GNN capital because of the uncertainty of the wood supply picture. Other companies ignored the problem, turning to hardwoods as a source of pulp.

But Great Northern stuck to its sulfite pulp and softwoods. That policy stemmed from a decision made a decade before when the Millinocket mill sulfite system had been rebuilt. A widely hailed chemical recovery system was added, enabling the company to generate electricity by burning the waste liquor from the sulfite mill. A kraft mill was considered before the multi-million dollar rebuild was undertaken and rejected. The consensus at that time was that sulfite pulps better fitted the grades of paper made by the company. Kraft products would have required a sweeping change in marketing strategy that management wasn't prepared to make, or so the story goes.

Foresters particularly complained publicly of the lack of opportunity to use hundreds of thousands of cords of hardwoods on company lands.

Except for Fraser on the Maine-New Brunswick border, other companies in Maine converted to kraft pulping systems.

But as the 1980s came to an end the spruce budworm outbreak dramatically declined in northern Maine, Great Northern had won the battle. The wood was there for future growth.

CHAPTER IX

When GNP Became the Center of National Attention: The Indians Frightened Great Northern Nekoosa

In its 90 years of existence, Great Northern Paper faced no crisis rivaling the Indian land claims. In the July 31, 1979, issue of Fortune, Aimee L. Morner wrote:

“With 2.2 million acres of timber, Great Northern Paper is by a wide margin the biggest landowner in Maine, and its 4,200 workers make it one of the state’s largest private employers. A subsidiary of Great Northern Nekoosa, No. 259 on the Fortune 500 industrials’ list, it accounts for about 30 per cent of the parent’s revenues, which should pass the \$1-billion mark this year.

“For the past few years, Great Northern Paper as been beset by an unusual and unnerving threat --- that two Indian tribes could take over nearly all of its timberlands if a federal court upholds their entire claim. Six other major paper producers – including Diamond International, Georgia-Pacific and International Paper – might also lose property (some 3.2 million acres all together) to the tribes, but Great Northern Paper has the most at stake: it could be forced out of business ... ”

The sprawling Millinocket complex was the only paper mill in the most controversial area of all, the final four townships sized from the Penobscot tribe by the State of Maine in 1833. While the Indians were paid \$50,000, Paul Brodeur wrote in the October 11, 1982, New Yorker magazine that it was a “fraudulent transaction involving forged signatures.”

It was an issue which saw people of the company unite, as they would several years later for the last time on the Big A hydroelectric project. Great Northern Paper and the owners of the vast areas of the Maine forests had the support of people all across the state. But it was also a time of division with the native Americans bitterly criticized for demanding they be compensated for the illegal taking of their tribal lands.

When the Europeans arrived, the Penobscots ranged up and down the watershed which today bears their name, from Penobscot Bay to Baxter State Park and beyond. The Passamaquoddys were living on the shores of remote areas in downeast Maine, in what is today eastern Washington County and New Brunswick.

The 3,500 Indians living in the 1970s on reservations near Old Town, Eastport and Princeton, had been given limited state assistance but unlike western Indians, had not been eligible for the much more meaningful federal assistance programs of economic development, education and health services.

The Penobscot Nation had seen the last of its lands taken by the states of Massachusetts and Maine in the 1790s and in the years that followed when the new state emerged. Congress in 1790 had insisted that it had the final say on all sales of Indian lands. And Washington had not challenged eastern states when the law, aimed primarily at transactions taking place in the West, was ignored by the former colonies. The states in the East continued to deal on their own with the remnants of Indian tribes.

When federal judge Edward T. Gignoux in July of 1975 ruled the federal Non-intercourse Act applied in Maine, an air of crisis developed. Some banks, for example, uncomfortable with land titles clouded by Indian claims, refused to make available money for school construction. That was before the banking industry in Maine was dominated by corporations with headquarters in other states and William Bullock, chairman Merrill Trust in Bangor, took the lead in maintaining the stability of the region's economy.

From the beginning of the ten-year legal battle, it was clear that the "giant timber and paper companies" would be singled out by those seeking to establish the validity of the land claims of the two tribes.

But the Tribes early in the struggle said they would not challenge the property rights of the thousands of small businesses and individuals in the claims area.

The Indians' well-equipped legal team was led by Tom Tureen, a dedicated young man financed by national foundations and the Indian movement.

Representing nine of the 14 of the major paper and timber companies was Donald W. Perkins of Portland, a partner in the state's largest law firm. Perkins mounted a defense and a negotiating posture that established him as one of the country's outstanding attorneys in the view of his peers. "No one could have asked for a better advocate," said Hellendale, a corporate attorney before becoming a paper company executive.

And there were those in government involved:

- Governor James Longley, the political independent, almost to the end fiercely opposed to any state involvement in what he saw as a federal problem for which Washington, and Washington alone, must pay if the courts upheld the claims.
- Attorney General Joseph Brennan, Longley's successor, a Democrat, took the same approach.
- Senator William Hathaway, was the big loser. He was ousted from the Senate by Congressman William Cohen in a campaign in which the land claims was the major issue. Hathaway, a likeable liberal who had helped the company on energy issues, saw the labor leaders in the paper industry turn their backs on him.
- Senator and Secretary of State-to-be Edmund S. Muskie, also favored a negotiated settlement. Hellendale and I heard Muskie pound on his office table to make the point that selling land for \$5 an acre was the best solution possible. Muskie, his top aides argues, could do no better. It simply isn't fair, the Senator was told by Hellendale.
- Cohen, a rising star in Washington, who had won national recognition in the impeachment proceedings of President Nixon, took the public position that he favored going to court. When Republicans controlled the Senate, Cohen became chairman of the Select Committee on Indian Affairs, a position usually held by a senator from the West. As chairman, Cohen installed Tim Woodcock, a young Bangor attorney, as committee staff director, thus controlling the timing of action on the issue.
- Senator George Mitchell, who replaced Muskie, took the lead when Democrats regained control of the Senate, in pushing through Congress the final settlement and winning approval of the money to make it all possible. Mitchell, although a freshman, was on the powerful Finance committee (perhaps because Muskie had been a committee member before resigning) where most decisions were made on financial matters.
- Jimmy Carter was President at the time of the crisis. When the controversy reached the White House and demanded a solution he turned to a trusted friend...
- Georgia Supreme Court Justice William B. Gunter, who tried to mediate the issue.
- Eliot R. Cutler, a Bangor native and former Muskie staff member, was one of the three men Carter picked for a White House Work Group to try again for a solution after a proposal by Gunter didn't get anywhere.

- Robert Lipshutz, presidential counsel, was the Carter staff member who participated in the final settlement.
- Congressman David Emery. While the issue was in northern Maine, Maine's small four-member delegation has a long issue of cooperation. Emery backed Cohen's position, as did Cohen's successor in the Second District, Olympia Snowe.

Those were some of the key players in the long-running story which took many twists and turns.

While attorneys for the tribes were threatening to go after the so-called "big landowners" and paper companies, the state's delegation asked Congress on March 1, 1977 to extinguish the land claims and limit damages owed to the Indians to money. South Dakota Senator James Abourezk, chairman of the Committee on Indian Affairs, branded that approach as so unfair he would not hold hearings on the bill.

That's when Justice Gunter was asked by President Carter to seek a solution. Gunter's proposal on July 15 called for \$25 million for the tribes from the federal government, 100,000 acres to be provided by the state, federal benefits now available to tribes in the West and continued state aid. If the tribes refused to accept the plan, the Judge called on Congress to wipe out their claims but allow them to sue the state, which owned several hundred thousand acres of land. His ideas failed to gain support. The state didn't like the burden of providing 100,000 acres. The Indians rebelled at the thought of having their rights voted away by Congress before a negotiated settlement.

As the months passed, there were reports of Indian claims up and down the East Coast, creating fears in Washington of the costs Congress faced in the months ahead.

The President tried another approach in October, creating a White House "work group" which came up with a new solution in February of 1978. Representatives of the major landowners heard the contents outlined February 10 in the Roosevelt Room of the White House. The walls of the room were lined with paintings of Indians collected by President Theodore Roosevelt.

The proposal they heard was a shocker: 14 major timberland owners would be forced to sell 300,000 acres to the Indians for \$1.5 million, \$5 an acre for lands with an estimated value of \$113.

Great Northern's share of 99,213 acres would constitute ten per cent of the company's ownership in the claims area.

Representatives of the paper companies and others who heard the news were next besieged by reporters for the business world and the Maine press. Hellendale acted as spokesman and put Great Northern Paper on record against what he termed an unfair proposal. He made his statement and answered questions in the White House press room. Correspondents such as Robert Pierpont of CBS, at work elsewhere in the same large room, ignored the matter as they focused on national issues. But the Indian claims dominated the news in Maine.

