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1. Portrait: Charles A. Woodcock (St. Regis Paper Company).  
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  2. One of a series of advertisements that appeared in 1932 promoting the use of the multiwall sewn paper valve bag for packaging cement. (Highway and Heavy Construction) Placement: Woodcock, page 13.  
Adelmer Marcus Bates and John Evans Cornell, founders of the Bates Valve Bag Company of West Virginia, which was the forerunner of the Bates Valve Bag Corporation acquired in 1929 by St. Regis. Photographs from Edgar B. Hoppe's Histor of the Development of the Bates Valve Bag Packing System. (St. Regis Paper Company). Placement: Woodcock, page 16.
  4. Some of St. Regis's major officers and directors in the late forties. (Penscola (Fla.) Journal, April 16, 1948) Suggested placement: Woodcock, page 30.

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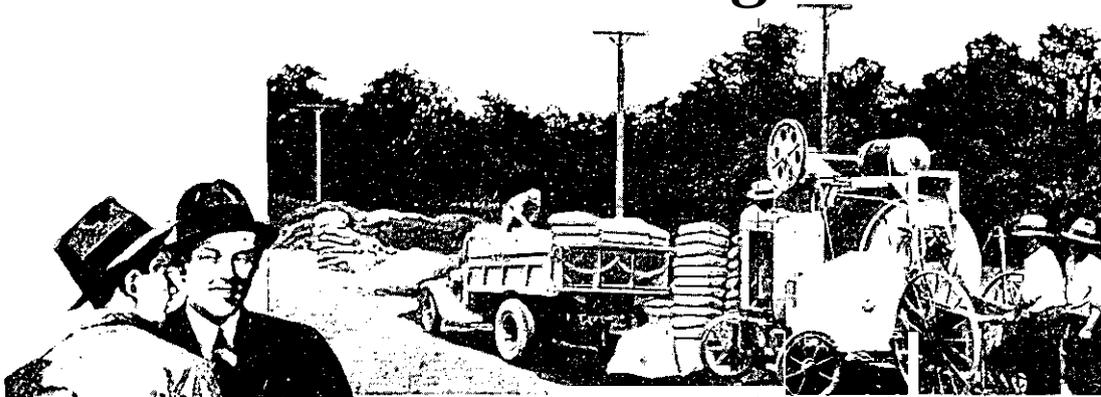
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13. Portrait: Andrew F. Storer. (St. Regis Paper Company).  
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STORER  
INTERVIEW



Charles A. Woodcock

# "Are the men more careful ... or are these *bags* better?"

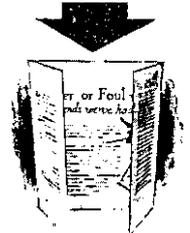


"YOU'VE noticed that, Chief! I checked up on it a few days ago. I think the men are a little more careful of *everything*, because they're all trying their best. But I do know that the bags are very much improved!

"I have a friend in one of the Kraft paper mills supplying the stock for these bags. I understand from him that there's no comparison between the paper they produced three years ago and now ... it's so much better now

"And, when the Multi-Wall Sewn Paper Bag factories worked out of their 'semi-hand' stage, and *mechanized* all the way through, they insured their jobs just as we have ours ... with machines that can't miss—instead of variable human hands.

"Besides, in the cement mills, packing machines and handling methods have all been ... Chief, am I making a public speech or something?"



*A series of timely bulletins is being mailed to Highway Officials and Contractors. To insure that yours come to you promptly, send your name and address to The Associated Manufacturers of Multi-Wall Sewn Paper Bags, 60 E. 42nd St., New York, N. Y.*



*Public speech or not, engineers-in-charge appreciate assistants checking up. The check-up, by the way, usually results in a decision to make the Multi-Wall Sewn Paper Bag the container for the delivery-to-job of cement ... and particularly in the case of the latter-day special, fine-ground, high-early-strength cements.*

The Associated Manufacturers Of  
MULTI-WALL SEWN PAPER BAGS  
60 East 42nd Street, New York, N. Y.

ARKELL AND SMITHS  
Canajoharie, N. Y.  
BATES VALVE BAG CORP.  
60 E. 42nd St., New York, N. Y.  
BEMIS BRO. BAG CO.  
Peoria, Ill.

THE JAITE COMPANY  
Jaite, Ohio  
THOS. PHILLIPS CO.  
Akron, Ohio  
THE RAYMOND BAG CO.  
Middletown, Ohio

TAGLIART BROS. CO., INC.  
60 E. 42nd St., New York, N. Y.  
UNIVERSAL PAPER BAG CO.  
New Hill, Pa.  
THE VALVE BAG CO.  
60 E. 42nd St., New York, N. Y.

Advertisement addressed to Highway Officials and Contractors  
... appearing in the June, 1932, issue of "Roads and Streets."

One of a series of advertisements that appeared in 1932 promoting the use of the multi-wall sewn paper valve bag for packaging cement.



