

EVOLUTION OF A PAPER COMPANY:
THE CARLISLE-FERGUSON YEARS AT ST. REGIS

Interviews with
Homer A. Vilas and James E. Kussman;
conducted by
Elwood R. Maunder and John R. Ross
and appended *-inte-rview with*
Carl B. Martin
James E. Kussmann and Samuel Shane

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This volume is second in a series of oral histories on St. Regis Paper Company. The first volume, THREE MEMOIRS ON ST. REGIS PAPER COMPANY HISTORY (Eunice Remington Wardwell, Louise E. Richter, and Harold S. Sutton), was published in 1976.

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Photographs: Except where noted, all illustrations are courtesy of St. Regis Paper Company.

INTRODUCTION

Those who were acquainted with the late Roy K. Ferguson remember him as a reserved and quiet individual who never courted public attention'. In contrast to the flamboyant Floyd Leslie Carlisle', his predecessor in the St. Regis presidency, Ferguson addressed audiences on a formal basis with relative infrequency. When he did choose to share his thoughts with a gathering of others, this intensely private man seemed to enjoy describing the history of the company whose progress he guided for nearly four decades.

St. Regis history, as presented in Ferguson's articles and speeches, was divided into three segments: the newsprint era; a later period in which public utility holdings were of great significance to the company; and finally, an era extending to the present during which St. Regis abandoned its involvement in utilities and focused exclusively on pulp and paper production.

The major emphasis in the first volume of oral history interviews on the heritage of St. Regis, is upon these first two epochs in the company's development. The lead-off interview in that volume, conducted by John R. Ross, is with Eunice R. Wardwell. Mrs. Wardwell, a member of the famous Remington papermaking family, recalls the industry and its leaders in New York's North Country in the early years of this century. The second session in the volume, conducted jointly by Elwood R. Maunder and John R. Ross, is with Harold S. Sutton, who worked closely with both Carlisle and Ferguson. Mr. Sutton helps trace Carlisle's exploitation of the tremendous water power resources of New York State to generate electric energy as well as to manufacture paper. The final interview of the first volume, conducted by Maunder and Ross, offers a sketch of Ferguson by Louise E. Richter, who worked as his executive secretary for many years. Ferguson is presented both as a young man working for Carlisle and also as the mature leader who reestablished the manufacture of paper as the top priority business of St. Regis.

Ferguson took the reins of power at St. Regis during the grimmest period in American economic history!

Those were not happy days. We really had problems over which we used to huddle. However, one basic decision came out of these huddles, namely that we would rebuild St. Regis purely on pulp and paper. We would continue to hold what was left of our public utility investments but they would be

liquidated when opportunity arose and our J.
future expansion would be in pulp and paper,

This second volume of oral history interviews focuses upon St. Regis's third historical period and upon the man who was its principal architect.

Mr. Homer A. Vilas, former honorary chairman of the board of the New York City investment firm Cyrus J. Lawrence, Incorporated, was intimately acquainted with Roy K. Ferguson for many years. An encounter in 1921 between Vilas and Ferguson at F. L. Carlisle and Company in New York City generated an enduring relationship between the two men. Mr. Vilas contributes substantial depth to our understanding of the complex individual who led St. Regis to international prominence. He candidly and incisively recounts what he saw as Ferguson's business abilities and suggests that Ferguson, not Carlisle, developed Carlisle and Company into the successful contender it quickly became in the business arena of the twenties. Mr. Vilas also elaborates upon certain facets of Ferguson's private life which have received less attention -- particularly his adoption of the Christian Scientist faith and an accompanying change in life style.

The Vilas interview is the personal record of a devoted friend and it prepares the way for the following two-session interview with James E. Kussmann. Mr. Kussmann's recollections detail the activities of Ferguson and his dedicated business associates in rebuilding and expanding St. Regis during the Great Depression, World War II, and the postwar era.

Mr. Kussmann, at this writing vice-president of public affairs for St. Regis, has held management positions at St. Regis operations located in Trenton, New Jersey; Kalamazoo, Michigan; Tacoma, Washington; and Deferiet, New York, prior to moving to New York City in 1963 to manage the newly created public affairs office. Mr. Kussmann's background in plastic, kraft, and printing paper operations allows him to discuss in considerable detail the postwar strategy by which St. Regis was built into one of the largest paper companies in the United States. In this period a program of extensive growth through both acquisition and construction was pursued, and the product line was diversified broadly. St. Regis overcame its prior dependence upon imported pulp and was integrated from pulpwood to converted products.

J. Roy K. Ferguson, Address at St. Regis Paper Company Orientation Meeting, 4 April 1955, p.11,

Not only does Mr. Kussmann describe Ferguson's plans and policies in growth, diversification, and integration but he also depicts important personalities in the St. Regis story such as C. B. Martin, E. R. Gay, and George J. Kneeland. The interview, in addition, offers glimpses of men like Folke Becker, Hilding Lindberg, Everett G. Griggs and other leaders of acquired companies which helped create new divisions for St. Regis.

Substantial attention is given to the area of public affairs and, more generally, to the evolution of communications in the forest products industry. Mr. Kussmann traces this development from the days of the "pragmatic, hardnosed lumbermen" to the present era in which, Mr. Kussmann points out, "the matters of water pollution, air pollution, forest land management, timber harvesting, (and) solid waste disposal and use, have built up to a crescendo of requirements for communication", ."

A special feature in this volume is an interview with the late Carl B. Martin conducted in 1966 by Mr. Kussmann and Mr. Samuel Shane. As Mr. Kussmann points out in his own interview earlier in the volume, Carl B. Martin was one of the men upon whom Ferguson relied heavily for good judgment and sensible action, particularly during the worst years of the Depression. Having earlier held the posts of assistant treasurer and secretary, Martin assumed, in 1923, the dual responsibility of secretary-treasurer and eleven years later became a director of the company. In 1935 the position of vice-president was added to his responsibilities. He retired as an officer in 1948 and as a director in 1956.

The Martin interview is exceptionally useful in depicting the early years of the company. Leaders of St. Regis during the newsprint era, among them David M. Anderson (one of the company's founders) and G.H.P. Gould (St. Regis's third president) are vividly described in Mr. Martin's recollections. Major events with profound impacts on the company are outlined--the labor strike of 1915; the important product change from newsprint to catalog and directory papers; and the Depression years at St. Regis.

"The story of any company," stated Roy K. Ferguson in an article he wrote for the Christian Science Monitor, "is essentially the story of its products, plants, properties, and above all its personnel. Unless one knows about these factors, the word 'company' is a meaningless abstraction. . . 2

In order to tell the St. Regis story, the Forest History Society has probed a number of sources: minute books, newspaper accounts, in-house publications, correspondence, and law papers. But in depicting the various facets of this company -- "above all its personnel" -- more than occasionally the best source is the personnel. To this end, the Society continues to undertake an active program of oral history interviewing in the St. Regis history project. We hope that the interviews presented in this volume render meaningful and real "the word 'company.'"

* * *

Any volume of oral history in published form bears the mark of those involved in interviewing, transcribing and illustrating the sessions. Initial and major thanks, of course, are due the respondents themselves. Particular thanks are also due the St. Regis Public Affairs Department notably Mr. Kussmann, Mrs. Jean Trotta, Mr. Ron Martin, Miss Madeleine Oppenheimer, Miss Eileen Gregory and Ms. Jeanne Pender -- for assistance generously given in the scheduling, execution, and illustration of the interviews. Mr. Homer Crawford, secretary of the corporation, made available source material from which some of the interview questions were derived and which provided important documentary prods to memory as well as contributions to factual accuracy.

We appreciate the opportunity to publish for the first time the interview with Carl B. Martin. Mr. Adams, former president, chief executive officer, and chairman of the board of St. Regis, kindly consented to review the Martin manuscript.

We are also indebted to the Watertown Daily Times, Marine Midland Banks, Inc., McGhie Associates, Inc., and, most particularly, St. Regis for permitting use of the photographs in this volume.

The Forest History Society staff in California, notably Ms. Pamela O'Neal, Mrs. Barbara Holman, and Mrs. Karen Burman were instrumental in guiding the volume to its completion. Finally, sincere thanks are given to Ms. Jean Maunder, Mrs. Carolyn Hernandez, Ms. Kristine Holtvedt, and Ms. Gloria Swing for careful work in typing the manuscript.

A special note of recognition should be given Mr. Will Kenny and Mr. A. D. (Sandy) Sanderson of St. Regis. Mr. Kenny, who heads the St. Regis office of records management, uncovered valuable material indicating the contemplated acquisition of Bates Valve Bag Corporation by Crown Zellerbach. Mr. Sanderson, who runs the Records Retention Center in Watertown, New York, made a great contribution to St. Regis through discovery of original correspondence between the company's founders. These exciting finds are a great tribute to the historical awareness of the two men and make contributions of highest importance to an understanding of the heritage of St. Regis.

Elwood R. Maunder
Executive Director

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Research Associate

Santa Cruz, California
New York, New York
April 27, 1977

FOREST HISTORY SOCIETY

INTERVIEW I

Homer A. Vilas
New York, New York
December 8, 1975

Elwood R. Maunder: I would like to begin by getting some basic information about you. First of all, when and where were you born?

Homer A. Vilas: I was born on March 27, 1891 in Ogdensburg, New York.

ERM: And what did your father do for a living?

HAV: He was a farmer and his name was Albon W. Viilas.

ERM: Where did you go to school?

HAV: I went to school at Ogdensburg Free Academy and graduated from St. Lawrence University in 1913.

ERM: What field did you study?

HAV: Liberal arts. I came to New York right after that and got a job in the brokerage business with I.W. Pressprich and Company. I got paid twenty-five dollars a month to be a salesman, which I didn't know how to be, but in those days they didn't teach you anything. I was started out on the road to sell bonds in upstate New York two weeks after I went with them, and I didn't know the difference between a public utility bond and an industrial bond. But I carried one of those big manuals in my bag and I studied every night from seven o'clock until eleven.

During the war the stock exchange was closed for four months and I worked for the Charles Williams stores in Brooklyn. They were a mail-order house. Then I came back and went into the brokerage business with Prince and Company. I was there from 1915 to 1918. I borrowed five thousand dollars from a fellow and started my own firm, Vilas and Hickey. We were on the fifth floor of 49 Wall Street and Roy Ferguson moved in with F.L. Carlisle and Company on the fourth floor. That was 1921. I stuck my head in and I said, "I understand you're from northern New York."

He said, "Yes, I am. Are you?" I said, "Yes." He said, "Sit right down there." I did and it turned out to be the greatest friendship I have ever known in my life.

ERM: How would you describe F.L. Carlisle?

HAV: He was president of the Northern New York Trust Company. Roy had worked at the Lake Placid Club. Carlisle used to go there and he picked Roy up and said, "Would you like to go to Northern New York Trust and work for me?" And he said, "Yes." Roy started as a salesman and built a bond department there and sold stocks in Northern New York utilities and the water power companies that Carlisle and Company owned up there. Roy did so well that he said, "I'm going to New York City." And Floyd said, "You'll never make enough in New York." Roy answered, "Well, I think I can." I think they had a 7 percent preferred stock when they formed F.L. Carlisle and Company, so I know they borrowed some money from somebody same as I did. That was in 1921. Roy wanted me to go to work with them in 1926 and I wish I had, but I went in 1929 and that was a little late. When I joined them, they had 'about \$70 million in securities all paid for, of course, and \$1 million in the First National Bank in New York City.

ERM: But when you first encountered them in 1921, they were a boot strap operation like yourself with very small capitalization. You were all just kind of getting your feet wet.

HAV: That's right.

ERM: In eight years they had built up a business of how many million dollars?

HAV: Roy told me once that they had \$70 million in securities all paid for in the vault in the First National Bank and there never was under \$1 million in cash in the bank. I went to Chellis Austin who was a great friend of mine (he had loaned me the five thousand dollars when I started in business), and I told Chel about this. He said, "Homer, I think you're nuts. You want to go too fast. Why don't you take it easy?" And I said, "Well, I'm sick of sitting on the telephone from nine o'clock in the morning until six o'clock at night and this looks good to me." He said, "I still think you're crazy." But he called me up the next morning and he had talked to the First

National Bank. The man at the bank had said to Chellis, "You tell your friend, if he has a chance to go with F.L. Carlisle, do it."

ERM: What were the dynamics there that made them so successful?

HAV: Roy Ferguson. He made Floyd Carlisle and I don't care what anybody says. I've said that a hundred times because Floyd said Roy couldn't do it. But he did do it. Roy had the best feel of the market of anybody that I've ever known. I've heard the arguments that he and Roy would have at our morning meetings. I know that once when we had Eastern States and it was selling at seventy (and it was never worth anything like that), some friend gave Floyd an order to sell seventy thousand shares. He said, "I'm not going to sell it. It's going higher. I'm going to keep it." So he kept the seventy thousand shares and it went down to nothing.

ERM: Floyd kept it. Would Roy have been inclined to sell it at that point?

HAV: Sure. He was trying to argue to sell it. Another example is the time that Floyd went on the board of the First National City Bank. The bank's stock was then selling at over four hundred dollars a share. Instead of buying five hundred shares or a thousand shares, just enough to become a director, he bought five thousand shares, and it went from four hundred dollars down to twenty-five or twenty-six dollars a share. So that money disappeared awfully fast. After the break in the market in 1929, Roy said to me one morning, "We are going to liquidate." Floyd became chairman of the board of the Con Edison Company and Roy became president of the St. Regis Paper Company. This was after the crash,

*Eastern States Corporation, originally Eastern States Power Corporation, was organized on October 23, 1925 in Maryland. Originally designed as a holding company for public utilities securities, it was closely tied to the Carlisle interests and to St. Regis. The first officers included Carlisle, H.E. Machold, C.E. Norris, and R.K. Ferguson, all of whom were important figures in St. Regis and the Carlisle investment firm. By 1929, the major investment of Eastern States was one million shares of St. Regis common stock, an asset that was more or less kept intact until the liquidation of Eastern States was approved by its Board of Directors on December 17, 1968, at which time the corporation owned 956,908 common shares of St. Regis.

and I went with the firm I'm with now, Cyrus J. Lawrence and Sons.

- ERM: If Ferguson was the real financial genius behind F.L. Carlisle and Company, how did Carlisle build such a fantastic reputation? Did he have more of a public relations sense?
- HAV: Dh, yes. He wanted to be a big shot; there wasn't any question about that. He developed a close association with the Morgans and got in some of the underwritings that they had. He helped put together the United Corporation.
- ERM: What role was Roy Ferguson playing behind the scenes in those things?
- HAV: He was running the market that we were in. I remember when I went with F.L. Carlisle and Company, I ran the markets for them and bought a hundred thousand shares of Con Edison at one time.'
- ERM: You were working directly under Ferguson?
- HAV: Under Ferguson, yes.
- ERM: What do you mean by running the market?
- HAV: Buying and selling. I called the broker on the floor of the stock exchange and bought certain things on order, that Ferguson had decided to buy. I know one order I had for a hundred thousand shares of Con Edison. I knew the specialist very well, and I called him up. He came over to see me and I said, "Now I've got lots of time to do this but I want to buy a hundred thousand shares of Consolidated." And he did it for me.
- ERM: How were these decisions worked out? You say there were meetings in the morning every day, is that right?
- HAV: Yes. They talked about conditions. But as far as buying and selling St. Regis, Roy was the mastermind of it. There is no question about that. I remember one time we wanted to sell a lot of St. Regis and Mossbacher was the specialist on the floor of the Curb Exchange and he was a big shot. We sold him twenty-five thousand shares and then we had him loaded up so we had to make a good market and we sold him another hundred. Get what I mean?

ERM: Yes, but each day was a new day in which you took a look at things afresh.

HAV: That's right.

ERM: Who else besides you participated in these meetings with Carlisle and Ferguson?

HAV: Ed Machold and Charlie Norris. Charlie Norris was a member of the Democratic party. He knew all the Democrats in office and Machold was a Republican state leader in the state of New York and had all the connections. They were fighting Al Smith all the time. When Al would walk into the office after he had a fight with them, he'd go by Ed's office and say, "Hi, Eddie!" Then he'd go and talk to Floyd.

Floyd said one morning, "I'm looking for a vice-president and salesman for St. Regis, and I'm talking to Charles McMillen." I said, "Floyd, if I may say something, I think that you've got the wrong man." Charlie McMillen was then president of the Union Bag and Paper Company. I said, "If you want a salesman, the best salesman in the paper industry today is Sandy Calder. He's the man I would pick." But Floyd didn't pay attention to me and he hired McMillen. Well, McMillen practically ruined the company because he told Lou Calder, who ran the Perkins Goodwin Paper Company and used to import pulp, not to take the St. Regis Paper Company name for too much money. Lou called me up and said, "What do you think of this?" I said, "It's nuts. St. Regis is good for anything you want to sell them." But McMillen became vice-president and he didn't last too long.

ERM: When did McMillen become vice-president?

HAV: 1931. And Sandy Calder became president of the Union Bag and Paper Company at the same time. I went on the board of Union Bag in 1934, and I'm still on it.

ERM: These were, of course, very difficult times during the Depression.

HAV: That's right.

ERM: To what extent was the failure of the St. Regis operation at that time attributable to the conditions of the Depression and to what extent was it attributable to McMillen's lack of managerial strength?

HAV: I think McMillen.

ERM: Would you explain what you mean by that?

HAV: He didn't do a good job at Union Bag and Paper Company and I don't think he did a good job here as far as the selling end of it went.

ERM: It was in the selling end that it fell flat.

HAV: The manufacturing end was way above. I mean, 70 percent manufacturing with 30 percent sales certainly was not doing a good job. McMillen didn't do a good job.

ERM: Then McMillen got ousted, is that right?*

HAV: Yes, eventually. Roy became president of St. Regis in 1934 and made good deals with the Metropolitan Life. He got money back of the company, and he was considered the best financial man in the paper industry at one time.

ERM: In other words, he knew how to raise capital.

HAV: Yes, and he knew how to sell and he wasn't afraid.

ERM: What innovations did he employ to jack the situation up after McMillen left?

HAV: That I can't tell you. I know that it happened but I wasn't on the scene. I was on the board of Union Bag and Paper Company. The sales the first year I went on the board were \$5 million, and the sales last year were \$916 million, so I've seen the growth of that. Of course, all the paper companies grew the same way. Roy bought woodland and went down South. I went down on a trip to the South with him when they opened the plant at Pensacola.

ERM: That came considerably later though.

HAV: That's right.

ERM: St. Regis actually went into the South after other companies had already done so.

*C.R. McMillen became a vice-president at St. Regis in 1931. Within two years he had been elevated to the newly-established position of executive vice-president. He was also a director from 1931 to 1936.. The latter year was his last with st. Regis.

HAV: Yes.

ERM: As I recall, St. Regis was not in a cash position to do any expanding at that time. It was still writing off a lot of debts.

HAV: Well, that's right. They made a deal with the two brothers that owned all the land down there and with Jim Allen.

ERM: But that came in the forties, didn't it?

HAV: That's right. *

ERM: I'm still talking about the thirties. In that period of time, Ferguson saw the need for liquidating or eliminating a lot of the debt and recapitalizing the whole structure of St. Regis. Now, do you have any insight into how he did that?

HAV: F.L. Carlisle and Company underwrote eight hundred thousand shares of St. Regis at twenty-six dollars a share with no fee at all with it. Their rightsexpired the day before the break in the market. We only got a thousand shares out of the eight hundred thousand. Then this happened, and the next morning we put in an order to buy a thousand shares at twenty-six and at each one-eighth down to twenty. We got it all the first day. That night the Sun Life Insurance called Roy up and said, "You got a block of St. Regis to sell?" Roy said, "Yes, I'll sell you twenty-five thousand shares at twenty-six." He was a good market man. He had a feel of the market. Floyd never had a -feel for the market. They never would have liquidated F.L.- Carlisle and company if it hadn't been for Floyd. Roy never would have.

ERM: You were involved at this time, of course, more intimately with Union Bag and Paper Company.

HAV: That's right.

ERM: At that time it was not Union Camp, it was Union Bag.

*Prior to its acquisition by St. Regis Paper Company in 1946, Florida Pulp and Paper Company was headed by J.B. Allen (president and general manager), A.D. Pace (vice-president and treasurer), and J.C. Pace (vice-president and secretary). The Florida company's Pensacola plant produced kraft pulp, paper, and paperboard.

HAV: Union Bag and Paper Company. It was before the Camp merger. I went with Mr. Calder when he went to Savannah where the company had been given the land by the city of Savannah. We watched the first piece of steel being put up, and I've seen it grow from then on.

ERM: How would you compare Calder and Ferguson?

HAV: Absolutely different types of people. I don't think Roy was as great a salesman as Sandy Calder was. I think Sandy was a terrific salesman. I think Roy was a financial man and knew the sales end of it, too. I think they were a lot different, but I just can't put in words the way I think they were, but each was very good in his own line.

ERM: Each a specialist in his own right.

HAV: That's right. And a top specialist at that. Sandy took that company with \$5 million in sales and built a plant and borrowed money through the old Bank of Manhattan Company and Citizens Southern Bank in Savannah. Lou Calder was Sandy's brother, and he owned Perkins Goodwin Paper Company. He had a lot of money and at that time Lou Calder bought controlling interest in Union Bag and Paper Company through me. He'd gotten some of it at five dollars a share. Our stock later was split two for one, then four for one, and then two and a half for one.

Roy called me up one morning and I said, "Floyd's son just called me up and said he'd like to sell a hundred and eight thousand shares of Eastern States common, but he doesn't think he can because there's no market." So Roy said, "Homer, I told him that you have a market. You were looking for it yesterday. If Floyd's son calls you, buy it from him." The next morning the son called and said, "Homer, is there any market for Eastern States?" I said, "There was yesterday. I had an order for some but I don't know if I've got an order for it today or not." He said, "I've got a hundred and eight thousand shares." I said, "What are you selling at?" He said, "The last was at three and three-eighths. I'll sell it at that." I said, "I'll let you know in a few minutes." I called him back and said, "I'll take it." So I bought it for Roy and he kept it until the company was liquidated and he received one and six-tenths shares of St. Regis stock for each share of Eastern States common stock.

- James E. Kussmann: Let me interject this one question. There is a point that I want to get cleared up if you can remember. Just before or just at the time when Mr. Ferguson became president of St. Regis, he told me that some of the directors had a consulting firm do a study on what to do with St. Regis Paper Company. The conclusion was that it should be liquidated. Did he ever tell you about that?
- HAV: I think he did, yes, but I don't remember who was involved.
- JEK: I was thinking McMillen might have been involved in that.
- HAV: After Roy came in, I don't think McMillen had anything to do about it. I know that.
- JEK: But Roy said that some of the directors had done this and he was indignant because he had not been a part of it.
- HAV: I think I know one. One fellow had a lot of money, but I can't remember his name. You see, I can't tell you much about the management of the company after Roy came here except that I know it just grew and grew and that Roy went into the South and bought land. He was very aggressive, as you know, same as Sandy was in Union Bag and Paper Company. Of course, St. Regis is larger than Union Bag.
- ERM: You must have known Carlisle and Ferguson on a very personal level.
- HAV: Roy invited me to come into the company in 1926; not going then was the mistake I made. When I came the first of January, 1929, Floyd said to me, "So you're going to work for us. What is your salary going to be?" I said, "I don't know. I never even talked about it." And that's just the way I went in. I made eighty-five thousand dollars in the year 1928. I didn't make that much again for a long time because the market broke. If the market hadn't broken in 1929, I would have been very happy. But nobody was making any money then.
- ERM: You must have felt that you would make considerably more money with F.L. Carlisle and Company or you wouldn't have given up such a substantial income to join the new firm.

HAV: I would have made a lot more than that in 1929 if the market hadn't broken.

ERM: I am sure you remember rather vividly the days that surrounded the crash.

HAV: I sure do.

ERM: Can you tell how you remember that experience? Was there any warning of its coming?

HAV: No, no. I think that some of those people were responsible for its coming because they put out a big issue of United Corporation a couple of months before the crash came. They put out a big issue of Allegheny Corporation and other stocks. Morgan was very, very bullish, and Floyd would get the dope from him, you know. The First National City Bank was just as bullish and went bust with the rest of them. They all borrowed money. Owen Young with the General Electric Company was chairman of the board of St. Lawrence University. He went broke in the thing and had to borrow money from Morgan. I remember the day Floyd came back and said he'd just made a loan down at the bank. It was awful. I lost a half a million dollars so fast I didn't know where it was going. I'd have lost a lot more than that, but the first day when the market broke, I called up a broker and said, "Sell everything I've got." He said, "I think you're crazy." I said, "I may be but I'm not going broke." If I had waited until the next day, I would have been. Now, that's the way it was.

The ten years from the early thirties until 1940, until the war came on, were tough going everywhere because Roosevelt never gave anybody a chance to make money. I mean, he put through these plans to look after people and pay them whether they worked or not and all the other things. I didn't make any money in Cyrus J. Lawrence and Sons until about 1940, 1941. We tried to make money then and one of the senior partners left and went with International Nickel Company because he said that the ICC had ruined the railroads, the FCC had ruined the airlines, and the SEC was going to ruin the stock exchange business, which they have done now, but he had thirty years. I used to show him our commission figures; the SEC didn't ruin our business as fast as he thought it would. But they were tough times, I want to tell you.

