

Tape 593-1, Side A – Session 1, NYC, December 8, 1975

ERM: I am here to interview: Mr. George J. Kneeland on the history of St. Regis Paper Company. Let's start from the very beginning. What is the background of your life?

GJK: I was born in New York City August 3, 1916, and I very early moved with my parents to New Jersey, probably at the age of four. I have lived in the same town all my life, Harrington Park, New Jersey, Northeast Bergen County.

ERM: You say you were born in New York City. Your father was involved in what kind of business?

GJK: He was involved in many businesses. He was first of all a Congregational minister and then went into social service work. He worked for the Rockefeller Foundation for quite a few years. He lectured on Lincoln as a sideline, too.

ERM: Is he the man who had such a profound influence on Mr. Rockefeller with regard to setting up the Foundation?

GJK: No, I don't think he was but he did work for them for quite awhile. Unfortunately, my father died when I was five and a half. I went to the Harrington Park public school system. The town didn't have a high school. When I finished there I went to Dumont, New Jersey High School and graduated from there. That's the end of my formal education.

ERM: What pointed you in the direction of a business career?

GJK: When I got out of school we were still lingering with the Depression. I did many things for a year or two. Then I started to go with Mrs. Kneeland and she said to me, "You have to have a steady job, not just running around getting a week here or a month there." So I came to New York in answer to an opening for a mail boy in St. Regis. So I got in line and got the job.

ERM: You started as a mail boy in this organization. You mentioned meeting your wife to be. Was she a classmate of yours in school?

GJK: No. Rita Margaret Murphy was born in Oxford, Massachusetts. Her brother had a home on a lake in northern New Jersey where friends of ours had a place and I met her up there. We were married August 8, 1939. We have two children, a daughter, Carol Ann, and a son, George T. Jr. My daughter has two girls and my son has two boys and a girl.

ERM: You started off in 1939 during the Great Depression as a mail boy here at St. Regis. Can you give us a tracing of your progression in the company from that very modest beginning?

GJK: Being a mail boy was an advantage for it opened my eyes as to what this company was about at that point. All letters that came to the mailroom were addressed to St. Regis Paper Company and had to be opened and then delivered to individuals. I must admit I certainly got an education by reading all those letters. It taught me an awful lot about this company and what it was really about in those early days. There were other mail boys besides myself but I used to have to come in early in those days. It's a habit I've never gotten rid of. I still get to work at seven-thirty in the morning.

ERM: Were there other young people with you at that time who came aboard and stayed with the company right they way through with you?

GJK: Oh, yes. There are many. Most of our employees tend to be long-time employees.

ERM: And not a few of them came in and started at the bottom of the ladder and worked up. Is that right?

GJK: Right. Mr. B. W. Recknagel, our executive vice-president, started the same way. He left for a couple of years to go with another company, but he came back and continued his career with St. Regis.

ERM: Has it been the policy of the company to bring people up through the ranks?

GJK: It was the policy to as far as practical always promote from within.

ERM: And has that policy remained constant through the years?

GJK: It is pretty constant. There are times you can't do that. You must go outside, but pretty basically we try to bring people along.

ERM: What were the stepping stones that you proceeded to follow after the mail room job?

GJK: After that I started to work in the kraft paper and multiwall bag order room production, I worked in that area for a few years, I've always worked in New York. I've never been any other place. The kraft division in terms of sales was actually small in those days. We used the paper we made for our multiwall bag conversion and did sell some. The kraft division was formally set up in 1949 and from 1949 to 1954 I was assistant to the vice-president of that division which entailed getting involved with manufacturing, sales, and still doing some work in the order room production area. In 1954, I became production coordinator for the whole company which at that point included printing paper, kraft paper, multiwall bags, Panelyte -- those were the main areas.

ERM: How would you describe that position? What were your functions as the coordinator?

GJK: Number one, I had responsibility to see that orders from customers were handled properly right through from receipt until shipment of the order. I also had to coordinate between various divisions of the company for inter-company requirements. Even though the company was a lot smaller, it got to be a very complicated job, I can tell you.

ERM: I would imagine it would. Was that position newly created at that time or had it existed as another man's assignment?

GJK: Each division had its own production coordinator at that point and all divisions still maintain one but I had the overall responsibility for the entire company.

ERM: From that position where did you move?

GJK: There was a change in the company's structure. You better check the date but it seems to me it was 1957. I became assistant to the executive vice-president of operations. That was the major change when Ben Cancell came into the company for the third time. And I stayed in that position until 1962. Check the date. I probably became assistant vice-president in 1958, I think.

ERM: The information we have is that you served as assistant Vice-president from September 7, 1957 until April 1963.

GJK: That could be true but I went as Ben's assistant in April of that year and I know I didn't go there as an assistant vice-president. I wasn't sure of the timing so your dates may be perfectly fine and those can be verified by minutes.

ERM: Our record shows that in April 1963 you were appointed a Vice-president of St. Regis.

GJK: At that point I became assistant to the president of the company. I stayed in that position until 1968 or 1969. I can't remember.

ERM: We have a date here of April 1969 when you were elected executive Vice-president of administration. Does that ring true?

GJK: That is true.

ERM: Your association with various other boards of directors is noted here and I wonder if we better not check the accuracy. You are also a member of the board of directors and the executive committee of Southland Paper Mills, Inc. of Lufkin, Texas. Is that right?

GJK: Yes.

ERM: How long have you been associated with that group as a director? Did you or St. Regis have some connection earlier with Southland Paper Mills?

GJK: We have always done business with that company. We bought a fair amount of stock in that company and a couple of years after purchase I became a director and then subsequently a member of the executive committee.

ERM: I had the great pleasure of knowing Mr. Ernest Kurth. He was quite a man.

GJK: He sure was.

ERM: We got along so very well together that he took the lead in getting old records of Angelina County Lumber Company and some of the Southland Paper Mill records deposited in a college library when the company no longer felt the need to maintain them. They have been made use of by more than a few scholars in the last ten or fifteen years. Were you also a member of the operating committee of the National Council of the Paper industry for Air and Stream Improvement?

GJK: No, I was for many years but I'm not today. I'm a member of the board of governors and a member of the executive committee.

ERM: You were appointed at one time to the steering committee of the Mississippi Task Force on Government Efficiency and Economy by Governor John Bell Williams, is that right?

GJK: Correct, I would assume it was in 1968, 1969.

ERM: I see that you also somehow or other find time to serve as a town councilman and fire commissioner in Harrington Park.

GJK; I'm not the fire commissioner anymore. I was. For the last couple of years, I'm still on the Council as I'm finance chairman.

ERM: You manage to put together a rather busy life with what you do for a company and what you do as a member of

your community. I'm amazed that you can handle so many different jobs.

GJK: I'm a firm believer that everybody has three lives to live—his business life, a family life and a civic life. And if you are going to do your job, you are busy.

ERM: Well, sir, I would like to begin to test your memory on some special areas of company history. I don't suppose you were ever familiar with Floyd L. Carlisle? He had passed from the scene of active involvement by the time you came along? Is that right?

GJK: I met him a couple of times.