*Adelman M. Bates*

Adelmer Marcus Bates above,  
and John Eyans Cornell,  
founders of the Bates Valve  
Bag Company of West Virginia,  
which was the forerunner of  
Bates Valve Bag Corporation  
acquired in 1929 by St. Regis.  
Photographs from Edgar B.  
Hoppe's History of the Devel-  
opment of the Bates Valve  
Bag Packaging System.



*J. E. Cornell*



**ROY K. FERGUSON**  
President of St. Regis Paper company.



**EDWARD R. GAY**  
Director and vice president of St. Regis, who directs the packaging division.



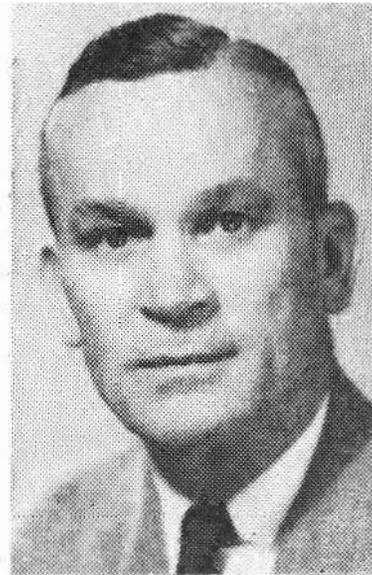
**WILLIAM H. VERSFELT**  
Director, vice president and treasurer of St. Regis Paper company.



**WILLARD J. DIXON**  
Director, vice president and secretary of St. Regis Paper company.



**JAMES N. ALLEN**  
Director of St. Regis Paper company and president of Florida Pulp and Paper company and Alabama Pulp and Paper company, wholly-owned subsidiaries of St. Regis.



**A. D. PACE**  
Director of St. Regis Paper company and vice president and treasurer of the Florida and the Alabama companies.