ERM: But the war years turned things around.

HAV: The war saved Franklin Delano Roosevelt. There is no question about it. It turned things around; people went back to work. I think we started making money in the market in 1941 or 1942, and we made good money in the brokerage business, much more than they are going to make from now on unless something changes:

ERM: You are not as optimistic about the future?

HAV: I am a big bear on the industry. I don't say stocks aren't going to do something; but I don't think they can when you can get an order for fifty thousand shares of stock from the biggest insurance company, and they'll tell you how much they are going to pay you. I know the other day a fellow said they weren't going to cut rates. I said, "I understand you crossed (bought and sold) forty thousand shares of stock." The old commission on the stock when the stock was bought would have been thirty-five thousand. They made four thousand on the trade.

ERM: As compared to what they used to make.

HAV: Yes. A negotiated rate. And who are they helping? They are talking about the little fellow, but the little fellow isn't getting any negotiating at all. It's all the institutional buyers and big insurance companies. Those are the people. Before we negotiated rates, we used to run up one hundred fifty, two hundred thousand shares a day in our office and make seventy-five or eighty thousand dollars. If we do one hundred fifty thousand shares right now, we make twenty-one or twenty-two thousand dollars, but our overhead is twenty-nine. I'm glad I'm absolutely out of the brokerage firm. I'm honorary chairman of the board of Cyrus J. Lawrence, Incorporated. I was managing partner for thirty years.

ERM: What do you think that Ferguson learned from Carlisle in his association with him?

HAV: I ought to answer that the other way. I think Carlisle learned a hell of a lot more from Ferguson than Ferguson ever learned from Carlisle. Roy was a great salesman upstate and he started the bond department for the Northern New York Trust Company. In those days you could sell bonds with five points profit in them, and now they buy \$50 million worth of bonds and sell them at five-eighths of a point profit. Why, one day I said to

him, "Did you ever sell any bonds to the St. Lawrence University?" He said, "No." I said, "Did you ever sell any to Riley Baird?" Riley Baird was president of the First National Bank in Trenton. He said, "Yes. He came in one day and said, 'Roy, what have you got that I can make a lot of money on?' I said, 'Well, I've got some st. Regis Paper sixes that I'll sell you at par and give you six points profit on them.'" So Riley bought them. I wrote the treasurer of st. Lawrence University because I didn't like Riley Baird when I was in college and I said, "You've got five St. Regis Paper bonds. Who did you buy them from and what date did you buy them?" He wrote back that he bought them the same day that Roy had sold them to Riley. Riley sold them at par less six, or ninety-four, when the college could have bought General Electric sixes at ninety-one on the same day. So I went in to see Judge Appleton who was Owen Young's right hand man at General Electric Company. They were both on the board of St. Lawrence and I said, "Judge, you know how I am. Riley Baird's a crook." He said, "You can't say that." I said, "All right, you read these two letters." He read the letters and he was shocked. He called up some more of the trustees at St. Lawrence and read the letters to them. They appointed an investment committee then and put me on it. Of course, Riley hated me so he wouldn't talk to me.

JEK: Did they do anything about it?

HAV: No, they didn't do anything. Baird died shortly after that. Somebody said, "Homer Vilas killed him," and somebody else said, "He did a damn good job."

ERM: Carlisle did have some reputation for being a modernizer of plants and purchaser of timberland in the early days. He was developer of water power and things like that. Perhaps Carlisle did teach Ferguson things in the management end of the business, whereas Ferguson probably had it all over Carlisle in the financial end.

HAV: That's right. Floyd said when Roy moved to New York to form F.L. Carlisle and Company, "Roy, you're crazy, you can't make a go of it." Finally, six months or a year later, Roy was doing so well that Floyd decided to come himself.

- ERM: You mean Roy came here before Floyd and opened up F.L. Carlisle and Company, and Carlisle only came here afterwards?
- HAV: After he found out how well they were going. Just between us, it was a political situation because they had Ed Machold put in there. He was a Republican state leader and he had Charlie Norris who was Democratic state leader, and they were all fighting Al Smith because a power company in Canada was selling to individuals at two cents a kilowatt hour. We were charging individuals a lot more; but they didn't have any industries in Canada to sell it to--the industries were all in the United States--so at the end of the year we bought their excess power at five-tenths of a cent. That was what the fight was over with Al Smith, and Ed Machold went up to see him and told him about it, and Al Smith said, "stop right there, Eddie. If you go any farther, you'll spoil all my thunder." I remember him saying that. That's politics, you know.
- ERM: Has that aspect of the story ever been written?
- HAV: I don't think so, no.
- ERM: That struggle for the power and control of the utilities is a rather interesting sidelight on the political history of the state, isn't it?
- HAV: Yes, that's right.
- ERM: I wonder if Ferguson tired after a while of walking in the shadow of Carlisle?
- HAV: He used to criticize Floyd quite a lot.
- ERM: He did?
- HAV: Yes, because he didn't have any feel of the market at all. I don't say that I had a big lot, but I had a lot more than Floyd did.
- ERM: So when they came to a parting of the ways in 1934, did they drift apart or continue to be very close?
- HAV: I think they continued to be close because when Carlisle died, Roy was executor of his estate and he gave it up. He didn't want to do it because he knew there was going to be a lot of politics with the family.
- ERM: Were the holdings of the two men interwoven?

HAV: Well, they were interwoven in F.L. Carlisle and Company and Ed Machold had his share in it. When I went with them, they formed another company called Carlisle Associates. I was the vice-president of that, and the trading was generally done all through that but they put up the money._

ERM: They being who?

HAV: Carlisle and Company.

ERM: Ferguson, it's been said, was attracted to Carlisle about 1917 because of Carlisle's plans for creating a utilities empire and an investment banking firm. Is it possible that the crash in 1929 more or less disillusioned Ferguson with ventures in those two fields and prompted him to go from that point on into the paper business?

HAV: No, I don't think so. I think the paper company was down to the point where somebody had to do it and Floyd, I think, got him to take over. The paper company was at its low ebb, there's no question about that.

ERM: How did Ferguson himself comment-to you about the relationship between the utilities field and the paper industry as it was involved with St. Regis in those early days?

HAV: I never discussed it very much with him. Oh, it used to be a subject of conversation in the mornings with Floyd. Floyd and Roy didn't agree on a lot of things but Floyd always got his way--lots of times when I didn't think he should have.

ERM: Was Floyd more persuasive in his arguments?

HAV: Well, he was the boss, you know.

ERM: He called the tune in the end.

HAV: Yes.

ERM: But more often than not Ferguson was quite opposed to his position?

HAV: Right. I've said to Roy many times, "Roy, when people talk about Carlisle's making you, I say you made Floyd Carlisle. There isn't any question in my mind about it and there isn't any question in a lot of other"" people's minds about it."

ERM: So you think that judgment was one that was rather widespread in the financial community?

HAV: I do, yes. Of course, Floyd was the big "I am" because he was on the boards of the companies, you know. Roy didn't mind that at all.

ERM: No, as a matter of fact, it seems to me that he was a kind of shy, retiring type in some ways. He didn't like the public spotlight.

HAV: No, he didn't.

ERM: He wasn't one for public speaking.

HAV: Not a bit, no.

ERM: Was Carlisle a public man?

HAV: Oh, God, yes. He loved the spotlight.

ERM: And, of course, he got a lot of attention both from politicians and the press.

HAV: That's right.

ERM: Did they cater a great deal to him?

HAV: I think they did, yes.

ERM: Who among the political figures of the times do you feel were most inclined to cater to Carlisle?

HAV: I couldn't tell you that because it all came through Ed Machold and Charlie Norris and things like that, and I didn't sit in on any of that at all.

ERM: Here you had two powerful men in the two parties of the state, but in fact they were more alike than they were different, weren't they?

HAV: That's right.

ERM: So that even though one was Democrat and the other was Republican, they were more often than not on the same side of things on matters of policy and on matters of voting.

HAV: They were both there so Floyd knew what the hell was going on in Albany in fighting Al Smith.

ERM: After the crash of 1929 and the onset of the Depression, American financiers, especially investment

bankers and utility magnates, were often charged with having caused the Depression, and before the crash they had won the accolade for the prosperity that existed then.

HAY: That's right.

ERM: Could this phenomenon have affected Ferguson's management of St. Regis in that he never sought to bask in the public limelight?

HAY: I know he never sought to bask in the limelight, but I don't know just what it had to do with past events.

ERM: Would you agree with the statement that before the crash investment bankers and utility magnates did indeed get a great amount of credit for the prosperity of the country?

HAY: No question about it.

ERM: And then when the crash came they were the villains.

HAY: They were the villains, yes. And the banks were broke and everything. They didn't even back up the companies that they'd underwritten.

ERM: To what extent was that criticism justified?

HAY: I think it was justified.

ERM: Do you see anything comparable to that same condition ever rising again?

HAY: I don't see anything in this market like it.

ERM: Why? Are there too many protections built in?

HAY: Yes, too many protections built in and none of the utilities are powerful anymore. Corporations aren't powerful anymore.

ERM: You don't think that corporations have the power now that they had?

HAY: No, no. I think the utilities are having a struggle right now to get enough money to keep going.

ERM: What do you know about Ferguson's main activities between 1917 and 1935? During those years he was an official of the Northern New York Trust Company

and an officer of F.L. Carlisle and Company. You said that his offices in New York were on the same floor with those of Mr. LeBoeuf, his attorney.

HAV: They were at 49 Wall street and then they moved when they built 15 Broad Street. They moved over there to the twenty-sixth floor. They had beautiful offices. They were making money and they spent it.

ERM: How important in all this was Mr. LeBoeuf?

HAV: Just legally, that's all. He was a good utilities lawyer, there isn't any question about that, and Floyd depended upon him a lot for counsel.

ERM: And he defended Mr. Carlisle, I'm sure, in a number of things.

HAV: That's right.

ERM: You've mentioned Mr. Machold. Can you describe him to me?

HAV: Great personality. Great fellow.

ERM: Was he a big man or a little man?

HAV: About your size-.* He owned a farm not too far out of Watertown and lived there a lot. Machold's son became president of Niagara Mohawk Power Corporation.

ERM: Was the elder Machold whom you knew a man of means in his own right because of farming or had he made it otherwise?

HAV: He made his money with F.L. Carlisle and Company.

ERM: At this same time he was also in the state legislature which in those days was just a short term, is that right?

HAV: He was, I think, speaker of the house at one time. Once he wanted to sell a lot of St. Regis stock and payoff all his debts and Floyd wouldn't let him. Floyd told him he was crazy.

ERM: Floyd persuaded him not to sell.

HAV: It never occurred to Floyd to get out of debt.

*At the time of the interview the interviewer stood five feet, eleven inches, and weighed two hundred pounds.

ERM: Now what about Norris, who was in politics on the Democratic side?

HAV: He didn't have much to say.

ERM: He was just a line of information.

HAV: That's right. He was a great friend of mine and once he said to me, "You know, I felt sorry for you because Roy got you over here from your own firm, and I don't think you've been too happy." And he was right; I wasn't too happy there because, you know, after you have run your own firm, it's hard to go to a place where you don't have much to say. I don't think Floyd ever paid a hell of a lot of attention to what I told him. He'd have been a lot better off if he'd listened to me as far as Sandy Calder went.

ERM: Did you regret that you gave up your own business?

HAV: No, I never did because after leaving F.L. Carlisle and Company, I went with this firm, Cyrus J. Lawrence and Sons, which has never been in the red in its one hundred and eleven years of existence. The partners were older; their customers had lost most of their money in the crash or made so much they didn't want to trade anymore, and they needed somebody who was willing to wear out some shoe leather. I was perfectly willing to do it and not long after I went there, they practically turned the thing over to me. I worked, don't worry about that; I ran the firm. We've been at 115 Broadway since 1925 and we had thirty people in the organization when I went there. They've got one hundred eighty-five now, and I think that we're too big.

ERM: What about the Union Camp operations of which you are a part? There was a time, I think it must have been in the thirties or the forties, when St. Regis made some preliminary overtures toward Union Camp for a merger.

HAV: I bought ninety thousand shares of Union Bag for St. Regis.

ERM: That was in what year?

HAV: It must have been in the late thirties. Sandy Calder said he was going to lose the situation.

ERM: You mean he was in a very poor cash position?

HAV: Well, no. He didn't want to merge. Roy wanted to merge the two companies and Roy said to me many times, "Homer, I'd give my right arm if I could get "Sox" Calder." (He is now chairman of the board of Union Camp and he's done a great job.) But they didn't merge, so I sold the ninety thousand shares out.

ERM: Was it Sandy Calder's particular strength as a salesman that made Ferguson want to get him on his team?

HAV: He just thought that the two companies could work together and Sandy could have any position in the company he wanted.

ERM: Was that seen by Ferguson perhaps as the opening wedge of getting into the South?

HAV: No. He just thought the two companies should be together.

ERM: I see. But Ferguson was already looking toward the South as the way to go.

HAV: That's right. And Union Bag had already gone into the South. I became a director for the company in 1934, and we opened the plant in 1936.

ERM: I see. Now, what plant was that?

HAV: The Savannah plant. That's the largest paper mill under one roof in the world. We had to borrow the money to do it, but we got going and it made money.

ERM: Now that's the Union Camp plant?"

HAV: Yes, Union Camp. Then Ferguson had a mill right next to the Camp Manufacturing Company in Franklin, Virginia.

ERM: Wasn't that a Taggart property?

HAV: Yes, and I guess it was a bag factory. Sox Calder was the one who wanted the merger and his father never was too keen about the merger with the Camps. But it turned out to be very, very good. Hugh Camp and Soxie Calder did a great job together. Hugh died, as you know, and Jim Camp is in a wheelchair and has just resigned from the board.

ERM: What about the Camps? Aren't they interested in

the company? Their story goes back to Revolutionary times, you know.

HAV: Yes, but there are no Camps in the company now.

ERM: They no longer have anything to do with it?

HAV: No.

ERM: That's a great story. It goes all the way back to that old Great Dismal Swamp.

HAV: We gave the Dismal Swamp away, you know. We are giving another property away pretty soon. I think Soxie met with some people a week ago today down South to give another piece. It's in North Carolina, I think, but I'm not sure.

ERM: Do you remember when Ferguson began to take an active part in the management of St. Regis? Was it before 1925, as one account suggests, or was it in 1925 when he became an officer in the company--assistant secretary and assistant treasurer?

HAV: I think that's about the time he became interested in it. I think he was always interested because Carlisle already owned St. Regis Paper Company when he moved down there. He owned the water power and things like that that they sold out to Power Corporation. Then they bought the Taggart Corporation.* Byron Taggart was a very old guy.

ERM: Who do you remember as being most involved in the decision to buy the Bates Valve Bag Corporation in the late twenties?

HAV: In my recollection, it was Floyd's idea and Roy was opposed to it. Now, this is quite a ways back as I remember. Floyd was a builder--he always wanted to move ahead.

*The Taggart Corporation was formed during the late twenties from a consolidation of Taggart Brothers Company, Incorporated, Taggart-Oswego Paper and Bag, and Champion Paper Corporation. Among the officers of the new Taggart firm were Carlisle, Ferguson, and Byron Taggart. During the forties, St. Regis steadily increased its holdings of Taggart Corporation common stock, and Taggart kraft paper and multiwall bag operations were consolidated with those of St. Regis.

ERM: Now, in that instance Floyd was right. That turned out to be a real money-maker for St. Regis, didn't it?

HAV: Yes. As a matter of fact, it was one of the saving graces during the Depression years.

ERM: Do you recall any of the facts about how St. Regis came to acquire Panelyte?

HAV: Gee, I don't know. I know they had it and I know they sold it, but I don't think they ever made any money on it.

ERM: It was not a big profit contributor?

HAV: No.

ERM: Judging from all that we have gathered so far in interviews and from whatever written evidence we've been able to examine, decisions were made during those early years, say before 1934, usually as the result of group discussions and decisions. The group varied in composition but usually included Carlisle, Ferguson, Machold, Norris, etcetera. I would imagine that etcetera must have also included Homer Vilas.

HAV: I sat in on most of them. I would say that Charlie Norris didn't have as much to say as Machold. Charlie Norris did his job when they needed something done politically in Albany on the Democratic side. He knew what was going on.

ERM: This was an accustomed type of decision-making process for the group at that time. They kind of hashed it over together, came to some kind of a consensus, and then acted usually with Carlisle doing the acting, right?

HAV: That's right.

ERM: How was the decision reached that Ferguson would be head of St. Regis, and Carlisle would go the utilities route?

HAV: They just decided to do away with Carlisle and Company. They called me in one morning and said, "We are going to dissolve. You've got all the time you want to start over again." I did, too, in a very small way.

Roy K. Ferguson in the early 1950s. Photographer, Fabian Bachrach .



Ferguson in the late 1960s.

think. Of course, I'm a little prejudiced when it comes to Roy.

ERM: To what extent do you think Ferguson relied upon consultants to guide him in management of St. Regis?

HAV: In later years, he said to me one day, "Hey, do you think I ought to retire or become chairman of the Executive Committee?" I said, "Roy, what difference does it make? You're going to run the company anyway, so it doesn't make any difference what you are." And he just laughed. It was true.

ERM: And that's actually what did obtain, isn't it? Even after he went up to the chairmanship of the board, he still remained the head of the company.

HAV: Yes. Everybody realized that.

ERM: What was the role of William R. Adams, his successor to the presidency? Bill was really second in command in actual fact, is that right?

HAV: Yes, that's right. I never felt as close to Bill as I did to Roy.

ERM: What was Ted Gay's role at this time?

HAV: I never knew. He died with cancer, didn't he?

ERM: Yes. There are some hints along the way that lead us to suspect that had he not had this illness, he might have been the next president of the company after Ferguson.

HAV: No, I don't think so.

ERM: Was there anyone that Roy Ferguson saw as a man fitting to assume the role after he did step down?

HAV: Roy had a lot of faith in a fellow named Bill Versfelt. He carried a lot of weight. I know that. He died. I think his son is working there now.*

ERM: Who were some of the other people who were really

*William H. Versfelt, Sr. was an officer of St. Regis from 1927 to 1956, and a director from 1940 to 1956. His son, William H. Versfelt, Jr., is presently vice-president of the Bag Packaging Division.

important in the affairs of St. Regis?

HAV: I can't tell you that.

ERM: Of course, George Kneeland must have come up a very swift route.

HAV: Roy said to me just before he died, "Homer, I'm very satisfied with the set-up. I think George Kneeland is my man. I think he knows the paper industry." Roy was very pleased. I think Roy had a hunch that he was going to die.

ERM: You had that sense of his premonition?

HAV: He never stayed away from work, but that whole summer he didn't come in very much. Formerly he drove in all the time, and then he told me one day that he had a car and a driver who drove him to work and drove him home every night. He didn't stay away unless he was sick. Of course, he was a Christian Scientist, and he actively practiced it.

ERM: He was a convert to it, though, wasn't he?

HAV: On the way uptown one day he saw a Christian Science Reading Room and he went in, and he took it up. He really took it up. That was in the twenties.

ERM: It was just a casual visit in a Christian Science Reading Room. In other words, nobody buttonholed him and converted him? It was a matter of his own reading explorations that drew him into religion.

HAV: That's right. And then he married this woman who was a Christian Scientist. When I first saw her she had long dresses on and she looked like the old queen. Before Roy became a Christian Scientist he had some good-looking gals and used to go to dances. But he gave all that up.

ERM: Then did he become a Christian Scientist before he was married or after he was married?

HAV: His first marriage was a long time before he became a Christian Scientist. His children were born during that marriage. Then he married this Christian Scientist reader, as I understand it. Roy never told me much about it except I knew he was a Christian Scientist.

ERM: This was not his first wife, then?

- HAV: No, no. This was his second wife.
- ERM: He married the Christian Science reader as a second wife after he had become a Christian Scientist?
- HAV: Yes, and then she died. Later he married the loveliest girl I've ever seen. Her first husband had been business manager of Franklin, Virginia before he died. She'd been a widow for fifteen years. Roy said to me one night, "I'm going away for the weekend," and Monday he said, "I got married over the weekend." He married this girl and she was just lovely.
- ERM: A lady right to the hilt, I guess.
- HAV: Yes. They built a building on the St. Lawrence University campus in my name. I gave most of it myself; and when they dedicated it, Roy came up and brought this girl (his new wife) up with him. She said to me, "I want to tell you--I never knew what it was to be in love before." Really touching.
- ERM: He and his third wife had a very happy marriage, didn't they?
- HAV: Very happy. And you know they called me out in Arizona and said she died, and I just couldn't believe it. She died in a nursing home in Trenton. They flew her up from Florida where they had been on vacation. I wrote Roy a letter, but we never talked about it.
- ERM: How long were they married?
- HAV: About four or five years. Happy. I never saw Roy so happy. He turned the house over to her and he said, "Do it over any way you want to."
- ERM: Was this the house out on Long Island?
- HAV: Yes. I think he bought that place for sixty thousand dollars. Spent about a hundred thousand on it, and it's probably worth a million today.
- ERM: He had three wives then?
- HAV: Three wives, yes.
- ERM: He had all his children by his first wife?
- HAV: Yes. His daughters are lovely girls. Do you know them?

- ERM: No, I don't know the family. I am looking forward to meeting them sometime.
- HAV: They are just lovely girls. They all came down to see me and they said, "We want you to handle our affairs just the way you did with Dad." I said I wouldn't handle anybody else's because I didn't want the responsibility.
- ERM: Yes. Do you handle their portfolios and other financial matters?
- HAV: Yes, they come down and want me to tell them what to do.
- ERM: Do they still live out at the house on Long Island?
- HAV: The girls all live in Darien. I think the husband of one of them works in Washington.
- ERM: How many of them are there?
- HAV: Four girls.
- ERM: Four daughters. There was a son, wasn't there? Wasn't he put to work down in Florida to manage the plant at Jacksonville?
- HAV: Yes, and then he was moved up here. Then all of a sudden he died.
- ERM: That, I think, was a very, very sad part of Roy Ferguson's life.
- HAV: No question about it. No question. It broke Roy's heart.
- ERM: The boy married a woman who had children, didn't he?
- HAV: I think so but I don't know much about it. I never discussed it with Roy because I knew it was very personal.
- ERM: But he took great joy in his daughters. They were very dear to him and very close to him right down to the end, as I understand it.
- HAV: Oh, he loved his daughters. Few men could get as close as he and I. He said to me many times, "Homer, this is the greatest friendship a man could ever have."

- ERM: What did you enjoy doing together?
- HAV: Just seeing each other--eating, talking.
- ERM: Were you golfers or hunters or fishing people?
- HAV: Never.
- ERM: None of that was involved in his life to any great extent, was it?
- HAV: No. He was my friend and a very close friend and one that I just revered. When Jim Kussmann called me up that Sunday morning, he didn't need to tell me what was wrong because I knew it. I knew right away that Roy had died.
- ERM: Did Roy Ferguson have any special interests apart from business?
- HAV: I don't think so. He did love bridge. He led a very quiet life.
- ERM: Was he a yachtsman or a boater?
- HAV: No. He had a seventy-five-foot boat with a captain. I went out on the boat with him sometimes. But the captain got to the point where Roy couldn't depend on him. He wanted something new all the time, so Roy sold the boat.
- ERM: In other words, he was not what you call an avid yachtsman who was wanting to be out on his boat every weekend?
- HAV: No. He had a lovely boat and we loved being out on it. I went out to his house and had lunch out there and then we took the boat up to the Connecticut shore and back through and down the Hudson and around up again.
- ERM: What were his cultural interests?
- HAV: Of course, he was one of the best supporters of Principia College, the headquarters of which are out in st. Louis. He gave over a million dollars. He told me that. He was on the board or the Executive Committee. He did a lot in getting money for them.

One day I was visiting him and at that time for St. Lawrence University I was running what they

called The President's Associates which tried to get somebody to give a thousand dollars each year. The first year I ran it I got seventy people to give a thousand, and last year they had a hundred ninety thousand dollars. Roy said, "What are you doing, Homer?" I said, "I'm running this thing for St. Lawrence." He said, "I'll give you a thousand dollars." And the next year he gave me two hundred shares of St. Regis stock for the university. Just before his death he called me for lunch and I said I couldn't go. He wanted to tell me that he had put two hundred and fifty shares of St. Regis in the college's name and put it in his safe deposit box, but after he died the court said that that was his and we never got it. But Jim is trying to get it released now.

ERM: It would seem to me that the case might be pretty strong in your favor.

HAV: Yes. In fact, we even got the dividends on the stock.

ERM: Well, that is prima facie evidence of its ownership, isn't it?

HAV: They had to rule jeopardy until they get this ruling on it. You know, when he died I had one hundred thirty thousand shares of stock in my office for him. He would call me up and he'd say, "Homer, I like this. Why don't you buy me a couple or three thousand shares?" Something like that.

ERM: There were just certificates that you held for him.

HAV: Yes. I thought I'd never get the business once it was an estate matter, but Jim went to the bank and said, "I want all these securities that are in his account to be sold through Mr. Vilas's office, when the time comes to sell them." The bank's been very nice about it.

ERM: To what extent was Mr. Ferguson involved in banking? Was he ever prominently involved in boards of directors?