ERM: But you were, of course, well acquainted with Roy K. Ferguson. Can you give me a personal view of the man? How did you come to know him? How did he influence you?

GJK: I think that I began to know him just slightly in the beginning and I soon realized that he was a man of great vision. His favorite expression was that one should always have "an awareness of opportunity." He lived by that. I think if you look at the history of the company it's rather in sharply definable segments. The first major decisions were made long before I was here. The first was whether we were going to be a paper company or a utility company. A second major decision was made right after World War II when we began to acquire forest lands and the Pensacola Pulp and Paper Mill in Florida. This was the second big step. It recognized that if we were going to be a fair-sized paper company we would have to be in the South. That was accomplished and also at the same period we got into Maine through the acquisition from Time-Life of the Maine Seaboard Paper Company. Those years right after the war were a period of great expansion in the paper industry. We started then, about 1950 or 1951, to build the Jacksonville mill and we also started to get into the corrugated box business.

ERM: This, I presume, could be called the period of integration.

GJK: Integration and acquisition went hand in hand. Maybe integration preceding slightly. It was in that period of the post war and early fifties that many major acquisitions were made.

ERM: Have there been other watershed periods since that time? Can you identify noticeable turning points in the course of the company's history?

GJK: I would say that when you've gone through what this company went through in acquisition and expansion, it obviously produces rough spots. There must be a period of ironing out, consolidating. When one acquires many companies, you acquire also some rather strong thinking individuals, and I think that period was one of trying to get more people to understand the growing complexity of the business. Regardless of division loyalties or that of segments of a division, the necessary thing was to establish that everybody was most importantly always part of St. Regis and that no piece was bigger than the whole pie. That problem took a few years to get worked out. Not until very late in the 1960s and early 1970s did we begin to put the thing together and to bring into being a bigger, better, more profitable company. It was then, also, that we began to expand in the overseas area. In some cases this was accomplished by building our own plants. I think we have pursued that expansion pretty well in the last five or six years. In August 1975 we became involved in setting in motion the biggest linerboard machine in the world in

Sweden.

ERM: To what extent do you see the history of St. Regis as one that runs in parallel or not with the general history of the paper industry? Were you doing the same things at the same time as other major companies?

GJK: No, I think we may have been behind quite a few of them. We had a lot of catching up to do. I mentioned before that we never really got into the South in any large measure until the mid-forties. Many of the other companies had gone into the South earlier than that. I think IF went in during the thirties.

ERM: How do you account for St. Regis's delay in moving into the South?

GJK: I'd say it was purely a matter of money. In the late twenties we bought the Bates Valve Bag Company and paid what in those days was an awful large amount of money for it. Then we were hit almost right away by the Depression. The financial affairs of the company at that point were pretty lean.

ERM: St. Regis had a lot of debts to write off.

GJK: We sure did.

ERM: And you had then no capital to reinvest or move into new and beckoning opportunities?

GJK: We were lucky we were keeping our head above water, frankly, in the thirties. Of course, the coming of World War II in 1939 produced a great upsurge in business but also a great upsurge in regulations with which we had to cope. After World War II, in 1946 I think you'll note from the record, we made what was one of the first major loans we had made via the private route from an insurance company. My only regret, if I can call it a regret, is that from that time to this we have faced constantly rising rates of interest. When we got down to making the last payments on that post-war loan, the interest rates had dropped from 3 3/8 percent to 2 5/8 percent [percentages unclear on tape].

ERM: Yes, the problem now is indeed one of finding massive amounts of capital to continue or to maintain your position.

GJK: That's correct.

ERM: Are you anymore or less hopeful of solving that problem now than you were earlier in this decade of the seventies?

GJK: I think on the whole figures in our industry just seem to have more zeros tacked onto them and these include profits. But capital formation is certainly becoming a more acute problem. I think in our own case we are in reasonably good shape. We have taken steps over the last four years to be in that position. In 1971 we sold (?) sixty million in convertible debentures. This was a very fortuitous time. The interest rate was favorable and also our belief in what the company could produce in earnings was close to the mark. In the last couple of months we had approximately one-third of that issue converted into common stock. At the same period we made arrangements for another private (?) replacement debt of seventy-five million. We recently completed sale of our interest in National Amalgamated Packaging in Johannesburg, South Africa. This, too, brought us a fair amount of money so that at the moment we are reasonably comfortable.

ERM: How would you compare the watershed of your history that involved movement into the South with what now appears to be a new watershed of your movement now into foreign markets?

GJK: Actually, we have been in the foreign market since the bag days. The bag days in the late twenties, 1928, 1929. At

that point we acquired Bates and shortly thereafter we were in Belgium and in Brazil and Argentina. Then there was a period we didn't expand much in the foreign field at all. We did some in the mid-sixties, but the major push came from say 1969 through the next five years to the 1974 period.

ERM: What were the factors, which propelled you to move more aggressively in that direction?

GJK: We thought that the use of paper in many of the foreign countries was considerably below that in the United States and we could see the changes that were going to come, just as they had come in this country earlier. Recognizing that trend, it behooved us to be where those rapid expansions in paper use would take place.

ERM: Did St. Regis move into that area with more speed than its competitors or was its movement parallel to that of its competitors?

GJK: I think you'd have to look at that in a broad way. The timing might have been different, but I think today that as far as being worldwide in paper production and sales, I think that we are right up on top [Note: Mr. Kneeland, can you say this?]

ERM: Speaking of place in the industry, St. Regis began at a rather low point in the total pecking order within its industry, but it has had a rather sensational rise to the top. How would you track that?

GJK: I think that we had a late start, overcame financial problems, and I think we just have had to run a little harder in a shorter period of time than have some of our competitors. We didn't have the luxury of having all the time we might have liked to do it in. I think the record would show that in 1957 the three largest producers of paperboard were IP, Crown, and St. Regis, in that order. I think you'd find the order was exactly the same in the year 1973.

ERM: Is that the last year for which you have reliable comparative records or are there more recent ones?

GJK: I think the 1974 figures are in but I haven't seen them yet.

ERM: Great events in human history, of course, have provoked upon all institutions, including businesses and industry, the need for change. You must have observed some of the changes that were forced by events surrounding the Great Depression when you were first actively involved in this field. Likewise, you must have been keenly aware of the impacts of World War II on this industry. You must have seen the impacts of the packaging revolution that was taking place in society and which has been, in a sense, also a spin-off of the development of a whole new method of marketing, I refer to the rapid growth of the supermarket, the whole development of a greater amount of leisure time in the American society – all kinds of social impacts that have had their influence upon your company and your industry, What general observations would you make of those trends?

GJK: Certainly the supermarket type store and the large discount store had impacts on what we had to do in the graphics of packaging. The package became a salesman, and one thing we have pushed very hard in our packaging area has been the quality of the graphics on the packaging products we make. Both the expanding market for paper packaging and the graphic design of packaging have had great impacts. As we got into this more affluent period, many things became packaged which people just hadn't thought of packaging in paper before. Look at the growth of the dog and cat food market, for example. Such packaging in a variety of sizes, all using graphics, have had an

impact on the consumption per capita through these years and are still having an effect.