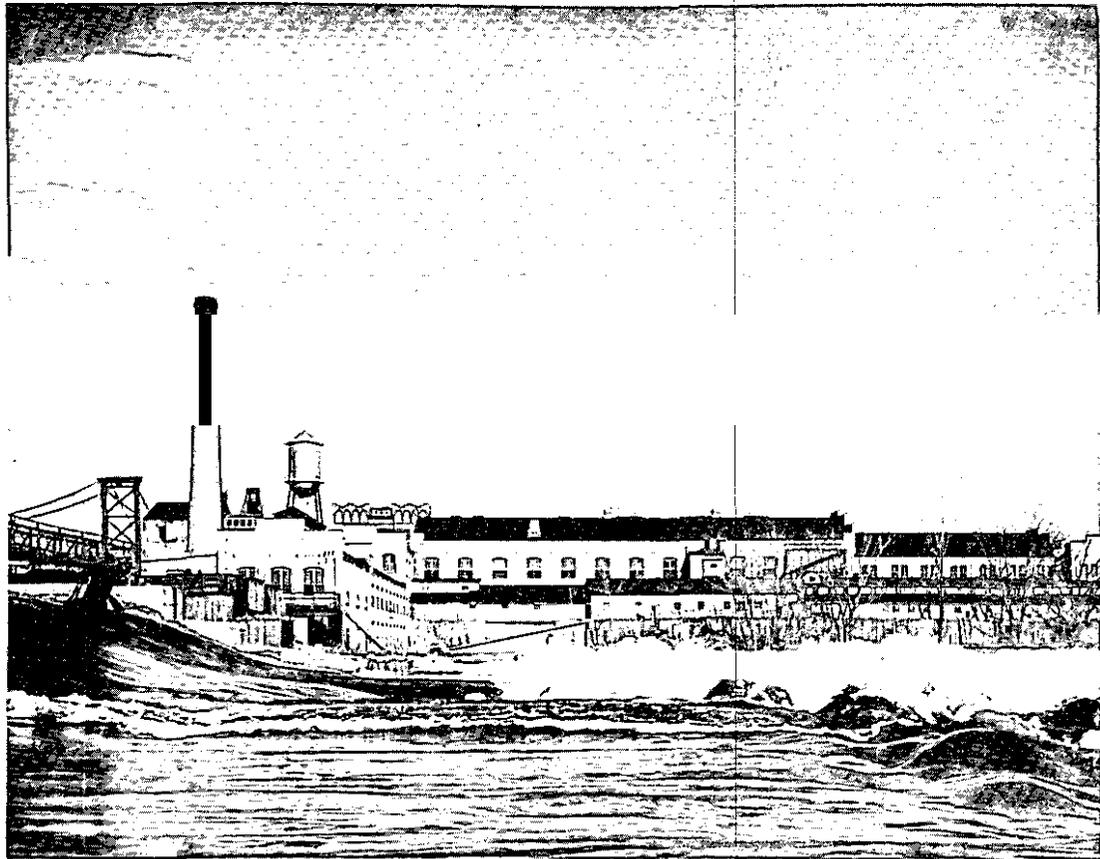


**JOSEPH A. QUINLAN**  
Director and vice president, who directs traffic affairs for St. Regis Paper company.

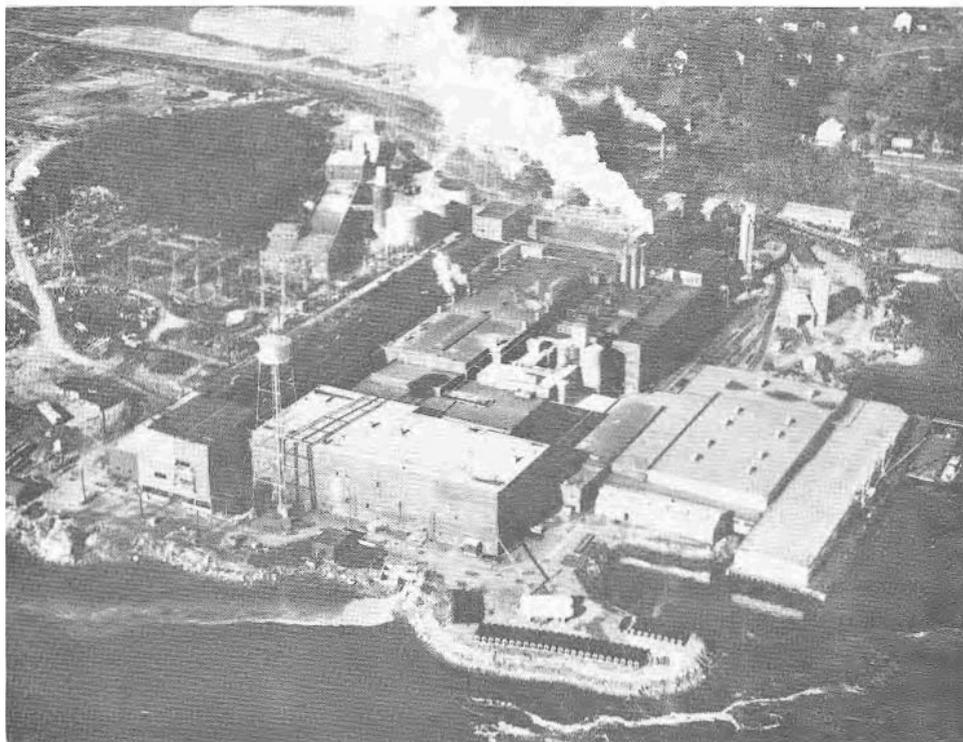
Some of St. Regis's major officers and directors in the late 1940s. Photo from Pensacola (Fla.) Journal, April 16, 1948.



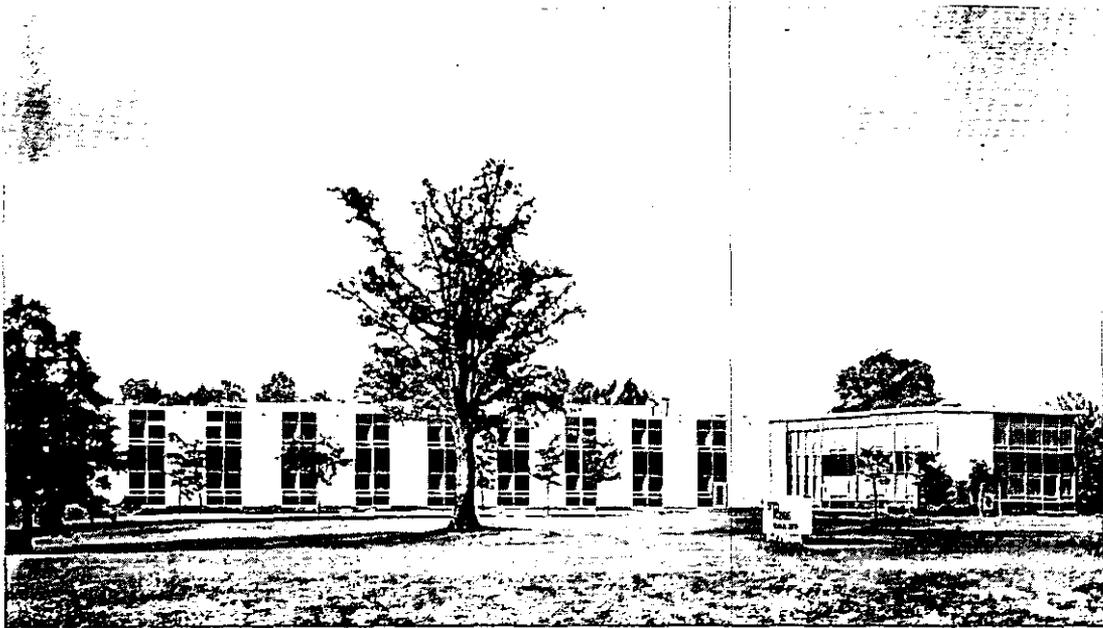
John D. Clifford



The Sartell, Minnesota mill in 1956. Photo courtesy St. Regis Paper Company.