Cutler was sent to Maine to "sell" the proposal which also included for the tribes \$30 million in cash (\$1.7 million a year from the state and 200,000 more acres to be sold at fair market value by the same people who would have to sell the first 300,000 at \$5 an acre.)

Longley quickly pictured the new White House plan as something which would happen in "Red China or Russia." The Maine press joined in the uproar against the plan. "Preposterous," said the Ellsworth American, "Blackmail," said the Central Maine (Waterville) Morning Sentinel and the Penobscot Times (Old Town) said, "Anyone who thinks he is going to 'protect the little guy' by socking it to the paper companies has his head screwed on backwards." Great Northern published full page advertisements in all Maine newspapers thanking Maine people for their support.

GNP union leaders Bud Millett and Ray Paoletti, both active politically, took the lead in urging paperworkers across the state to protest to Congress. They even conducted workshops in other mills.

Hellendale held the first press conference ever held by a company president in Augusta to voice criticism of the plan. He wrote legislators, suppliers, customers and others explaining the company's position that this was a federal problem which required a federal solution.

Carter came to Maine February 17 to campaign for Hathaway and defied public opinion in the state by saying he would veto any bill which abolished the Indian claims without a negotiated settlement.

Finally in April, negotiations opened with Longley and Brennan joining the federal government in meetings with the tribes. But that effort quickly collapsed over the

Indian request to be exempt from state taxes and state laws. In June, Attorney General Griffen Bell said he would sue Maine for 350,000 acres and \$300 million on behalf of the tribes. But Bell took no action against the large landowners, saying it would be unfair to treat them differently from other Maine citizens. In September, Bell decided to delay the legal action but called on Congress to intercede.

A Hathaway plan for a settlement proposed just before the elections in November fell through when the federal government refused to find funds to buy the 300,000 acres the tribes said was their bottom line for agreement. But behind the scenes talks between the tribes and the paper companies led to a tentative agreement that the companies would sell 200,000 at fair market value if a settlement was reached.

Great Northern was willing to make available lands in the Kennebec watershed which had been acquired as a source of pulpwood for the Madison mill which the company no longer owned. Talks between the tribes, who had seen an adverse ruling on related legal issues by the Supreme Court, and the state finally produced a settlement, approved by the Legislature April 3, 1980. The Indians agreed to pay income taxes, obey environmental laws and have tribal members tried in state courts when accused of serious crimes. Indians would have sole control of tribal governments, establish courts to deal with misdemeanors and regulate their own hunting and fishing.

Now Washington had to provide \$8.5 million to buy 300,000 acres and establish a \$27 million trust fund.

Cohen and Mitchell introduced the Maine Indian Land Claims Settlement Act June 12 and hearings were scheduled July 1 and 2. Both houses of Congress approved the legislation in September and it was signed into law by Carter on October 10. And on December 12, he signed the legislation authorizing the funds to implement the act despite the air of austerity which had settled over Washington with Ronald Reagan in the wings.

There were these footnotes to this chapter in Maine history:

The millions of dollars paid to Great Northern Paper by the federal government for lands for the tribe came at a time when a similar amount of money was used by GNN to acquire timberlands in Mississippi near the new Leaf River pulp mill. For years, a flat rule had been imposed against any land acquisitions in Maine by the company.

When GNP was in the news with a new computer information system developed as a forest management tool, visitors to Millinocket included a delegation from the Penobscot Nation. Foresters and computer programmers from the company and the Nation were finding ways to communicate.

Hopes for a history of the Indian land claims issue died in New Orleans when Dr. Ronald K. Banks, chairman of the history department of the University of Maine, was murdered. Banks had been deeply involved in researching the issue. GNP and others, who had indicated an interest in financing the cost of a history written by Professor Banks, could quickly find no successor.

CHAPTER X

A Sales Strategy for the Millinocket Mill: Prolonging the Life of Old Paper Machines

Once No. 11 paper machine went on line in 1972, the Millinocket mill had a capacity to produce 1,400 tons of paper a day on eleven machines. Before it was divided into rolls in the final step of the process, the sheet of paper on the new verti former or twin wire was almost 300 inches wide, twice that of any of the other machines.

Those remaining machines were products of another era.

There also was the continuing challenge of pulp quality. The pulp mill provided 725 tons a day of stone groundwood, 100 tons of refiner groundwood, 420 tons of bisulfite and 230 tons of high yield bisulfite. The company had made a decision to stay with sulfite pulp in the 1950s, rejecting the alternative, a kraft mill.

By 1980, the Millinocket mill produced more tons of paper per day than any other mill, 1,400, in the state and employed the most people, nearly 1,500. As many tons were being produced in modern mills with hundreds fewer employees.

In the late 1950s, the company's management had concluded that the machines were not competitive in terms of width and speed in the newsprint market, and started considering other products. When their first attempts to invade the groundwood printing and director fields were not very successful, they tried making heavier grades for offset printing presses. Great Northern Paper's first success in attempts to diversify was in developing a product for use by printers of paperback books. At one time, two machines were dedicated to this market.

Coated grades were introduced when the company converted two machines to make basestock for an off-machines coater.

Continued efforts to make lightweight grades paid off with time and in the early 1960s a machine was rebuilt for this market.

After GNP started bleaching on the machines, a brighter grade for books found ready acceptance. By the late 1960s, all but two of the ten had been rebuilt as the company increased its share of the directory and lightweight rotogravure market.

As the 1970s started, a gateroll coater was installed on a machine which ran at 1,000-feet-a-minute with the objective of developing a new segment in the book market. A decade later a gateway coater was added to a second machine and the speed of the machine increased to 1,600 feet a minute.

With No. 11 absorbing all of the mill's directory production (upwards of 100,000 tons a year), machine time was freed up for launching another new product, groundwood business forms.

The over-all sales strategy for the mill, as refined, was simple. Fit each machine into a niche with a single major customer. If the customer agreed to buy most of the paper production off a machine, Great Northern put up millions of dollars to install essential modern gear, everything from the on-machine roll coaters to devices for measuring quality.

The rebuild of No. 10 and the addition of a coater cost \$13 million.

When the basetock machines were upgraded in the early 1980s to improve the quality of lightweight coated grades, the tab was \$12 million.

In 1981, this is a picture of the product mix by machine if the mill was on target:

Two machines were producing business forms...

Two machines were devoted to the lightweight rotogravure market...

One machine was making paper used in advertising tabloids, the pre-printed sections distributed with newspapers...

One machine was dedicated to magazine grade...

Two machines were producing basestock for the coater...

Two machines were turning out paper aimed at the magazine and book market.

No. 11 was devoted to directory and catalog.

It took a lot of doing. The meetings were endless, the airplane trips between headquarters in Stamford and Millinocket became a daily shuttle. Most of all, it took a lot of selling by the six or eight salesmen in the field.

At one time in the seventies, the Millinocket mill's customer list included Reader's Digest, Rodale, TV Guide, Moore Business Forms, Sears, Western Electric, R. R. Donnelly, Penny's, and many other big names on the business scene.

There was imagination galore involved. The papermakers responded, enjoying the challenges of serving leading business firms. Bob Shinnors, the late Carl Reed, Dick Noyes, Art Dentremont, Jim Giffune, Bud Heal and many, many others in management worked long hours to make it possible. Their enthusiasm was shared by proud papermakers in the mill who welcomed the modernization steps, small as they were by comparison with what was taking place elsewhere in Maine.

The research team, headed by the quiet Dr. V. F. Mattson, later the first president of GNN's Leaf River subsidiary, overcame constant quality obstacles with suggestions for the mill. In the sales department, John Staples and the late Bill Cozens provided steady leadership while the unpredictable Howard Willets, Charles Mosher, Paul Desmarais and others were thinking out the pieces of a strategy of finding a niche for each machine. When money was needed for paper machine modifications, there were aggressive accountants led by Al Tozier and Tom Kelly to justify the requests to GNN. (It was Great Northern which provided at one time the controllers for four of the divisions of GNN.)

When the highly profitable business forms project hit high gear, GNP was offering a lower cost alternative to a product of Nekoosa Papers. While corporate politics were nothing new in GNN, in this case the tensions were more evident. Still GNP pushed ahead.

As long as the presses on which the Great Northern papers were printed didn't allow customers to expand their horizons, the strategy worked. The old machines ran and ran and the division's profits some times led all the other operating companies of GNN. That all changes when the printers wanted new grades of paper for new printing processes in the 1980s.