ERM: Was this something that first imposed itself on you in the bag business and then later in the folding carton business?

GJK: We were always very big in the bag business and had been in it for so many years. We probably started to upgrade graphics in the bag business first. As we got into the corrugated box business and folding carton business we obviously felt that graphics in both products needed upgrading.

ERM: Do you think your early experience and leadership in the bag business gave you any special advantages in the packaging revolution?

GJK: Yes, I'm sure they did. Of course, as we got into the plastic packaging area through the acquisition of the Pollock Paper group, we had to adapt to a new material and a new printing problem. Plastic packaging is made basically for bread wraps. It took the place of wax paper, and I believe our biggest presses are in this field today. The packaging of a loaf of bread has a great deal to do with selling it.

ERM: This had led you into the printing business in a rather large way, hasn't it?

GJK: Very much so. I don't know how many presses we have but I'm sure we must have close to four or five hundred of all types.

ERM: And these are distributed throughout the world?

GJK: Yes, but the biggest concentration is in the United States, obviously.

ERM: How has company policy evolved with regard to ownership of your own sources of raw material supply, and their management to produce continuous crops? Early on in St. Regis history you had some small timberland holdings in upstate New York. But not until sometime later on in the game did you actually get into large-scale purchase of properties that assured you more stable supplies of raw material. How do you trace change of company policy in that area?

GJK: I think that in the early days we certainly had some acreages in New York and then we acquired New Hampshire and Vermont Lumber Company. This was still very early in the history of the company. We started to acquire land in the South in the Jacksonville area, which permitted us later to build the mills in Jacksonville. We acquired Rhinelander in the Lake States and that gave us wood in that area of the country. Our acquisition of the Maine seaboard in the Northeast provided us more, good timberland. The policy in those days was to acquire what we felt we could afford and to buy it at a reasonable price. We still have that policy.

ERM: Does that policy obtain in the foreign field as well as the domestic?

GJK: We have no foreign holdings of woodland to speak of.

ERM: There you depend upon sources of raw material supplies owned by those foreign companies with whom you are associated in a partnership relationship?

GJK: That is correct. We are stockholders in certain companies such as (?) twenty percent and they have a certain amount of woodlands in France. Same applies in Austria, too. [Note: Please clarify, name of company unclear on

tape]

ERM: What about the so-called undeveloped or developing areas of the world where extensive forest sources still exist and are relatively unexplored? South America, for example? Are these areas a factor of any importance in your planning?

GJK: I think you have to take a look at all areas where timber is available. We are continuing to look all over the world. However, we do live in a changing world and the rules for operating a business abroad are changing all the time.

ERM: It's not as easy.

GJK: No. And the costs are proportionately higher as is everything else. Land is a finite thing, and timberland is an even more finite thing. But we compensate for this by employing newer methods of growing trees, developing better quality in the trees we grow, and constantly improving technology in the wood harvesting and in the pulping process. The result is that we get more pounds of paper off the same acreage than we did years ago. But there is continued encroachment on forest lands by highways, developments, reservations of all kinds.

ERM: What about the higher demands for recreational use? Haven't the environmentalists and wilderness buffs imposed pressures?

GJK; It's all part of the picture. You cope with an ever-changing problem, really. As demands upon land change, you are forced to think harder about how you keep your company owning timberland. And you have to change with the times.

ERM: I take it you continue to be an optimist about the future, both with regard to the future of St. Regis as a company and the future of your industry. Will you be able to supply what is a constantly growing world need for the products that you turn out?

GJK: I am basically an optimist, I suppose you'd have to say that anybody that's been in this business as long as I have has got to be an optimist, I've seem some dark days.

ERM: The character of business management has, like everything else in the world, been a changing thing. I've witnessed the change over from the old nineteenth century free-wheeling entrepreneur – many of whom ran their businesses pretty much their own way. Many a company was family oriented and family controlled. Today we see a whole new school and style of management. What general observations can you make about that trend?

GJK: I think the change has come for more than one reason. I think most of the paper companies have gone in for more intensive management and that has produced certain changes in the way things are done. Certainly the regulations, which are ever increasing, have produced certain changes in the way you run a business. We also have the emotional changes to contend with. In all businesses, managers must respond to change to keep going in a successful manner. Changes are imposed upon us from both the outside and to considerable extent from the inside. There is no lack of suggestions for change.

ERM: There was quite a difference in the style of Carlisle or even of Ferguson from that which now obtains in management. Would you not agree?

GJK: Absolutely. There is no question about it.

ERM: They lived in a considerably less complicated time.

GJK: No question about that. These times are more complicated. Anybody who tries to develop a personal style in running his business has got to accommodate this style with more people in mind. Their style has grown within the organization – more employees at almost every level, more stockholders, more customers, more people throughout the whole structure of society. And then, of course, business management has gone to the so-called team approach. Still, it's got to elect someone to be number one on the team. His big task is to make clear to all who work for him what he is trying to do and why he is trying to do it. It is still necessary for the rest of the team to be willing and active participants in the style of their elected leader.

ERM: Is there a point in St. Regis's history when that idea began to take shape? Did it happen in your time or earlier?

GJK: It really did start earlier. The idea that we should take younger men from the company and bring them up the management ladder does go back a few years. St. Regis Company put its people through what was called an orientation program to give them better understanding of what the company was about. There was a tendency for most of our people to know the area in which they worked, but they didn't understand what the whole company was about because they didn't always see how it all fitted together. Many years ago, and again you better check the year, because it is a while ago, a group of us in middle (senior) (?) management came up with a recommendation that some people in the company should be exposed to the other areas more than they were. Out of this developed what was known as the orientation program. Little did we know that we who proposed it were the ones that were going to be the first in the class.

ERM: Now you've put your finger on something I wanted to get at. This was an idea that emerged, not from the top down, but from middle management up.

GJK: Maybe sub-middle at that point. [Note: Please clarify your reply here. Write on back of page if you need to.]

ERM: What obstacles, if any, stood in your path at that time to get the idea seriously before the people at the top who could implement it?

GJK: I suppose the first obstacle was not those people at the top but ourselves. First, we had to get together people who had a belief that something should be done along this direction. In fact there were a lot of people who thought something should be done but there was quite a divergence of opinion as to what should be done. But many, many months were consumed in discussion of the "what" and the "how". Then, I guess, the next question became, "How, when and by whom do you present it to management? Who is going to listen to you?" But this was worked out even though it did take a couple of years, I'd say.

ERM: Now when you speak of "us", what men do you remember as having been associated with you in these discussions?

GJK: Bernie Recknagel was one. One of the problems was in getting 100 percent approval within the group. I'd rather look at the record because I don't recall all those who were involved at the start or during the second year or the third year. But this we can check because we do have a file on that.

ERM: By file, do you mean that as a small group you kept some kind of log or minutes of your discussions?

GJK: We did. We used to meet once a week, usually very early in the morning before the business day. But the record will show, and it is not anyone's individual record book but a group record, who did go to the first meeting, who went to the second, and who went to the third, and all the way through. One of the fellows who probably has a record, if there is one, is now retired. That's Gardner Lane who lives up in Vermont.