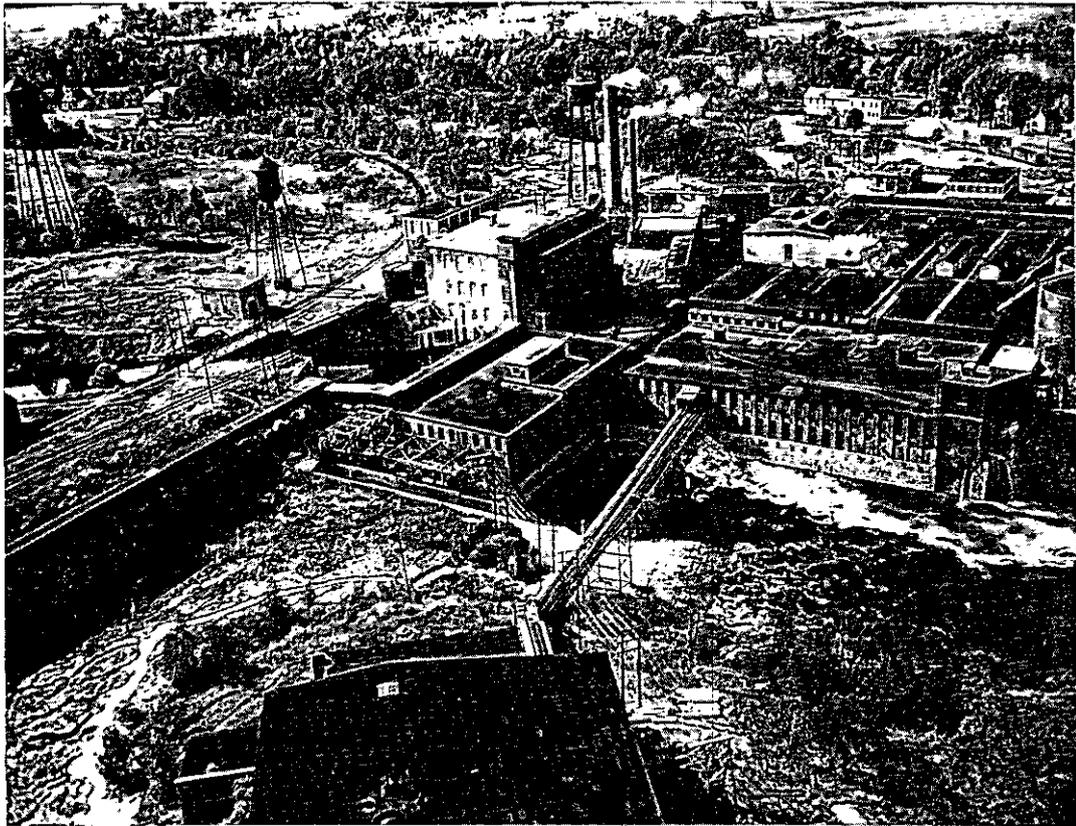
The Bucksport, Maine mill in 1966. Photo courtesy St. Regis Paper Company.



View of the Roy K. Ferguson Technical Center in West Nyack, New York in the early 1960s. Photo courtesy McGhie Associates, Inc.



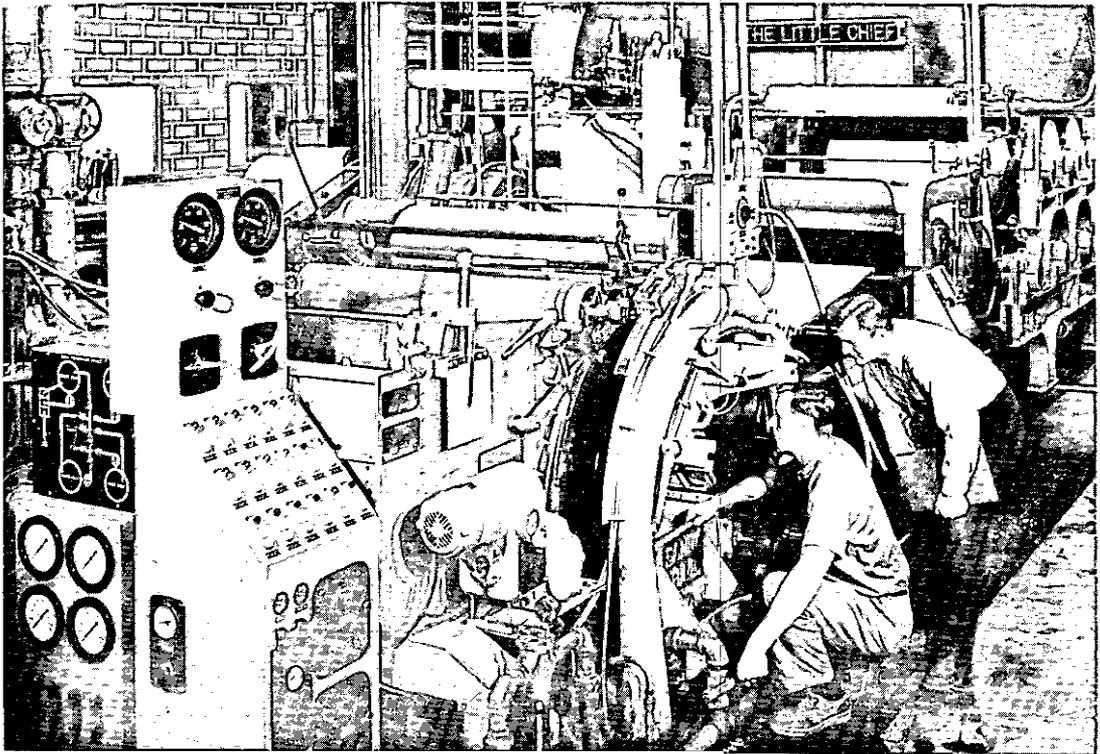
**Jack W. Hartung**



The Deferiet, New York mill in 1945. Photo courtesy Niagara Mohawk Power Corporation.