HAV: No, he wasn't on any boards at all.

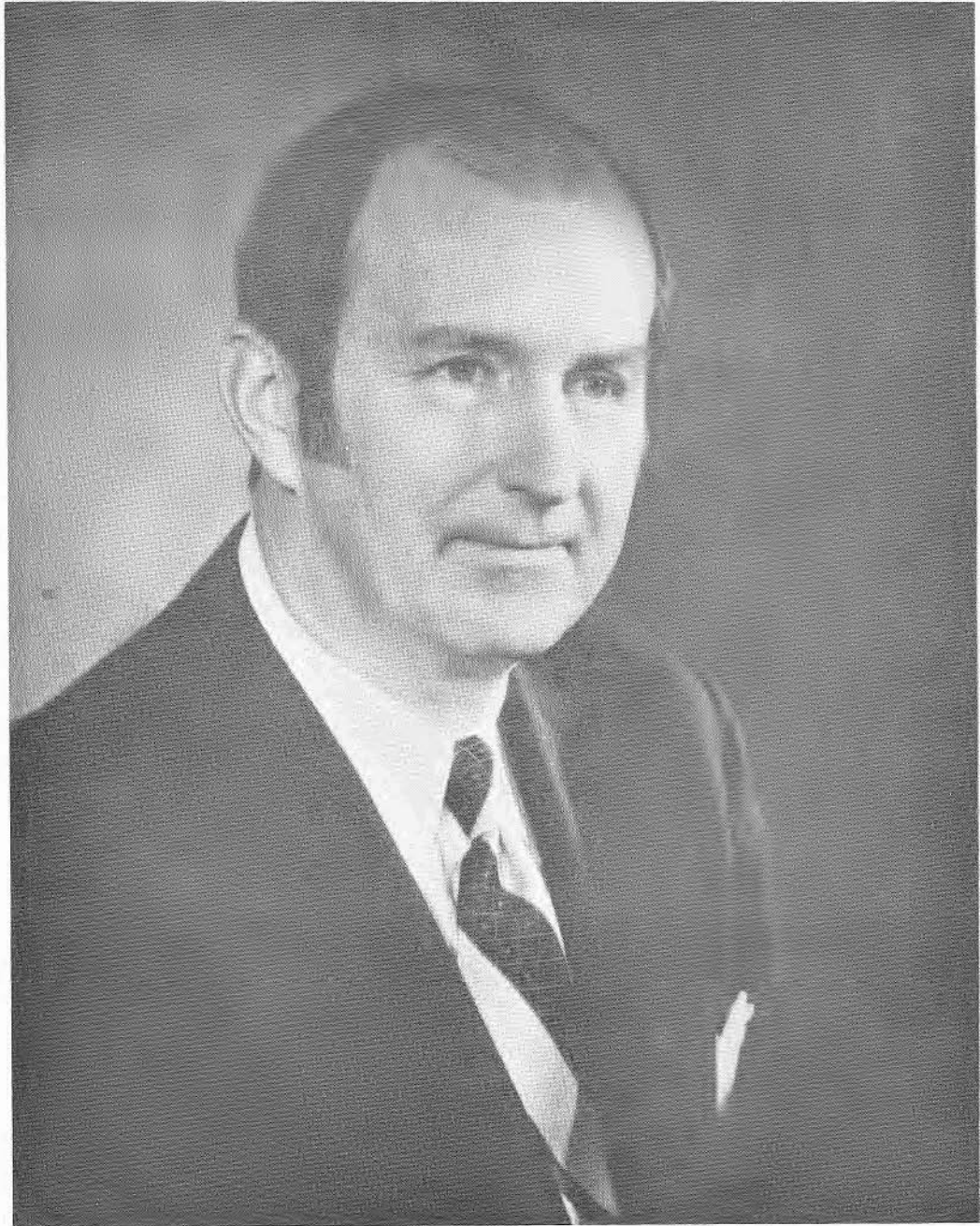
ERM: Was he on any other company boards besides St. Regis?

HAV: I don't think so.

- ERM: He focused almost his entire attention upon the life of that company, and his outside interests were very specialized and very limited.
- HAV: That's right.
- ERM: Was he ever big on support of local cultural institutions like the Metropolitan Opera Society?
- HAV: Well, he went to the Metropolitan, but I don't know if he ever made any contributions to them. He used to talk to me about St. Lawrence and what we were doing. He was always interested.
- ERM: But evidently he was not a man who made much noise about whatever his philanthropies were. He was a modest kind of fellow.
- HAV: Very modest. And a hell of a nice guy. God, I miss him today. You only make friends like that once.
- ERM: Well, you don't meet people of that quality very often.
- HAV: You really don't.
- ERM: They are very few and far between. You know, if you can look back on your life and count two or three or four on the fingers of one hand that you knew as really good friends, you are extremely lucky.
- HAV: I wouldn't need any fingers to count friends like he was, because I didn't have any others--I've got good friends, but not any like him.
- ERM: Did he have other very close friends?
- HAV: Not like our friendship. I remember one day I had lunch with him and he was getting off the elevator on the forty-first floor of his building and a girl was getting on. I said, "There's one of the greatest men that I've ever known." She said, "I think he's the greatest man I've ever seen." Then she asked what my name was. I told her and she said, "I talk to you every day. I'm the telephone operator." And ever since then when I called up, she would say hello. They loved him.
- ERM: Mr. Vilas, I've enjoyed talking to you. I hope you've enjoyed it.

HAV: I've enjoyed it too. Anytime you want me to sit in on anymore direct questions, I'll be glad to.

ERM: Thank you very much.



James E. Kussmann

ERM: Was there any severance pay for you at that time or any kind of compensation at the point of dissolution?

HAV: No, there was not; they had agreed, when I went in there, they'd give me some stock in the Carlisle Associates. After Mr. Carlisle died, there was a lot of confusion in his estate about that stock. They were going to sue me because I had never paid any money for the Carlisle Associates stock.

ERM: And you had anticipated that that was given to you in compensation for your going to work for Carlisle and Company.

HAV: That's the way Roy understood it, too.

ERM: Is that one of the reasons that Ferguson refused to serve as executor of the estate?

HAV: Right, that's one of the reasons. They were going to sue Roy, too.

ERM: Oh, they were going to sue Roy on the same grounds?

HAV: Yes.

ERM: After Floyd Carlisle died, his empire just fell apart.

HAV: It really did. Floyd had a big apartment in New York and a big house in the country. He really lived, don't worry.

ERM: What happened to those properties? Did they get sold?

HAV: I imagine so when they settled the estate.

ERM: What happened to the decision-making process in St. Regis after Ferguson took over? Did it cease to be a kind of group decision-making thing?

HAV: I think he took a firm command and ran it, and he did a great job, a great job.

ERM: He was a great innovator in his own right, wasn't he?

HAV: I think at one time everybody realized that Roy Ferguson was the best financial man in the business. He made a deal with Metropolitan and got good loans out of them and he was very close to the money markets. No, he really did the job himself, I

INTERVIEW II

Session I

James E. Kussmann
New York, New York
October 17, 1975

Elwood R. Maunder: .Could we begin by tracking your personal history just a little bit? From where did the Kussmann family come? Where were you born?

James E. Kussmann: My family originated in the South around the New Orleans area. My mother's side came from lower Louisiana and, I guess, my father's did, too. I was born in Tennessee and then moved to New Orleans shortly after that and was raised there. Later I went to school in St. Louis, then went to work before World War II, and joined St. Regis right after the war on October 23, 1945. I joined the Panelyte Division of the company in Trenton, New Jersey and worked there for about three and a half years. Then I was moved to Kalamazoo, Michigan, where we were opening a new Panelyte Division plant to make decorative laminates as well as some industrial products. After about four years there, I moved to Tacoma, Washington in the Kraft Division and worked as assistant resident manager there for a year and a half. In 1956, I moved to Deferiet, New York to be manager of the printing paper mill. I managed that mill until 1963, when I moved to New York City to the headquarters office and became the director of public affairs, which is really "government affairs," and later I became director of public relations and public affairs, in 1970. In 1971, I became vice-president of public affairs and public relations.

ERM: Was your family ever involved in the forest industries?

JEK: No. My father was involved in railroading. He was a construction superintendent for the Illinois

Central Railroad and worked out of New Orleans in that division. He worked as far north as northern Illinois.

ERM: Where did you get your higher education?

JEK: At Principia College in Elsah, Illinois.

ERM: Then what was your first job?

JEK: I worked from 1938 to 1941 with an organization of cost engineers in the textile industry, doing time study work. My job was to establish production standards in textile mills in New England, Virginia, and Pennsylvania.

ERM: When you came out of school, did you have a particular career goal in mind?

JEK: I don't think so. I thought I wanted to get into business and at that time getting a job was not easy, so I was glad to have almost any job.

ERM: When were you married?

JEK: In 1943, to Audrey K. Ferguson.

ERM: How did you meet Audrey Ferguson?

JEK: I met her on a blind date in Massachusetts. I had just joined the navy and I had signed an agreement that I wouldn't marry for two years after I got my commission as a navy flier. But they subsequently changed that rule so I was able to get married.

ERM: And you have children?

JEK: We have three boys. Our oldest son, Roy, is thirty. He's an attorney in Tacoma, Washington. Our next son, Stephen, is twenty-eight and he's a reporter on a newspaper in Bolton, England. Our third son, John, who is twenty-three, is still in school at the University of Massachusetts.

ERM: When did you get to know Roy K. Ferguson? Was it while you were courting his daughter Audrey?

JEK: I met him at his home on Long Island, when visiting her after we had first met.

ERM: Then when the war ended and you got out of the service, you came to work for St. Regis.

JEK: That's right.

John R. Ross: Mr. Ferguson became president of St. Regis in 1934, eleven years before you joined the company. After you became acquainted with him, did he ever talk about the thirties? Do you think he had a plan in mind to stabilize St. Regis during the Depression in order to expand at a later time?

JEK: Before he would accept the presidency of the company, he came to an understanding with Floyd Carlisle, and I presume other members of the Board of Directors of St. Regis, that the paper company would no longer have a secondary role in the interests which Floyd Carlisle headed. Carlisle recognized that the paper company needed better management than he was able to give it. I'm not so sure that Floyd really wanted to manage the paper company except as it related to his total interests. So with the understanding that St. Regis would operate only as a paper company, Roy accepted the responsibility of managing it.* Now whether or not at the time he became president he had any goal to make it what it is today, I can't say, but I do feel he wanted St. Regis to be one of the world's outstanding paper companies and what has developed is the result of unfoldment. I can recall early conversations with him and with others in the company. Bill Versfelt, for instance, said at one point--when our sales were about \$200 million--that in the near future, the company would have sales of \$600

*During Carlisle's presidency (December 14, 1916-June 13, 1934), St. Regis became heavily involved in public utilities investments. Some observers felt that paper-making was slighted in the process. One instance of this opinion appears in an article entitled "St. Regis Elects" in the Watertown (N.Y.) Daily Times of December 29, 1953: "In those days, the St. Regis Paper Company, like so many of the properties that Mr. Carlisle controlled, was more an item in the Carlisle investment portfolio than it was an aggressive competitor in the manufacture of paper... as time went on the paper company was not accorded the attention that it required."

million and everybody thought he was crazy. They couldn't comprehend that the company could ever be of that magnitude.* So I think that what Mr. Ferguson was really taking on, at that point, was to have the St. Regis Paper Company developed into a profitable operation. You have to remember, too, that at that time practically all of St. Regis, outside of the Multiwall Bag Division, was in northern New York; it was more than ten years later that we moved into the South. We did have the pulp mill in Tacoma, but that operated only as a pulp mill; it was simply making pulp that was sent East or traded with other suppliers. We traded in the West and bought and traded stock in the East so that we didn't have the shipping, but that was to supply our northern kraft mills with pulp to be used in making multiwall bag paper for our own operations.

JRR: In 1947, Ferguson looked back and said, in essence, "We have achieved the goals that we started out to achieve in 1935." He had modernized the plants. He had expanded some of them. He had begun diversification and he was in a position to move south. I was wondering if, in just getting the company through the thirties, he achieved what he could step by step, or if, like Carlisle, he laid out the scheme before he started.

JEK: You have to remember that those were unusual years. Practically all of the thirties were very tough years. The story goes that at this time at St. Regis you had to turn in your old stub of a pencil before you could get a new one. In 1937, there was a brief upsurge in general business conditions, but then, a falling off in 1938. Prices were low, profits were low, wages were low and it was difficult to look ahead with any great scheme of improvement or growth. Then in 1939, after some recovery late in 1938, we got into the war by furnishing materials for our allies and that stepped up our economy. St. Regis moved to meet the war problems during the forties up until 1945. There was the excess profits tax and many wartime controls so it was nearly impossible to make a profit--that the government considered greater than normal. You

*William H. Versfelt, Sr. made this remark in 1953. Eleven-years later, St. Regis net sales totalled \$616 million.

couldn't improve financial position, and I think the company struggled. During the war years the federal government shut down the Tacoma mill because we didn't have any timberlands for the mill.

ERM: At the beginning of the war the government wanted to put raw material to other purposes.

JEK: They thought they did. They thought that paper was not an essential product and they wanted to use that raw material for something else.

ERM: Would it be fair to say that the drastic changes caused by World War II, in turn, forced alterations in any long-term plan conceived in this prewar era?

JEK: I don't think it is entirely fair to put it that way. I would rather think that change was in the direction of paper industry growth even in the thirties. There was a big Canadian paper interest that had been growing all through those years. International Paper had moved into the South by learning to make kraft from southern pine. And it's more logical for me to think that a man of Mr. Ferguson's magnitude, able to see a broad picture, could look at multiwall bag production, for instance--which was a major concern of ours--and say, "If we are ever going to compete in the multiwall bag field, we've got to be in the South." I'm sure that sometime during the thirties he came to the conclusion, after International Paper was successful there, that we also had to move into the South for kraft production. So he attempted to find the best way to make such a move.

JRR: Was the construction of the bag plant at Franklin, Virginia in 1941 a lead into the South?

JEK: We had an agreement with the Camp Paper Company at that time to furnish us with kraft paper. Previously, our plant at Nazareth, Pennsylvania was about as far south as we got. Building a plant right next to the Camp Company in Franklin and getting paper "right through the walls," so to speak, was a step in improving competition and it was unquestionably a lead into involvement in paper production in the South.

JRR: Let's go back a minute to the thirties. During the years 1932 through 1935, and in 1938, operations were run at a loss. That was a critical period in

just getting the company through. I'm interested in the kind of austerity program Mr. Ferguson implemented. I know that he scaled down capitalization. He merged the subsidiaries into St. Regis. He closed down some of the marginal plants. What was the impact of these measures and how essential were they? How much was he managing the company? Was he concerned with these financial problems or was he actually operating the mills?

JEK: As president he had the principal responsibility for the company and made final decisions regarding operations as well as financial matters. He always recognized the need for a good organization and depended heavily on some men to do their jobs properly. He was very loyal to those with whom he worked. He never questioned whether or not a manufacturing plant was being run properly except as it affected the balance sheet and sales. I think he had some good men, such as Carl B. Martin.* I think Martin was principally responsible for operations. He maintained his office in Watertown, New York and operated all the mills from there; he was the majordomo of that phase of the operation. Now Mr. Ferguson was very active in the sales policy of the company, and I know from some conversations that I had with him that he was close to some of our large customers. He had a policy of selling to large order customers under contracts, to give him a base from which to sell. We've had Montgomery Ward, Sears Roebuck, and Western Electric as principal customers for many years. These contracts would take the output of whole machines; there's one machine at Deferiet that still makes practically nothing except paper for telephone directories.

ERM: Were such contracts long-term, or were they negotiated each year?

JEK: I would say these were long-term.

ERM: Long-term newsprint contracts were uncommon, due to the wars that used to exist between the newsprint producers and the publishers, who fought endlessly--good times and bad. But I take it the catalog paper was manufactured and marketed on a somewhat different contractual arrangement.

*Carl B. Martin, who came to St. Regis in 1913, took principal responsibility for groundwood and kraft operations in northern New York in 1935. He was a director from 1934-1956. See also Appendix, pp. 86-116.

JEK: Some of these contracts are what you might call "known-cost" contracts. In the case of Western Electric, these contracts were based upon the cost of wood, fuel, and labor, and might extend over a period of five years. These factors were itemized and were audited by Western Electric each year. They would send a group of men up to Watertown and we would arrive at a price which would pay us for the paper that they bought subsequently. So there were lots of different things that were worked out like that.

JRR: Did these contracts extend through the thirties? Montgomery Ward, Western Electric?

JEK: I'm giving you more opinion than fact because I don't know that they did, but I believe that in the thirties we were involved in these kinds of contracts. Certainly, if we didn't have the known-cost contracts, we did have long-term contracts at a fixed price.

Let me give you a little anecdote about the price for these long-term contracts. On one occasion, Ted Murray (who was responsible for printing paper sales) and one of his men went out to Chicago and negotiated a contract with Montgomery Ward. They were all ready to sign, and Sewell Avery, who was responsible for Montgomery Ward before and during World War II, said, "No, I want to see Mr. Ferguson." So Mr. Ferguson went out there and Sewell Avery said, "Well, now this contract is just fine except it's three dollars a ton" (or five dollars a ton) "too high, and if you want this contract you'll have to drop the price." There wasn't anything we could do about it so we had to accept it. We needed the business and we had to drop the price to get it. But Mr. Ferguson never forgot it.

JRR: Another question about the thirties. Scaling down capitalization during the Depression must have been advantageous to the company. Mr. Ferguson scaled down capitalization almost by half. St. Regis reduced the capitalization of all subsidiaries, and scaled Bates down from roughly \$14 million to \$1 million. He reduced the par value of St. Regis common stock by half. How did that help? How did that help him get St. Regis through the rough spots of this period?

- JEK: There was a lot of fictitious value recognized in the company and actually I don't think it gave the company any money; I think it was simply a book value and he didn't want to carry that. In the past I heard him talk about the Bates purchase a number of times. When we bought Bates, we paid over \$11 million for good will, and he was opposed to buying Bates at that price. Have you run into that before?
- JRR: Only from your comments, and comments from others. I haven't seen it in documentary sources.
- JEK: I don't know that you would see it anyplace. But he opposed Carlisle on that because he felt that it was too high a price to pay for the Bates Valve Bag operations. He said he didn't think that they had so much of an advantage that they should charge that much for good will. Probably his writing this asset down was simply getting it off the books.
- JRR: Sam Shane wrote an article in 1947 stating that St. Regis had finally grown up to its capitalization. My impression of the postwar era is that a major concern in company expansion was in kraft, through the acquisition of Florida Pulp and Paper. But St. Regis also obtained three mills from Time, Incorporated, which boosted the production of the Printing, Publication and Converting Paper Division. Could you elaborate on the purchase from Time?*
- JEK: Time had bought those mills during the war to assure themselves of a supply of paper. They asked St. Regis to manage them almost immediately so that they would have adequate management; we took that responsibility with the option of acquiring them. I've heard two sides of the story. I know from St. Regis's point of view that we were delighted to have the opportunity to buy them. I'm not sure that this is authentic, but I've heard that Charlie

*All of the stock of Florida Pulp and Paper Company was acquired by St. Regis in June, 1946. The contract with Time, Incorporated, dated November 8, 1946, provided for the sale to St. Regis of three paper mills located in Bucksport, Maine, Kalamazoo, Michigan, and Little Falls, Minnesota. This same contract also provided for the sale of a coating mill in Kalamazoo to St. Regis by December 31, 1949.

Stillman, who was Time's representative in negotiating the sale of the mills to St. Regis, was glad to get rid of them. I've heard both sides of the story but I do know that St. Regis was delighted to have those mills in Kalamazoo, Little Falls, and Bucksport; the last of these has turned into a very valuable mill. One of the mills that we acquired in Kalamazoo we subsequently sold to Allied Paper.

ERM: Did these acquisitions bring timberlands to St. Regis?

JEK: Only in the case of Bucksport. We received substantial acreage from that part of the acquisition.*

JRR: Were these mills considered profitable when you purchased them?

JEK: I think we would have bought them all just to get Bucksport.

JRR: So Kalamazoo may not have been that desirable.

JEK: Kalamazoo was not that good a mill. It was old. Most of the fiber came from de-inking coated magazine paper. It did not fit the general approach of St. Regis in coated paper sales.

ERM: What were the major impacts of World War II upon the paper industry and upon St. Regis?

JEK: First of all, there was a tremendous lack of manufactured consumer products during the four years we were in the war and the two prior years that we were supplying Europe. That was probably the biggest factor--all kinds of packaging were curtailed or changing.

ERM: Wasn't this really an almost unique revolution in packaging? The war demanded a whole wide range of new packaging that probably hadn't existed before.

*In Maine, St. Regis gained approximately 377,000 acres of timberlands, and cutting rights on about 29,000 additional acres, as a result of the contract with Time, Incorporated. Through the same agreement, St. Regis also obtained approximately 17,000 acres of timberlands, and cutting rights on 18,000 additional acres, in New Brunswick, Canada.

Was a factor of that kind involved?

JEK: During the war, there were no houses built; there were no refrigerators built; there were no automobiles built except for the military and a few others; so that everything that fed the consumer economy had stopped practically for four years and had slowed down for six years. There was a tremendous need to get going again and there were some temporary adjustments in the labor forces. A lot of women were hired during the war and the women were replaced by the men returning. Then there were tremendous numbers of marriages during the war, and shortly after. We had the start of a b'ig baby boom in 1946, 1947--tremendous baby boom in those late forties. I think that rather than innovations in packaging, rather than new discoveries, it was just a great need for all kinds of services and products. It was just tremendous.

ERM: And the paper industry's capacity was very much short of what would supply all these needs.

JEK: Nothing was built during the war, except those things that supplied the war machine.

JRR: I want to go back to the Time mills purchase. Did those mills strengthen St. Regis to the extent that it could move south?

JEK: The mills purchased from Time were printing paper mills, and had no relation to our moving south. As I said, I think that Mr. Ferguson had seen the development of kraft in the South and recognized that if we were going to stay in that phase of the business, we had to move to the South. I think that probably was the reason more than anything else.

JRR: The trade press stated that the paper companies went south as soon as they could but most of them had to get into a good financial position before they could do it, and then many of them did it by merging with other companies. Apparently St. Regis took that route and made its acquisitions by merger and exchange of stock.

JEK: Yes, and that method really didn't take much capital.

ERM: Who was the architect of these acquisitions?

JEK: I don't think there's any question but that Mr. Ferguson was.

ERM: And how did he go about making these acquisitions?

JEK: I'm sure that it was almost in any conceivable way. I heard him talk about these a number of different times. He had "finders" come in and present situations to him. They'd say, "I know of a mill, a container plant or a box plant or something else that I think you could buy and which would be good for the company." I'm sure that there were probably situations in which he sought out acquisitions. I'm sure situations came through brokers, through friends that he knew on Wall Street who were interested in helping out St. Regis or the old owners. He would look at the balance sheets of the company he was seeking to acquire and determine in his own mind from their earnings records what he felt the company was worth. Let's say they were worth ten times their earnings during the last three or five years; then, he would send a team of men from St. Regis; probably a production man, an engineer, maybe an accountant, or maybe somebody in sales to find out more about the company. He would listen to the reports and recommendations of those sent to investigate the company and then, he would make a decision on the course of the final negotiations. I believe he made most if not all final decisions in these matters.

ERM: Generally speaking, he would pursue the matter on a one-to-one basis with his opposite number in the company that he was seeking to acquire and at least work out some preliminary basis for further negotiations.

JEK: For determining whether there was any point in pursuing the matter further, yes, I believe so.

ERM: Some of these efforts succeeded and, of course, these have been noted. Others did not, such as the plans to acquire Gaylord or Camp. Those deals did not come off. Later on there was discussion about a merger with RCA,* and that fell apart. What were the factors that were involved in these

*A merger agreement in principle between St. Regis and RCA was established on October 11, 1968. The stockholders and directors of both companies were given until March 1, 1969 to consider the agreement before it became final; on February 26, 1969 the St. Regis Board of Directors, upon a recommendation of Mr. Ferguson, decided against the merger. More complete discussions of the proposed merger appear on pp. 59 and 82.

negotiations that caused them to fail?

JEK: Mr. Ferguson had a very good faculty of knowing what companies were worth as far as an exchange of St. Regis stock was concerned. He wasn't going to give the stock away. He wasn't going to buy the company just because he wanted to buy it. He wanted to be fair to both parties. In the Gaylord situation, as I heard him describe it, he had negotiated a price with Gaylord. Mr. Ferguson had arrived at a mutually satisfactory arrangement with the Gaylord representatives, and it only remained for them to obtain the approval of the other principals. Then somehow--he thought that it might have been a consultant who was responsible--someone induced Crown-Zellerbach to offer a better price than he had proposed. He felt he had offered as much as Gaylord was worth. He wasn't going to raise his price. He had gotten to the point where he felt that was as much as St. Regis could afford to pay for it. I think this went back to his experience, for instance, with the Bates Valve Bag Company. He didn't feel that we needed to pay that much for Bates Valve Bag and he didn't feel that we should have. He didn't feel that it was good for St. Regis and he was very strong on maintaining an undiluted stock position for the company. Gaylord was that way. Union Camp was somewhat that way. He just offered as much as he was willing to pay, as much as he thought it was worth, and that was all.