ERM: Would that record probably show up as a series of memoranda to file?

GJK: It would show a group of ideas that we discussed at various times and what we tried to get accomplished with them.

ERM: Were there any written exchanges between various members of the group as to different parts?

GJK: No. We'd just sit for an hour or so and kick around problems and different ones among us would try to come up with what should the company be doing. For example, a new uniform moving policy.

ERM: Uniform moving policy? Would you explain what that involved?

GJK: Yes. This had to do with how you handle your transferred employees. What is the company going to pay? That was a bone of contention in the early days. We tried to nail these things down and to come up with some thoughts on how they should be tackled.

ERM: At what point in time were your discussions and the best thoughts coming out of those discussions advanced to the point of being seriously considered for action by top management and who carried the ball to top management in that situation?

GJK: I suppose Gardner Lane at that point worked directly with Ted Gay. Gardner probably carried the idea through a semi-formal or formal way to Ted Gay.

ERM: And Ted Gay was your pipeline to Ferguson, is that right?

GJK: At that point, I think the record would show he was executive vice-president of the company. Many of us informally talked to others, including Mr. Ferguson. We discussed these things rather openly.

ERM: So your discussions were known to top management. It was not something surreptitiously done.

GJK: No.

ERM: If your top management was aware of this, to what extent did it extend its blessings and encouragement for you to continue this thing?

GJK: I think when the management of the company did arrange the first orientation group its members were from senior management and they were called out of the office for a week, if my memory serves me right. And we had some professors from business schools come to talk to us. We had people from senior management. After that week was over, I'll never forget, we had a letter from Ted Gay who we had to critique what was wrong with that. Now this was sort of a bother thing [Note: Mr. Kneeland, we're not sure we have the clear sense of this here. Please clarify on back of page. Thank you.]

ERM: That first orientation session was done as a kind of a retreat?

GJK: Yes. I think we went to Dellwood Country Club in Rocklin County.

ERM: You took a whole week off for extended session (discussions?)

GJK: We went to the Dellwood Country Club – that was really the end of the week. During the earlier part of the week I remember we went up to Carthage (?), New York. We went then over to a machine shop in Providence, Rhode Island with the idea that one of the main purposes was to make people aware of what this company was. And subsequent programs had different geographic itineraries.

ERM: Were any of you in the original discussion group delegated specific roles of presentation to make at these orientation conferences?

GJK: Oh, yes. Some of us did some background on various problems. Two or three of us would look at a certain subject and two at that. It was a small group, seven or eight, or nine people at the most at that point.

ERM: And then you had outsiders from business schools coming in as expert resource people.

GJK: That's right. Case histories, the normal type of thing.

ERM: You worked in a seminar atmosphere, I presume.

GJK: Yes.

ERM: Were these discussions fully transcribed and reported or were they just summarized? In what form did the end product take shape?

GJK: Everything was put down on paper, but the end product is really not what you got on paper but what you got in your head. All those attending and some of the senior management who were there were close to what they were thinking and the younger group wasn't. [Note: Please clarify this point.] Obviously all discussion wasn't right. Don't misunderstand me. A good proportion was and it produced good changes.

ERM: What changes proved the merit and worth of what you were doing?

GJK: I suppose the first thing was an official recognition that there was a group of people interested in the company above and beyond their jobs. That recognition by management, which was in the form of the formal program. Secondly, it certainly made everybody involved in the group think about the problems of the company. It brought people who were working here into a regular contact once a week. They began to know more about other ends of the company just by being exposed to each other and to different areas of company activity.

ERM: I take it that in the beginning their number was limited.

GJK: Very.

ERM: To those people who were employed in the headquarters office? At what point in time did this begin to reach out into other areas of your activities in the mills and other places?

GJK: Two ways. Number one, the group resident here was forever changing. People got transferred out. People got transferred in and if they were interested in this thing, why they might be asked to join this little group. It exists I might say today. It is quite a larger, more formal group known as the Strymen (?). I

don't know if you've come across that name.

ERM: I've heard of it.

GJK: Of course that was the original beginning. Strymen is the outgrowth of that original group. The company's become larger and so, too, has this group.

ERM: Of course, all of this bears a good deal upon something that interests the historian of American business and that is the history of decision making. Decision making in any company has gone through a succession of changes, and I think we have already touched down on some of them, I wonder what you see as the most meaningful points of change in that decision-making process over the years.

GJK: As I look at it today, a decision is reached differently than it was years ago. If decision making in earlier years of company history was arrived at in the same way it is now, I probably just wasn't close enough to it then to see the similarity. But I don't think it was the same then. We meet now on a formal basis four times a year, every officer of the company. Everybody gets together. We discuss problems, changes, whatever it may be that is going to affect business in some way. Everybody feels free to speak up on how they view the subject. There is more participation for one thing and we have an operating committee. Mr. Haselton, Mr. Jones, Mr. Recknagel and myself. We meet fairly often, maybe once a week, twice a week if necessary. There are always some people participating in a decision. Obviously, I have to make the final decision. There is no question about that, but people are not tied – they may not like these decisions, that's not the point of it, but they have the feeling that my God, how did this happen out of the blue? It just doesn't work that way. [Note: You may wish to rework this a bit to make it clearer]

ERM: Do you mean that in earlier times, decisions did seem to come "out of the blue" because one man at the top decided he was going to do it that way?

GJK: I don't disagree with what you say but I must say I think it's even a little more complex than that. Perhaps in earlier stages of business history, the American businessman tended to look at what they were individually involved in and they never really say back and tried to look at the total picture.

ERM: Are you saying that they tended then to be more specialists than generalists.

GJK: That's right. Today's top management on the other hand must know how its decisions will assure a total cooperative response throughout the organization. Before we forget it, I have the 1974 figures on production of paper and paperboard (?) and I think they will show IP, Crown, and St. Regis rank in that order.

ERM: As you go down the list after St. Regis, is there any substantial drop in volume?

GJK: No. IP produced 5,993,000 tons, Crown Zellerbach, 2,294,000 tons. There is a noticeable drop there between number one and number two but then you come to St. Regis, 2,204,000 tons which is relatively close to Crown's total. Weyerhaeuser follows with 2,060,000 tons. That's worldwide production, incidentally.

ERM: This is quoted from PPI's "Top One Hundred Paper Companies in the World," John Kalich Managing Editor, Out of Pulp and Paper International. September 1975. This is a reprint from several pages in that issue.

GJK: I assume it is, yes. But I keep it in my desk, as a reference.

ERM: I presume this is Pulp and Paper's equivalent of Fortune's five hundred leading companies. We've alluded to a period of time in which the company greatly expanded its capacities – manufacturing ability, ownership of plants, and ultimately of land. I think that it would be interesting to hear from one who has been involved in that process how you moved to acquire new properties. What is the anatomy of a merger? I recall you tried to work something out with Union Bag or Camp Company that never came. There were efforts made to work out something with Gaylord Container Corporation in the South that never worked out. On the other hand, there were others that succeeded. What is the process? How does it work? What is the role of the man who negotiates these things?