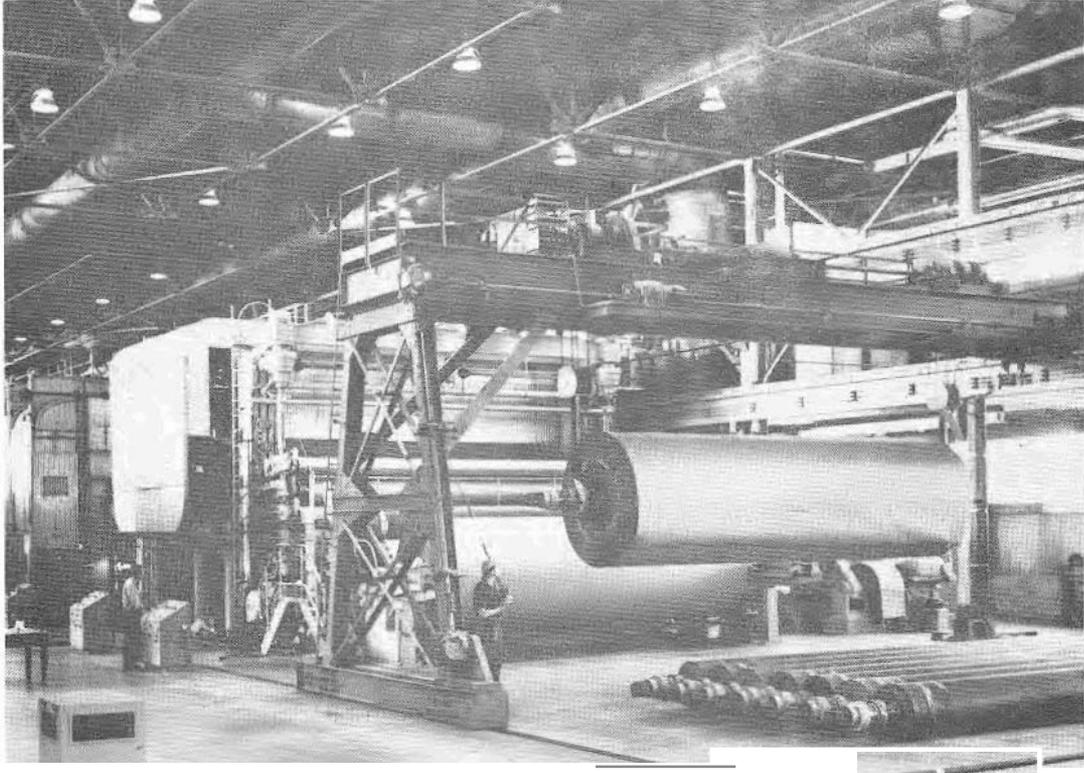
The William R. Adams, christened in 1968, was designed for export of kraft production from Jacksonville to Europe. Photo courtesy St. Regis Paper Company.



The "Little Chief" pilot paper machine located at the Roy K. Ferguson Technical Center. Photo courtesy McGhie Associates, Inc.



Andrew F. Storer



The "Seminole Chief" machine at the Jacksonville, Florida mill in 1957. Photo courtesy St. Regis Paper Company.



The Hinton, Alberta mill under construction. Photo courtesy St. Regis Paper Company.



**The Rhinelander, Wisconsin mill. Photography courtesy of St. Regis Paper Company.**



Roy K. Ferguson and William R. Adams in the early 1960s. Photo courtesy McGhie Associates, Inc.

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

## INTRODUCTION

The era following World War II has been one of dramatic change for St. Regis Paper Company. Any type of measurement--annual profits performance, geographic spread of operations, extensiveness of product line, or number of employees--readily exhibits the magnitude of the transformation.

St. Regis's 1945 net income of \$2.2 million soared to \$11.6 million by 1950, a figure almost doubled again by 1960. In the fifteen years following 1945, the company penetrated the South on a large scale, expanded in the Pacific Northwest, gained a more important foothold in the Northeast, and extended its international reach from the Canadian province of Alberta to South Africa. This enormous expansion was made possible through acquisition, plant construction, and investment.