ERM: That was Camp before it became Union Bag-Camp.

JEK: That's right. It was then Camp Paper Company.

JRR: Let's go back to 1949. It was a bad year for the industry and a worse year for St. Regis, especially in your bag sales. What happened in 1949?

JEK: I think the situation was not peculiar to the paper industry. All industries had just come out of a wartime production schedule. It was the time to pullout all the stops, start making as much as you could, fill up all the pipelines. It took a long time to fill them up. Then people got caught up on what they needed in refrigerators and freezers, and automobiles, and everything else. And demand slowed down. To some degree the economic situation was given a shot by the Korean War, which rejuvenated production.

JRR: But I think your patent on bags had expired. By 1949, weren't other companies then producing multi-wall bags in competition with St. Regis?

- JEK: We had competition even before the patents expired. There were bag manufacturers involved. You see, St. Regis was the largest producer of multiwall bag-making machinery and multiwall-filling machinery. We practically furnished all the machines to make bags to our competitors and certainly all of them to our customers. And before it was illegal, we used to have tie-in contracts with them where they had to buy our bag if they used our machinery. Even in Canada, it was a requirement that they buy our bags if they were going to use our machines to fill them. So we had a good deal going there for a long time.
- JRR: While the sale of bags was suffering the sale of kraft paper was apparently rising; and you were selling more kraft paper than you were paper bags. Does that in any way account for the entry into the kraft specialty field--maybe the purchase of Rhinelander Paper Company?
- JEK: Rhinelander never made kraft specialties. The East Pepperell mill made the kraft specialties. At that time, we were operating Herring, Carthage, Harrisville, and Oswego--I'm not sure of other mills that made kraft grades.
- JRR: During the fifties, you closed down plants like Oswego and Watertown.
- JEK: We closed Oswego because we had earlier bought Pensacola and we found out we could make kraft and ship it out of there so much cheaper than we could buy pulp and convert it in Oswego. Herring became a specialty mill making bag tape. We made tape--sewing tape--at Herring, I guess until 1958. East Pepperell made colored kraft grades.
- JRR: You bought the Howland pulp mill in 1950.
- JEK: Yes, that was up in Maine.
- JRR: Howland was purchased in order to supply the St. Regis northern kraft paper mills with kraft pulp, wasn't it?
- JEK: Yes. Leonard Pierce operated it for us on a shoestring. I don't think it ran very long.
- JRR: Two years.

- JEK: A year and a half, two years. I never saw that mill so I don't know too much about it.
- JRR: Where does Rhineland fit in then?
- JEK: Rhineland made specialty glassine and grease-proof papers.
- JRR: These were not made from kraft paper?
- JEK: No. Rhineland made its own pulp for most grades. It supplied a lot of paper to Pollock which might, in part, account for its acquisition. Also, I think Roy Ferguson knew Folke Becker quite well. I think Folke wanted to get out of the business, frankly.
- ERM: He died not too long after that.
- JEK: Yes. Folke wanted to get out of the business. He had a lot of that stock and I think he just wanted to get out. Ben Cancell was there at the time. Ben had worked with us right after the war. At that time he had managed the northern New York mills. His office was in Deferiet, and with Ted Murray he ran the printing paper operation. Ben left St. Regis to go to Elk Falls or one of the newsprint mills in British Columbia and then he came to Rhineland after that. He came back to St. Regis when we acquired Rhineland and then left us and went to Potlatch.
- JRR: You acquired Pollock Paper Corporation in 1955?
- JEK: Yes. When we bought Pollock, it was a big user of paper and had a good, profitable operation. It was a good acquisition for St. Regis, and I think a very good deal for Pollock.
- JRR: They owned Pacific Wax Paper.
- JEK: Pacific Wax was independent of Pollock. Pacific Wax was a company that Mr. Ferguson agreed to buy after about two days of negotiations.
- JRR: It produced wax facing.
- JEK: Some of the same grades as Pollock. I don't think they produced flexible packaging as we know it today. As a matter of fact, flexible packaging was just coming in for bread wrappers.

- JRR: How did you get into the folding carton business? Was it through Pollock? Pollock made folding cartons.
- JEK: Pollock made containers and folding cartons. You almost have to go back to the dates of the acquisitions. I believe that we got into the folding carton business originally because some of the companies we acquired had both container plants and folding carton plants; it's possible that we went out and acquired folding carton plants separately at first, but I have a feeling we didn't go out with a purpose of acquiring them originally.
- JRR: No, you got them incidentally through other purchases.
- JEK: I think so and I think our strong position in kraft linerboard was the principal reason for getting into the container business. I know that Mr. Ferguson positively said, "We've got to be integrated into converted products."
- JRR: You were producing linerboard in Jacksonville and foodboard in Pensacola before you bought the converting plants.
- JEK: That's right.
- JRR: So that was the reason for buying the converting plants?
- JEK: That's correct.
- JRR: Now the trade press says that these converters were anxious about their source of supply, that many of them were dependent upon suppliers and they began looking for somebody to buy them out.
- JEK: I'm sure that that's true in a large number of cases. There were some of our competitors, some of the large integrated companies that had policies of transfer prices that would make their container divisions much more competitive than an independent could be. I'm sure they recognized that.
- JRR: What about molded plastics?
- JEK: I was in the Panelyte Division when we got into that area, so I know a little bit about that. When I came with Panelyte, for two years--probably through 1947 and into 1948--we made nothing but laminated plastics, reinforced laminated plastics, thermo-

setting.* About 1948 injection-molded thermoplastic materials were beginning to be used in the refrigeration field in which Panelyte was very strong. We were the principal supplier of inner door liners for refrigerators right after the war and were able to take advantage of the need for those products, because as I said there weren't any refrigerators made during the war, so there was a strong need for refrigerators. We began to see that the compounded curves that were being engineered into refrigerator doors would not allow us to mold them with the sheets of kraft paper and phenol formaldehyde resins. So around that time in Trenton we started putting in an injection-molding thermoplastic operation. We had some of the largest injection-molding presses built and installed at that time. We were not ever really successful in the engineering and the technology--that might be argued, but I don't think we were. First of all, we were not successful in producing parts, as we had too much scrap. And whereas we could nest the laminated inner door liners that we shipped to Evansville, Indiana, or to Dayton, Ohio to Frigidaire, we didn't have the same shipping ability with these deep draw injection-molded pieces. Breakage was high. They were a little more brittle. You just had too many packaging as well as shipping problems. So our customers began to put in their own injection-molding machines, or they began to have plants right next door. It was less expensive to install equipment for this purpose than for laminated parts. You could set up a press in your garage, so to speak, and start making inner door liners. We were not able to hold the market we had built up for laminated inner door liners.

JRR: In 1956, you commissioned George Armstrong to do a study on the impact of plastics on the paper industry and whether or not St. Regis should go into production of plastics. Do you remember what

*St. Regis's involvement with Panelyte plastics dated from 1929, when a small plant in Trenton, New Jersey was acquired. Originally, the plant produced plastics by hot-pressing a base stock of wood flour, paper, canvas, or linen impregnated with synthetic resins. In the years that followed, St. Regis used kraft paper impregnated with phenolic resins to make laminated plastic inner door liners for refrigerators. Panelyte plastics were also used in numerous applications during World War II.

Armstrong recommended? This was about the time you were buying your first molded plastic plants or shortly after.

JEK: The conversations I recall about getting into molded thermoplastics in a big way revolved around the fact that if we were going to compete with large manufacturers of the plastics crystals, we had to be able to make the crystals ourselves. And we had to be in the oil business to do that. The oil and chemical companies that made the crystals were going to be able to compete much better than we could as a converter--sort of like this problem that you raised between the independent converter of corrugated material and an integrated operation. We didn't really belong in the injection-molded plastic business. St. Regis has never been able to compete successfully against an independent who didn't depend upon having a lot of capital or having a major supply of raw materials at a competitive price. We used to say frequently, "If a guy can set up an injection-molding operation in his garage we aren't going to be able to compete with him." We had the same problems that he did, and of course, he could get a carload of raw material at the same price per pound that we might pay for twenty carloads. Size was not a basis for raw material advantage. We just felt that competing in that field was not our forte, so we gradually sold off all of those solid plastics operations.

JRR: What about the lumber and plywood business? Somewhere along there Ferguson bought the Ellsworth Forest Products Company up on Ellsworth Falls, Maine.

JEK: I'm not sure why we purchased that company but we needed timberlands for Bucksport.*

ERM: Wasn't it true in years immediately following the war and for some time thereafter, integration accelerated immensely? Companies that had been producing almost exclusively lumber and plywood began to see the importance of moving into the field of paper production too? By the same token, companies like St. Regis saw the advantages of moving

*The acquisition of Ellsworth Forest Products Corporation in 1947 added 82,000 acres of timberlands to St. Regis holdings, increasing the total acreage available in Maine to St. Regis to 579,000.

into plywood and subsequently diversified their operations to make fuller use of the raw material. At the same time the container manufacturers which had been using primarily metals and plastic began to look to making use of wood as a raw material. The wood industries began to think in terms of moving into new fields. Continental Can and American Can followed this pattern. In other words, it was all part and parcel of a general trend in industry at large to diversify after the war.

JEK: I think you've got the essence of it. I would say that the development was strictly economic. We bought chips from St. Paul and Tacoma Lumber Company for many years. In the early fifties St. Paul was not making money on anything it sold except the sale of chips to St. Regis. At that time we might have been paying thirteen dollars a cord for chips. The equivalent for chips from roundwood was costing us about twenty dollars a cord. Generally, St. Paul and Tacoma, Boise, or the Cascade Lumber Company, Simpson, and Weyerhaeuser had been selling their chips. One memorable exception was that Weyerhaeuser had been making pulp in Everett, Washington from chips from their sawmill for a long time. I think that the lumber companies began to realize that if they sold the chips they would get thirteen dollars a cord while if they converted them into pulp and paper, they might get the equivalent of twenty-five dollars a cord for them. So all of these forest products companies in the sawmill business began to see that their wood residues were of real economic value. You remember those teepee burners--there was hardly a mill that didn't have at least one, sometimes two or three. Of course, the lumber companies had no marketing organization for pulp and paper up to that point, so they simply began to get into the manufacture. They built their own mills and started selling the product. They bought into the market by selling at reduced prices to any converter. They didn't get into converting right away. These companies were the ones that caused the great disruption in the pulp and paper markets during the fifties and early sixties. It was a very serious problem.

JRR: Your entry into the lumber and plywood business was, then, probably incidental to getting a timber supply.

JEK: Almost exclusively. I don't think we had any real interest in being in the lumber and plywood businesses, which were the principal businesses of both St. Paul and Tacoma Lumber Company and J. Neils' Lumber Company. I recall Roy Ferguson negotiated with Cordy Wagner and possibly Everett "Spike" Griggs and possibly Hilding Lindberg. Some of the St. Paul directors didn't want to sell.

ERM: Spike did.

JEK: I'm not sure which directors were in favor of selling. Hilding had sold his operation to St. Paul for stock two years before that, and he wanted to make as much out of it as he could. I don't think Spike really wanted to sell.

ERM: The closing of the J. Neils deal really had an impact upon St. Paul.*

JEK: That's right. I think that what happened was that Cordy Wagner thought he could hold out for a better price. Cordy was a great horse trader. He would come in today and get a nickel out of you and come back tomorrow and try to get another nickel. He was a notorious negotiator that way. I remember dealing with him on the chips and I sat in on a couple meetings with Cordy and Jack Lamb, who was the St. Regis mill manager, trying to decide how much St. Regis should pay for the chips. Hilding Lindberg was a tough negotiator, too, but I think he was instrumental in consummating some of these deals because he was probably pretty practical. My impression of the St. Paul and Tacoma operation is that there was a lot of dissension among different factions within St. Paul and Tacoma Lumber. There were lots of stories around about the lack of harmony that existed in a business way--not necessarily personal;--but in a business way-- between Spike Griggs and his group and Cordy Wagner and his

*On May 10, 1957, J. Neils Lumber Company was merged with St. Regis; the agreement for exchange of shares had been made during 1956. J. Neils brought to St. Regis over 304,000 acres of timberlands and three sawmills in Libby and Troy, Montana, and Klickitat, Washington. St. Paul and Tacoma Lumber Company became a subsidiary of St. Regis in August of 1957, bringing to the paper company mill facilities at Tacoma, Washington and a plywood plant at Olympia, Washington. St. Paul's timberlands exceeded 135,000 acres.

group. If one group could have thrown the other out, it would have. I think that Hilding Lindberg didn't do anything but add fuel to the fire when he came in. He might have been a third faction.

ERM: He was an independent character in his own right.

JEK: There were many independent characters like Hilding Lindberg. Tom Murray (L.T. Murray) was another. After the prime Douglas-fir had been cut from about fifty-seven thousand acres of land near Tacoma there still remained larger quantities of hemlock and white fir. Tom bought this land for very little and by selling enough timber to pay the taxes was able to hold on to it. St. Regis entered into a perpetual contract with the West Fork Timber Company (L.T. Murray's land) which has proved very valuable to both parties.*

ERM: It was good land and it was extremely well located geographically to provide logs for the Puget Sound mills.

JEK: A big advantage at that point, too, was that it was checkerboarded with Forest Service land.

JRR: I want to go on to 1962. St. Regis was consolidating all the acquisitions of the fifties. This consolidation was of crucial importance. One aspect of this was opening the Ferguson Technical Center in 1962. Why, after these many years, did you consolidate your research efforts? Whose idea was it to bring all these things together at West Nyack?

JEK: When you say, "consolidated them all," we did have some different ones that we consolidated, but we essentially had a central laboratory or technical operation in northern New York that started in the forties. In 1962 it was brought down to West Nyack under the direction of Ken Arnold. I feel the greatest advantage was to have a principal facility to consolidate our technical efforts and to be able to attract better engineers and technicians. We did not, at that point, consolidate

*In December of 1943, St. Regis entered into a perpetual cutting rights contract with the West Fork Timber Company of Tacoma, Washington. The contract involved use of approximately 40,000 acres of timberlands in close proximity to Tacoma.

all of our technical operations. We didn't consolidate Pollock or all the operations in Pensacola for the Kraft Division. We maintained some laboratories at the other kraft mills and the printing paper mills. But I think primarily the center gave us a place close to the source of good technicians.

ERM: Were the main thrusts 'of rēsearch there in the realm of developing new products?

JEK: Yes, we sought to develop new products and improve on others. There was some basic research, although not too much. We never went into basic research.

ERM: That was left to the Pulp and Paper Institute.

JEK: And the other technical schools.

ERM: Cooperative work with the schools and the chemical companies. Didn't you have a lot of research closely related to the Hercules Powder Division of duPont?

JEK: We worked closely with Hercules and other chemical companies. Our objectives for the Ferguson Technical Center can best be described by the equipment installed there. We did a lot of bag testing there. We have a small paper machine. We have a small, versatile coater. We've got pulping facilities. We've got refining facilities there. So we had been able to get into developmental research operations at West Nyack. And then occasionally we'd build a small pilot plant to do various things. Most of the time we'd try to put the pilot-plants out in the operations plants;

ERM: What about your forestry research? That certainly didn't function out of West Nyack, did it?

JEK: I think as far as forestry research is concerned, it's always been done in the field. Most of our forestry research has been done in the South except for that early part that you've already uncovered--in the Northeast.*

*At the direction of St. Regis President Floyd Carlisle, the company established a tree nursery at St. Regis Falls, New York in 1920. Within a few years, this operation was raising one million seedlings per year. During the thirties, activities at the nursery were discontinued.

ERM: That was a rather short-lived experiment, as I recall.

JEK: The problem with that could be that we didn't do an awful lot of replanting or reseeded at that time other than natural reseeded. The state set up a nursery and we found we could buy seedlings cheaper than we could raise them. So I think that with the amount of forest research and reforestation we did in the Northeast, it was better for us to let the state do the growing and buy the seedlings from them.

ERM: What changed your mind to move in more independent directions in recent years?

JEK: I think we've always done this in the South. I don't think that we've become more independent in the North, in the Northwest, or in the Northeast.

ERM: But in the South you have.

JEK: Almost ever since we've been in the South we've had a nursery. The principal effort is to grow a superior tree through selection and planting of superior tree cuttings.

ERM: The reason for that being, I presume, that there you could see more rapid rate of tree growth and a return in a shorter period of time.

JEK: I think that's right. This was coupled with the fact that our timber purchase agreements in the South were made for about sixty years and what we really hoped to do in that sixty years was to get at least two crops off the land that we had under timber purchase agreements. We are managing the land. We are taking all the risks. We have done the replanting. We continue to do all the forestry work. These forest lands are ours except in title.

ERM: Who were the men who had the most influence in the development of your forestry program?

JEK: In the South? After we acquired Florida Pulp and Paper Company, Albert Ernest came in as our chief of forestry operations in the South. He was responsible for all the land we had acquired, all the timber purchase agreements that we signed, and for setting up the nurseries in the South. And then, of course, a man who is still with us, Marc Rawls. He was the close, right-hand man to

Albert until Albert passed on about ten years ago.

ERM: I knew Ernest for a short time and I've always regretted never interviewing him because he was most interested in doing it. I didn't have the time or the resources at that point.

JEK: Well, he would have done it. "He would" have given you a very colorful story because he "was a colorful guy, a man of the old school.

JRR: Let's go back to the technical center. Was this the idea of one man, of many men, or was it something that evolved? How did it happen?

JEK: Let me tell you the way I feel it happened; you may want to verify it. We had a technical group headed by Ken Arnold located at Carthage, New York. St. Regis was growing and the facilities at Carthage were inadequate. Ken probably convinced Bill Adams and Ben Cancell that a more extensive facility closer to New York would better serve St. Regis's needs. I believe they convinced Roy Ferguson that this was a good idea.

JRR: About the same time you made what appear to be major changes in the management of the organization and I think some of these may go back to the study that George Armstrong made in 1950. In this study, he recommended that St. Regis, among many things, become self-sufficient in kraft, pulp, and paper, which you did subsequently. The report also stated that the president of the company needed some assistance. Armstrong suggested that St. Regis reorganize and appoint some vice-presidents to help Ferguson handle the growing burdens of company detail work. In 1963 you assigned seven vice-presidents to management of manufacturing operations, but Armstrong's recommendation was made in 1950. Were the 1963 realignments forced because of acquisitions? In 1965, there was another change, and in 1969, I think there was another one. You keep reorganizing your divisions and business groups.

JEK: Let me go back a little bit farther than that. Back in the forties and the early fifties, the Printing Paper Division, our oldest division, was run by two vice-presidents--Ben Cancell and Ted Murray--reporting to Roy Ferguson. Panelyte, the other hand, was run by Russ Mahaney, who was a vice-president and a director of St. Regis. He was

the general manager of Panelyte, responsible for both manufacturing and sales.* The Kraft Division in northern New York was sort of a part of the Paper Manufacturing Division and after Ben Cancell left St. Regis, Bill Adams was in charge in the late 1940s and the early 1950s. He was vice-president in charge of kraft and printing paper manufacturing. So the paper manufacturing was headed by a vice-president in northern New York. Then we acquired the Florida Pulp and Paper Company which was run by Jim Allen who was a principal owner of the company. Jim wasn't going to let anybody tell him how to run the company, so he ran Pensacola. Allen was very much involved in developing the plans for the new mill at Jacksonville. He played an important part in making decisions about what they did down there. He would have run that mill, but he passed on in December of 1950. During this period there was, then, a sort of evolution in management structure.

ERM: You were just regionalizing your vice-presidents in a way, weren't you?

JEK: Well, not really. The problem that came about during the fifties related to our acquiring all kinds of operations, all different kinds of companies. We acquired Sherman and Pollock and Nifty and Kress and June Osborn's company in Milwaukee--Cornell. Mr. Ferguson felt strongly that these people had run their companies and unless there was proven, adequate reason for us to do it differently, or a desire on their part to get out, that we weren't going to disrupt the management of those operations immediately. We would let them run their operations until we were ready to assimilate them. We did not have the manpower in the parent company to step in and take over the consolidation and the management of all of these different operations. I think that was the principal reason for not moving in immediately and consolidating them into a division of the company. The consolidation came eventually with divisions being established by product lines but the moves were made only as management talent was identified.

*c. Russell Mahaney was a St. Regis vice-president from 1945-196\$ and a director from 1943-1956.



Benton R. Cancell. Photographer, Fabian Bachrach

- ERM: Maintaining prior management offered a certain local value to your public relations, too.
- JEK: That's right; by keeping harmony in the operations and continuity in the community.
- ERM: You didn't disrupt the whole group.
- JEK: Pollock was a good example of an operation that had been run profitably. The management was left intact. After several years, and a major shift in product, it was time to look more closely at management. However, it was only about two years ago that we brought in somebody from outside that division to manage it.
- ERM: That would not be looked upon in the same light as it might have if it had been done in the beginning.
- JEK: It was still viewed a little askance by some of those people that had been down there for years. But it's worked out, and actually it's been a tremendous thing for them. Their profits are higher now than they've ever been. They've just done a tremendous job in marketing and production.
- JRR: When did St. Regis go into marketing? Marketing involves projection--finding potential sales--whereas selling seems to put its heaviest emphasis upon bringing the product to the auction block.
- JEK: Let's take the Bag Packaging Division because that was the first division in which this transition came about. What you might classify as marketing in that division was that we did not simply make cement bags and compete with everybody in the country that could make the same kind of product at a very minimal cost and at a minimum profit. Instead, we were going into specialty products. We analyzed the market for dog food, for cookies, for coffee, and so forth, and we pursued the more profitable items in that field. Now that's marketing as I would see it. I would attribute that primarily to the time Bob Searle came to the company and Bernie Recknagel took over bag packaging. We closed two or three bag plants in the South and consolidated them all in Pensacola, thinking that we could furnish all of our customers out of Pensacola. But then we got into a marketing concept of helping customers develop their packages, trying to increase our profits. We then felt we had to re-open some of these plants--in Louisville, Kentucky and Kansas City. We never did re-open New Orleans because that's still pretty close to Pensacola.

- JRR: But has marketing been an advantageous kind of innovation?
- JEK: I don't think there is any question about it. As a matter of fact, I believe we are going to see marketing as a primary factor in the growth of St. Regis in the United States. In the future it's going to be difficult to acquire timberlands to support production and to find sites on which to construct new mills. So it makes sense to find the most profitable items to make in the facilities we already have.
- ERM: Does this apply to international development of companies as well?
- JEK: I think ultimately, but I think the volume will come first internationally, except that the ability to supply tons of paper is going to diminish. We will not be able to meet a growing demand for paper in the future as well as we can now. We are just not going to be able to expand that much and there isn't that much timber left around that you can put together. You could buy timberlands in the thirties for ten, fifteen dollars an acre, and today, you are paying between three and seven hundred dollars an acre for them. You can't put that kind of money into a product that hasn't increased proportionately in selling price. I think this is going to be a big, big factor in the future.
- ERM: Do you think St. Regis moved as swiftly as it should to acquire more timberlands in the thirties?
- JEK: I think it moved as fast as it could. Remember, St. Regis had no cash in the thirties.
- JRR: Well, 1969 was apparently another one of those turning points for the industry, and for St. Regis, if the trade press is right. I think beginning, maybe in 1966, the industry began to expand again and overbuilt. By 1969 your prices fell, but after that, St. Regis, according to an article in the trade press, began to do its own thing, and wanted to get out of that cycle of boom-and-bust by seeking diversification. It began to eliminate marginal operations by closing them, selling them, or renovating them. It began to look at international markets more than domestic markets. Is this a correct impression, and if so, who helped design that policy for St. Regis?
- JEK: Here again, the principals of the company. Bill Adams was involved; Bill Caldwell was involved at

that time; Bill Haselton was involved on the West Coast; George Kneeland and Roy Ferguson. I'm not sure that we did any more than become realistic as to the potential of an operation. For instance, we could have kept the Olympia plywood plant. It was not making any money. We were paying a lot for the logs, and the equipment was a bit antiquated, but we could have kept it going. We just felt that we weren't going to make enough money, even in the boom years, to warrant our keeping that mill, to offset the losses that we would have in the down years and give us a good return on our investment. So it was better for us just not to try to struggle along and to buy logs and convert them ourselves when the only fellow that might get rich would be the log supplier.

JRR: Again, the trade press credits George Kneeland with some of these measures, like taking a hard look at divisions and plants to see if they were profitable and remedying that in some way if they were not. Is this true?

JEK: That's difficult to say and I don't know that I can give you a specific answer. Divestiture and closing of plants were done under several men. Bill Caldwell, W.R. Haselton, and I'm sure other officers were a part of the decision-making.

JRR: But apparently the paper industry changed significantly after 1969. Prior to that time it seemed susceptible to the boom-and-bust cycle.

JEK: Now these factors that we talked about, the price of timberland, the availability of mill sites-- you know if you've got to put 100 percent more into this than you did before, you've got to think a lot harder. When we built the Ferguson mill in Mississippi we borrowed \$100 million dollars at 5 percent. If we were to borrow \$100 million today, it would cost us at least $8\frac{1}{2}$ percent, maybe 9, maybe 10. It would take probably \$250 million to duplicate that mill today. So \$250 million at 10 percent gives you \$25 million in interest in a year. We make 500,000 tons in that mill. So what are you talking about? Fifty dollars a ton interest? Is that right? So \$50 a ton in interest on your money. Not only that, but in 1955 the debt-equity ratio in the paper industry was probably, and I'm guessing, 5 percent? Today, it's closer to 33 percent. So your financial leaders aren't as willing to give you money on that basis.