One company president even made a speech before an industry associating telling how an old machine with obsolete equipment had been rebuilt to compete against new mills in the sun belt. At the time he made the speech, Peter F. Yacavone hit the nail on the head, as they say. But rebuilding the old machines was all the could justify in Millinocket. That was clear after he convened a long-range planning meeting at Rockport. the final plan he submitted to GNN placed emphasis on modernizing the newsprint mill in East Millinocket. There was no new machine proposed for Millinocket. Yacavone, an accountant, didn't even like to talk about the long-term future of the mill, even thought the omission of modernization plans for the old mill from the plan was obvious.

According to two people close to the hardworking executive, Yacavone, after spending weekends in Millinocket personally writing the final draft of the plan, came to a conclusion he didn't put down on paper: GNN should consider selling the Millinocket mill!

CHAPTER XI

'Friendly Strike' Shatters Traditions; Things Were Never the Same Again

The strike of 1978 shattered 60 years of labor-management harmony in Millinocket and East Millinocket.

Tensions had been building. Members of the trades or crafts unions were bitter over taking home less money than those who made the paper. International representatives (full-time staff members of the union) of the mechanists had agitated for years for an adjustment of a \$1 an hour, or more, in wage scales. This inflammatory language which infuriated papermakers and complicated negotiations. On the other hand, the majority of papermakers insisted on maintaining the traditional pay pattern which gave them more money per hour. With unions bitterly divided, it had been increasingly difficult to negotiate contracts covering the two mills.

The strike came July 1, 1978.

Great Northern Paper had a history of dealing with unions which dated back to 1906. Only once had there been a work stoppage. The reason had been a split among the unions. This was the case in 1978.

The company proposal in 1978 added up to 22.2 per cent pay increase over two years, an offer seen as fair in almost all circles. As Associated Press bureau chief in Augusta couldn't believe what he had heard from correspondents and called to check the percentage of the final company offer, saying only "I wish that some one around here would offer that kind of money" (to employees of the news service).

But the mechanists, the electricians, the carpenters and the others in the craft unions insisted on parity. The company wage offer wasn't the issue.

The papermakers who made up two-thirds of the work force refused to go along with that demand.

That put the company in a no-win situation. At first, there was a sense that Great Northern officials welcomed a confrontation with the militant trades. The young leaders of the trades made life difficult in the day-to-day running of the mills, constantly voicing complaints and criticizing the company.

When the strike finally came, it came as no surprise.

There were four UPIU (United Paperworkers International Union) locals involved, two in each mill. There were eight locals representing the crafts. In each mill there were locals representing the firemen and oilers, millwrights and mechanists. Single unions represented electricians and pipefitters. Traditionally they had voted in a conference on the basis of one local, one vote. But now the crafts were using their advantage to push for equal pay, or parity. The papermakers (with 1,600 of the 2,400 workers in the two mills) retaliated, insisting on a one man-one vote formula.

The company appealed to the National Labor Relations Board to no avail.

The company asked for help in federal courts. The courts declined to impose a formula on the unions.

Mediators from federal and state agencies tried and failed to break the stalemate.

Governor Brennan called the opposing parties to Augusta for futile marathon negotiations.

It was a beautiful summer. Folks on strike walked picket lines for a few hours and headed for the nearby lakes to swim and boat. A Boston Globe reporter told me "I have never seen such a friendly strike" after seeing the pickets and guards playing cards on the late shift. During the day, pickets were more militant, hooting and howling at those entering the mills and pounding on trucks and automobiles.

The impact on company customers was devastating.

Those loyal buyers of newsprint and printing papers, who had gone to bat for the company during the energy crisis, now couldn't get the product they needed to stay in business. Great Northern had been the domestic alternative to the Canadian imports. And everybody was acquainted with the long history of frequent Canadian strikes. After a half century of reliability, the strike shattered the myth of Great Northern dependability.

The leaders of locals representing the trades couldn't understand what a small part they played in the overall GNN picture. They were living in the past when negotiations in Millinocket determined the future of the entire company. They didn't understand GNN would continue to be profitable even if the Maine mills were shut down.

But membership of most of the locals refused to question the path their leaders were taking as the strike loomed. Some young people were bitter over difference between pay scales for apprentices and those for young papermakers. Most veterans simply said they preferred not to risk the anger of their leadership. When some of the electricians and the firemen raised questions, they were criticized by the hardliners who dominated the trades.

It wasn't just the tradesmen who had problems with company policies. Some leaders of the UPIU locals were loudly outspoken over what they considered GNN's neglect of the Maine mills, criticizing using money made in Maine to build southern mills.

The strike was costly to the corporation, a \$10 million loser. GNN's negotiators persisted and in the end obtained an acceptable agreement, or agreements. The UPIU prevailed and the stubborn trades swallowed another setback.

Even the agreement between the UPIU and the company which broke the deadlock resulted in an uproar. Members of the trades picketed the company guest house where the contract signing was scheduled to take place and company representatives and those of the UPIU had gathered. Once the UPIU had signed a contract and the potential existed that papermakers would ignore picket lines, the trades capitulated.

Twenty years later the bitter split between the unions remains unresolved.

Many say that the strike of 1978 was the beginning of the end for Great Northern Paper, the time when one out of three of the employees in the Millinocket and East Millinocket mills refused to accept change. Those bitter days are still remembered.

There were approximately 10,000 people in the mill towns at the time of the strike. Management people and non-union people not laid off were paid. Union employees were not. The homes in which they lived were intermingled and the friction which developed was inevitable.

There were strained meetings in markets as wives shopped, some with adequate funds and some with meager strike budgets. Backyard friendships were shattered. Veteran union members say it was years before some people recovered from the setback, particularly younger employees with families.

The international unions provided limited help to strikers. A papermaker said the \$35 weekly he received just about covered the cost of health insurance the company allowed strikers to purchase.

It would have been even worse in the mill towns had not credit unions extended loans on homes, cars and other things when members couldn't keep up payments.

The adverse economic ripple of the strike blanketed Maine.

Two out of three employees of Great Northern lived outside of the mill towns, hundreds in Aroostook County. In all, employees lived in over 30 towns and cities from Bangor to Fort Kent, from Topsfield to Jackman. The 4,000 employees involved had an annual payroll of \$120 million. Simply said, they were the best paid people in the North County, in many cases, the best paid in Maine. When the pay checks stopped coming for four out of five employees, it was evident by the sharp drop in the economic activity.

Company operations in the forests of northern Maine were brought to a halt within the first few weeks. Logging and trucking contractors shut down their operations. The Bangor & Aroostook Railroad laid off many of its workers.

With over 1,000 suppliers of goods and services from Kittery to Fort Kent, Great Northern annually invested up to \$250 million in the state's economy on top of wages, not including insurance premiums paid by GNN to UNUM, to Union. Railroads, truckers, car dealers, printers, advertising agencies, wholesale meat and grocery companies, oil dealers, engineers, telephone companies (at one time GNP was New England Telephone's No. 1 industrial customer), lawyers and many others were involved. Over two dozen firms in Greater Portland regularly did business with the far-away company.

The popularity of paper companies was running high as the result of the threat to private land ownership posed by the Indian land claims. The strike provided unexpected documentation for supporters of Maine's leading industry of what one company meant to the economy.

After the strike, the company quickly regrouped and the message went out to the unions: never again.

In the event of another strike, the East Millinocket mill, at least, would operate with management employees and people from GNN operations filling in for the

strikers. As a signal of the change in attitudes, a new security force was imposed on the mills.

Most people say no one wins in a strike. In Great Northern's case, no one did. Sadly no one has learned in the years since the strike how to bridge the bitter gap between the papermakers and the trades. The name calling continues to this day.

CHAPTER XII

Of Many Things: Ospreys Turn Bombers; The Strike that Wasn't a Strike

Some ospreys have a wingspan of six feet. These birds of prey feed on fish from Maine's waters, coastal and inland. Sometimes they are called fish hawks. When nests were located on timberlands of Great Northern Papers, loggers were instructed not to disturb the birds. Their nests were found high in towering pines, most of the time, and constructed by the ospreys dropping branches of trees and other ingredients to blend into a platform for nesting and birth of young ones.

In the early 1980s, ospreys decided to build a nest on the power lines linking the Millinocket and East Millinocket mills. The line stretched some 10 miles through the woods bordering the West Branch. They started dropping branches, big branches, big enough to snap the lines and disrupts paper production. It happened once, twice, and again. The nests and the birds were protected under law. Biologists started scaring them off with big rubber snakes and other such things. So managers and their crews puffed away to no avail. Biologists had another idea: put a cannon in place and keep firing it, maybe that will scare the birds off with no damage. An electric cannon was put in place. And so the ospreys vanished from the agenda of top-level meetings.