GJK: Mergers take many shapes and many forms. I suppose the one fact, which most importantly determines things is this: Do you wish to acquire somebody or does somebody wish to be acquired?

ERM: And you have been involved in both of these circumstances, I presume?

GJK: Oh, yes. The other thing is that the size of a potential merger has a bearing upon it how it may be put together. Is it for your company? Is there a special reason why you want to acquire a particular company? If you are successful in making a merger, it is not always true that it works out with profit to your company. Mergers don't always work out as "good fits" and if they don't you may wind up having to make a lot of changes you hadn't counted on.

ERM: And if it doesn't work out well, what do you do with it?

GJK: That's the other problem. Sometimes if you know why the deal went wrong, you may be able to make corrections and turn things around. But there are other times when it's just never going to go, and then you've got to make that other decision.

ERM: I suppose you can say that there are a certain number of "cats and dogs" in every business history.

GJK: Oh, sure. For example, a perfectly fine merger I mentioned earlier was that when we acquired Pollock. We thought they had a great market for wax paper bread wraps. There seemed to be a good opportunity for us there. After all, paper was our business.

ERM: Was that an area in which you had no foothold up to that time?

GJK: That was 1955, I think. We were making a small amount of paper for waxing in Rhineland before then and during that period paper was really tight. Anyway the merger was effected, the acquisition was done with Marv Pollock. But just at that point there developed a revolution in bread packaging. We bought Pollock on the basis of conditions that were not to remain stable. It produced a kind of plastic wrap which was suddenly about to go out of style. We needed all new machinery and we bought it only to learn to our sorrow that the plastic it was set up to run wasn't the one that was going to survive in the business, It wasn't right.

ERM: You were all set up but with the wrong kind of machinery.

GJK: Then we re-set up again. This was a very costly project. Very, very costly, extremely costly – in the millions.

ERM: What did you do? Did you tear out all your machinery and install new?

GJK: Yes, we had to get different type machinery. Business is very often an agonizing experience. You can acquire what

you think is a fine property and then have to go through what I've described.

ERM: Do you suspect that the people you bought Pollock from had any fore knowledge this was coming?

GJK: No. No way. That is not the point. The point is how do you cope with problems like that? What do you do about it?

We were still convinced that this was an awfully good market, so we put our money into it and in the long term it proved to be a very wise thing to do – a very profitable area for our company despite the problems we had. It remains so today.

ERM: What would you say about the profitability of your bag business? Has it been an up and down thing or has it been a steadily profit-making area?

GJK: It has certainly had some bad periods and I think maybe because of the way we tackled it. We were a great deal at fault. We were affected by financial return. We had in mind building the biggest bag plant in the world when we built in Pensacola. But we got involved in many, many problems in its operation and in service to customers and today it's not the biggest bag plant. It still is in physical size but it isn't run that way. It was a mistake in judgment. Fortunately in both the Pollock and the Pensacola cases we rectified without any big material damage to either venture.

ERM: Your purchase of Bucksport, Maine was another ten strike, wasn't it?

GJK: It was a ten strike, but I think that we made our opportunities there because we poured a great amount of money into that plant in terms of technology. Continued investments in Bucksport year after year put us in a position where we simply are leaders in manufacture of lightweight coated printing paper. If we hadn't had a Bucksport mill or something similar to it, we wouldn't have been able to move forward as we have in that special area of papermaking.

ERM: Do you consider that St. Regis has the pre-eminent position in that field?

GJK: Without any question, I am a very strong believer that that's something we can do better than most. Better than anybody, I'd say. And we feel that way about multiwall bags. I think we've got just a little bit more than any of our competitors.

ERM: What specific uses are there for lightweight coated paper?

GJK: Basically magazines. In that market we have an advantage because we can run lightweight paper better than our competition in my opinion.

ERM: That's what the publishers want because it has a direct effect upon their mailing costs, I presume.

GJK: That's right. And there is the lightweight coated catalog involved in that too.

ERM: Hasn't St. Regis always held a strong position in catalog papermaking even from the early days?

GJK: Yes, but we still hold a very strong position in the uncoated super calendar weight catalog, too, which is made at our Sartell, Minnesota mill.

ERM: What market do you sell that? To Sears Roebuck?

GJK: Spiegel, Sears, Montgomery Ward, Penney's, you name it.

ERM: In that market, do you have a pre-eminent position?

GJK: We do. [Right now or I think, unclear on tape.]

ERM: In what areas is IP's pre-eminence? Is this in newsprint?

GJK: They certainly have us in newsprint, I would say, If the biggest manufacturer of liner board. They are way bigger in pulp than any company.

ERM: Crown Zellerbach's area of superiority lies in what directions? In the tissue and certain-other areas?

GJK: We are not in tissue at all.

ERM: You dabbled in it at one time, didn't you?

GJK: Yes. But now St. Regis has nothing in tissue and nothing in newsprint.

ERM: I think I'm going to have to break off, Woody, it's about five minutes to twelve. All right. We'll go back at this again tomorrow morning if that suits you.

Tape 593-1 Side B – Session 2 December 9, 1975

GJK: Just before you start, let me say something so I don't forget it. Now I can't tell you the year but this can be found very quickly. Roy Ferguson called me one day it was in the forties or fifty-one, in that period, and he said, "Can you get to Maine tonight? And I said, "Yes, I can go to Maine." "Well," he said, "I want you to go to Maine. I want you to go to the Bangor House and you'll find George Pierce there at a meeting and I want you to go up there." So I said, "What did you wish me to do?" He said, "I want you to go to that meeting." I didn't know what the hell the meeting was. And he said, "Get there and listen." So I got in this room at the hotel and I suppose there were thirty or more people there. They were lawyers, engineers, manufacturing people. I realized before long that we were negotiating to buy a pulp mill, the old Howland mill in Maine. It got to be about five minutes to twelve and this meeting had started at eight thirty in the morning and everybody seemed to be in agreement as to what should be done, as to what we were going to pay for this thing and how it was all going to work out. George Pierce said at that point, "Fine, Mr. Kneeland is here from New York. I'm sure he has the money." Of course, I didn't have a damned thing. So it was just about twelve at this point and I said, "As long as we are agreed on what we are doing, why we'll have lunch. It's all ready." As lunch was being served I quickly got Roy Ferguson on the phone and asked him, "What the hell do you want me to do? I don't have any money." He just laughed and said, "Go down to the bank on the corner, I'll call them and they will give you a certified check." That's the way he was. He wanted to see what the hell you'd do.

ERM: He wanted to see if you were quick witted enough to make the right response.

GJK: That's right. But those are the kinds of experiences I can remember going through.

ERM: Was that the first experience in which you were actually put into the process of acquisition or had you been involved in any before that?

GJK: You know, I can only look at the date that took place and then I could better tell you. But it probably was the first

or second, I would say. But that was the way he was.

ERM: Did that experience and your performance result in your being assigned to many other similar negotiations?