- JRR: In 1966 Bill-Adams began to point out what had happened in the postwar period and what had happened since 1956. He said, "We can't afford it anymore. We can't afford to expand. Not at the prices we are getting for our products."
- JEK: Maybe you want to crank this in, too, if you haven't already run across it. The price of linerboard in 1972 was less than the price in 1957. The quoted price in 1957 was \$127.50 a ton for linerboard and we were actually selling linerboard in 1972 cheaper than that.
- ERM: What is it selling for now?
- JEK: Nearly two hundred dollars.
- ERM: So there has been a substantial increase in the last year?
- HEK: Oh, yes. In the last year, year and a half. A year, and a half ago after price controls were removed.
- ERM: It seems to me the industry has followed a pattern of heavy building of its production capacity. It did in the twenties and there was a sag in the thirties. Then there was a surge after World War II. Then there was a sag again. Then there was a surge again. I can remember attending a Paper Week meeting here years ago, probably back in the fifties, and hearing the late J.D. Zellerbach speak at that meeting. He spanked his fellow industry executives for overproducing with their new capacity. He stated that this was really hurting the industry in general. But hasn't that been the pattern? And do you think that pattern is going to change or do you think that in spite of these difficulties that you've enumerated, the price of the products will merit the risks?
- JEK: I just don't feel the industry now, except in rare situations, is in a position to overexpand. We are not able to overexpand because the expansion primarily depends upon basic raw materials. Let me give you a related example. Last year when paper got tight, what did the paper companies do? They stopped making the very cheap grades of paper, the cheap tablet paper that you practically had to give away, and they began high-grading their pulp. They put it into better grades of writing paper--getting the price up where people could still afford it--but not giving the stuff away. We've

gotten into the markets where we've got the best prices and where we are not competing with every Tom, Dick, and Harry. We are giving the customer something that he can use. Giving him better printing, giving him better protection, those things. St. Regis today could make very little more paper than it's currently making--maybe 10 percent more. We are not able to go out and build another Mississippi plant right now. We just don't have the timberlands. Now Weyerhaeuser wants to build a mill in northeastern Mississippi. First of all, they were going to build it for \$170 million, then the next estimate was \$200 million, then the next estimate was \$230 million. Every year that they delay is going to cost them 10 percent more to build. That you can almost count on. And not only do they have that kind of price to pay for the physical assets, they have all kinds of problems with the environmentalists.

- JRR: Was the proposed merger with RCA an attempt to diversify--a response to the types of problems you have just mentioned?
- JEK: No, I think RCA was considered for a couple of reasons. One was RCA's ability to raise capital. Perhaps a feeling that they had a more sophisticated management than we had. Getting a good price for the stockholders. Roy Ferguson's concern for the stockholders has always been very important. He felt that the common shareholder had invested his money in the company and given management a lot of trust. In many cases, the shareholder hadn't really received the kind of return on his investment that he should have. Mr. Ferguson might have felt that if a merger with RCA could give the stockholder 25 percent more, or 20 percent more for his stock, it might be a good deal.
- JRR: The trade press said that one reason RCA wanted St. Regis was in order to enter the forest products industry--in order to diversify. St. Regis people say that RCA wanted hot assets of St. Regis.
- JEK: I think that's probably right. I think they recognized that our timberlands were on our books at \$73 million approximately. We owned, at that time, about 2.6 million acres which had a true value of about \$150 per acre. So it's easy to see that the net worth of St. Regis was much greater than reported--which made it very attractive to RCA.

- ERM: There's more money to be made in selling logs to the foreign market, too, isn't there? I mean without having to build a plant?
- JEK: Of course, that's another consideration but maybe only temporary. The API is projecting that if you have to put in all the pollution abatement facilities, and if inflation continues, in order to realize an adequate return on your investment liner-board might have to sell for \$800 a ton. There will be a market for log exports until it is more profitable to convert logs locally than to export.
- ERM: Then it will make it again possible to go into a new stage of further development?
- JEK: Only to the point that you now have the sites and the raw material to do it.
- ERM: That's right, and with assurance of keeping them going for a long period of time.
- JRR: When pollution became an issue the Jacksonville Port Authority proposed that it sell industrial bonds to raise funds for erecting pollution control facilities. Did this actually take place?
- JEK: Oh, yes. Pensacola, Jacksonville, Tacoma and Deferiet have all sold bonds. We guaranteed the bonds; we picked up all the charges, all the costs; and we get the lower rate on the tax-exempt bonds.
- JRR: You pay them a rental on these facilities for a certain length of time and at the end of that period you will more or less assume ownership of the facilities, is that right?
- JEK: Yes, pretty much. That's pretty much what it is. In order to own the facilities, we bought them with the money that was generated by the sale of the bonds. The bonds will be paid off eventually, and we'll own the facilities.

INTERVIEW II

Session II

James E. Kussmann
New York, New York
October 18, 1975

ERM: Jim, what would you identify as being the most important reasons for the remarkable growth and success of St. Regis in the last twenty-five years?

JEK: First of all, I think we had a man at the head of the company who had a large vision, who recognized the opportunities that were existing as a result of the curtailment during World War II and the thirties. That was almost a fifteen-year period during which the paper industry couldn't grow--didn't grow, but the population kept growing, and I think he recognized this. And he recognized the need for integration in the company. He recognized the opportunities that St. Regis had with its resources and I think he had a definite plan for moving into a certain area. I think it wasn't happenstance that we got into containers and the other converting operations. Mr. Ferguson wanted St. Regis to become an integrated company. That was part of the master plan and that's what we did. I don't think it was because we had others in management who were vitally concerned with it particularly. They came along with it and contributed, but the objective of expansion and consolidation I would attribute primarily to Roy Ferguson.

JRR: Mr. Ferguson started this expansion in 1955 and 1956. Those were not good years for the economy, but you really were expanding then. A lot of mergers then.

JEK: The price of our stock in 1957 was at a very high level. So based on the advantages to the company of trading stock, that was as good a time as any to get into the market. The stock market was good to St. Regis. We hit a little over sixty in 1956.

It had been building up to that through the middle fifties. After 1945 St. Regis stock was about six dollars per share. In 1949 or 1950 it was about eleven dollars per share. It got up to sixteen and went back down to eleven, and then--I'm giving generalities--it got up to eighteen and nineteen in 1953. And by 1956, it was at sixty. Through that period, we were acquiring all of these companies, and the stock value began to falloff. We acquired some companies on the "down side." But stock value didn't plummet down, it just dribbled away.

JRR: I would like to know about the orientation programs which St. Regis started for young executives in the fifties. Were they successful, and have you continued them?

JEK: Yes. The first one was held here in New York, and a number of people who are still with the company were in it. George Kneeland was in it. Bernie Recknagel was in it. I was in it. Charlie Woodcock was in it. Andy Storer was in it. We've had some other management training courses, and we are still continuing them. Generally speaking, they are successful.

ERM: Was that Mr. Ferguson's innovation or was he just an enthusiastic participant in it?

JEK: I know he was an enthusiastic participant. Alex Smalley was with the company then. Bill Versfelt, Sr. was. I have a feeling that Ted Gay might have had an important part in that. I would say that those people helped start the courses.

ERM: Ted Gay is a shadowy figure in this whole story. I wonder if you might help us see him a little more vividly than we do in the written record.

JEK: He had an interesting career. He had been on the Times Picayune in New Orleans, as the city editor, I think. I guess the first thing that I can remember of Ted Gay was as an administrator, about twenty years ago. He followed closely the results of the operations of the company. I think he was a good contributor--a very positive man and had a great capacity for detail. He would look at records that were given him, and pick out a seemingly minuscule detail that wasn't quite right, and question the responsible person about it. He was a real tough guy in that regard. He was also responsible

for a product development section in the company, which then was separate from technical operations.

- ERM: From some source I've gathered a hint that Gay might have become the next chief officer of the company--but he died prematurely.
- JEK: He had a serious problem with cancer. He was hospitalized and had very severe treatment for it, and wound up with a speech impediment and couldn't function completely. After that he became vice-chairman of the board so that the company could retain the benefit of his experience.
- ERM: George Kneeland apparently was a young star from an early point in his career with the company. Starting at a very modest level, he worked his way up and evidently caught Mr. Ferguson's eye. Can you give any insights into that story?
- JEK: George filled a very important function of being able to handle a lot of detail well. He worked in the Kraft Paper Division for some time, in charge of production scheduling. As it was necessary for Mr. Ferguson to have someone to handle the details of the various functions of the company, various negotiations, for instance, and investigations, he turned to George for assistance. I think George probably did a successful job, and was made vice-president of administration. George was never president of the company. He then became chairman of the board when Bill Adams retired. I don't ever see George as one of those rising luminaries that nobody can ignore. He got in and he dug and he worked hard and he had a lot of information and ability. But as for somebody saying when George first joined the company, "Someday this man is going to be president," I don't think it was that way.
- JRR: Ted Gay was apparently a person you couldn't ignore. That's the impression I've gotten in talking with people. He really was dynamic and aggressive.
- JEK: As I've said, I don't remember Ted Gay except as a top administrative officer in the company.
- JRR: Are you familiar with a middle level management group? Apparently, Ted Gay had something to do with it. I'm not sure, he may have organized it. Were you a member of it?

- JEK: I was never a member of that. The people that were members of that were in New York City. If there was anybody from outside the city, it was someone that probably came to the city frequently. The first middle management group--Bernie Recknagel was in it, Gardiner Lane was in it, Andy Storer--who else? Those people were here. They met fairly regularly. They were given assignments by Ted Gay. They wanted to learn more about the company and participate in some kind of investigation or reach management decisions at their level. We now have the Strymen, which takes the place of the middle management group. The group invites different speakers from the staff and production operations of the company that they want to know more about--such as public affairs, accounting, or purchasing. Various issues are discussed.
- ERM: How large a group is this?
- JEK: Twenty-five people approximately.
- JRR: At some point you appointed a long-range planning committee composed of eight executives. I don't remember the date.
- JEK: That was in the middle sixties.
- JRR: That group was to project plans through 1975. How significant is this to St. Regis? Was this the first time you were doing that kind of long-range planning?
- JEK: I was on the long-range planning committee and, in my opinion, it never functioned effectively. I'm not sure that the company as a whole recognized the real objective of that committee. It never really got off the ground.
- ERM: We seem to be moving into a period in which long-range planning or at least the talk about long-range planning is getting to be more and more insistent.
- JEK: We do long-range planning now in the company. We do it by divisions. We do it through the president's office with the general managers of the divisions. The general manager is charged with looking at his share of the market, where his division needs to go, and so forth. We do have a market research group in the company that looks at the overall economy, and does market research for divisions. Divisions plan for the near future, leaving the long-

range major plans to the chief executives of the company and the operating committee. This group discusses the need for finance, the growth potential of the industry as a whole, the growth potential for the international operations where they are setting some objectives on a long-scale basis. Division management contributes to the longer range planning with their specific product knowledge.

JRR: In terms of management, I notice that over the years decisions were usually made most likely by Mr. Ferguson, then possibly the Executive Committee, and these recommendations were approved by the Board of Directors. Somewhere along you appointed a Finance and Audit Committee which apparently became pretty important, because it began making recommendations to the Executive Committee which were passed on to the Board of Directors for approval. Why was this Finance and Audit Committee appointed? What's its role?

JEK: Most of the men on the Finance and Audit Committee are financial experts from outside the company-- Howard Laeri, George Jenkins, and Curt Neldner. When Jack Cowles was the chief financial officer and nearing retirement age, we didn't have any particularly strong understudy to replace him. There was a considerable debate when Jack retired as to whether or not we should go outside the company and hire a man with strong financial background or whether we would elevate someone within the company to the job. It was finally decided, on George Kneeland's recommendation, I think, that Harold Duhl be appointed the chief financial officer of the company. Subsequently, I think Mr. Ferguson suggested having a strong finance committee in the company to oversee the expenditures, to make recommendations on the generation of capital for the company, and where and when to borrow.

JRR: In recent years you have raised much of your capital through Metropolitan Life Insurance Company and various insurance companies rather than borrowing from a bank. What are the advantages of doing that as opposed to getting it from, say, First National City Bank?

JEK: I'm not sure I can answer that question specifically but I believe that insurance company terms might have been more favorable than bank terms.

JRR: It didn't have anything to do with how prosperous the company was, in terms of sale of stock on the stock exchange, or anything like that?

JEK: It always does.

ERM: Jim, how would you characterize the history of St. Regis stock ownership as it has changed over the years? At the beginning, the stock of the company was valued at \$1 million and was closely held in a few families, right? Then it was shifted about, but not until the 1930s or later did the stock go public. When did St. Regis go on the big board?

JEK: It had been traded on the American Exchange until about 1948 or 1949, somewhere around there. When I first came to the company, it was on the American Exchange and then we went on the big board.

ERM: At anyone time was the stock of the company owned primarily by the Ferguson family?

JEK: No, when Mr. Ferguson passed on, he had about $1\frac{1}{2}$ percent of the stock, that was all. He had a little less than 300,000 shares out of 21 million. Now at one time, Eastern States Corporation owned 25 percent of the shares.

ERM: Who owned Eastern?

JEK: That was public again. Roy Ferguson had a large block of Eastern States stock.

ERM: So in a sense, he owned a large part of St. Regis through his ownership of Eastern States stock.

JEK: Eastern States was to some degree a control mechanism at one point for the company's shares. It may have owned more of St. Regis stock; I really don't know. But I believe that at one time it owned 25 percent. It owned 1 million out of 4 million shares.

JRR: Acquisition of companies by exchange of stock has more advantages, apparently, than disadvantages. Is that the correct impression? I mean, your expansion in the fifties was mainly through exchanges.

- JEK: Assuming that you are going to cover your dividends with earnings of your acquisition, you don't have to put up any cash. The company now has authorized fifty million shares of stock. We have outstanding a little more than twenty-two million. So we could acquire companies today with the exchange of stock without going to the shareholders for approval to issue the stock, because they've already approved that.
- ERM: Does that also mean that at any point in time the directors can, through brokers, make a certain part of that unpurchased twenty-eight million stock shares available on the market? They are not always available unless the company releases them, is that right?
- JEK: Yes, the Board of Directors could authorize today the issuance of a million shares of stock to acquire a company.
- ERM: In other words, the potential is there for more than double present growth without getting further board approval for doing so.
- JEK: Without getting shareholder approval. We would have to get board approval.
- JRR: Jim, how did you come to acquire Hinton? Were you in a partnership with Frank E. Reuben?
- JEK: I believe that Reuben was a citizen of the province of Alberta and involved in oil and gas exploration there. He had gas for sale, and he knew that the Alberta government had put up blocks of timberlands for the development of the forest products industry there. He got an agreement that if he were able to get a partner they would build a mill to make pulp in Alberta. I believe he came to Roy Ferguson with this proposition. Ferguson had some of our people investigate it, and then decided to build this mill on a fifty-fifty basis with North Canadian Oils, Reuben's company. Actually, we got 50.009 percent of the shares. Reuben would have certain functions; he would furnish the gas under contract to the mill. The mill would generate power for the village. Reuben would build and operate the houses in the village and we would be the operators of the mill.

- ERM: What about the rising tide of socialism in those western provinces and in some of the eastern ones which, I understand, is causing much unhappiness for certain other U.S. investors in Canadian wood industries? Are you being affected by this trend in any way?
- JEK: We aren't affected by it right now. Since Hinton's completion in 1957, forest land has become more valuable. Stumpage is becoming higher priced. We've got a very favorable stumpage contract with the Alberta government. We practically taught the forestry group in the province, in the government, what they know about forestry because we were the first ones in there with any forestry programs and we sort of wrote the rules as we went along and they accepted them and worked with us. By accepting them, I don't mean they were pushovers, but they just didn't have any experience up to that point so they were learning while we were doing. We originally had an option to acquire another two million acres of land for the expansion of the mill or building a new mill, whichever one we chose, and that option ran for ten years. It was terminated because we didn't do anything with it at that point. Then it was renewed, and it was renewed again; now we are in the process of negotiating to see whether it is best for us to build the expansion of our mill or let somebody else take it and build a new mill. But Alberta wants a lot more for the stumpage than we are willing to pay; so the deal, throwing it all together for a total stumpage, isn't at this point attractive to our company. But when we started that mill there wasn't any problem with socialism in the province.
- ERM: No, not at that time. But it has become a rising trend.
- JRR: It took a few years to get that mill producing well. There seems to have been problems with it.
- JEK: Yes, there were. There were problems with the dryer and problems with the pulp.
- JRR: And some management problems.

JEK: Well, in the early years there were some serious management problems. The original labor policies were terrible. We had a problem with the union because our labor contract specified that if a job was open in any department, anybody in the mill could "bump across" to apply for it. They had general mill seniority and an electrician could become your machine tender, theoretically; it just didn't work. We had people shifting all over the mill. We finally got the contract changed.

ERM: Was that concession made to satisfy the demands of the local citizenry for the best opportunities developing in employment?

JEK: I think that our personnel department just felt it was the best thing for the mill, and it just proved to be a terrible mistake.

ERM: In the early days in the Canadian operation, to what extent did you depend on American citizens sent there to take over management positions?

JEK: Very little, except for a short time in top positions.

ERM: You took indigenous leadership then?

JEK: That's right. There were enough paper mills in Canada so that you could get experienced managers to work. Ambitious ones could get ahead, given advancement.

ERM: A strong nationalist feeling has been a problem for other American companies in Canada.

JEK: The first manager was an American. Our second manager was a Canadian. All managers since that time have been Canadians. There were several Americans who helped with the start-up of the mill--woodlands originally had an American manager. Gradually these men were replaced with Canadians. Since then we haven't had any serious problems.

ERM: Has St. Regis struck it rich in any mineral holdings?

JEK: We estimate our gross mineral income this year will be \$17 million.

ERM: Is most of that from petroleum?

JEK: Yes.

ERM: That's like the profits that came from the interest in utilities back in the late twenties. Things weren't going so well for the paper business, but St. Regis was making money from the stock it held in utilities.

JEK: Until the bottom dropped out of that.

ERM: There isn't very great likelihood of the bottom dropping out of the petroleum market.

JEK: Not the way things are going. All of this is new oil, incidentally, so our selling price is eleven dollars which is a good price.

ERM: Where is this oil located?

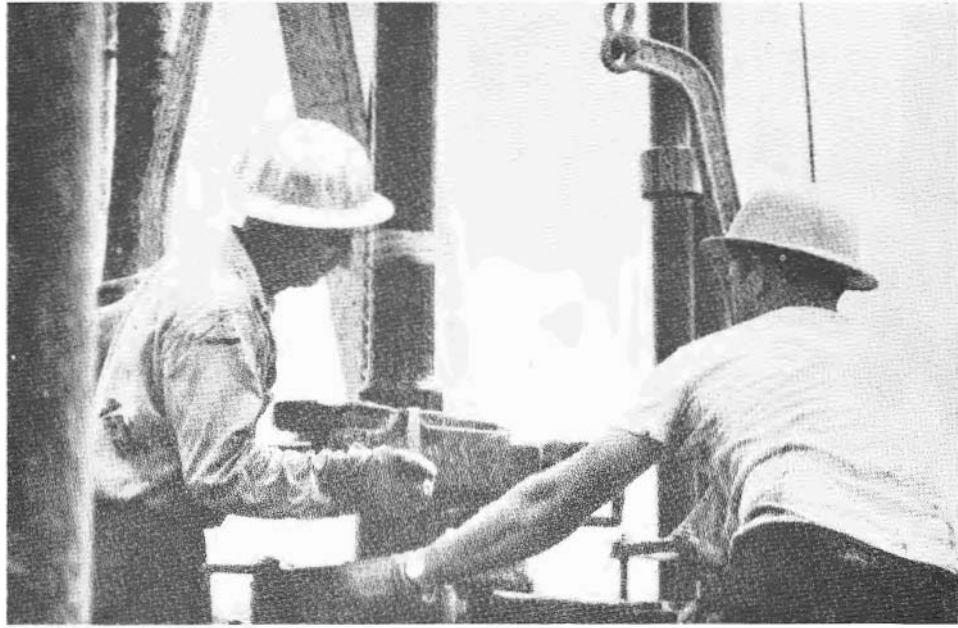
JEK: It's all in northwest Florida and southern Alabama-- just north of the panhandle in Florida.

ERM: Has St. Regis shown strong interest at any time in developing the potentials in Alaska?

JEK: Only the one time that we bought a lease in southeast Alaska which we later gave up. That was the North-Tongass National Forest area which we bought in 1965. But one of the provisions was that we start a mill very shortly thereafter to make pulp or paper or a combination of pulp, paper, and lumber. After a survey we decided that it wasn't economical in view of the market conditions then. Champion International was the only other bidder. We simply out-bid them by five cents and they gave up. Later, when we gave it up, they came back in and were offered the bid. The environmentalists have held them up ever since.

ERM: The area of your own special involvement in the company right now is public affairs and public relations. Where did the work you are involved in start within this company? Does it have a discernible beginning?

JEK: Oh, yes. I think it has a discernible beginning. I think back in the middle forties when Roy Ferguson began to see the development of St. Regis into the South and perhaps, at longer range, the movement of the company toward integration. He recognized that he needed communication with the financial community. He hired Sam Shane to come into the company and do just that. Sam developed contacts with the financial press on a systematic



Drilling for oil at Jay, Florida. Oil was struck on this St. Regis property in 1970.



Timberlands near Mt. Rainier which St. Regis gained through acquisition of St. Paul and Tacoma Lumber Company. Photographs courtesy McGhie Associates, Inc.

basis and expanded press communications at the community level.

- ERM: There was no large effort being made to reach the general public at all, or even the trade press?
- JEK: Not the general public, but the trade press as an adjunct to the financial community, yes. But I think it was primarily the financial community itself that was the main target.
- ERM: Who did this work before Sam was hired?
- JEK: Anybody that needed to do it, and perhaps to some degree the advertising department.
- ERM: Is advertising still a separate and distinct department?
- JEK: It still is separate today. Sam actually came in and worked in the advertising department. Ken Lozier was the director of advertising, and Sam reported to him.
- ERM: How did Roy Ferguson see the role of public relations as a part of the total business management job?
- JEK: I think originally he saw it as the need to communicate the financial position of the company--to explain to Wall Street what our strengths were. Remember that we had just come out of a very low period, and we were getting into a profitable position. If we were going to get into an expansion program, an integration program, we had to have capital and capital is generally generated either by the ability to borrow if people like and trust you, or the ability to get your stock price up where it should be. We needed to have the understanding in the financial community of the value of our stock, and that was really Sam's charge.
- ERM: At what point did the charge to Sam or his successors broaden out into other aspects of public relations and public affairs work? When did that more specialized assignment take larger shape?
- JEK: I believe that communications generally had developed in industry over the last twenty-five years and there was a greater recognition of the need to communicate at all levels, both internally and externally. Also, with the environmental pressures which started about 1955, there was a greater need

to communicate what was being done, and what should be done, in all of the environmental areas. The matters of water pollution, air pollution, forest land management, timber harvesting, solid waste disposal and use, have built up to a crescendo of requirements for communication so that people understand what you are doing.

ERM: Do you feel that the paper industry in general, and this company in particular, may have assigned to their trade associations this function in earlier days, prior to getting into it on their own?

JEK: No, I don't think that the trade associations did any more than the companies did. Some of the older management, going back into the forties, and fifties, were pragmatic, hardnosed lumbermen. Take the Weyerhaeusers, and the Simpsons, and those people from IP and the old Zellerbachs--a lot of these people came out of the woods to a large extent. They built their reputations not so much on marketing as on the ability to cut trees and put them into products. Zellerbach might have been a different story, but I think that most of the others were the way I've described them. I just don't think they thought too much about the need to communicate.

ERM: And they felt the same way about the general public.

JEK: Sure--none of their business. As I said, it has only been within the last fifteen or twenty years that we've really seen an atmosphere of pressure from environmentalists. When I started in business with the company thirty years ago, there wasn't any environmental movement. Can you imagine what happened fifty years ago?

ERM: Well, there were some earlier pressures from government.

JEK: Oh, yes. Government has had its finger in the pie for a long time.

ERM: Some communications departments began to develop in response to that challenge.

JEK: It wasn't until about fifteen years ago that many companies in our industry recognized the need to communicate with government at all levels--whether it was the federal, state, local, or regional government. I think St. Regis started its government activities in a formal way about 1963. When I came down to New York, we set up our public affairs department.

Prior to that, (and the reason that I got into this), I was very active in New York State in the pollution area and also at the state government level. I've been involved with tax assessors, for instance, and problems of managing operations, wherever I've been since 1949. That was really what led me into this particular field.

ERM: But that wasn't called public affairs then, because it was really just an extension of your work.