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Fiddleheads are the tightly curled springtime shoots of the ostrich fern, used as greens. Indians introduced them to settlers of Maine and New Brunswick and they have become a great delicacy. Now are canned and frozen for the marketplace.

When Great Northern Paper was promoting Baxter Text as a low cost paper for books and magazines, an exhibit was designed for a New York book show highlighting the company's heritage by offering free cans of fiddleheads and recipes for their use.

The day the show was scheduled to open a Boston newspaper reported from Vermont a researcher had linked fiddleheads and cancer. It was, of course, speculation, as they say in the medical journals.

Visitors to the book show gobbled up 5,000 cans of fiddleheads without asking a question about cancer. Most did have a question: "What in hell are fiddleheads?" We had a tiny cookbook ready in anticipation of the question.

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When the good times arrived in the cynical paper industry, managers spend money in the ways they would usually avoid.

There was the multi-purpose room in the engineering and research building in Millinocket. One day Charles Gilman of Central Engineering showed up, asking for suggestions, shaking his head in bewilderment: "We've been told to redo the room and do it right... don't worry about the cost!" With more and more groups of customers in town for briefings as well as an increasing number of public officials, a company president decided that a room designed for training purposes wasn't appropriate for entertaining. Down went carpeting. Oak from North Carolina went on the cement walls. A built-in screen and loudspeaker system were added. So was a projection booth. And while training groups found the room hard to schedule, others found it more acceptable for promoting the company.

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In 1976, disgruntled loggers staged a strike. It was a strange strike because they were not employees of the companies they struck. Unhappy with what middlemen were paying them for wood, they took their complaints directly to the paper mills. Picket lines created turmoil in Old Town with union employees balking at crossing over the lines. Other mills had similar problems. Pickets intimidated drivers of trucking contractors at the entrance to the Millinocket mill and shut off the flow of pulpwood from the West Branch region via the Golden road. But the railroads stayed in operation and trains from Aroostook County provided the raw material necessary to keep the mill running. Nightly the train ran the pickets with railroad management personnel at the throttle. One night a bomb blast knocked out the line in Sherman for several hours. Finally the combination of the professionalism of state police in keeping the situation under control (with lots of help from local police where available) and the fact that 25 to 50 rabblers got tired. The "strike" faded away.

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Canadian woodsmen who dominated in the cutting crews in the remote areas of the West Branch region rebelled at the scale or measurement of wood they had

cut and the company got a red face. The woodsmen charged the scale didn't accurately take into account the volume of wood in the old growth stands. Great Northern Paper's woodlands management promised a new look and asked its computer specialists to do the job. The result was a victory for the wood-cutters which cost Great Northern a few hundred thousand dollars, paid out by the company to compensate the cutters for the money they had lost because of the inappropriate scale. The story never got into the newspaper although no attempt was made to hide the facts.

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In the summer of 1983, the headquarters of Great Northern Paper was moved from Stamford to Portland. It was stunning news in most circles although outgoing President Peter F. Yacavone had been single-handedly engineering the move for months. He was convinced the company headquarters needed to be in Maine and Portland was his choice, and a logical one despite bitter protests from Bangor businessmen. Yacavone didn't appreciate the personnel ramifications and rebelled at any suggestion it was going to become the center of a lot of public attention. He didn't understand he couldn't look at office space in Portland without rumors starting. His secret planning also rankled company executives and other employees. They rebelled at being uprooted without any involvement in the decision-making process. Some 30 people were involved, mostly in the sales department. Only one of the 15 clerks and secretaries made the change. Most of the others came, complaining about everything ranging from the "dump" they called the temporary offices in an old building downtown Portland to being forced to leave Connecticut and New York communities with so many cultural and recreational opportunities.

Many found Portland to their liking and lived up to secret hope of company's top management they would put a Great Northern stamp on southern Maine, increasingly the state's power center. Certainly Bob Bartlett lived up to those expectations. While he drove a pickup truck to work and was never bashful to talk about his ties to Northern Maine, the young Great Northern President also became a director of the Greater Portland Chamber of Commerce, a trustee of Westbrook College and an active leader in the business community. Bill Couzins, the vice president for sales, also mixed in community affairs before illness forced him to retire. The rest of the sales department seemed to be too busy with personal affairs and traveling to get involved to any substantial degree.

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In 1984, the company was credited with a capacity for making 2,400 tons of paper a day on 17 machines and had 4,100 employees, including those of Pinkham Lumber in Nashville Plantation. The industry as a whole in Maine had a capacity for 11,578 tons on 76 machines and counted 19,326 employees.

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As a supplier of paper for the Congressional Record, Great Northern Paper was more interested than most major companies in demonstrating compliance with equal opportunity laws. So it wasn't surprising that in the seventies, two women were hired to work in the Millinocket mill. Soon the males, who had first balked at the newcomers, were enjoying the situation. The bulletin boards in the mill reported one day that the women were the winners of contests to crown "Miss Wet End" and "Miss Dry End." The girls just smiled and went about their business, quickly demonstrating that the once all-male domain was something they could handle with ease.

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In the seventies and early eighties, R. J. "Bob" Shinnars was the vice president based in Millinocket. He came to Great Northern from the ranks of industrial engineers and like to picture himself as a tough boss. His contributions were many. When a tank containing toxic chemicals overturned on a railroad track near another mill, he quickly ordered company specialists to develop a partnership with towns in the area to jointly combat any potential disasters. It became a pattern for similar mutual assistance programs all over the state. When asked at a legislative hearing dealing with the spruce budworm appropriations if the company would support more forestry research in Maine, he said "yes" and out of that response came the Cooperative Forestry Research Unit on the Orono campus of the University of Maine in which paper companies and other landowners, large and small, contribute substantially to a research program. The things Shinnars enjoyed also included the process started in 1977 of annually presenting four of five four-year scholarships to sons and daughters of company employees.

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When company spokesmen appeared in public in the seventies and eighties, among their talking points was the fact that shareholders in GNN lived in 200 Maine cities and towns. That was approximately one out of two communities.

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When company leadership is mentioned, this is the line of men who served as president of Great Northern Paper prior to it becoming the Northern Paper Division of Georgia-Pacific: Peter Paine, Bob Haak, Sam Casey, Robert Hellendale, Peter Yacavone, Bob Bartlett and Ray Taylor.

CHAPTER XIII

Big A: It Was an Uphill Battle; A Fatal Setback for the Company?

On Dec. 13, 1984, project manager Galen Lander went to Augusta and there he filed with the Land Use Regulation Commission (LURC) the company's application to construct a seventh hydroelectric station on the West Branch of the Penobscot River. It was the so-called Big A Project.

It had all started when a Lewiston attorney called me at the suggestion of a Scott vice president, who had been asked "who do I call at Great Northern?" I was told that the attorney's clients were planning to file an application with the Federal Energy Regulatory Commission (FERC) for permission to build a hydroelectric generating station a short distance downstream from Ripogenus Dam and McKay Station. One attorney deserves another. J. F. O'Handley, the knowledgeable chief of GNN's two-man legal department, was in Millinocket, and quickly got involved.

Those events triggered a mad rush by GNP to take the rights away from the interloper, re-activating a study which had been abandoned only months before. GNP was successful in gaining a FERC go-ahead to plan a project.

Environmentalists, their coffers swelled by money provided by whitewater rafting companies, launched a campaign to "save the river." The rafters feared a dam would ruin their booming business. (Later half of the rafters would desert the environmentalists and drop their opposition.) Salmon fishermen, most sincere in their opposition to anything which would flood world famous pools, joined in the fight.

Aligned against them was the company, supported by the mill towns and 15 other communities, the State Chamber of Commerce, a statewide committee of businessmen, local fishermen and nearly all of the politicians in Northern Maine. Even the Greater Portland Chamber of Commerce was a supporter.

Newspapers in Portland, Lewiston, Waterville and Bangor endorsed the project. In Augusta, the Kennebec Journal's general manager (an avid and vocal fisherman) was allowed to brake ranks with others in the Gannett chain and oppose the project. After he had told Yacavone of his opposition, the young general manager sent an editorial writer to Millinocket on September 13, 1985, on

a so-called factfinding mission. The outcome of the mission had been pre-ordained, even the writer candidly admitted that when we started the briefing.

How dedicated to the effort was the company and GNN? Seven million dollars was spent on studies and in the licensing process.

But when the company gave up the fight, Laidig referred to the setback as an effort into which GNP was drawn to protect a valuable asset, the dam site adjacent to company lands. And he was angered when a Boston-based magazine was quoted as saying he was ready to fire Bartlett because of differences over the project. Laidig wasn't used to the political wars in Maine which frequently broke into the open, as eventually did his split with the company president over ways of planning for the future.