Such growth was not merely "more of the same" as far as product line was concerned. While St. Regis continued to build its strength upon perennial breadwinners like printing papers and multiwall bags, it also diversified broadly. Largely because of Roy K. Ferguson's special genius for making wise acquisitions of other companies, St. Regis moved aggressively into production and sales of containers, folding cartons, breadwrap, flexible packaging, glassine and greaseproof papers, a variety of other converted products, as well as lumber and plywood. By 1960 nearly half of net sales were derived from materials not manufactured by St. Regis prior to 1954. Diversification of products manufactured was accompanied by a growth in the number of persons employed by St. Regis. By 1960 this number had more than doubled over what it had been at the end of World War II.\*

This volume of interviews conducted by the Forest History Society under a special grant from St. Regis is the third in the series to be published by the Society. All interviews put their focus upon areas of company and paper industry history so as to supplement research

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\*St. Regis Paper Company, Annual Reports for 1945, 1946, 1950, 1960.

done in company records, personal papers, and a wide range of published sources. Three Memoirs on the St. Regis Paper Company, Volume 1 of this series, was issued in January 1976 and contains interviews with Eunice R. Wardwell, Harold S. Sutton, and Louise E. Richter. The interviews were made by Elwood R. Maunder and John R. Ross. They shed light on the early years of company history up until the 1930s when St. Regis severed its relationship with the utilities business and reestablished its identity as a paper company.

Volume II, Evolution of a Paper Company: The Carlisle-Ferguson Years at St. Regis, contains sessions with Homer A. Vilas and James E. Kussmann conducted by Maunder and Ross. An interview with the late Carl B. Martin, conducted in 1966 by James E. Kussmann and Samuel Shane, is appended in the volume. Messrs. Vilas and Kussmann were intimately acquainted with the late Roy K. Ferguson, who played the principal role in shaping St. Regis's development from the mid-1930s to the early 1970s. Ferguson here takes clearer shape both as a man and as a titan of the American business community. At the same time this volume deals importantly with conditions and events which had impacts upon the pulp and paper industry in the critically important postwar era.

Of Roy K. Ferguson's role in shaping the developments during this exciting period, Mr. Kussmann says:

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 opportunities that were existing as a result of the curtailment during World War II and the thirties . . . . 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..\*

"Awareness of opportunity"--a favorite Ferguson concept--and successful entrance into new areas of the business in the postwar years are the primary focus in this third volume of interviews. The book contains sessions conducted by John R. Ross in the fall of 1975

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\*Interview with James E. Kussmann in Evolution of a Paper Company: The Carlisle-Ferguson Years at St. Regis, conducted by Elwood R. Maunder and John R. Ross (Santa Cruz, California: Forest History Society, 1977), p.61.

with Messrs. Charles A. Woodcock, John D. Clifford, Jack W. Hartung, and Andrew F. Storer, all long-time St. Regis employees presently holding positions of major responsibility within the company. Each respondent shares with the reader his portion of the experience which created a company that described itself early in 1977 as

one of the nation's most diversified forest-based companies, international in scope and possessing a balanced structure of resources, manufacturing operations, products, and markets. Revenues and assets in 1976 rank the company among the world's 300 largest industrial corporations. St. Regis operates 139 plants in 10 countries and has investments in affiliates that operate 76 additional plants in 23 countries.\*

Charles A. Woodcock, manager of corporate accounts, came to work for St. Regis in 1936 and has spent much of his career in sales, marketing, and management activities for the company's Bag Division. During his early years with St. Regis, all of the firm's kraft paper and some of its multiwall bag plants were clustered in New York's North Country. The paper was manufactured at the Oswego, Carthage, and Herrings mills; the first two of these facilities also produced multi-Walls. Other multiwall plants were scattered across the United States and Canada. The company also owned bag plants in Belgium, Brazil, and Argentina.

This configuration of manufacturing locations was radically and permanently altered by the move to Pensacola in 1946 through the acquisition of Florida Pulp and Paper Company. Pensacola produced kraft pulp and paper at this time; by 1948 its expanded kraft mill and its new multi-wall bag plant were in operation. It soon became the company's locus of both kraft paper and multiwall bag production. St. Regis also installed a paper machine (and later a bag plant) at its Tacoma pulp mill, and in 1953 the newly-constructed Jacksonville kraft mill came on-stream.

During the 1940s and 1950s, the foothold of the St. Regis multiwall bag in the packaging field was significantly broadened. In earlier years the predominant multiwall markets had been in rock products and cement: in 1941, for example, these commodities consumed 67 percent of St. Regis's multiwall production, while chemicals

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\*St. Regis Paper Company, Annual Report for 1976, p. 1.

garnered only 6 percent, and agricultural products approximately 9 percent. In the ensuing years, aggressive sales efforts in other markets changed this distribution substantially. By 1948 the share of rock products had dropped to about 41 percent, with chemicals rising to nearly 28 percent and agricultural products to 19 percent. During this same seven-year period, bag production in tons was increased by roughly 140 percent.\*

St. Regis's bread and butter in printing paper had been (and continued to be) direct sale in large volume of virgin fiber catalog, directory, and magazine papers to major consumers of these grades. Kalamazoo, by contrast, was a user of secondary (waste) fiber and sold comparatively small units of high-grade papers to paper jobbers. The papers were used in advertising brochures, annual reports, and the like. The Bryant mill was sold within a decade of its acquisition by St. Regis, and Mr. Hartung's remarks suggest why this may have transpired. This sort of subject merits further detailed study, as the analysis of acquisitions by St. Regis which did not prove desirable on a long-term basis is just as illuminating as a celebration of those, like Bucksport, which did.