JEK: I think public affairs is just a title for the same kinds of things that we have been doing for some time. In the company, we have a tax department, which works on income taxes, excise taxes, sales taxes, etcetera. It was only about two or three years ago that we added somebody that was going to take care of local, real, and personal property taxes for the company. Up to that time, that was left up to the office manager and the plant controller at a location. But now we feel that it is important enough to coordinate; we now analyze what is being required of us, and compare it with what's done elsewhere, and try to get some reasonable solution to the requests that are increasing with the local and regional tax assessors.

ERM: Over the years in which you've been in this office, how have you seen top management respond to the need for larger investments of manpower and money in public affairs?

JEK: The budgets have gone up. There's never been a curtailment in the effort that we've had; we've always increased our efforts, not drastically, but we've increased them. I would say that today our management recognizes the need for communication, particularly at the government level.

ERM: How has your staff grown over the years? What did you start out with when you came to this company?

JEK: I started out alone, and now we've got three people who work at it full-time. We've also got five people that devote a substantial part of their time in the public affairs area--government affairs--and we engage four attorneys to assist us in various states where we don't have our own employees.

ERM: So it has been growing in its importance in management's view. What actual areas does it cover now? It doesn't cover advertising but it does cover all your relations with the media--popular, professional, and trade.

JEK: That's right.

ERM: To what extent does it take care of all company publications?

JEK: We initiate all of the publications, except in the advertising and sales promotion area.

ERM: Speech writing, I suppose, is another area of your concern.

JEK: That's right.

ERM: What other things come within your purview.

JEK: Employee communications, press relations, community relations and government communications, as well as lobbying. Most of the men in public affairs are actually lobbyists. Some of them are registered in their states as lobbyists.

ERM: How do you compare your efforts with those of your counterparts in other companies?

JEK: I think a lot of companies, but not all, do what we do in various ways. They are not organized the same way that we are. All of our public affairs managers report to New York directly or indirectly. They are not on mill staff; they are on corporate staff, and they work in the locations to service an area rather than a mill.

ERM: I think the role of the public affairs counsel within a company is a far more important and responsible area of work than it was fifteen or twenty-five years ago. To what extent would you say that the management of this company recognizes the very sophisticated role which public relations now plays in business affairs?

JEK: As a corporation gets larger and larger, to some extent it must centralize its functions for uniformity, if not control. It isn't primarily a question of control; it's a question of making sure that you have the bases covered the way you want to have them covered, whether it is public relations, transportation, purchasing, or corporate

engineering. In any of those functions, you must get the most for your dollar. The larger you get, the more loose ends there are, because the less the line people can handle the details that go into taking care of your interests. I think that's really the reason for it in any large corporation.

- ERM: Does management at the top listen to the public relations advisor if he says that certain policies are heading in wrong directions for the company?
- JEK: I think so. You have to remember that the operating management of the company has to deal with facts, but those facts, from a public relations point of view, are sometimes difficult to prove. But where you have facts such as specific surveys which register public opinion, or where you have the experience of another company in a specific case, management is more apt to accept a recommendation from public relations. Opinion can be valuable, based on the experience of the individual who gives it, but the closer you can get to provable facts the more management will listen to public relations. Or for that matter any department, any staff. But it is particularly true in public affairs because you don't have the specific facts in all cases that you would like.
- ERM: Today, because of the association you have with your counterparts in other companies in the field, you also have at your command a lot more basic information, I presume, than ten or fifteen years ago. There is an exchange between you and your peers in the field. This plays an important part, too, I suppose.
- JEK: Yes, it plays an important part because our operating management associates with the operating management of our competitors in various ways. They meet with them, they talk about general industry problems, they talk about industry needs. There is much greater recognition industry-wide now of the need for government affairs in the industries. When you handle the government affairs of the company it isn't just at the government level--there is a spill-over, up and down from any given point. Government relations is communications as far as we are concerned. Lobbying is communications. It is making sure that you are getting your message across and that message needs to be communicated to a great many different people.

- ERM: How long has St. Regis had representation in Washington, D.C.?
- JEK: We have had an office there and have worked as an organized activity for about ten years. Before that time, regular staff or line people went to Washington on specific cases. We started it on a formal basis about 1966.
- ERM: What about at the state level of government, in states in which you operate?
- JEK: The same thing has happened, and it's been going on there about the same length of time. It's accelerated to a large degree but since about 1963 we've had in some states a rather specific government affairs activity.
- ERM: That would have been, in comparison with many other companies, rather late assignment of people to that role.
- JEK: Not in the paper industry. We were rather early in our Washington contacts. There was one company that had had an office down there three or four years before we had. There were other companies that were coming in and out of Washington that didn't have offices. We were probably one of the first three or four paper industry companies that had an office in Washington.
- ERM: Jim, from time to time, there appear feature articles on St. Regis or on some important management person in St. Regis in the financial press like Forbes, Barron's or other Wall Street publications. How would you describe the way in which such articles are arranged?
- JEK: There are a number of different ways. The magazine can initiate the idea, of course, based on change of management, or change in earnings, or general attitude about the company and where it stands. We could initiate the article from the public affairs department by contacting someone that we know, either on a magazine or on a newspaper, and trying to interest him in such events. In some cases it can be a round-up story in the newspaper or magazine about the industry which talks about one of our officers or about the company. We try to expose our management in the press because there needs to be that kind of understanding by the general public of our management activities.

ERM: I'm thinking especially now of the article which appeared under the title "The Swinging Paper Company" which was in The Magazine of Wall Street.^{*} Was this a means of overcoming a starchy image that was assigned to paper companies in general?

JEK: That's probably what it was. At a luncheon that we had at Mama Leone's we presented an advertising campaign for the company. We had our public relations counsel set that up to tell the public that we weren't going to seek a merger with some other company, but we were going to manage the company ourselves, after the RCA merger was abrogated.

ERM: That's an interesting title, "The Swinging Paper Company."

JEK: Well, we're not trying to be a swinger, but we don't want to be starchy either.

JRR: Progressive is a better word.

JEK: Yes, progressive, alert.

ERM: Was there a general feeling back there in the late sixties that the image of the industry at large was rather stodgy?

JEK: Yes, for lots of reasons, I think the paper industry has been considered rather unglamorous.

JRR: Because of earnings on stock?

JEK: Our earnings have not been good. Earnings based on equity, earnings on sales--there have been very few companies that have really been interesting or exciting as representatives of the industry.

ERM: That, though, deals specifically with the image as it relates to the potential for earnings and financial gain to the investor, doesn't it? What about the general public, which doesn't probably look at companies in that light at all?

^{*}"St. Regis: The Swinging Paper Company," The Magazine of Wall Street, May 10, 1969.

- JEK: I think we were addressing ourselves primarily to the financial community, at that time. It takes so much money to carry on a campaign, a broad publicity campaign. You really can't do an awful lot publicly with a campaign unless you've got one whale of a lot of money to put into it.
- ERM: If you do anything in that area you do it through associations like AFI, I suppose.
- JEK: No, that's industry. If you wanted to do it as a company, you'd do it yourself.
- ERM: But companies don't spend much time or money trying to reach that broad audience.
- JEK: Usually they do only if they have some kind of a product that the audience can buy by name. Scott Paper Company, for instance, does a lot of advertising and gets its message across with all the news media--magazines, radio, television, and newspapers. They can get a message across a lot easier than we can, because we don't have that kind of a product to which the public can relate. It's rare that anybody goes into a store to ask for a St. Regis product. We are not selling our corporate name. Now people recognize U.S. Steel, and possibly Bethlehem, but I'm sure that when somebody goes in to buy a piece of angle iron to fix something in his house, he doesn't make sure it's U.S. Steel; similarly in buying a multiwall bag of fertilizer, nobody makes sure that the St. Regis name is on that bag. I might; I like to see it. I have turned down purchases when the bags were from a competitor and not our own.
- ERM: Some of the people in the industry have done a lot of popular advertising. I can think of several right offhand that have gone on national television in prime time with their products.
- JEK: Well, we have, too, aiming at a certain kind of audience. We went on television last year at the time of the Rose Bowl Game, with the pre-Rose Bowl show. We were also on "Wide World of Sports." We have the pre-Rose Bowl show this year. Over the years, we have done corporate advertising to make sure that people appreciate what St. Regis is trying to do. But this was advertising mainly to create a favorable general image.
- ERM: It's more institutional type advertising.

- JEK: It's more general, that's right.
- JRR: Even in terms of the pUBLIC image, the paper industry, it seems to me, has been almost unknown historically compared to the steel, automobile, and oil industries--the paper industry has only rarely made the press like that, good or bad. Maybe that goes back to that word stodgy. Even after the highly-publicized conflicts between newsprint producers and publishers, I think the paper industry is still relatively unknown, compared to others.
- JEK: That's true. But I think it is better known today. You have to remember that there are a lot of large paper companies. You know that IP, as large as it is--twice as large as St. Regis--still only has about 5 percent of the total market. Then we have 2.5 percent, and Crown-Zellerbach has 2.5 percent. The other companies dribble down, but there are a lot of companies over \$100 million. A lot of them today over \$500 million. So you don't have just a U.S. Steel and a Bethlehem Steel.
- ERM: There hasn't been the same massive consolidation within the forest products industries that we've seen in oil or steel or any of the other major fields. Also a lack of pUBLIC knowledge of the paper industry may be a function of the paper industry's own wish. I've had the feeling over the years that the paper industry wanted to maintain a low image partly because it did not want to be assigned a close affiliation with the older wood industries which had been damned by the muckrakers in the early part of this century.
- JEK: You've got to remember, too, that the people who ran the paper business up until ten or fifteen years ago were the old people, the old-timers--the Hinmans and the Simpsons. To them, it was sort of a family thing, but we are getting away from that now.
- ERM: Weyerhaeuser and Zellerbach still are family companies.
- JEK: Well, the Zellerbachs operate the Zellerbach Paper Company, but in the Crown-Zellerbach Company there isn't that kind of affiliation. Scott doesn't have it. The McCabes have left Scott. Those old-timers, like old John Hinman, my gosh, he would rather be out in the woods than in the office.

He loved the woods, and those entrepreneurial leaders had a different philosophy about communications than our present management. They had different problems--I'm only guessing, but I'll bet that IP today is twice as big as when John Hinman was there.

JRR: Jim, don't you think this family ownership, prevalent until fairly recently, is an important factor in the paper industry having an unspectacular public image? The paper companies were not as large or competitive as steel or automobile corporations. There were a lot of small, and strictly local, family owned paper mills.

JEK: I think companies like U.S. Steel are more visible because they have a larger percentage of the total market. This is also true in the auto industries--there are just four motor car companies. The rest of them hardly exist at all; four companies make all the cars.

JRR: It puzzles me because paper is more basic than automobiles, in terms of its contributions to the public. It seems that the public has taken it for granted. It's like air, you know?

JEK: Yes, but so is the automobile. You've got to realize that even welfare--public assistance--programs recognize today that an automobile is essential to transportation, and without it a lot of people in the country would be immobile.

JRR: They are more concerned about the price of an automobile and the price of gasoline than they are about the supply of paper.

JEK: Yes. The price of an automobile goes up eight or ten percent and it costs you three hundred dollars more. Paper doubles in price, but it costs the consumer much less than three hundred dollars per year that he would plan to spend with the increased prices on the car.

JRR: Papermakers have adjusted to the market among themselves--the competition, growth of some and elimination of others--but you haven't made any attempt to get the public to understand your position and you haven't gone to Congress to get a subsidy the way some have. There has been no control and you haven't asked for help the way that some industries or businesses have.

- ERM: They do have certain tax benefits in the paper industry, especially in the woodlands area. The allowance received for the capital gains tax is always a matter of high importance to anybody in the tree growing business. The government is always threatening to take it away. When this threat arises, it causes, as Jim well knows, a massive furor and a quick descent on Washington to stop any revision of that law, isn't that right?
- JEK: Oh, yes, absolutely.
- ERM: I'm sure you must have been involved more than once.
- JEK: Yes. It's constant.
- JRR: That's a common problem to any industry as far as I know. A fight between the papermakers and the newspaper publishers caused the government to remove the tariff on newsprint after 1911.
- JEK: There is still a tariff on some paper products-- finished paper, light weight papers, and coated papers--between Canada and the U.S. The newspapers were instrumental in removing the newsprint tariff because they had a broad access to public opinion. If the U.S. companies had had a normal tariff on the industry, there might be more newsprint made in the U.S. today.
- ERM: Why has it never occurred to the paper industry to get together with the publishers as it did with the catalog producers, to make long-term contracts?
- JEK: They've done that, even to the point where many publishing companies own their own mills.
- ERM: But that's been of relatively recent development.
- JEK: Oh, no. That goes back quite a way--twenty years, twenty-five years. I'm sure that the New York Times, the Herald Tribune in Chicago, and many others have their interests in paper. There was a relationship between the Tacoma News Tribune and a number of West Coast paper mills;
- ERM: Right. You have mentioned a number of key newspapers and I know that the New York Times, for example, had the Spruce Falls operation up in Canada. And Time and the Kansas City Star and others have had similar arrangements, but by and

large the publishers have not had their own paper mills, and have had to buy on the open market; the row between the publishers and the manufacturers is one of long standing.

- JEK: I think you will find that most large daily newspapers have some kind of contract for their newsprint. I'm not certain what sort of contracts are arranged; known-cost contracts only come with the very largest customers, and that is simply because they might take the output of a whole machine. As a supplier in such a contract, we would know what the costs are. It isn't a question of selling it to one fellow for less than we sell to another. We sell to this concern based on what we know to be our costs on that particular operation. But you have to be pretty large to be able to do that. You have to take the production from a whole machine, essentially.
- ERM: Who started the negotiations for merger with RCA? Were there any inputs from your department?
- JEK: I don't think our department had anything to do with that. I'm not sure how many people in our company even knew that that was going on, except Mr. Ferguson. At the time that came about, Bill Adams was out of the country. He was in Japan, and I think he found out about it by reading it in the paper. I believe that that came about by a conversation that Mr. Ferguson had with a financial concern. They came in with the idea that this might be a good relationship of principal interests, and through this concern Mr. Ferguson and Bob Sarnoff of RCA got together. I got involved in it as far as the communications were concerned, but this was to express the facts. It was clear Mr. Ferguson still wanted to explore this to see what it really meant to both companies. Of course, we had the provision that we could back out of the merger with RCA up to a certain point in time.
- ERM: Had the merger gone through, would St. Regis have been a subsidiary of RCA?
- JEK: I think we might have been; the terms included an exchange of RCA stock and debentures for all our stock. We would have been in the same category that Hertz is with RCA, retaining its own management. RCA didn't know anything about the paper business. I think also that the merger would have probably contributed as much or more to RCA than it would have to St. Regis.

JRR: My impression is that pride in St. Regis is really what stopped it. That a lot of people thought this merger was great for RCA but very poor for St. Regis, and the subsequent St. Regis corporate advertising campaign was telling the industry, and everybody concerned, "We don't really need the merger; we can do it on our own."

JEK: Yes, I think so. I think the ad campaign was as much for internal morale as for external information.

JRR: I want to back up a bit and ask you about the sodium peroxide bleaching process; you were, as I understand it, the first company to engage in the process on a commercial basis. This came at a time when the paper industry was virtually deserting northern New York--in the forties after the war. Did the new process allow you to use hardwoods in pulp, thus stretching your wood supply? Also, did it as a result slow down or stop the migration away from upper New York State?

JEK: As far as St. Regis is concerned, we've never used an awful lot of hardwood in northern New York so I don't think this was a big factor. The bleaching process allowed us to upgrade the types of paper that we made. We did add a little hardwood in our sulfite operation originally, but I don't think we used hardwood in the late fifties and early sixties when I was in northern New York. We used a little poplar, but that was a pretty high brightness pulp anyway. I think what we were trying to do was to get away from the unbleached grades which come off the machine at something like sixty-seven brightness, and get them up to the seventy-two to seventy-three brightness and that gave us a little broader market.

JRR: What about the wood supply from Godbout in Canada about 1949? You'd been bringing wood from Godbout to the northern New York mills, but apparently about this time the supply was exhausted.

JEK: We brought Godbout wood out until 1965. In 1956, it was estimated that we might have four to six more years of wood. We took wood out of there for another ten years and still had wood. Foresters are notorious for being poor cruisers or guessers, I think. They don't usually know what they've got.

JRR: Did you reforest it?

JEK: Not much; we cut it and it came back naturally. But I don't think we ever had any second cuttings for ourselves. We did supplement our wood at Deferiet with other Canadian wood, Canadian farmer wood, which was cheaper than the Godbout wood. Godbout is seven hundred miles from Deferiet. We put the wood on the lake's ice in the wintertime, and in the spring the ice melted and broke up. The wood went into the water, and the water level rose. There are a series of dams that helped float this timber from lake to lake down the stream. The wood ended up one hundred miles downstream in the village of Godbout, then it was barked and sluiced into the hold of a ship. It was then transported five hundred miles or so to Waddington, unloaded and stacked into large hoops that hold a cord of wood. The hoops were picked up by crane and put into boxcars. Later, the wood was pulled out of the boxcars and stacked either in the hoops or spilled in a big pile.

ERM: That's got to be one of the longest log hauls in history.

JEK: I think so. It was pretty expensive.

ERM: Jim, in defense of the foresters, you know their estimates on what they are going to get from a piece of timber at a given time are based upon their knowledge of what an average sample of a given wooded area has on it. In ten to fifteen years the technology of forestry has moved so fast that it has created a new growth that wasn't there before.

JEK: I'm not saying that in a disparaging way at all. They just don't know because, for one thing, it used to be that we would take no wood that didn't have a larger diameter than a six inch top, for instance. Then it went to five inches and then to four inches and then to three inches, and now they'll take it as long as you can get part of it through the drum barker. Not only that, but they are taking tree-length logs now. We are thinning more now than we used to then. But the Forest Service has the same problem. Their 1960 inventory was considerably lower than the 1970 one;. I don't think it was a question of their growing more wood, I just think it was there all the time, they just didn't know it. I just think that they had better information.

- ERM: The methods of cruising and recording inventories are becoming a lot more sophisticated.
- JEK: Right. The wood was there, they just were able to measure it a little bit better. And smaller wood is included in inventories today.
- ERM: I think that has a lot to do with it. Woodland that was considered just weed trees back in the first inventory is now cranked into the inventory because it does have commercial value.
- JEK: Of course. And I think that over the long run we'll be using more species. We've got to find ways of doing this, and we will.

APPENDIX

Interview with Carl B. Martin
Int'rodliction

During the early sixties, St. Regis Paper Company exhibited a desire of SDme intensity to rediscover and chronicle its long and fascinating heritage. A search for archival materials on which to base a historical narrative was instituted in the first quarter of 1963. During the same year Taggart D. Adams, a son of St. Regis's sixth president, completed a senior essay on the company's history at Hamilton College. Three years later, the Adams manuscript was employed as an important reference for an interview with Carl B. Martin conducted by James E. Kussmann and Samuel Shane.

That the reader may better understand the various figures and events in this interview, a brief chronology has been supplied. Any conflicts of fact between available written sources and Martin's recollections have been noted at the conclusion of the chronology. Although some factual disparities are evident, in the main the Martin interview is an accurate depiction of St. Regis's early years. More important, it is a colorful and rich account, and a priceless contribution to the permanent historical record of St. Regis Paper Company.

Interview with Carl B. Martin
A Brief Chronology

c.1865

B. B. Taggart, Sr., and two partners initiate manufacture of manila paper bags on Beebe's Island in Watertown, New York.

c.1884

David M. Anderson joins with John M. Tilden in a tinware-for-rags exchange business in Watertown. The rags are sold to area papermakers for pulping. The doom of this business, however, is foreshadowed by the wood pulp revolution, so the two men become involved in a new mill at Glen Park, New York (later known as Ontario Paper Company), which will capitalize upon this new type of pulp. Other mills at Glen Park, established by the well known Remington paper-making family, will later be acquired by International Paper Company.

1886

Taggart Brothers Company is incorporated to expand the bag business, initiated in 1865 on Beebe's Island, at a new site in Watertown. The incorporators are B. B. Taggart, Sr., and his brother William W. Taggart; Alice L. Taggart (W. W. Taggart's daughter) and her husband George C. Sherman, a Watertown banker; and Fanny L. Taggart. This bag company is the ancestor of all bag operations bearing the Taggart name and will later be run by B. B. Taggart, Jr. These operations will be allied with St. Regis Paper Company in 1924.

c. 1889

B. B. Taggart, Sr., W. W. Taggart, D. M. Anderson, and G. C. Sherman organize Taggart Paper Company. Ultimately this firm will possess mills at Felts Mills and Great Bend, producing newsprint and wall and poster papers. Years later, the nearby Lefebvre pulp mill will be acquired. The organization of Taggart Paper marks the first known collaboration between Sherman and Anderson, who later will found the St. Regis Paper Company. Taggart Paper Company should not be confused with the Taggart Brothers Company: at the conclusion of Sherman's tenure of management at St. Regis (1914) he will assume control of Taggart's Paper and run this company until his death (1920). The firm will later be named Sherman Paper Company.

c. 1897-1898

Sherman and Anderson, having decided to initiate their own venture in the paper business, acquire a mill site and power rights on the Black River not far from Watertown. The mill and surrounding village later constructed on this site will be named Deferiet in 1901.

c. 1898

Sherman and Anderson join forces with the partners of Dodge, Meigs and Company of New York City (George E. Dodge, Ferris J. Meigs, and Titus B. Meigs). Dodge, Meigs and Company controls the Santa Clara Lumber Company, with timberlands at St. Regis Falls in Franklin County, New York.

1899

St. Regis Paper Company, named after the St. Regis River coursing the Santa Clara timberlands, is incorporated early in the year in New York County. Sherman, Anderson, Dodge, and the two Meigses are the first directors of the company, serving as officers as well. George E. Dodge is the new firm's first president. Fifty-seven thousand acres of timberlands are acquired from Santa Clara Lumber, a holding later augmented by acreage acquired from the Forest, Land and Mill Company.

Shortly thereafter, a contract is drawn with Belden and Seely of Syracuse, New York, for excavation of a water power canal at the mill site. Material, legal, and financial problems arise in connection with canal work; Belden and Seely and two subsequent contractors fail to finish the canal, and St. Regis ultimately completes excavation itself.

The St. Regis directors resolve to build a two-machine mill in June according to plans drawn by E. D. Jones and Son Company, but progress is endangered in November by the resignation of the Meigses from St. Regis. This resignation is apparently triggered by alleged misrepresentation by Ferris Meigs of the pulpwood cordage available on the Santa Clara lands in Franklin County. Within one year further trouble develops when Santa Clara Lumber Company cancels a pulpwood sales contract with St. Regis. This triggers a very costly and extended legal dispute in which St. Regis finally triumphs.

1900

The misrepresentation controversy, damaging enough in itself, creates an additional hazard by impairing sale of St. Regis bonds. Dodge resigns, and his presidency is assumed by George W. Knowlton, head of the papermaking firm in Watertown bearing his family name. Knowlton and A. Pagenstecher -- a founder of International Paper Company and, like Knowlton, a well known papermaker -- assume placement responsibilities for the unsold St. Regis bonds. Pagenstecher acts in an informal capacity for St. Regis, never being elected to office or the board. Apparently, the financial crisis is averted.

1901

Bates Valve Bag Company of West Virginia is incorporated. In less than three decades a descendant of this company will play a significant role in St. Regis history.

On July 30th, St. Regis produces its first sheet of newsprint at the Deferiet mill. Initial contracts are drawn with periodicals in Columbus, Ohio, and Galveston and Dallas, Texas. In its early years St. Regis will employ at various times three sales agents for its paper (Manufacturers Paper Company, H. G. Craig and Company, and J. W. Butler Paper Company) and will also experiment with its own sales office in New York City.

1908

Claims by newspaper manufacturers that paper companies and their sales agents have engaged in monopoly and price fixing lead to a congressional investigation of the industry.

George Sherman of St. Regis is one of many newsprint manufacturers called to Washington to testify on behalf of the industry. The investigation concludes later, having failed to produce incontrovertible evidence of collusion among papermakers.

After Sherman returns to Watertown, George Knowlton resigns from St. Regis, claiming that other management has overlooked or circumvented him in the making of major decisions. Gould is elected in his stead.

1911

An agreement by the United States for reciprocity with Canada erodes tariff protection against Canadian newsprint. This sets the stage for the "migration" of the newsprint industry to Canada and for the gradual diversification of the American paper industry into other grades.

1912

St. Regis acquires two mills on the Black River from William P. Herring. The Black River mill produces manila; the Herring mill manufactures wood pulp board and boxboard.

1914

A major management upheaval transpires at St. Regis, involving the resignation of Anderson and the firing of Sherman. Sherman's position of treasurer is filled by Floyd Leslie Carlisle, a founder in 1910 of Watertown's Northern New York Trust Company.

1915-16

A strike by the St. Regis workers and the company's importation of strike-breakers induce the New York State Industrial Commission to enter the scene and mediate the dispute. Only temporary agreement is reached; violence erupts and the National Guard is called out to restore order. Problems are not resolved until late in 1916, at which time Gould sells St. Regis to Carlisle and his "syndicate" of Watertown businessmen, which includes David M. Anderson. Carlisle becomes St. Regis's fourth president. Settlement with the unions is made shortly thereafter.

1917

Carlisle hires Roy K. Ferguson to work in the securities department of the Northern New York Trust Company.