Laidig started in the business with Nekoosa in Wisconsin and went on to play a key role in the building of the Ashdown mill. He went on to become a successful president of Great Southern. Laidig found himself promoted to GNN chairman after Yacavone's health forced him out of the picture.

Suddenly the political alignment within the company changed. The man who, as legal counsel for Great Northern Paper, had put together many of the FCC applications for the hydroelectric system, Robert Hellendale, was headed into retirement.

Laidig and other members of the GNN board of directors, including an environmental activist Peter Paine, son of a company president, came to Millinocket to view proposed dam site. The board agreed to go ahead, considering each step in the process rather than giving the entire project a go-ahead. So GNP had board approval for all of its actions.

What was the Big A project? It was a proposal for a dam at Big Ambejackmockanus Falls, 25 up the West Branch from Millinocket, four miles below Ripogenus Dam. The estimated cost in 1982 dollars was \$96 million. It would reduce the company's oil consumption by 438,000 barrels per year. The 36-megawatt power station would have been operated as part of a hydroelectric system comprising six generating facilities and 13 storage dams. In addition to 117 megawatts of power, the 84-year-old system included boilers generating electricity and providing steam for the papermaking process with biomass, waste pulp mill liquor and oil as fuels.

LURC was told that if power from Big A power had been on line in 1983, the energy cost per ton would have dropped to \$59 compared with an estimated \$68 for Canadian competition "direct energy cost per ton" for 168,000 tons of paper. That paper came off five old machines in the mills required 420 employees to run and maintain around the clock. It was clear to all those in the company that those were the jobs which would be lost if the machines shut down. If the machines were replaced, a single high speed machine would be the answer and require only a small percentage of the 420 jobs. Those were the state of the art machines in mills in Canada and in the Southern U. S.

The application didn't go into detail of plans for modernization. It cost \$7 million to plan and seek permits for just the dam. And at one point, hundreds of thousands of dollars were being spent to plan the modernization of the East Millinocket mill.

While the fateful condition was eventually fatal for the project, most of the hearings focused on the future of the world famous salmon fishery and booming whitewater rafting industry. Critics said the 857-acre lake would be fatal to the fishery. Not so, said biologists retained by the company that more fish would be caught as a proposed mitigation steps. While the whitewater of Ripogenus Gorge below McKay Station would be incorporated into the lake, recreation specialists hired by Great Northern said a profitable and popular trip could be developed downstream. Eventually many of the rafters agreed. But before the rafters divided, they had raised most of the funds needed for the coalition opposing the project, many thousands of dollars for attorneys and expert witnesses.

When public hearings were held by LURC, the unions and mill town supporters turned out in numbers that even impressed the opposition. Everett "Brownie" Carson of the Natural Resources Council (who took time off during the hearings to go to Greece on a sailing vacation) was quoted as saying when he returned "I don't know of another company that would get this kind of support."

The hearings kicked off April 1, 1985, in Millinocket. As many as eleven attorneys were up front in a high school gymnasium. Seated behind them were staff members of the environmental groups opposing the projects, state staff members and company representatives and their supporters. Evening sessions saw the building fill up with Millinocket people, nearly all of them favoring the project.

When the hearings shifted to Gardiner April 29 in an old National Guard armory, there was more balance as southern Maine members of the NRC and the Maine

Audubon Society lined up to testify in opposition. The unions enlisted a Maine visitor, ALF-CIO president Lane Kirkland as a supporter. Newspapers showed photographs of him wearing a "Big A-OK" hat. Business interests rallied to the company's defense. So did others including retired employees and stockholders. Busses brought people from the mill towns. Union leaders Bob Bernier, Leroy Michaud and Jim Mingo even traveled the state to enlist support of union members.

When energy theorists Emory Levins [Amory Lovins?] testified, Bangor New editorial page director A. Mark Woodward showed up for the first time and patiently waited several hours for Lovins to appear. It was the only time that Woodward attended the hearings. GNP witnesses effectively discredited most of Lovins' remarks. It was easy. Lovins admitted he had never been in a paper mill. But the News saw him as a "recognized authority on energy matters" and in a follow-up editorial on May 18 ignored the fact he didn't know what he was talking about and said "he had placed a burden on the Great Northern and its parent corporation to answer some tough questions concerning energy efficiency."

While News environmental writer David Platt was on vacation in Europe, the News pretty much ignored the Millinocket hearings. That was when the company made its case. While the Bangor newspaper endorsed the project, it was clear that there was little real staff enthusiasm behind the endorsement. Out of state television reporters joked about the editorial in which the News came out in favor of the project. (In fact one Bangor banker found Platt, Woodward and state editor David Bright discussing how "bad it would be" if the project were approved when he visited the newsroom before the application was filed.) That feeling was apparent in April when the News in an editorial supported opponents of the project in urging legislators to grant LURC the authority to extend hearings. The House voted 85-40 against the idea. In Portland, newspaper and the chamber of commerce strongly supported the project. Not so, in Bangor. News Publisher Richard Warren told Great Northern people "it was a close call" because he had so many colleagues on the staff who were fishermen. It would be wrong to say the newspaper played a decisive role in killing the project. It would be fair to say the News created a climate in which opponents were treated as "protecting the public interest" regardless of what tactics were involved.

A team of company witnesses, carefully assembled and coordinated by Lander, made their case in the LURC hearings. In brief, they said a dam could be built and any environmental damage offset.

The opposition responded. The technical side was handled by the Audubon Society's Chuck Hewett. He complained they couldn't find qualified witnesses because of their reluctance to oppose Great Northern Paper. So Hewett, a forester, told me he was going to say what he wanted witnesses to say. When he broke off negotiations before the hearings and refused to continue seeking a solution to the controversy, Hewett gave as a reason in Falmouth "we haven't yet really done our homework. We need time to build a case."

On May 1 a former State Senator embarrassed Great Northern by giving LURC a copy of a company advertisement claiming it "was building a road to save a river." The photograph in the advertisement, Howard Trotzky said, was Big Ambejackmockamus Falls (Big A). It was damaging testimony from a public relations point of view. No one could disagree that the Golden Road had been built because the log drives were coming to an end. And no one in the New York advertising agency or in the company had energy on their minds when the advertisement was created. Trotzky was the man who was wheeled into a hearing room in Augusta to cast from a hospital bed the vote which saved Barringer's job as conservation commissioner. The senator, who had paid once unsolicited courtesy calls at company headquarters in Stamford, gained fame as a leader in forcing Scott to end log drives on the Kennebec.

The State Office of Energy Resources wasn't at all reluctant to raise question after question, with or without foundation. And while Governor Brannan had time after time said he saw the project in a favorable light, it was increasingly evident that State Planning Office Director Richard Barringer had got no signal from the chief executive to balance the state agencies' presentation, which he coordinated. The brilliant and able Barringer ignored his leader's position.

After the hearings, a review of the agencies' involvement was ordered. Again Barringer tilted the scales, putting together a team of the people who had orchestrated the state's original position, including the wife of the lead attorney for the opposition. No new people were called in for a second opinion. As you would have anticipated, team concluded the system has worked.

Most observers agreed Barringer was on the right public policy track in encouraging state people to stand up and be heard in the face of the company's massive team of specialists and lawyers. But the manner in which he manipulated the state's agencies' presentations sent another negative signal to the business community from the man many considered the most controversial in the Brennan Cabinet.

The marathon hearing came to an end at 2 p.m., May 23.

On September 19, members of LURC voted 4-3 to permit the project.

"...the Big A Dam proposed by Great Northern Paper is on its way and while controversy over the project will not diminish, the people of Maine and the Maine economy are surely the winners," commented a Lewiston newspaper.

But Maine Times (which probably did the best balanced job of covering the hearings in the opinion of company people) didn't agree: "The best that can be said of that deliberation and vote is that it proves we should totally revamp such boards as LURC, the BEP and the Pesticides Control Board."

Opponents vowed conditions would be attached to the permit which would make the project undesirable. They were elated October 16 by the 23 conditions attached by LURC.

And the Board of Environmental Protection angered legislators when, despite the LURC vote, it refused to issue a quality permit necessary to gain federal approval for the project. Most legislators said the law required the BEP to do so if LURC approved a project.

Ironically LURC next elevated the member who led the opposition to Big A to the chairmanship. Elizabeth Swain was a former forester for the Maine Audubon Society. Her husband was a photographer for Maine Times.

The battleground shifted to the Legislature.

Could legislative leaders from Northern Maine enlist support to undo the damage done to the Big A application in the regulatory process?

Hopes were high.

House Speaker John Martin of Eagle Lake, an environmentalist on most counts, was a supporter. This controversial but brilliant young man was worried about the welfare of people in the North County.