Hartung also discusses the nature and impact of the St. Regis Middle Management Group as it evolved during the 1950s. This subject, for various reasons, is of particular significance, the most obvious being that some of the former participants in the Middle Management Group are today top executives of St. Regis. Study of this small group helps to remind us that while St. Regis's dramatic postwar activities derived from Ferguson's planning and implementation by senior management, other sectors were making contributions, the scope of which would increase.

The original group, which included George Kneeland, consisted of just four or five people from different departments who got together here in New York. Their purpose was to find out what was going on, because there was a great tendency for the various areas of the company to operate pretty autonomously. This so-called Middle Management Group was able to keep informed by getting together and exchanging information. These men saw the problems that were

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\*St. Regis Paper Company, registrant, Securities and Exchange Commission Form S-1 Registration Statement, filed 27 September 1946, p. 9; St. Regis Paper Company, registrant, Securities and Exchange Commission Form S-1 Registration Statement filed 8 August 1949, p. 8.

cropping up. They felt that these problems should be resolved if the company was going to grow and prosper (p.69).

This third volume of St. Regis history interviews concludes with three sessions with Andrew F. Storer, at this writing a vice-president of the company and director of corporate accounts. Storer covers extensively some of the major acquisitions--General Container, Rhinelander, and Pollock--as well as those of smaller, but nonetheless important firms like Gummed Products.

Storer describes the first annual sales meeting of the St. Regis Multiwall Bag Division, suggesting that the meeting initiated the company's " . . . first kind of full-scale promotional effort." one limited, however, to the division. What even a cursory reading of the transcript of the meeting makes clear is that while St. Regis was expanding its production during this period, it was also nurturing newly formed functions--advertising and market analysis, for example--in an effort to see that bag sales were made broader and more systematic. Both of these important activities are analyzed in the Storer interview.

Storer provides considerable information on the sales efforts of the Bag Division during the late forties and the fifties, describing important practices like "selling all the way through" and "selling the customer's customer." These efforts were crucial in entrenching the St. Regis multiwall in markets in which its position could be increased, or in which it was a relative newcomer. "Selling the customer's customer" was of particular use in the flour industry. There the immediate customers of bag packaging--the millers--took what Storer describes as "a neutral position" on the value of multiwall bag packaging. The way to sell bags to the millers was to induce their customers, the bakers, to request shipments in multiwalls. This "preselling" technique seems to have worked well for St. Regis.

Storer's interview is also notable for its candid and illuminating treatment of the ill-fated negotiations to merge St. Regis and RCA in 1968.

I think we all approached it [the merger] with a certain amount of trepidation--and I'll say disappointment. We had lived through a period of seeing St. Regis grow and diversify very dramatically. Our board was at least fifty, if not seventy-five percent, made up of inside directors. . . . They tended to look with a certain amount of pride on St. Regis. I think they felt as a group that we had a lot

going for us. So at that February board meeting they elected not to go through with the merger, much to the joy of many of the rest of us (pp. 113-14).

St. Regis further strengthened its leadership in multiwalls through technical innovations like polyethylene-coated plies for moisture resistance and through design improvements like the stepped-end bag. Another contributing factor to continued and growing success was the ability of the Bag Division to sell an entire packaging system, which included bag packers, palletizers for stacking filled bags, and, of course, the multiwall bags themselves.

Mr. Woodcock offers valuable insight into the developments sketched above, and touches on other events and trends with far-reaching consequences. One of these is a landmark shift in management orientation in the Bag Division. In the past, authority in this sector had been divided between two camps, sales and manufacturing. Mr. Woodcock speaks about the purpose of this significant reorganization:

This followed the formation of the division under a division general manager and the need to bring together the total effort on a divisional basis. Previously, people in sales, manufacturing, engineering, and, I guess, technical pursuits, thought only of their respective areas. We wanted to unify the division in one total effort.. . . With the changing times, there was the need for a stronger marketing thrust, particularly in the development of new products, new concepts in the bag area, as against just a straight industrial multiwall bag (p. 16).

The general manager concept instituted by the Bag Division was a trend-setter which helped clear the way for the profit center organization by which St. Regis functions today.

John D. Clifford has long been involved with St. Regis's Printing Paper Division. He is presently the division's general sales manager, a position he has held since 1964.

Much like the bag and kraft operations, St. Regis printing paper manufacturing was revolutionized by post-war acquisition and construction. The key event of the period came in 1946 with the acquisition of three paper

mills from Time, Inc. and the continuing relationship with Time which had such a profound and positive effect upon St. Regis printing paper technology.

Until 1945 the St. Regis Printing Paper Division had been composed of the mills at Deferiet, Harrisville, and Norfolk, New York. During this year, however, the Watab mill in Sartell, Minnesota, was acquired, and during the following year the three Time, Inc. mills at Bucksport, Maine; Little Falls, Minnesota; and Kalamazoo, Michigan, joined St. Regis. The assets contract between Time and St. Regis pertaining to this transaction also provided possession of large parcels of timberland in Maine and New Brunswick.