1920

St. Regis establishes its first tree nursery, at St. Regis Falls, and further bolsters its pulpwood position through acquisition of 36,000 acres in the Godbout tract in Quebec. St. Regis Limited of Canada is formed to operate these timberlands and to ship the pulpwood to the United States. During this year Carlisle makes his first major utilities venture through acquisition of the Northern New York Utilities Company.

1921

F. L. Carlisle and Company is established in New York City, with R. K. Ferguson assuming important responsibilities in the firm. F. L. Carlisle and Company will be a keystone in subsequent acquisition of paper and power properties. Affiliated with the new company are H. Edmund Machold and Charles E. Norris, two prominent New York state politicians. These men also become involved with St. Regis affairs.

By late in the year, Carlisle and certain of his syndicate have entered the management of Hanna Paper Corporation, with newsprint mills at Norfolk, East Norfolk, Raymondville, and Norwood, New York. By early 1923, St. Regis will own all but twelve of Hanna's 140,000 common shares, with the Hanna interests retaining substantial ownership of preferred shares.

1922

Both St. Regis and Hanna, with valuable water power sites, assume great importance in Carlisle's next step in the utilities field: the formation of Power Corporation of New York. Hanna and St. Regis sell their power sites to Power Corporation, while holding substantial portions of Power Corporation's stock. F. L. Carlisle and Company plays a pivotal role in this transaction.

1923-27

St. Regis decides to initiate a newsprint mill in Canada. This project is a matter of consideration for a few years, and Deferiet Pulp and Lumber Company is incorporated in Montreal in 1924, apparently for the purpose of constructing the mill in Canada. However, this is one of the few major Carlisle ventures that does not get off the ground.

1924

The Taggart Brothers Company joins with Bates Valve Bag Company and another firm to manufacture rope paper bags for rock products. This firm evidently never reaches any measure of importance, but its indication of contact between Taggart and Bates is significant.

Later in the year is the first record of Carlisle's interest in paper bags for industrial packaging. An agreement is made

between B. B. Taggart, Jr., and F. L. Carlisle and Company for the reorganization of Taggart Brothers Company as the Taggart Brothers Company, Inc. and for the sale to this company of St. Regis's Herring plant. In return, St. Regis receives common and preferred stock of Taggart Brothers Company, Inc. From the start it appears that this new company is run largely by the Carlisle interests, and by 1927 B. B. Taggart, Jr., is only a minority stockholder.

1925

Roy K. Ferguson becomes assistant secretary and assistant treasurer of St. Regis.

The year 1925 marks the first commercial production of the revolutionary Bates Multiwall Paper Valve Bag.

During this year Carlisle merges Hanna Paper Corporation with St. Regis after his acquisition and subsequent transfer to St. Regis of Hanna preferred stock.

Through a complex series of moves Carlisle acquires the Champion Paper Company at Carthage, New York, apparently for its valuable catalog paper contract with Montgomery Ward. The Carthage mill's production is shifted to Deferiet, and later Carthage becomes a kraft and bag mill in the Taggart operations (see below).

It is during this period that St. Regis makes its first significant penetration of the catalog and directory paper markets. Among the most prominent contracts are those with New York Telephone Company and Montgomery Ward.

1926

In the utilities field, Carlisle takes another major step through organization of the Northeastern Power Corporation. Northeastern is designed as a holding company for utilities earlier acquired by Carlisle and also for Carlisle's newly acquired stock in the New England Power Association.

1927

Taggart Brothers Company, Inc., having earlier decided to initiate large-scale production of Bates bags, organizes a subsidiary, Taggart-Oswego Paper and Bag, to construct a plant at Oswego, New York.

Making another move in the catalog paper field, Carlisle organizes the Harrisville Paper Corporation to acquire the assets of Diana Paper Company of Harrisville, New York.

Carlisle organizes the Oswego Board Corporation, all of the stock of which will be owned by St. Regis. A mill is constructed at Oswego for manufacture of wood pulp insulation board. This product is marketed by Johns Manville.

The New Hampshire-Vermont Lumber Company is incorporated. After acquisition of International Paper Company's minority interest later in this year, St. Regis owns all outstanding common stock of New Hampshire-Vermont and the company's valuable timberlands.

1928

Roy K. Ferguson becomes a vice-president of St. Regis.

Taggart Corporation is organized as a holding company for stock of Taggart Brothers, Inc., Taggart-Oswego Paper and Bag, and Champion Paper Corporation. The Champion mill at Carthage, having shifted from catalog to kraft paper production, is expanded through construction of a bag plant. Thus, Taggart Corporation is an assemblage of the original bag plant at Watertown, the mill at Herrings acquired from St. Regis, the newly-constructed mill at Oswego; and the former Champion mill at Carthage. Until 1942, St. Regis will own approximately 28 percent of Taggart Corporation common stock; in 1944 such holdings will total 85 percent, and Taggart will be listed as a St. Regis subsidiary. In 1949 St. Regis will merge Taggart.

During 1928 Crown Zellerbach makes arrangements for the acquisition of Bates Valve Bag Corporation, with an option to cancel the agreement before January 10, 1929. Prior to this date, an agreement is made between Crown Zellerbach and F. L. Carlisle whereby Carlisle procures the purchase rights to Bates. A long-term paper supply contract between National Paper Products Corporation (a division of Crown Zellerbach) and Bates, originally drawn April 14, 1928, is inherited by Carlisle and St. Regis. The contract provides for supplying the Bates West Coast plants with paper.

.1929

On February 28, St. Regis officially acquires the assets of Bates Valve Bag Corporation,

Later in the year, the Niagara Hudson Power Corporation (predecessor to today's Niagara Mohawk Power Corporation) is organized to assume control of Northeastern Power Corporation, Mohawk Hudson Power Corporation, and Buffalo Niagara and Eastern Power Corporation. Carlisle is chairman of the board of Niagara Hudson; and St. Regis, through exchange of its holdings in Northeastern for common stock of Niagara Hudson, becomes a major individual holder of the latter company's common stock.

The Panelyte Corporation is formed as a venture to exploit novel combinations of cellulosic materials and phenolic resins. Later this corporation, all of the stock of which is owned by St. Regis, will penetrate the refrigeration field through production of insulating material made from kraft paper saturated with phenolic resins.

1930

Carlisle moves to acquire power rights at Hudson Falls, New York, from Union Bag and Paper Power Corporation for Niagara Hudson. A condition of obtaining these rights made by the vendor is the additional acquisition of Union Bag and Paper Power Corporation's pulp mill at Tacoma. In short order Carlisle forms the Pacific Pulp Mill Corporation to acquire Tacoma; with this accomplished, St. Regis becomes Pacific Pulp Mill Corporation's sole stockholder; and the name of the latter corporation is changed to St. Regis Kraft Company. In the meantime, ownership of Union Bag and Paper Power Corporation's power rights is in the hands of Niagara Hudson.

During this year St. Regis also acquires the Bates International Bag Company. This acquisition brings St. Regis broad international scope through licensee agreements and investments in many foreign bag companies.

1931

While retaining its Niagara Hudson class A option warrants, St. Regis exchanges its common stock in this company for common stock in United Corporation, United Corporation, which has investments in various public utility companies, is represented in the 1930 St. Regis Annual Report as a means ~~...~~ to expand and diversify [St. Regis's] substantial investment in public utilities, at the same time holding intact its dividend income and retaining its ratio of earnings from this source. ~~...~~ (p. 5)

1932

United Corporation reduces its dividend by slightly more than fifty percent, and St. Regis commences sale of its holdings in this company at a book loss.

1934

Ferguson is elected president of St. Regis and Carlisle assumes the new position of chairman of the board. Carlisle's major interest from this time forward, however, appears to be running Consolidated Edison as its chairman.

Interview with Carl B. Martin
Factual Clarifications

pp. 87-8:

William W. Taggart is listed in the St. Regis minutes as one of the original officers (second vice-president) and he was later a director. Probably Taggart did not play a major role in St. Regis management; he died late in 1904.

p. 88:

St. Regis did not acquire full possession of Taggart Corporation common stock until 1949. Approximately 28 percent of Taggart Corporation common was held by St. Regis during the twenties. (See chronology).

1'.90:

St. Regis minutes indicate that E. D. Jones and Son Company did, indeed, draw up the original plans for the Deferiet mill, which were accepted by St. Regis's directors in 1899.

Pl. 91, 98, 106, 107:

Research on the very complex issues joined by St. Regis with Santa Clara Lumber Company indicate at least two separate disputes during the period 1899-1907. (See chronology)

p. 92.

No records of Wagenstecher's involvement on the St. Regis Board of Directors, or in management of Manufacturers Paper Company, have yet been discovered.

p.no:

The last St. Regis annual report citing Machold as an officer of the company was for the year 1934.

p. 112:

Martin makes reference here to the Carthage Tissue Paper Mills acquired by National Paper Products Company, a division of Crown Zellerbach, in 1917.

p. 114:

C. R. McMillen had been, in fact, president of Union Bag and Paper Corporation.

Carl B. Martin
Sarasota, Florida
April 4, 1966

Samuel Shane: Carl, we hope that from your recollections you can highlight some of the people who were in the company. What year did you come into the company?

Carl B. Martin: In February of 1913. Of course, my knowledge of times prior to that would be hearsay.

James E. Kussmann: That information could be very useful, too, as a guide to looking back into old records that might be available, particularly papers. When I was up at Deferiet, we uncovered a 1905 annual report. It was small, about the size of a pocket pamphlet. And that got us to thinking that there might be some other records around of what happened in the company in those early years. We advertised in the papers, and we put a man on it to try to look back through the history, but we really didn't uncover very much. We got some old pictures of the mill, but not very much else, really.

CBM: Did you look up at Deferiet in the vault for the old original journal--not the ledger, but the original journal--"Journal I?" It was in the vault in the mill. Whether that was ever sent to New York or not, I don't know.

SS: I don't think it's in New York. Carl, when you joined the company in 1913, that was before the Carlisle era. Were Anderson and Sherman the dominant people?

CBM: Yes, George Sherman and David M. Anderson.

SS: Was Taggart associated with them at that time?

CEM: No. W.W. Taggart, much earlier, was in the Taggart Paper Company, which owned the Felts Mills and Great Eend mills.

SS: And Sherman and Anderson were associated in that?

CEM: Yes. W.W. Taggart was in there, but I don't think that he had too much of an interest. He was B. B. Taggart, Sr.'s brother. Later, when Anderson sold out his share of the Taggart Paper Company mills to Sherman, Sherman gained control of the company and changed its name to Sherman Paper.

SS: Who formed the Taggart Corporation in the twenties-- was that B.B. Taggart, Jr.?

CBM: Yes. And Carlisle was in that picture, of course, and Roy Ferguson was as well. Taggart Corporation was formed from the Taggart Brothers Company.

JEK: Were both B.B. Taggart, Sr. and W.W. Taggart in the original Taggart Brothers Company?

CEM: That's right. When B.B. Taggart, Jr. took over the Taggart Brothers Company he continued making bag paper and bags made out of rope stock. They started off with rag stock, and when rag stock got scarce, they went to rope. That was principally in the Watertown mill.

JEK: And then they acquired the Herring mill?

CBM: St. Regis bought Herring in 1912. Then they sold it to Taggart, and later bought it back from Taggart. They bought Herring back when they acquired all the Taggart Corporation interest in the twenties. The Herring mill made wrapping papers. Later on, the Herring mill got into the container and box business. They were making boxes back in the early twenties.

JEK: Were these folding boxes out of cardboard?

CEM: Yes. These were not corrugated boxes.

Going back to when Anderson and Sherman started the company--the Great Bend was a big loop in the

river, and International Paper Company at that time had just been formed. They bought the C.R. Remington mills in Glen Park. There were three of them up on the river at Glen Park.

JEK: That's just below Watertown on the Black River.

CBM: Yes. And Remington was probably the biggest paper builder in that whole area. He built the Norfolk, the East Norfolk, and Raymondville mills, and bought the Norwood mill from L.L. Frost Paper Company. So he was tops in those years in producing and building mills.

JEK: Was he mainly in newsprint?

CBM: Oh, yes, all newsprint. Before Deferiet was built, International Paper tried to buy the water power at Deferiet through Roswell P. Flower, who was, at one time, governor. Flower was a Watertown man. And Anderson and Sherman had the Felts Mills and Great Bend properties of Taggart Paper Company. Anderson, who was a great mixer, was a good friend of Frank Reynolds. Reynolds lived at Deferiet and owned that 645 acres of farm land where the Deferiet mill is now. When Anderson heard that Flower was after this, and they had been thinking about that site as a power development, he went to Frank Reynolds. He made a deal with him for less money than Flower offered him, so the story goes, because of their friendship. Anderson was a great man in that way. And the understanding was that Reynolds was to have the use of all the farm lands that St. Regis didn't want to use for as long as he lived. That was never written up, it was just a verbal agreement. But he always did have it.

And of course, Tag Adams tells in his history of St. Regis about the difficulties in building the canal. A few companies went broke on that job, and we finally finished it up ourselves. It was a very difficult job because of the limestone formation on that canal. I think before you came up to Deferiet, Jim, the stone from the canal

was piled up fifteen or twenty feet high beside the canal. These were tremendous blocks which had been man-handled by derrick and just dumped there. Afterwards, we sold that stone in the twenties to a road contractor, who dynamited it all out and broke it up for road building. We never touched it for years and years, because there was nothing to do with it. C.C. Burns, who I'll mention later as one of the Carlisle syndicate that bought out the Gould interests, was a contractor in Watertown in the firm of Burns Brothers and Haley. They took a great part in building the Deferiet mill. That's how Celestine Burns got into the St. Regis picture, because of his association, years before, in building the mill. Tag says that the mill was designed by E.D. Jones and Company. Well, they didn't design the mill, they just laid out the beater room. But they had nothing to do with the mill. It was designed, as were all the mills in the North Country, by Charles Brownell.

JEK: He was probably Parker Brownell's father.

CBM: That's right. He designed all those mills on the Raquette River--the mills at Glen Park owned by International, as well as lots of other mills around the country. He had his headquarters in Watertown.

SS: Where did Remington come from, Carl?

CBM: He came from Watertown. C.R. "Charlie" Remington was the real spark-plug of the Remingtons. As it developed, they later sold their mills, and then the mills on the Raquette went bankrupt, and they got nothing out of that. They also had the Norwood-St. Lawrence Railroad up there, running from Waddington to Norwood; it didn't go broke exactly, but it was in bankruptcy. The Remington mills were sold to the Hanna interests. The referee for that was Mark Wilder, who had a big part in the development of the powers of northern New York, the ownership of powers and timberlands up there.

SS: The Hanna interests acquired the Remington mills to give them a supply of newsprint for their newspapers

in Ohio, is that correct?

CBM: Yes, and I guess just to give the Hanna boys something to do. And Ralph Maltby came into St. Regis when we acquired the Hanna properties in 1922.

SS: He represented the Hanna interests, is that right?

CBM: Yes. And afterwards, the Hannas bought the Champion mill at West Carthage, which was later sold to St. Regis. That was when we converted from what was more or less a wrapping paper operation to a kraft operation.

The Black River and Herring mills were taken over from Will Herring in 1912, just a year before I came to the company. And Black River was operated for a good many years until 1930 or 1932. After we acquired the Harrisville mill, we converted that to the same type of papers--only with more variation--that we made at Herring and at Black River. Then Black River was shut down. That was developed into a power plant by St. Regis and sold to the Northern New York Utilities.

Getting back to St. Regis when it was formed, you know about George Dodge, who was the partner of Ferris Meigs and Titus Meigs. They owned the Santa Clara Lumber Company. Now, that land was originally sold to St. Regis when it was organized. Then St. Regis bought land from another company at almost the same time--the Forest, Land, and Mill Company. The records will show that Dodge was only in there as president of St. Regis from 1899 until 1900; there was a lawsuit. St. Regis claimed that the land bought from Santa Clara and the Forest, Land, and Mill Company didn't have the pulpwood on it that had been sold to St. Regis. That case was settled by a repayment by the two Meigses and Dodge of part of the cash and all of the stock they received for selling the timberland to St. Regis.

JEK: This was stock in St. Regis?

CBM: Yes. They took cash and both preferred and common stock. And then Dodge and the Meigses got out of St. Regis. Tag spends quite a lot of time in his history pressing out the relationship that George W. Knowlton, Jr. had in the company. From the time I was there, I never could find that he had had too much influence. Perhaps he did for a time in the early period, but certainly from 1913 to 1916 (when he retired from the board) I didn't hear of much power he had in the company. It was a Sherman-Anderson operation.

SS: The feeling that I have, Carl, is that while Knowlton didn't have too much to do with the company, at a critical financing period he lent his name and prestige (more than anything else) to raising some fresh capital.

CBM: He might have, but the Mollenhauers were also in there as directors, and Pagenstecher, whom I have not mentioned. He was a Manufacturers Paper Company man, a sales agent, and Mollenhauer was, too. J. Henry Dick was a sugar man, and he was involved.

SS: He was the father of Will Dick, who was on our board for so long.

CBM: That's right. Will Dick's brother, A.M. Dick, came in for a while as a director. But he didn't stay long; and then Will came in. Will also came in on an additional amount of stock when the company was sold by Gould to the Carlisle syndicate. Alvah Miller was a big factor in those early days, too.

JEK: I didn't realize that there was a Pagenstecher involved in St. Regis at all; Albert Pagenstecher, you know, was one of the founders of the International Paper Company.

ss: Was Albert Pagenstecher ever on the board of St. Regis?

CBM: Oh, I think so.

SS: I see. That ought to be established.

CBM: At about the same time, Jonathan Bulkley of Bulkley Company came on the St. Regis board in the 1906-1908 period.

SS: The Bulkleys were merchants, sellers of paper.

CBM: That's right. I don't remember any of them ever selling any St. Regis paper. They might have, but I doubt it. Jonathan Bulkley's son, Joe, was on the St. Regis board some years later.

Before I came to the company, the St. Regis offices were in the so-called Mohican Building at the end of the square--it was later torn down. That's the same place that Brownell, the engineer, had his offices. Then George Sherman built the Sherman Building, which was the old Trust Company--that was later torn down, also. Sherman built the Sherman Building in about 1906 and that building was afterwards sold to the Northern New York Trust Company in about 1910 or 1912. Sherman was an officer in that bank, but whether he was its president or not, I don't know. We moved our offices into the Sherman Building, on the sixth floor, and when the break came between Sherman and Anderson, when the Gould interests took over, we moved to the YMCA Building across the street. And Gould, I think, had become a director only a couple of years before that in about 1913 or 1914. He purchased control of St. Regis in 1914, so I think he had been a director a year or so before that.

JEK: What was in back of his purchasing control of the mill? Did he buyout someone?

CBM: He bought out Anderson. Taggart has written about that story. In 1914 Sherman took a trip to Europe. In the meantime, the Taggart Paper Company mills and the St. Regis mills were operated by Anderson, who was general manager. Sherman was the financial man. There was a fellow up there by the name of Ed Hall, who was general superintendent of all the mills, paid by both Taggart and St. Regis. He was an excellent man, and had been there for several years. At that

time, in about 1914, the unions organized. You know who was up there--the Pulp and Sulfite Workers, the Papermakers, the Firemen and Engineers, the Carpenters and Joiners. And they had had meetings before that. St. Regis was pretty tough on labor rates at that time. They had no fair schedule of rates. And the union came in there and got the workers together in 1914. Then Gould got control of St. Regis through buying Anderson's stock, and adding that to what he had of his own. He got control away from Sherman, who was let out of his position, and Gould took over the management. I would say this happened in about January, 1915.

Gould was a rugged character. He started as a logger in the woods, and got to a point where he had a tremendous amount of timber up on the Moose River, and also had built the Gould Paper Company mills. He had no union up there and he couldn't countenance the union; he couldn't even talk to them. His son was general manager and he had hired a resident manager by the name of L.B. Stewart from the Northwest. Stewart was an awfully nice fellow, but he was an anti-union man, too. Well, when May 1, 1915 came along, Gould refused to have anything to do with the unions, and when they walked out it was a very ugly, severe strike. They finally went back to work, but the effects of it lasted for years. They went out on strike on May 1st, and the strike was practically settled by about September 1st. St. Regis had gotten around one hundred strike-breakers from Philadelphia, and they did an awful lot of damage. They accused the strikers of doing it, but the strike-breakers were the people who started it, there's no question about it. They damaged the paper machines and then maintained that the workers got in at night and sabotaged them.

Well, when September came, they settled the strike, finally, and Gould recognized the union. But Stewart never put into effect the rates that they had agreed on, and the men walked out again. After the first payday, they just walked out again. And that's when the real damage was done, because the

strike-breakers were still there.

- JEK: The strike lasted for quite a while after that, didn't it?
- CBM: Yes.
- JEK: Gould would never have come in there if there hadn't been a split between Anderson and Sherman.
- CBM: Oh, I don't think so.
- JEK: Who were the men in the Carlisle syndicate which purchased St. Regis from Gould?
- CEM: The syndicate included Carlisle, who headed it, D.C. Middleton, who had not been in the picture before, Frank Empsall, Celestine Burns, who had built a good big share of the Deferiet mill, Will Dick, of course, and Anderson.
- SS: How did Carlisle finance the acquisition of the mill from Gould? Was this privately raised capital?
- CBM: Well, I don't think Carlisle or Empsall had capital.
- SS: Empsall was a merchant.
- CEM: Yes. Middleton and Anderson had capital, but I don't think Carlisle had any. He got it through the other syndicate members. Burns had money too. So I don't think Carlisle had any trouble getting capital.
- JEK: During this time when Gould came in, there was a transition at St. Regis from newsprint to catalog and directory paper, wasn't there?
- CBM: No; that transition didn't come into the picture until 1917.
- JEK: I see. Did we then drop newsprint entirely?
- CBM: We didn't drop newsprint entirely. It was very difficult for St. Regis to operate on newsprint and catalog at the same time. Once you went on catalog, you had to change your groundwood and

your sulfite. The New York Telephone Company, which bought the paper at that time for the catalogs printed in Jersey City, was using thirty-two pound paper, practically newsprint paper. They were looking around for a better sheet, one that was lighter, stronger and cleaner. Carlisle was friendly with a man named A.L. Salk who, at that time, was vice-president in charge of purchasing of New York Telephone. Carlisle sold Salk on the idea of a lighter weight sheet, and we made it for them. And I'll say we had a great deal of difficulty in doing it, because when we ground wood for the mill, we had no way of separating our groundwood; we had no way of making a different type of sulfite. We afterwards developed that, even using hemlock for making sulfite; years before, we never would have touched a stick of hemlock. We had no mixing system, then, like we had up there by the time I left. This sheet that we made for the catalog had to be a clean sheet. The Telephone Company was bothered with the shive, the spots on it. They'd print a catalog and find that they couldn't get the type to show. Back in 1917 New York telephone books were big and cumbersome--even then. Afterwards we tried twenty-six pounds, and went as far as twenty-four pounds. New York Telephone wanted to change their printing and we went to a dozen different colored whites over a period of years. We had that contract a good many years, operating on a cost basis during the early twenties. And then in the meantime, we got mixing tanks and storage tanks for groundwood in which we would grind a certain way for the catalog sheets and a certain way for newsprint. So we produced both newsprint and groundwood catalog papers in the mill for a long period of time.

JEK: Tag has some information in the history of the other St. Regis mills that came in on the catalog paper production. We had some Montgomery Ward catalog, I think at Harrisville. How did these come into the picture and influence the company in what it was doing?

- CBM: Harrisville made paper for Montgomery Ward, and the Champion mill made paper for Sears. When we bought the Harrisville mill in 1927, we just transferred the catalog paper they were making on one or two machines to the St. Regis mill at Deferiet. We put the butcher's class of papers and the poster papers which we formerly made at Black River into Harrisville. In fact, we put all our Black River papers into Harrisville, and shut down the Black River mill.
- SS: St. Regis was a pioneer in that lightweight printing paper.
- CBM: Oh, definitely.
- SS: Did the Harrisville mill and the Champion mill precede the St. Regis mill at Deferiet in making lightweight papers?
- CBM: I would think it was at about the same time. But Harrisville, with their Ward papers, didn't turn out as clean a sheet as we did, because we spent an awful lot of money in that period of time on new screens--primary and secondary screens, and mixing systems. And while we were making newsprint, the newsprint we turned out in the catalog mill was in terrific demand because of its cleanliness. We had no trouble selling all the newsprint we could make at that time. The consumers didn't have to pay any more for it, and we could sell all we could make. Of course, after that we gradually got into book papers.
- SS: So St. Regis continued to make some newsprint at Deferiet into the twenties?
- CBM: Oh, yes.
- SS: But it started to diversify around 1917.
- CBM: The orders from New York Telephone Company were seasonal. We had to produce and store for them; and then they would take delivery all at once. They would clean the warehouse right out, once they started printing. And Ward operated about the same way--we would store their paper, also.

Our production of Sears paper came in the late twenties. We took the Sears catalog production out of the Champion mill and put it in Deferiet.

JEK: Did Gould have his mill at Lyons Falls prior to coming into St. Regis?

CBM: Yes. That mill was built, I would think, about 1905 or 1906. I always understood that Gould really got into the St. Regis venture through Anderson and Sherman on account of his woodlands. He had a tremendous supply of wood up there, and we were running out of wood.