GJK: I think it might have, yes. And that's why I wanted to look at the date, which isn't too hard to find. Of course, shortly thereafter we got into the Superior Paper Company acquisition. I think it was Superior Paper I might have bought, but actually it was two box plants in the Pittsburgh area. I personally didn't know much about it and neither did another fellow who was a vice-president and went with me. I guess what Roy had said to them was, "These men are coming out tomorrow and they'll give you all the answers." We'd already acquired it in this sense. Then how was it going to operate and this type of thing, he did this often, you know – that's the kind of guy he was. [Note: You may wish to clarify this by a new sentence or two.]

ERM: In these deals that you made to acquire or merge with other companies, how did you accommodate the management and personnel of those points after you had acquired them? Did you maintain their present managerial staff and workforce or did you bring in your own people?

GJK: In that period we went along pretty much with the people there. We didn't bring too many people in. In fact, sometimes none. You had to put the local community at ease before you did that.

ERM: Wasn't that almost a part of the deal itself?

GJK: Whether it was part of the deal, I'm not sure, in all cases. But it was Roy's way of doing things. And, of course, it stood us in good stead over the years because while it had its disadvantages, mind you, when you went to make an E acquisition somebody always asked the question, "Well, what are you going to do to us?" So we said, "Talk to the people we've acquired." They usually got a pretty good shake and that's the way we were able to acquire the next property or the one after, because of the way we had handled the ones we had acquired earlier.

ERM: In other words, you seek always to maintain a good posture within the local community that you are buying into.

GJK: I don't know if it's the community per se, although I guess you might include that; but basically it was the people involved in the plant. With them we emphasized that they shouldn't always look at this as being acquired but rather see themselves joining a bigger company with better opportunities, and that is a fact. But that is the way it works out for many and that's one of the reasons you find some of those people around here. Many of them came from acquired companies. Bill Haselton, who is president, came to St. Regis when we acquired Rhinelander. When we acquired (?), Phil Duffey was its executive vice-president and he took over all packaging and (?) from there he took over all packaging and he became a senior vice-president for packaging for the entire company. [Note: Transcript unclear.] That kind of a thing is going on all the time.

ERM: I raised the question with you because I've seen other circumstances in which other companies involved in major acquisitions have upset a community into which they had bought and the area surrounding it. They created turmoil by quickly changing plant management at various levels.

GJK: I don't think that's the way we worked. We never had that problem really.

ERM: In other words, yours was a different style, a different way of doing it. And that philosophy has obviously paid St.

Regis good dividends in goodwill and in recruitment of good people.

GJK: Yes, I believe that's how it has worked out for us. When you acquire something outside of you, you many times see things that aren't just right that could be done better. But it was our philosophy that you wouldn't move right in and change it. We get changes made just by pointing out certain things to some of the key people that we have acquired. In fact it might even become their idea, you know, suggestions.

ERM: How did your role in the company take shape more as time went on?

GJK: 1949 was a very desperate period, as a matter of fact, for the paper business. But from 1950 through 1955, business picked up considerably and I was working then in the newly organized kraft division as assistant to the vice-president there and I began to spend a good deal of time on sales and as (?) Superior Paper Company that we were talking about (?). [Note: Transcript unclear.] One of their problems was how were they going to keep running. They couldn't get enough material, so part of my job was to have charge of the inter-company requirements. I would be working closer with them. Also it was my job to find out what they had under contract, what they could count on and what they couldn't, what had to be provided for them in the way of material, and how we would provide it.

ERM: In setting up an acquisition, what procedures did you usually follow? I presume you would start by giving some hard and serious study to the kind of new facility you needed, the location that would suit you best, and then look for prime properties in the area that might possibly be negotiated for.

GJK: I think more often than not, the people would come here. It wasn't us going out and finding people.

ERM: In that period of time a considerable number of older companies had grown weary. Family-held companies were not producing the same quality leadership as they had in earlier days.

GJK: That's true in some cases but not true in others. The basic problem of the privately held company was: "What was its value if something happened to the man who was the principal holder? They wanted a marketable security. This thought probably forced more mergers or brought more of them about than anything I can think of.

ERM: Other members of the family were more interested in cutting out their full share to invest in anything they wanted to, not necessarily that one thing.

GJK: That's true. But also it became the matter of inheritance tax. How could the company survive? That was another very major factor.

ERM: Do you see other factors that were imposing that condition?

GJK: You start a business and it grows and you must have the ability to get the capital to go with its growth. You find more companies that reach a certain point where they are making money but they absolutely have no cash. And they need money. That's another problem. The more you sell, the bigger your receiver will become. You need more inventory. It's all good but where is the money?

ERM: Success creates problems.

GJK: Naturally. And that's part of the system.

ERM: You mentioned that sales in St. Regis slumped 21.7 percent in 1949. This was a steeper decline than that suffered by other companies in the field. Can you explain why St. Regis had a steeper slump that year than some of its competitors?

GJK: We acquired Florida Pulp and Paper Company in 1946 and one of the processes we went through there was to secure more tonnage for our own integrated plants. We had lost a lot of customers and we didn't renew contracts with them. We were just about through that stage when 1949 hit and we certainly weren't in good shape, I can assure you. That was part of the reason.

ERM: You are now using your pulp production to feed your own recently acquired paper and board plants. Do you recall the independent study of the company which was made in 1947, one which highlighted certain liabilities in the company?

GJK: When we wanted to put Gaylord Container into St. Regis, George Armstrong did a study and I think that may be what you are referring to. It was to show the benefits of putting the two together.

ERM: You were concerned at the time with the problem of getting larger kraft production for meeting the needs of your bag plant. Is that right?

GJK: Yes, that's true. Of course, we had acquired Pensacola in 1946 and that had two machines. Then we built number three machine and number four machine and in that same period we started the first machine at Jacksonville.

ERM: Right after the war, you were at some disadvantage in northern New York because of the high cost of pulp and wood up there. I wonder to what extent your acquisitions failed to meet those needs.

GJK: We are talking about the paper not the Panelyte. That was all part of the Time-Life deal if I remember correctly. We acquired Bucksport, we acquired Hennipect and we also acquired the Kalamazoo plants. That was the big expansion period. We bought Pensacola, we bought Nashua River Paper Company at East Pepperell, and then the Time-Life deal was right in there, too.

ERM: Was this at a time when it became apparent that a greater number of executive vice-presidents might be needed to assist Ferguson?

GJK: I don't think we had executive Vice-presidents then. That came in the fifties, not in the forties. Ted Gay became the first executive Vice-president in 1951.

ERM: As that change in the management structure developed in the 1950s, was it mainly a matter of men moving up through the ranks to new positions or was there large-scale recruitment from outside?

GJK: Albert Ernest came from the South and became a vice-president in the woodlands department. And Willard Horn came from Union Bag. In 1947, 1948, Reg Vaile came from the outside. He was at the War Production Board, formerly with the Brown Company.

ERM: Your mentioning Albert Ernest reminds me that I knew the gentleman before he died. He was a very friendly, likable person.

GJK: He was a typical Southern gentleman. He knew where the wood was and he knew all the families and could talk to

them as a compatriot, a peer, without any question because he was a Southerner. He wasn't some fellow coming down from the North.

ERM: And he had a great concern for the Southern forests. He was actually an industrial conservationist of some importance in his time.