So was the less experienced Senate President Charles Pray, who was still solidifying his power base in the Senate. It was a popular cause in his home town of Millinocket. But Pray's rivals in the Senate from his own party, particularly Bangor Senator John Baldacci, were determined to embarrass Pray. And LURC Director Alec Giffen had the hard-working Senator Beverly Bustin of Augusta to negotiate on his behalf.

Legislation making the project possible without the constraints imposed by LURC was approved overwhelmingly in the House were a young East Millinocket legislator Mike Michaud, co-chairman of the Energy & Natural Resources Committee, quarterbacked the successful fight.

The environmental lobby turned on the heat in the Senate. Despite support from the Senator Republican Leader Thomas Perkins of Blue Hill, Pray couldn't quickly muster the margin needed to decisively turn the tide. Pray still believes he would have eventually prevailed, perhaps by compromising. Pray's detractors didn't understand the high stakes in their game of politics. It was win, or lose. Now.

Great Northern's management needed a mandate. Without it, there would be no case to be made in Stamford for providing hundreds of millions of dollars for a hydroelectric project and the mill modernization in Millinocket. With those commitments, the Millinocket mill would have a secure future and hundreds of jobs safe for years to come; although far fewer jobs then existed at the time the application was filed.

Sure, LURC had approved the project. But the conditions defied reality when they were based on no reductions in manpower. New large high-speed were designed to do just that, make more paper at less cost by reducing manpower, among other things. Looking back, it is clear that the company's case was weak in this respect, confusing in part because the economics on which a decision would be made were changing as the hearings progressed. But it didn't make sense for a state agency to saddle Great Northern with manpower loads no other company in North America faced as a condition of being allowed to build Big A.

Bartlett tried to convince LURC otherwise. So did Attorney Dan Boxer who argued brilliantly that the project was necessary to save jobs. But he never expected his client to be stuck with an archaic manpower standard. In the world of business, it was an unbelievable burden to place to a company struggling to build for the future. LURC's staff didn't understand what was going on in Canada where Great Northern's competitors were based or in the rest of the world, and wouldn't believe what they were told by the men and women of Great Northern Paper. The environmentalists simply spread confusion on this point because they lacked expert witnesses.

The end came March 13.

With the Senate bogged down on the issue and hope of an impressive legislative mandate out of the window, the company announced it would abandon the project.

“There is no reason anyone---from the lowest of Maine citizens in terms of economic income to one of its richest---needs to be put through what this corporation has been put through,” Speaker Martin told his colleagues in the House.

Opponents attributed the GNP decision to waning enthusiasm for the project by GNN. If so, the Millinocket mill today is a testimony to their lack of understanding of the situation. Had Big A been approved, and if GNN had not relinquished its rights to the project in a few short years, it would have meant the dam and modernization for the mill would have had to have been started.

Once the company had thrown in the towel, there was no time for crying or second-guessing the administration. While Barringer and others pointed out the company had received a permit for the project, they were clearly prepared to plan for a northern Maine in which the paper industry's role was diminished. That was the basis, too, on which the planning for the future of the Millinocket mill continued. For the first time, one of the options on the table was simply closing down the Millinocket mill when the existing machines no longer could produce a product for which a market could be found. This was still an option several years later.

CHAPTER XIV

Finally, Modernization Wins GNN Funds; Millions for the East Millinocket Mill

Timing of the announcement of a \$155 million modernization of the East Millinocket mill came as a surprise to a lot of people who had been focusing on the controversy surrounding the Big A project.

On February 7, 1985, Bartlett announced at the State House in Augusta that the directors of Great Northern Nekoosa had approved spending \$155 million to convert No. 5 and No. 6 from fourdriners into ultra modern twin-wire paper machines to improve quality and increase speed of papermaking from 2,500 to 3,500 feet a minute. Pulp mill improvements, modern shipping facilities, upgrading of some portions of the power system and other improvements were in the package.

The company said that as a result of the modernization employment in the mill would be reduced. There were 950 people employed in there at the time of the announcement. While the company decided against predicting exactly how many jobs would be eliminated in the mill, most people anticipated one out of three positions would be eliminated. Those opinions were pretty close to what emerged as the final goal.

This was the first indication for many of what modernization of the Maine mills would be insofar as jobs were concerned.

But for now there was joy in the company, and in the community of East Millinocket.

Great Northern Paper had been making and selling newsprint since the turn of the century. It first built a national reputation as a low cost producer but retreated as the output of the Millinocket mill was re-directed into a new market for groundwood printing papers. There was more money to be made in the new markets. The company remained a major supplier of newsprint in the northeast, from Maryland north and east to Ohio.

But its share of the New England market slipped from 21.6 per cent in 1981 to 17.5 per cent in 1984 and the Canadians were making substantial inroads. Their share jumped to 78 per cent. Great Northern newsprint went into most of the major newspapers published in the region, from the Boston Globe to the New York

Times, over 200 newspapers in all, large and small. The Maine mills were a domestic producer, an alternative to the dominant Canadians, who were strike prone. Eventually the East Millinocket mill became the only newsprint mill in New England.

After the East Millinocket modernization in the 1950s, the company could count on a 1,000 tons a day of production, two thirds of it off No. 5 and No. 6 paper machines, the rest off four small fourdriniers which trimmed 150 inches by contrast with the rolls 260 and 272 inches in width which came off their big brothers.

By the time the modernization was announced in 1985, one small machine had been shut down and production reduced to 920 tons a day. In addition to the stone groundwood from the pulp mill, the East Millinocket mill received sulfite pulp from Millinocket through a nine-mile long pipeline. Purchased kraft was used to supplement the furnish, or pulp mix, as the market became more competitive.

But conservative newspaper publishers in the seventies and eighties were investing in new processes and printing presses which would enable them to market a better product, more eye-catching with color to attract readers and hopefully help recapture the dollars of advertisers, which had been straying to television. Cost reductions were also a goal of the changes taking place in the business. The giant Gannett Company, as well as some smaller newspapers, including the Bergen, N. J. Record, made major advances quickly. The result was a demand for higher quality newsprint. Great Northern found it difficult to compete.

In fact, some newsprint for the Gannett flagship publication, USA Today, was made on No. 11 paper machine at less profit than directory papers, to permit Great Northern to hold onto the market until the rebuild of the East Millinocket mill was complete.

When Bartlett succeeded Yacavone as president, he concluded it was urgently necessary to evaluate the state of the mills. He delegated the job to a team of top managers.

Their conclusions were dismaying.

The situation was deteriorating almost monthly as new presses of customers and new paper machines of competitors came on line. It became apparent that the task facing the company's management was to hold things together while a case

could be made for modernization. The Big A project was still being debated. No one wanted to damage the prospects for the hydroelectric project, on which the future of the company hinged in so many ways. A big project could raise questions about the need for the additional power.

Bartlett set out to meet both challenges, and at the same time.

He was successful.

In the announcement of the East Millinocket project, it was spelled out that the investment was defensive and would protect market share.

New press sections were designated to allow twin-wire production, ensuring a sheet for printing with the same printing characteristics on both sides. The equipment was ordered from Beloit with headquarters in Wisconsin, but made in Japan. New computerized quality controls were to be added. Pulp mill changes were to be made. Later a much larger project was found to be necessary to bring pulp mill up to par with the competition.

The biggest reduction in manpower would come from an automated shipping department.

Two power stations also were to be made more efficient.

Over 500 men and women would be employed at the peak of the project which was scheduled to be finished in the fall of 1987.

Along the way, GNN approved additions to the project which brought the total to \$200 million, a shocking cost over-run in the eyes of the new GNN chairman. William Laidig, a veteran papermaker, who was more at home in the containerboard and fine papers fields than in dealing with groundwood papers such as newsprint, was not satisfied with a longer than expected learning curve, or startup struggle, with the rebuilt machines.

The result was major changes within the company. Bartlett was succeeded by Ray Taylor, touted in corporate headquarters as the best papermaker in GNN. He had been the successful troubleshooter brought in to put the pieces together when a Nekoosa expansion start-up at Ashdown had given management nightmares.

Taylor accepted that GNN would have a say on almost everything. Jim Crump, GNN's executive vice president who started his career in Millinocket, was

obviously calling the shots on policy matters. The Portland staff joked about "management by telephone." Decentralization was no longer a viable approach to a business as large as GNN in Laidig's opinion.

In Maine, the management of the mills changed hands. Retirements cleaned out most of the others associated with the beginnings of the project. Spots within GNN were found for others as Laidig started to mold a corporate group.

In the early 1990s, the East Millinocket mill was winning quality awards from USA Today but struggling with success in a market where prices had been low for years, and still are as this is written.