JEK: And what about the timberlands on the St. Regis River--the Santa Clara land purchased from the Meigses when St. Regis had just been started?

CBM: The wood was defective--there was a lot of balsam we had to use, which we didn't want to use. When I went with St. Regis, we bought the Basselin estate, which was about 6500 acres. Basselin was a lumber manufacturer and we bought wood from him which was driven down the Black River and sent on to West Carthage. After we had paid money for the pulpwood, the state preempted the land for a state park. We got into a lawsuit over that, which was settled by their paying us interest on the money we had in there, and the lands were turned back to us. That lawsuit took eight or ten years and ended up in the twenties. Then we went in and cut wood on the Basselin estate for several years, driving it down the Black River.

JEK: There was a rossing plant there at West Carthage, Was that where they brought the wood?

CBM: That's right. There was a fellow in that plant named Charlie Schaeffer who had been with the company for a good long time. In the early twenties, we didn't drive Black River anymore, since it was uneconomical. We trucked the wood out.

SS: When did we start to bring wood to the Deferiet mill from the Godbout tract in Quebec?

CBM: I think the first cut was in the year 1921.

SS: And from then on, that was an increasingly important supply of pulpwood for Deferiet.

CBM: Yes.

JEK: And then, of course, there was the northern Vermont and New Hampshire wood.

CBM: That came in later, in 1928. That supply helped us, because our wood supply in other areas was pretty scarce for a while. Montgomery Ward was always afraid we were going to run out of wood supply for their paper. Then we bought the Rockefeller tract, and we took all the wood from there. I think we got about 250,000 cords of wood off that tract. Then we started buying other estates that wanted to have selective cutting. We took a lot of timber out of that area.

SS: Where is most of the wood coming from now, Jim, for the Deferiet mill?

JEK: About one third locally, a third from Godbout, and a third from New Hampshire.

SS: International Paper was in northern New York very heavily, and then they pulled out, didn't they?

CBM: They had a strike in 1920 and they never reopened the mills. They let them run down and finally tore them down, moving all the equipment out. Niagara Mohawk bought all that power.

JEK: Was there any close relationship between Sherman and Anderson and the IP men in the early years?

CBM: I don't think so, no.

SS: Well, as I understand it, IP was formed in 1898 as a merger of a group of independent newsprint manufacturers. And they just put them together into a giant company, which then became the largest paper company in the East - and perhaps in the country. And I think that Hugh Chisholm was one of the founders of IP and of Oxford Paper. And Pagenstecher was one;

I'm trying to think of some of the others. I remember IP when Philip Dodge was president, some years after its formation; and Archie Graustein came in after the collapse.

- CBM: The only arrangement we had with International, actually, was through the New Hampshire-Vermont Lumber Company. We joined with IP in the power developed up there. And we finally sold out the power to IP, and we kept most of the timberlands.
- JEK: Did the Taggarts play an important part in St. Regis management when they came into the picture, back at the time we acquired their mills?
- CBM: At the time we built the mill, for instance, at Oswego?
- JEK: Yes.
- CBM: No; Byron B. Taggart, Jr. was a director. He didn't have an office or anything like that. He was a director, and didn't have any day-to-day duties.
- SS: Didn't St. Regis acquire Taggart in two or three stages? In other words, they had a little interest to start with; then they acquired twenty-five percent; then they acquired the whole thing. I don't think it was all in one purchase.
- CBM: Well, of course, Taggart Corporation was formed as a conglomerate. And as a company Taggart built the Oswego paper mill; and then, of course, a bag plant in addition to it. St. Regis built the machine shop at Oswego.
- SS: That's after they acquired Bates, and they brought the machine shop from Chicago to Oswego.
- CBM: When St. Regis bought Taggart Corporation, the Watertown mill was part of Taggart, and so also were the Carthage and Herring mills. We also built the board company at Oswego at about this same time. That operation was to utilize the defective wood. When we got into catalog paper,

we had an awful lot of screenings. We also bored the knots out of the wood--I've seen pieces of wood in which all you could see was knotholes. All the wood that we couldn't use, and the screenings, were shipped to Oswego and made into "Oswego Board." Johns-Manville operated the board mill for five years, and of course we had operated it for several years before that. Johns-Manville sold the product. Afterwards the plant was shut down and sold.

SS: Johns-Manville took the board mill over eventually?

CBM: We sold them the operation, and they put the mill down South in Virginia.

JEK: This operation had never really amounted to very much with St. Regis, had it?

CBM: Well, no.

SS: Where did the pulp come from for the Oswego paper machine?

CBM: That was all Swedish and Norwegian pulp at that time; we bought that.

SS: I remember when we sold the Oswego operation to Marathon. One of the contentions was that Marathon, with operations in Ontario, could economically ship pulp across the lake to keep that mill running. But it didn't work out that way. I don't know what's there now. Does American Can still have a plant there?

JEK: Marathon sold the Oswego paper mill to Hammermill, and they've expanded it. They've modernized the equipment to a great degree.

SS: What do they manufacture there?

JEK: They're manufacturing their writing papers and book papers.

CBM: Well, Empsall was quite a character, you know. He was a great friend of Carlisle's and Roy's, and he took a very active interest in St. Regis

operations. He was part of the Carlisle syndicate; he was treasurer and sales manager. At that time, in 1920, I remember that Carlisle and Roy moved to New York City. They went down to Wall Street. A fellow named Ray Parham had been a purchasing agent for St. Regis, and he went to New York as sales manager. He made a very good salesman for us. He died in 1931. That paper was not handled by Craig and Company, or any other broker; that was the first time we broke into direct sales of paper aside from the telephone paper contract.

JEK: Were we selling most of our paper through agents in those early years--practically all of it?

CBM: Yes.

JEK: We had no sales force?

CBM: No, we started the sales force just before Parham moved to New York. The office moved to New York; also the accounts receivable department moved down there. That was in 1920. And Parham did an awfully good job, as long as he lived. And then Tea Murray came in.

JEK: Where did Ted Murray come from?

CBM: He came from the St. Maurice Paper Company,

SS: That was the Canadian paper company. About what year was that?

CBM: 1931 or 1932.

JEK: Frank Emsall got into the company back there in about 1915.

CBM: He came in when the Carlisle syndicate took over. And he took quite an interest in the company, no question about it.

They had some great superintendents back in those days. In converting from newsprint to catalog in about 1918, they had a fellow named Joe Krockenburg who came from Canada. He was a real honest-

to-God papermaker, and he was the fellow who really took the brunt of the original catalog manufacturing burden. Then we had a fellow named William Karls, from Canada; he was a good man. And there was Tom Wark--he had been with Tidewater in Brooklyn years ago. And he went from there to Deferiet. He stayed there about two years and then went to Canada. And he came back to us for two years in the early thirties.

Back in the early days they had a fellow named J.J. Warren, who owned the Harmon Paper Company at Brownville, and the Warren Parchment Company at Dexter. He was hired as advisor:-by-Flbyd" Carlisle and Burns to develop a magazine grinder. The magazine grinder cost the company about \$125,000 and it didn't do much. That was at the Black River mill.

JEK: You had some interesting times back in about 1930, when things seemed to go to pot in the paper industry as a whole, didn't you?

CBM: Oh, yes, the thirties were wicked.

JEK: You maintained your office in Watertown at that time, is that right?

CBM: I was in Watertown from the time I joined the company until 1928. Then I moved to New York and stayed there until 1936. Then I was back and forth between Watertown and New York from 1936 on. Yes, we had some terrible times in the thirties, I'm telling you.

I remember that some years before that, Anderson had a fellow named J. Victor Baron. He was Anderson's assistant, his right-hand man. When the split came and Sherman got out, Baron went with Sherman to the Taggart Paper Company, which was later named after Sherman. But they didn't have any money--I guess maybe Sherman didn't want to put any more money out. And certainly after Sherman died, his wife didn't. They didn't

spend any money on the Felts Mills and the Great Bend mills at all. They just ran poster papers, colored sheets, and newsprint, of course, And then they went broke. And that power, afterwards, was sold to the utilities company--the power from Great Bend and Felts Mills. And then Baron went to New York, selling independently. Hewas a very good man.

Another man in the picture for a long time was Tom Watson. He was vice-president of the firm H.G. Craig and Company. Tom was a great salesman, and he took a great interest in the company at that time through Alvah Miller, but he never became a director.

JEK: What year did the Lewises come into the picture" up there? Was that quite late?

CBM: Harry Lewis never came into the picture, except as a director. He came in through his friendship with Carlisle. He was a member of the board of the Northern New York Trust Company, and he sold his power to the utilities under a lease. He built the power at Beaver Falls, and sold it to the Northern New York Utilities or Niagara Hudson on a lease basis. He still owns that power, as far as I know. He had other powers that he sold outright.

JEK: I guess it was conceived that he might come into St. Regis at one point and do something in a substantial way in management, wasn't it?

CBM: Well, I never heard that. He was a very valuable director, I know that.

JEK: How long had he had the J.P. Lewis Company?

CBM: Oh, his father had it before him, I think it went way back to the nineteenth century. This would be Jim Lewis's grandfather, J:P', Lewis.

SS: Jim Lewis is now one of the only directors representing the northern New York stockholders on our board, is that right?

- GBM: Ed Machold is on the board. He was very sick this winter.
- SS: I gather from your reactions, Carl, that George W. Knowlton, Jr. never played a very important managerial part in St. Regis. I think in that difficult early period of financing, he lent his name and prestige to permit St. Regis to get some capital. In that sense he was associated with the company, but even as president, he wasn't an active managerial fellow.
- CBM: No, not that I've ever determined.
- JEK: I thought some of the salaries that were related in Tag's history were very interesting. They paid Knowlton \$2400.
- CBM: Yes. Mentioning salaries, there was a curious thing that used to happen when I became assistant treasurer. Anderson had an office in the Sherman Building a couple of floors below us after he retired. He used to call me down, and say: "Carl, come on down, I want to see you. Bring the book down." Of course I knew what he meant by "the book." And I'd say, "All right," and go down and sit and talk with him. He'd say: "Now, what are the salaries these days?" Every year he'd say that. He'd say, "Do you mind telling me?" I'd say, "No." So, I'd ~~take the book and read them~~ off. He'd make notes on the various salaries. Well, he knew all these foremen who were still at St. Regis; most of them were still in there. And he'd take notes; every single year he'd do that.
- JEK: Anderson was quite an entrepreneur, wasn't he?
- CBM: Yes. He started selling tinware--that's how he started in Watertown. His partner was named Tilden. Anderson came up from New York and got into that business. He married quite a wealthy woman. He was a very dapper fellow--an awfully nice person.
- JEK: How did he get tied in with Sherman?



Some of the directors of the Northern New York Trust Company in 1930. Courtesy Marine Midland Banks, Inc.

- CBM: Well, I don't know exactly. I think he had some money, that's the only thing I can think of. Sherman had money, but not enough to get in. So they started the Taggart Paper Company with W.W. Taggart. Of course, W.W. Taggart was never too influential in the operation of the Taggart Paper Company at Felts Mills and Great Bend. He was very active at Watertown, of course.
- JEK: I've heard some interesting stories about "By" Taggart (Byron B. Taggart, Jr.) as being quite a character.
- CBM: You could tell those all day. Bill Herring's son, Fred Herring, was also quite a character. Taggart used to tell me a lot of these things--he and I were great friends. Fred's father was away at one time; he used to take trips to New York. When he was away, By Taggart, Fred Herring, and a bunch of others around there--all good sports in those days--used to raise hell in the Herrings' house, which was a tremendous house. And somebody was coming up to the front door (the father was to get in on the train at a certain time). By Taggart said that the carriage came up to the door, and Fred Herring took a big picture off the wall and stood back of the door. And as the old man came in, he slammed the painting right down over his head.
- JEK: Oh, dear--he must have been some character.
- CBM: By Taggart was too. I'll tell you, he didn't take the back seat to anyone.
- JEK: Once St. Regis acquired the Taggart interest\$, Byron B. Taggart, Jr."didn't have much activity.
- CBM: No, he left all that to a fellow named Jacob Amos. You may remember him. He finally got out of Taggart and became president of the Watertown Savings-Bank.
- JEK: Going back to our discussion of the Santa Clara woodlands, you said that the timber wasn't there that was provided for in the contract.

CBM: It was found to be quite defective, and not as represented in the original sale. Especially the Forest, Land; and Mill Company land. At that time, Santa Clara Lumber Company had a contract with the Brooklyn Cooperage Company for stave material. And that was hardwood, of course. After we got the timberlands, they were supposed to follow the softwood cutting. Instead of that, they got out of line. They went in and cut hardwood in the softwood area, which, of course, damaged the softwood to a great extent. So there was some adjustment on that, I remember. That's why the Meiges and Dodge got out of St. Regis and made a settlement, both on the stock and cash paid on the land.

JEK: When Deferiet was built there were three machines, and they added a fourth very shortly thereafter.

CBM: No, there were four machines at the outset. The small ninety-inch machine was taken out in 1906, and a big one hundred sixty-inch machine put in its place.

SS: Was that a new machine, that one hundred sixty-inch machine?

CBM: That was a new machine made by Bagley and Sewall. Of course, after that we put in a machine from the Raymondville mill. It was a special twenty-inch. And then the Algonquin machine went in-- the sixth machine. That was a machine that was taken out of another mill, also. It was a good machine.

JEK: Yes, it makes a lot of Western Electric paper today.

SS: Well, the little ninety-inch machine was taken out; what was done with that?

CBM: That went to Knowlton Brothers. They built that over half a dozen times.

JEK: In those early days, when the mill was first built, we used hydro-mechanical power.

- CBM: Yes. All we had was one electric generator, and that took care of the lights in the mill and the lights in the village. And then the next development was when we sold the power to the utility company. We put two thousand-horsepower motors down where the old hydraulic lines were. We put the original electrified lines in that part. When mechanical power was used, we had rope drives and belts all over the place; all that had to be changed as we got into this lighter grade of paper. And we went down to twenty-four-pound paper, but our production cost for that paper was tremendous. We had to go up in our sulfite content and down on the groundwood.
- SS: But you were manufacturing paper for which there was a steadily increasing demand--that lightweight catalog and telephone directory paper.
- CBM: Yes, there was an increasing demand.
- SS: The growth was big in that field. It was a fortunate thing that that field expanded so rapidly at a time when newsprint was clearly out of favor as far as American production was concerned.
- CBM: We lost the Western Electric contract for one year, right out from under us. The Wardwells, who were in the West End Paper Company at Carthage, built a brand new, one-machine groundwood mill up back of Gouverneur. They bought their sulfite. I think this was in about 1925. All of a sudden we got the news that Western Electric had dumped us for one year, in lightweight papers. And the Wardwells' paper company got it. They made it for one year, and then we got it right back. We didn't get it back on price; the Wardwells simply couldn't make the paper, even though they had a brand new machine.
- SS: What was the contract basis with Western Electric?
- CBM: It was a five-year contract arrangement.
- SS: I see. So it was at the end of the five-year period, and they switched to the Wardwells' paper. Did the Wardwells get the contract on the basis of price?

- GBM: Yes. But one year was enough for them. That mill failed, and with a brand new machine. A brand new mill, all throughout.
- JEK: Garl, what was the relationship between the paper companies and the Bagley and Sewall interests? It would seem that there might have been some financial or other relationship there, since Bagley and Sewall was such an important factor in building those paper machines at that time.
- GBM: There wasn't any relationship except on a financial basis. They had quite a lot of money, and I think they made terms pretty well. Gave us the right prices. But there was never any stock tie-up.
- JEK: No management, stock, or board affiliations?
- GBM: No.
- SS: When did Bagley and Sewall come into Watertown? Was it before the turn of the century? Were they manufacturing paper machines before the Deferiet mill was built?
- GBM: I think in the 1880s; maybe before that. For a while, Rice, Barton, and Fales, and Bagley and Sewall, were the only two paper machine builders, as far as I know, in the country. Bagley and Sewall made the first thousand-foot machine. That was the height of paper production.
- Jim, has St. Regis done anything about the Herring mill?
- JEK: No, it's still down. We haven't sold the equipment yet. I think we could sell the machine, probably for overseas installation, rather than domestic.
- GBM: They'll never sell that machine for much in the States; it's too old. The frame is too slim--too light. It has got a good drive on it, but that's about all.

- JEK: Carl, in the St. Regis utilities era, Ed Machold was the president of the Northern New York Trust Company. Did he come into the operation of St. Regis very much in those early days?
- CBM: No, Ed came in for a while, but he didn't stay long because of pressure of other things. I'd say he left active management in 1931 or 1932, certainly before Roy became president in 1934. Ed spent a couple of days a week, maybe a half day every day, at St. Regis.
- JEK: He was in F.L. Carlisle and Company as well.
- CBM: Yes. I think on the same basis; he was in a law firm in Carthage.
- JEK: Was his association with Carlisle as a result of his contacts in the state legislature? He came to the Northern New York Trust Company after his tenure in office.
- CBM: I think he resigned his office as congressman, or as senator, and came into the bank right after that. He was so well-known, you know; he was a big factor in Carlisle's power operations. Machold was a big factor in his day. He was a powerful man in New York City and in the state of New York. He knew everybody with any authority or power. He was well-liked in the bank, you know. He was well-liked all through the country, particularly in the banking business they did up there.
- JEK: Well, did he come into the bank as president right away?
- CBM: That's right. He took Robert J. Buck's place. Buck was in there after Carlisle got out, in 1920 or 1921, for three or four years. And then Machold came in.
- SS: Did Carlisle get out of the bank in order to go to New York to form F.L. Carlisle and Company?
- CBM: Yes. He went down there, and everything went down there with him.



H. Edmund Machold in the late 1950s or early 1960s.
Photographer Fabian Bachrach.

III

- JEK: I understand Carlisle and Company did very well from the beginning down there. Machold had a piece of F.L. Carlisle and Company, didn't he?
- CBM: Yes, and Norris did also. And Roy. I don't think anybody else did, but Roy would know. Homer Vilas was in there for a while, you know, at Carlisle and Company. Yes, they did pretty well for a long time. You know, I was always sorry that Carlisle got into Con Edison; that was a tough job. Carlisle was a developer--he was a promoter, a builder. Of course, he had plenty of chances to develop Con Edison.
- JEK: Well, I think that his interest was not just in New York State, but also in New England power. Putting together large networks of power.
- CBM: A power empire.
- SSe I think there were two factors that were unforeseen in his planning (and one could not have foreseen them): the Depression; and the part that holding companies played. They got kicked in the process of meeting the Depression; and all of these holding companies became shells as a result. But his concept of a utility empire, I think, was a thoroughly sound one, and certainly ahead of a lot of the thinking of his day. If I recall correctly, St. Regis's utilities investment holdings had a market value of about one hundred million dollars;
- JEK: Yes, I think Tag has that in his history. They dwindled to about five million after the big break in the market.
- CBM: Well, United Corporation was involved in this. As you look back, that wasn't too good a deal.
- JEK: The values were probably accounting figures more than anything else. They probably represented as true a value as one could have had at that time; but they probably weren't realistic.
- SSe St. Regis could have liquidated the utilities holdings for a very substantial sum of money in 1928 or 1929.
- CBM: Oh, absolutely.

SS: I remember. Ralph Maltby telling me that he had suggested at that time that they take advantage of this high level of the utility holdings.

CBM: During the thirties, when we had that loss, we were also losing each year about half a million dollars on a kraft paper purchase contract with Zellerbach Paper.* McMillen and I went out to California to see Dave Zellerbach. We had had a couple of adjustments on it, but we were still losing fifteen, eighteen, twenty dollars a ton on every ton of that paper that we sold--we had to sell it; we couldn't use it. We sold it to small bag companies. So we went out to get an adjustment on that; we just had to have it. We stayed out there two weeks, talking to Dave and his men. We finally left California with a ten dollar cut in the contract price. We got on the train; in Chicago, we picked up the Chicago Tribune, and saw they had cut the price ten dollars.

JEK: That was your ten dollars, right there.

SS: That contract was inherited by St. Regis as a result of the Bates acquisition.

CBM: Yes. Oh, that was a wicked price.

SS: And that was a fancy price that St. Regis paid for Bates to begin with, apart from the contract.

CBM: Yes. We did shed tears out there in Chicago when Mac and I read that in the paper.

JEK: When did Crown.. Zellerbach get into that Carthage mill? Do you remember?

CBM: They bought the paper company in Carthage first, way back, I'd say, in 1914 or 1915 to make tissue paper. They spent quite a lot of money up there. Afterwards they bought the West End Paper Company, and they spent a lot of money there also.

*This passage refers to a contract by which National Paper Products would ship kraft paper to the St. Regis 'West Coast' bag plants acquired from Bates. The National-Paper Products mill so contracted was located in Port Townsend, Washington.

SS: But it seems they were far removed from their base of operations. It was Virtually a West Coast company in every way; and yet they had this one little operation in the East to take care of their tissue paper.

Carl, when you joined St. Regis, were you brought in by Anderson and Sherman?

CBM: Yes.

JEK: You came in directly with them. It wasn't through an association with Gould?

CBM: Oh, no; through Anderson and Sherman.

JEK: I see. What was your first job at St. Regis?

CBM: I was an office boy, a minor bookkeeper, something like that. I was with the Agricultural Insurance Company for a year or so before that. And this fellow Parham, whom I told you about, got me a job with St. Regis. He was purchasing agent at the time. I finally moved out of the YMCA Building. Carlisle said, "You might as well go up to the mill and have your office up there," so I went up to Deferiet and had my office up there for a while. And that lasted about a year. Then he said, "You have to come back to Watertown, I can't be driving up there to see you." I came back and we had offices in the Trust Company building.

SS: You know, when I went down to New York to cover the paper industry for the Wall Street Journal, the annual meeting of St. Regis was held in Watertown--the stockholders meeting. And then, I think it was around 1945 or 1946, they started to hold them in New York.

CBM: Yes, we used to hold them all up there; some of them were at the Taggart office on West Main Street.

SS: You didn't get many stockholders except local ones.

CBM: Got Gilbert up there a couple of times.

SS: Oh, did you really? I never realized that.

CBM: Yes, he appeared at three meetings that I know of. Upstairs in the Taggart office in Watertown, we had two meetings up there. Gil was at both of them. He kicked out about that meeting up there and said, "I don't know how a paper company the size of St. Regis can dare have a meeting in a place like this." We had little funeral chairs sitting around there and an old deal table upstairs. There were about four or five stockholders there.

JEK: I don't think we've ever said much about this old fellow, Jewell.

CBM: Oh, Corwin Jewell. He was with us in Watertown. He was originally up at the Herring mill as a shipping clerk. He went to Deferiet as a shipping clerk, and then came to Watertown as assistant to Burns, who was getting sick about that time. And Burns finally got incapacitated, and Jewell stepped in his shoes. Burns was the general manager of operations. He was one of the ones who, along with Carlisle, bought out Gould. Burns got pretty sick; he tried to stay on the job, but he couldn't. And Jewell came and took his place. And when Jewell got through, McMillen came into the picture.

SS: Was ~~McMillen~~ located up in Watertown?

CBM: He was the former vice-president of Union Bag; when he came to St. Regis, he was located in New York City.

JEK: There were really several different periods in St. Regis history, weren't there? I guess the period from the time the mill was started until the time Gould got in was really one period, wasn't it?

CBM: It was a fairly prosperous period. I think we had a couple years where we showed very little profit; but as a whole, from the time the mill started up until 1914 you'd consider prosperous years. And then, of course, the years 1916 to 1919 were good. The Deferiet mill, in the lowest period that I remember, didn't net less than twenty-five thousand

dollars a month--despite all the changes made; we spent a lot of money during that period.

JEK: Did they plow back much money from the operations?

CBM: Until the Depression came.

JEK: Did they deplete the capital of St. Regis for the power interest quite a bit? Did they acquire power properties which depleted the operating capital of the company?

CBM: No, they didn't. They sold the power plants at Deferiet and Herring, which were self-contained. They made a considerable amount of money on the sale of Herring and Black River power. Of course we acquired the Hanna plants up there, and they were all sold as utilities.

JEK: I've often thought that it's too bad that St. Regis doesn't still own the power station right in the middle of the mill at Deferiet.

CBM: Electric power helped us because we used to have erratic water. The Black River wasn't always a good flow. Of course it got much better when Stillwater Reservoir was put in; that helped out a great deal. But I've seen awfully low water in the years that we were powered by water. We went out and bought fifteen to eighteen thousand tons of groundwood for the Deferiet mill. And then, in prime water, we used to store the lap--you know what lap pulp is--what particularly ticklish stuff that is to handle. We used to have the yard full of our own lap pulp. And we used to buy pulp in Canada in the early twenties. Our own pulp was wet lap. We put one machine up there at Deferiet to make forty-five percent dry, but that still was hard to handle. It was piled outdoors; it would be frozen in the wintertime.

JEK: Yes, that frozen pulp must have been a real problem.

CBM: Oh, yes. During the war, the frozen pulp we got at Oswego was a problem. We'd get pulp in there, and we would have to use pitchforks and shovels to get it out of the cars.

SS: Was that Swedish pulp?

CBM: No, not during the war; we had to buy a lot of domestic pulp at that time. We couldn't get an awful lot of Swedish'pUlp.

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