GJK: Yes. His son Albert Ernest, Jr. is still in it.

ERM: Has he any connection with the company today?

GJK: He founded a company in Jacksonville called Allied Timber which we acquired a few years ago. And at that time we made an arrangement with him to remain with the company on a consultant basis for two or three years.

ERM: With all of these changes I don't detect any flagging of faith in Mr. Ferguson's ability to show how or other pull it all off and turn things upward again.

GJK: That's right, Of course, he had a great way with people. He had an inspirational side and he also had this very, very terrific memory. A fantastic memory. He never forgot a name. I think you must also give a look to who was on the board in these periods. Most of them were insiders but there were outsiders who I think had some influence on this company. Some of them were Mack Holt, Gordon Reynolds and A. B. Dick. Through A. B. Dick you have the Homer Vilas connection.

ERM: Of course, Homer was always a kind of minister without portfolio as far as relations with the company were concerned. He was so close to Ferguson.

GJK: He'd been a director of Union Bag for quite a while, still is.

ERM: When were you first aware of the upswing that began to develop after 1949? Was it government orders for war materials?

GJK: Certainly the Korean War had a great impact on us, all packaging went up. We were in the acquisition period at that point. Many of the businesses did very well until 1956. In 1957 it all went to pot, without any question. That was due to over capacity to a degree.

ERM: I went to a Paper Week Meeting in the fifties and heard the late J. B. Zellerbach scolding his peers over their tendency to produce too much capacity, and with deleterious effects on the industry. This reminded me of a story that (Inman F.) "Cap" Eldridge told me about something that had happened in the turpentine industry down South years ago. The operators were always warring amongst themselves over their labor force. Their black workers in the pineries were skilled people. Companies would raid each others' camps once in a while and hire away some of the best laborers. There was a lot of fuss over this practice. So they decided to have a meeting in Savannah to see if this issue could be resolved. Cap was out on the road one day while this meeting was in session and along comes one of the operators in an old jalopy. He had left the meeting early. Cap accosted him and said, "Charlie, where are you going?" "Well, I'm heading home." (Laughter) "What came of the big meeting?"

“Well, a lot of palaver about all the business we been talking about.”

“How come you're checking out so soon?”

“Well, I thought I'd get away a little early so I could pick up a few hands on the way home.” (Laughter)

The competitive spirit is always there and when opportunity beckons there is going to be movement, isn't there?

GJK: Of course. In the fifties, when everything was so good, up through 'til 1957, I think the history of the industry would show that at that point production people were running companies. Then we go to sales people running them, and then financial people were running them. I'm not sure anyone of the three is good at really running a company. You've got to have a real perspective and an understanding of all three and how they mesh together, not just be a specialist in one area.

ERM: Should the management, which has a broad view be one that comes out of experience in that company, or another company in its own field, or is it possible to put a generalist from another industry into that position?

GJK: If a broad-gauged person from another industry has the ability and he understands how things fit together, he'll learn a new industry. It's not going to take him that long.

ERM: That is no deterrent then?

GJK: I don't think so.

ERM: So, as far as the capacity for leadership in today's business world, you feel it's made for the broad-gauge man rather than the specialist or even the industry-rooted person?

GJK: Right. A lot of things you'll read about me say I came up the financial route. Many people think that's what I am. I never had anything to do with the finances of this company until 1969, 1970. But along the way I was developing an awareness of how finances, production, and selling all fit together. When I took over the accounting and financial end of the company I sure didn't know anything about it in the sense of ever having worked in it. Yet many people think that's what I've been in all my life.

ERM: How did the success and profitability of the converters right after the war influence the course of St. Regis? You've mentioned a few of these but are there certain ones that you see as having been the mainsprings in that direction?

GJK: We touched on this a bit yesterday when I said we finally got into the South and we were late in getting there. The reason we were late was because we were so close to bankruptcy during the Depression. There wasn't any money. In the acquisition of Pensacola, the building of more machines there, and the building of the Jacksonville mill, we built primary capacity at low cost in the South versus the North in those days. Then we acquired others plants—Superior Paper Products, in 1954; General Container in 1955; Ajax Box, Growers Container Corporation, Cambridge Corrugated Box Company, all these in the mid-fifties. Plus folding carton plants. Cleveland, Marshall and then Milwaukee Cornell Paper Products, which gave us folding carton plants also and another corrugated box plant.

ERM: These were profitable enterprises from the start, weren't they?

GJK: Sure. When one looks at the dates of acquisition you realize what happened in 1957. Just think, in 1957 linerboard was \$127.50 a ton and it never got back to \$127.50 a ton until November 1972 or 1973. Fifteen years. And look what happened to costs in the interim.

ERM: In what specific areas do you feel St. Regis has been a notable innovator in the industry?

GJK: I think we've always been the innovators in the multiwall bag field, P. E. coated kraft and also the lightweight coated publication papers. We've certainly been innovators since we got into the plastic end of this business. We developed different kinds of sub-strengths that just weren't done before. In many cases we had to develop some of the machinery to make all this possible. We've been real innovators in the whole packaging area.

ERM: Crown Zellerbach made a study around 1948, 1949 and 1950 relative to this growth management problem, self evaluation, and implementation of changes. I wonder to what extent that survey had an influence in your own thinking here in the company leading you to do very much the same sort of thing.

GJK: I don't think I can honestly answer that question; I probably didn't have any knowledge of it. One of the things we do and have done for the last few years is rather an intensive manpower development operation in this company. We always know who is ready to fill a spot if somebody gets killed by a truck. Each area of the company has a man who is responsible for the jobs in that area. He provides choices of individuals for a particular job. Every year I go over that at the Operating Committee level. We may say, "There's no way we can see this man at that job." Or, "We have three good ones, we are going to take one and put him in an entirely new area." This also helps the man you move out – if he's been in corrugated boxes for fifteen years or multiwall bags and you put him in plastic packaging as the manager of it. A case in point. Bill Royce has been in the multiwall bag business ever since he's been with this company. Two years ago we took him out and put him in charge of flexible packaging where he's done a tremendous job.

ERM: Your experience has proven to you conclusively that movement and enlightening the experience of your best people is the best route to go.

GJK: That's right. And we give everybody involved something like this every year (shows chart to ERM). The color tells you when the man retires.

ERM: Within five years if the red. Six to ten years if green. Eleven to fifteen years is yellow.

GJK: The colors seem to stand out better than just putting a date. And if the one to five is red that's because there's danger, I guess. We continually evaluate our people and we know if they are good, bad or indifferent. I think we might just look at 1969, when our company was at \$870 million. We had 8,200 people on the salaried payroll. Today we're about \$1.5 billion in round figures and keep 6,200.

ERM: Six thousand, where you used to have eight thousand?

GJK: The company nearly doubled.

ERM: Do you think that trend of a larger operation and slowly diminishing number of employees is going to continue?

GJK: I think we've well reached the point of return. This is salaried people only. In the total company we have over

thirty thousand employees. We have had to define responsibility and authority. Everybody produces.

ERM: Your invasion by chance into the newspaper business tantalizes me.