CHAPTER XV

1,400 Jobs to Go with a Goal of Smaller More Efficient, More Competitive Company

When plans were announced to eliminate 1,200 to 1,400 jobs over the next few years January 31, 1986, the news dominated newspaper and broadcast news for days. A giant in Maine had fallen on hard times.

It came in a time of change for the company.

A \$155 million modernization of the East Millinocket mill was in the works.

The Big A hydroelectric project was floundering in the regulatory process.

And while Great Northern Nekoosa was growing and prospering, Great Northern was shrinking and lagging behind other segments of the corporation in earnings. A new GNN management was more familiar with other operations of the corporation, and impatient with the confusion and controversy in Maine's political and regulatory process. The polite, at times, struggle between the partners in the merger which had created the corporation was very much alive with Nekoosa Papers demanding recognition as the place where money was to be made. Even Laidig conceded that he had hoped this animosity would fade with Gerry Venneman's retirement as president of Nekoosa. Laidig saw a single management as necessary for all divisions of GNN with regional and product parochialism a thing of the past.

So Great Northern struggled to win funds for modernization from a board of directors now unfamiliar with Maine. Some said a "Maine" seat had been given to a director from Mississippi, others said Bartlett had, when given the opportunity, nominated only personal allies from the forest industries, who would fight his battles. In the past, Maine directors had come from the railroads and utilities. So, when Hellendale retired as chairman, the last vestige of the old company went with him from the board.

It was in that atmosphere that the day of reckoning arrived in Millinocket. Management personnel filled the high school gymnasium to hear Bartlett outline plans for the restructuring. This is what their young president had to say, in part:

“Many of the grades of paper we produce are in oversupply world-wide. The strength of the U. S. dollar, although it was weakened somewhat in recent months, continues to attract imports into our markets. A significant portion of our papermaking capacity is dependent on high cost energy. Some of our equipment is old and noncompetitive. Our manpower requirements are among the highest in the industry.”

The goal he announced was to reduce papermaking capacity from 842,000 tons to 640,000 in 1987, the amount which could be supported with company generated hydropower and cogeneration.

As he spoke, three of the eleven paper machines were shut down in Millinocket and another was scheduled to be shut down later in the year. One of five machines in East Millinocket was shut down. There was no market for the paper which could be made on the machines.

There had been clear indications of the bad times.

Everyone who knew anything about paper mills appreciated that the East Millinocket work force would be slashed in the modernization.

And the limited markets for products off the four most vulnerable machines in the Millinocket mill had been explained to the Land Use Regulation Commission, if they were listening to the economic data.

Unfortunately those hard facts were probably fogged over in the bitter public relations war between the southern Maine environmentalists allied with a majority of bureaucrats, on one side, and on the other, the company, the unions, northern Maine fishermen and hunters, statewide business groups and others. During the Big A hearings, reporters concentrated on covering the environmentalists as they made their case against the project largely ignored the company's supporting data. When a Bangor News reporter left for a vacation in, he wasn't replaced on a day-to-day basis at the time the company made its presentation in Millinocket. It was a long way for the news media to travel to Millinocket from Portland and Augusta.

In outlining the company's plan to reduce production and the labor force, Bartlett carefully said incentives for early retirement would be offered. Assistance would be offered laid off employees in seeking jobs in the region, or elsewhere.

The layoffs and job eliminations were projected across all departments.

The plan evolved from efforts Bartlett set in motion when he took over as president. Those steps paid off by attracting funds for the modernization of the East Millinocket mill. Now very drastic surgery was necessary to set the stage, in part, for making a case for a new machine and rebuilds of remaining paper machines in Millinocket. Costs of nearly \$40 million were seen in bringing the newest of the machines, No. 11, up to date. That was almost as much as it cost in the early 1990s.

If the Millinocket mill ended up eventually with only a rebuilt No. 11 and a new paper machine and a modern pulp mill, the labor force could be reduced from 1,500 to a few hundred men and women. As the intensive studies contained, Great Northern people were on the go looking over other facilities and re-training programs.

Years of traditional work habits in the mills would have to change, requiring extensive training and cooperation from unions. There was hostility to the thought of cross-training among some union members, particularly among the trades where bitterness still lingered from the 1978 strike.

While the announcement dominated news in all parts of the state, the shock hit hardest in the mill towns.

It was months before the idea was accepted that Great Northern's management at the time was determined to make the changes necessary to compete in a worldwide paper market and make those changes at the expense of almost a century of tradition in the mill towns. It was the only hope the company's senior management saw for survival of the company.

CHAPTER XVI

After Years of Studies, Millinocket Project With a German Partner Wins GNN Approval

In the 1988 Great Northern Nekoosa annual report, Laidig conceded that “we have been investigating alternate plans to modernize Millinocket (the mill) to optimize the use of its unique wood and water power resources. That we haven’t completed our comprehensive plan testifies to the complexity of the problem...”

The previous year in the GNN annual report Veli Lapinoja, director of research and engineering, and Paul Gilbert, pulp research leader, had been pictured and quoted as saying “Often, research efforts are stifled by the tools available to the researcher. We are excited that GNN has made the commitment to provide world-class research equipment for us to work with.”

These two were the heroes of Millinocket and hailed as chiefly responsible for developing a new sulfite pulp process which would allow Great Northern to produce papers capable of competing with others in the lightweight coated paper field.

GNN went along, for a time. But, as one of those involved in the final deliberations at the corporate level said, “we just were not prepared to gamble on the new process.” The price tag topped \$100 million.

At that point, Bartlett was replaced by Taylor as president.

Those developments elevated to a public forum the internal debate Laidig admitted in the annual report. It had been kicked off following approval by GNN of plans to rebuild two paper machine and modernize the East Millinocket mill. Great Northern Paper’s aggressive management immediately turned their attention to the Millinocket mill, seeking a plan for the future which would bring GNN funds to Millinocket.

It was a period of growth for GNN. The corporation entered the corrugated box manufacturing business with the acquisition of the biggest independent converter in the country. Next GNN bought the Forest Products Company of Owens Illinois for \$1.15 billion. Included were three containerboard mills and 21 box plants. That move cemented GNN’s role, according to the American Paper Institute, as a leader among linerboard and corrugated producers, second only to Stone Container and just ahead of Weyerhaeuser and International Paper. Laidig, who

moved into the top GNN job from the presidency of Great Southern Paper, was very comfortable in this arena.

GNN was also acquiring paper distributors to add to the Butler network, rebuilding a Great Southern machine in Georgia, planning new box plants, and giving the green light for a \$500 million expansion of the Nekoosa Paper mill in Ashdown, Arkansas.

The internal haggling over the future of the Millinocket mill had bogged down with both those seeking the money for the Nekoosa project in Arkansas and those comfortable in building a major stake in the box business reluctant to free up funds for Maine. The times were also working against GNP which was struggling in a depressed market.

The cast of characters in the corporation was changing. After Yacavone died of a heart attack, Laidig turned to Nekoosa for help and Jim Crump became executive vice president and a member of the board of directors. Division presidents, including Bartlett, reported to Crump.

Crump, who graduated from the University of Maine and started his career with Great Northern in Millinocket, was hired as the No. 2 man in Nekoosa after an expansion in Arkansas had led to a shakeup. When Gerry Vennerman retired as president of Nekoosa, Crump took over and was the division president prior to his promotion. Vennerman, the husband of a member of the family which at one time controlled the Nekoosa-Edwards Company, became chairman of the executive committee of GNN when Hellendale retired. Laidig said he wanted it that way. But it was clear no one was left in a decision making role in GNN who was a GNP veteran.

In Maine, the pace of change accelerated with the arrival of Taylor as president. The Boise veteran had followed Crump to Nekoosa. The two had stuck together for years. Taylor was credited by Hellendale with turning the Ashdown mill from chaos to profitability. Laidig said "we are sending our best manufacturing man to Maine." But Taylor was reluctant to follow Hellendale, Yacavone and Bartlett into the public arena. When he was forced to make such decisions, he sought guidance from Crump.

Alan Tozier followed Taylor to Portland. A former GNP controller, the ambitious and capable University of Maine graduate went west to become eventually the top financial man in Nekoosa. With his arrival, Taylor had vice presidents for administration in Taylor, operations in Giffune and Snider in woodlands.

The company's new faces were clearly a signal GNN wanted new ideas for the Maine operations.

The preference for "new blood" was a factor in low morale. The change was startling. No longer could a man count on a career in the Maine mills. Many sought other opportunities.

There were a few rounds of early retirements before the GP acquisition with GNN offering "to buy out" those typically of 55 years of age who had approximately 30 years of service. Those eligible got several years early what they would under conditions of normal retirement.