GJK: We bought Tilson and they happened to own the newspapers. And very pleased we are.

ERM: You are doing well and finding it to be a profitable enterprise. In late 1970 you wrote either a speech or an article, which was subsequently published in March 1971, which you entitled "Measuring Achievement? Will the 1970s Change the Yardstick?" In that speech you stated, "The paramount economic challenge facing the paper industry in the 1970s will be to survive in its present state as a single entity or as an integral part of the forest products industry." Five years have passed since that statement and I wonder, in retrospect, how you feel the industry has met up to this challenge.

GJK: I think there has been a remarkable change in the industry in that time in the way it operates. You have to witness 1975 where we have had an operating rate the lowest that it's been since before the war. I think the companies have learned how to manage their businesses better. Despite the poor running time, we are having our second best year in history.

ERM: It wasn't too many years ago when it would have been doctrine to say you can't stay in this business if you run at that low level of production.

GJK: That is, of course, one of the myths that had to be proved wrong.

ERM: When did that myth wear out?

GJK: There were many of us thinking about this problem. We saw it was possible to be taken over by an oil company or a chemical company.

ERM: That challenge you saw leads one to wonder whether your own industry may be branching out and integrating in other fields. You are getting into the publication field. You are into printing.

GJK: Of course, we've been in publication since 1946 or 1947. That is, lightweight publication.

ERM: You're speaking, I presume, of printing paper products that you sell to users of those products. But are you also getting into the publishing business, too? Periodicals, newspapers, things like that?

GJK: No, no. I don't think that would be in line at least with my philosophy. I think we should capitalize on the things we are best in – the poly-packaging, the multiwall bags, the lightweight coated papers. I think we are good in it. Hence, we built two small bag plants this last year. We are moving ahead with that big new machine in Bucksport and we put an awful lot of money into our flexible packaging end.

ERM: Do the prospects of the paper industry for the remainder of the seventies look any better or any worse to you now than they did back in 1970 when you wrote this article?

GJK: It's my feeling they look better.

ERM: At that time you saw a group of mixed economic signals that seemed to indicate things in the future might not be as rosy as some of your more optimistic conferees.

GJK: Another thing at this period was the concern over costs we were going to incur from the environmental issues. And

it was very obvious that if we kept going with our profits of the sixties, we would not have had the money for the cleanup. And this was something that in terms of magnitude was really like a fire running around the country at that point and it still is. We've been able to demonstrate that we have spent one hell of a lot of money on it.

ERM: How well do you think your company and your industry has done to meet that particular challenge?

GJK: I think it is generally recognized that the paper industry has done more in a shorter time, proportionate to the size of its problems, than any industry in the United States.

ERM: How close do you think it may be to reaching the point of being able to say it is on top if its environmental problems?

GJK: I'd first have to know the answer to what the ever changing rules are. Then I would know when we could say we might be on top. But at this point, the rules keep changing. It's a very emotional issue, you know.

ERM: You were keenly aware in 1967 of the economic, social, technological, philosophical and political changes that were then already in full motion. And those changes have further developed in the last five years, what has been their effect on the paper industry in particular and business in general?

GJK: On the social side of the question are the environmental issue, the equal employment act, and the so-called multinational corporation social issue. In the environmental issue our industry is moving very well. The only thing we don't know is what the fine rules are. I think we as a company have made great strides in the matter of the Equal Employment Act.

ERM: I'm sure there have been problems connected with adjusting to the act, of assimilating people into your organization in order to meet its requirements.

GJK: I think people have to adjust to accepted social change just as they have to adjust to changing economic conditions. And anybody that works for us must understand that is part of their job. The corporation sets the course and if you disagree very strongly with whatever it is, you either conform to what the rules are or you go elsewhere.

ERM: You are a resident corporation headquartered in the city of New York which is today in the throes of financial crisis. How do you see your place in that situation as a major corporation headquartered in New York City?

GJK: This is another one of those problems we go through. I think answers will be found. I think the problem is a little broader than the city here. This is true of many cities and states. They may not be just as far advanced in the economic crisis but they certainly are on the road to it. How long can our federal government go on running its current deficit? We can't run a business that way. Or we'd be bankrupt.

ERM: There's got to be an end to the line somewhere.

GJK: Absolutely. And one of the evolutions we're going through is a very affluent society based on the economic productive system. Now, people are proposing another set of values to change the system without giving due recognition to what has brought it to where it is.

ERM: Are businessmen in New York moving as swiftly as you think they ought to in dealing with these concerns: pollution, civil rights, poverty, etc.? Would you like to see them moving faster?

GJK: The area that they are making the least progress in is communications of what is going on, what is being done.

Somehow businesses fail to do this in the proper manner.

ERM: Why has business been persistently poor in informing the public about what it's doing, what it's done?

GJK: In the last few years they have been more defensive than aggressive. It has changed to some degree but it needs more emphasis and more push behind it.

ERM: In other words, you don't wait for a serious accusation or bit of muckraking before responding. You do your public education job first.

GJK: Tell all the facts first. You know, the Harris Poll on what the man in the street thinks business makes by percentage. At the beginning of last year we had taken all our assets, got cash for them and bought certificates of deposit or *put* them in savings accounts, we'd have made more money percentage wise. And if you tell that to the average man, he thinks you are kidding him because he knows you make big profits. You made a hundred three million last year. Yet, when you look it as a percentage of sales you look on it as a return on an asset in the percentage form. I look upon running a business no differently than my running my personal household budget. There is no comparison between the numbers but the principles have to be the same. For any lengthy period of time, you can't spend more than you take in.

ERM: I think one area where there is a great deal of wonderment in the public is the life style of the American businessman.

Tape 593-2 – Continuation of December 9, 1975 interview

GJK: You can look at any published report, It tells you that I earned \$315, 000 last year. It's true if you look at it just that way but it's not a fact, one hundred thirty-eight thousand dollars of that is incentive bonus, which I always have taken, not in cash, but in preferred shares of the company. Now, I understand when I take it that way I owe 70 percent tax on it and not 50 percent. It is a blow to me. That's what the rules are. And I don't understand how they get those rules but that's what they are. The tax man told me that and so did our accountants.

ERM: I don't think that fact is made clearly enough with the American people.

GJK: I get less than half of my regular salary because it's all withheld in state, federal and city taxes. Then I tell a few people I do have two houses, which cost me six thousand dollars in real estate tax. It just gripes me because they have no idea of the pressures of taxation, or the loss of my own private time. My wife says to me many times, "Can't we ever go someplace where somebody isn't going to meet you at the airport and you don't have one minute?" I have a house on the Cape. I didn't get one day's vacation this year to even use it. My grandchildren, my children and my wife were up there six, seven weeks at a clip, but not me. Not only that, but then my wife gets mad at me. "How come? You're supposed to be the boss of that company. How come you don't get a vacation? Everybody else I talk to has been on vacation." That's just the way it works out sometimes.

ERM: If you are at the top of anything, there is never enough time to keep on top of all of the mounting responsibilities that always come back to you. It's as the old sign on Harry Truman's desk said: The buck stops here. And you are where it stops in St. Regis.

GJK: Right.

End of interview.