After the projects proposed by Great Northern had been turned down and GNN had imposed a new management on the Maine mills, the corporation took command of long-range planning. The indecision dragged on and on as Laidig conceded in the 1988 annual report which he said he hoped for answers at last for "the patient, dedicated employees of Great Northern Paper."

First, consultants working for GNN discovered the abundant hardwoods on company lands in Maine and a hardwood kraft mill was debated. When the project became a subject of debate during the GP takeover attempt, attorneys for the Atlanta-based corporation told a court "the concept that Great Northern will spend hundreds of millions to build a kraft mill in Maine is at complete odds with its long history of neglect in the state."

It became apparent the cost of modernizing the Millinocket mill was beyond GNN's capacity, considering its Ashdown expansion and aggressive expansion into the container markets. Total costs of \$500 million to \$1 billion were rumored attached to Millinocket projects under study by consultants.

When GNN's proposal was finally announced, it was a classic case of corporate doubletalk, creating more questions than answers.

A \$484 million joint venture with a German partner, MD paper, was proposed for Millinocket, a new company, separate from Great Northern Paper's mill in the same town which would be left to struggle on its own, so it seemed. But the new mill would be constructed adjacent to the Millinocket mill and positioned to tap into Great Northern power and wood supply systems.

Employees immediately asked if they would get a crack at jobs in the new mill. Unions voiced their concerns that this was a GNN attempt to bust the unions in

one of the communities where the labor movement had been born in the paper industry. Most people in industry said GNN would have no choice but to try first for a non-union operation. These questions were still up in the air until the threat of a take-over apparently changed GNN's public posture. GNN backed down and was more conciliatory.

Paper industry insiders said the final GNN-MD plan differed little from that proposed years before by a GNP team.

Union members were disillusioned by the lack of progress in rebuilding the Millinocket mill. When Senator George Mitchell won approval of a tax break for the Maine mills during tax reform of the Reagan years, the unions demanded assurance that GNN wouldn't be allowed to use the tax credits elsewhere in the country. Angry union leaders went public with their demand in frustration over their inability to get a clear picture of the future from company officials. That clear picture was actually never there.

Still in 1986, the unions agreed to contract extension. But again there was an example of the bitterness among those in the trades. Despite ratification by the members of their locals, union presidents refused for several days to sign the agreement.

The unions pressed for job assurances. Elsewhere in Maine, Boise-Cascade and International Paper were confronting unions and demanding labor costs be reduced. These strikes increased the tensions in Millinocket and East Millinocket.

Although GNN had started seeking permits for a new mill in Millinocket, the tensions were still high when Georgia-Pacific made its takeover bid in 1989.

Some people say it was only because of Laidig's determination to build on the great power and forestry resources that deterred GNN from selling the Millinocket mill. Others wonder if GNN's years of indecision had not sealed the fate of the Millinocket mill, allowing the complex to become so out of date it was a property nobody wanted.

CHAPTER XVII

The Final Chapter in a Company's History? Georgia-Pacific Breaks Ranks in Bid for GNN

"Until now, U. S. paper companies have abided by an unwritten rule not to initiate takeovers of their peers," staff writer Jeff Smith wrote in the November 3, 1989, Portland Press Herald, continuing:

"And until now, Georgia-Pacific Corp. Chairman T. Marshall Hahn Jr. has lived by that rule, acquiring 18 companies through private negotiations. Or, as The Wall Street Journal recently described, acquisitions in the 'kind-and-gentle' George Bush mode.

"That's why analysts were shocked this week when Georgia-Pacific launched a \$3.18 billion bid for Great Northern Nekoosa Corp. which has large paper mills in Millinocket and East Millinocket and employs 3,000 people in Maine.

"The acquisition – which was termed friendly but received a frosty reception by Great Northern Nekoosa – would make Georgia-Pacific the world's largest forest products company, with sales of about \$13 billion a year."

First hints for most people of impending GP takeover bid was speculation on television business news programs that the Atlanta-based company's purchases were driving up the price of GNN stock.

From that point until GNN finally agreed to be bought up for \$65.75 a share (originally offered \$58 and increased its bid to \$63 in November), the takeover battle was fought out in the courts, in the press, in Maine's political arena, in the mill towns and in the financial world. Bitter words were exchanged.

Like all major corporations, GNN has an anti-takeover strategy in place and a team of experts on call. Because GNN was a Maine corporation, the product of the original Great Northern Paper charter, the state was certain to be a battleground. For that reason, GNN had for years promoted anti-takeover legislation which would create laws designed to slow down hostile bidders.

In 1988, Laidig said anti-trust challenges would be the GNN's first line of defense. The strategy was successful in buying time but one by one GNN defenses were struck down by the courts.

Meanwhile, GP faced up to other challenges.

When environmentalists and the administration of Governor John McKernan worried about GP selling off the two million acres of timberlands at stake in Maine in the takeover battle, Hahn agreed to a two-year moratorium on land sales and said GP would give the state first refusal on future sales.

When politicians' fears about the future of the Millinocket mill were stirred up by GNN accusing GP of planning to sell the money-losing Maine facilities to pay off the debt which would pile up as a result of the takeover, Hahn had another answer. He promised to spend a million dollars studying the potential for installing a tissue machine in the Millinocket mill.

When GNN tried to cloak itself in the traditions of Great Northern Paper and bid for Maine support, it won the support of respected Ellsworth American editor J. Russell Wiggins, but few others rallied to the Stamford-based corporation's support. Some union leaders went to bat for the company in urging the state to join in the legal battle, but that support was far from unanimous. There was sadness among old-timers in the north country when they thought of the future without a Great Northern, the institution around which many of them had built their lives.

While Laidig fought valiantly in Maine, he had few associates in senior management available to help. Editors in Portland who met with substitutes for Laidig when he had to cancel one trip called Crump and others tepid, saying "they just quoted lawyers." Great Northern Paper's management and staff were excluded for the most part from the issue, although they did try to stir up union support. Maybe they saw the hand-writing on the wall when GNN didn't go looking for a so-called "white knight," a friendly company to buy, or share, control of GNN.

GP's point man was the able A. D. "Pete" Correll, executive vice president who was responsible for the paper side of GP's business. He was frequently in Maine, at home in the mill towns and able to speak for the company on controversial questions. No stranger to the state, he had been a speaker in University of Maine pulp and paper seminars while a Mead executive. Others backed up Correll, men with corporate titles and the ability to call spade spades without calling Atlanta or their attorneys for guidance.

GP, in addition, took out full page advertisements to tell the story of the rebuilding of a Palatka, Florida, mill acquired in 1979. Other advertisements told

of the corporation's record in Maine since buying a Woodland pulp and paper mill in 1963.

When the end came, Wall Street analysts still didn't have an answer to what motivated GP to go after GNN and ignore the paper industry's unwritten rule against hostile takeover bids. Some simply joked, maybe, that it was an example of "corporate greed" in a day when such approaches were fashionable.

What is known is that GP had been eyeing GNN for several years. At least one friendly feeler from Hahn had been rejected, retired executives said. Great Northern Paper people involved in the takeover battle said papers uncovered in the court fight confirmed GP had been plotting the move for several years with a backup strategy aimed at another corporation with strength in the containerboard segment of the industry.

Hahn was then, and is today, a respected leader in the industry. Even GNN die-hards had to concede they had seen him guide industry boards and committees through meetings with distinction. He was one of the industry's best spokesmen. A former president of Virginia Polytechnic Institute, he was an intellectual who turned industrialist with ease. He won his spurs during a traumatic period for GP when it upped stakes in the Northwest and moved headquarters to Atlanta. With GP burdened with heavy debt and struggling with a downturn in its building products business, Hahn vaulted into the No. 1 job as chief executive in 1984. Under his leadership, the corporation achieved a turnaround and financial success which positioned it to make the bid for GNN.

After the GNN takeover, Hahn presided over the largest of the paper companies with Maine holdings that dwarf anything ever dreamed about by the founders of Great Northern Paper. When the merger of the two corporations was announced in the February 21 New York Times, Hahn was quoted as saying "the combination will create the nation's pre-eminent forest products company" with "the enhanced strength and flexibility required to succeed in today's more competitive and global market place."

An analyst simply said "a paper powerhouse" is being created.

For the remains of Great Northern Paper, the question was how much effort GP would put into rebuilding struggling mills in a state in which its top people long had viewed as having a poor business climate. It was clear that the attraction GP had for GNN wasn't in Maine.

The Millinocket and East Millinocket mills became the Northern Division of GP. The woodlands department and Pinkham Lumber were incorporated into the forest products division of the company, another side of the business.

Great Northern Paper was history, at least for now.