The business deal with Time, Inc. made it possible for St. Regis to focus its printing paper production at three mills--Bucksport, Deferiet, and Sartell--and to dispose of other less efficient mills. The largest-scale developments were at Bucksport--today the leader in production of high-quality coated publication papers. Clifford reveals how interaction between Time and St. Regis worked to establish St. Regis's leadership in this line:

The insistence of Time, Inc. on consistent quality and their driving efforts to go lighter and lighter in basis weight, while troublesome to our manufacturing and technical people, made us the leader in the lightweight publishing business that we are today. We profited greatly from the impact Time, Inc. had on St. Regis in the lightweight publication area (p. 48).

Jack W. Hartung, vice-president of purchasing, touches upon a variety of manufacturing topics but also upon some of the more intangible aspects of the St. Regis experience. Hartung is an expert on the Bryant mill at Kalamazoo which St. Regis acquired from Time, Inc. It was there that Hartung began his career in the paper industry, and he points out how Kalamazoo's business "was quite a departure for St. Regis" in terms of making and marketing its product.

This decision seems to have marked a turning point. Perhaps the all-important "awareness of opportunity" which Ferguson so often emphasized had reasserted itself: cognizance being given that the greatest opportunity was within, and not beyond, St. Regis.

\* \* \*

We have had the generous help of many people in producing this third volume of oral history interviews in the St. Regis Paper Company History Project. Our thanks to the respondents for their enthusiasm during the sessions and their forbearance during the transcribing and editing process. Valuable assistance was given by the Public Affairs Department of the corporation in the various steps of production, and the Legal Department kindly made available materials from which interview questions were derived and which contributed to the accuracy of the text.

We are indebted to Highway and Heavy Construction, the Pensacola Journal, McGhie Associates, Inc., Niagara' Mohawk Power Corporation, and most particularly to St. Regis Paper Company for permitting use of the photographs in this volume.

Karen K. Burman, Carolyn Hernandez, Barbara Holman, Kristine Holtvedt, Ronald C. Larson, Jean Maunder, Pamela S. O'Neal, and Gloria Swing--all presently or formerly employed by the Forest History Society--participated with energy and patience in the production of the book.

Elwood R. Maunder  
Executive Director

Mark H. Neuffer  
Research Associate

Santa Cruz, California  
New York, New York  
October 24, 1977

FOREST HISTORY SOCIETY

## INTERVIEW I

### Session I

Charles A. Woodcock  
New York, New York  
September 24, 1975

John R. Ross: Charlie, let's begin by talking about how long you have worked for St. Regis, and what some of your major positions have been.

Charles A. Woodcock: I started with St. Regis in July, 1936 as an office boy and junior clerk in the sales promotion department, which was a corporate function. I became permanently assigned to the sales promotion department in January, 1937. As a sales promotion representative I was involved in introducing the multiwall paper bag to the sugar industry--working with the bottlers, the canners, and the candy makers--and to the flour industry. This type of work continued until December, 1938, when I became assistant manager of the cost and pricing department, which was a corporate function related to the Bag Division's bag pricing activities. In that function I was involved in the costing and in the price structure of multiwall bags. I also worked with our licensees; at that time St. Regis had many licensees within the bag industry. In about 1941 we took over the bag sales statistics function from the corporate accounting department, and revised and reorganized it to provide satisfactory and prompt sales information for our corporate management personnel. During World War II, in the early months of 1942, the technical development group was formed. This group worked closely with the government agencies on the development of multiwall bags to replace critical materials such as steel and fiber drums. I became the assistant manager of that department and we ultimately had a field force of three or four men. Some of the major areas that we worked with were the gas decontamination bag for overseas use in the event chemical warfare developed, subsistence products for the food shipments overseas, and then the chemical industry. We were working to

have the industry replace fiber and steel drums with multiwall bags.

Following this assignment, at the close of World War II I was asked to return as manager of the corporate pricing and statistical department. The previous manager had departed St. Regis. I served in this capacity for one and a half, two years, and was then selected to move to Chicago as a sales representative in the Bag Packaging Division. I functioned for two years as a sales representative and was then selected as sales manager for the overall central region under Vernon C. Douglas. In the course of the next two or three years, in reorganizing the Bag Packaging Division, we broke up this tremendous geographic area--which had been under Mr. Douglas--into three regional locations: Chicago being the central area, Denver being the Rocky Mountains region, and Birmingham being the southern region. The Bag Division was beginning to function as an integrated unit, whereas up to this point it had been operating as three separate segments. There had been a vice-president of manufacturing, a vice-president of engineering, and a vice-president of sales.

In December of 1953 I was selected to become general sales manager of the bag packaging operations. Following this, we successfully consolidated the engineering group into the Bag Packaging Division, and this became part of our responsibility--the field and packaging engineers became a part of the total sales force of the bag operations. At this point, I was working closely with Bernard W. Recknagel, who had been selected as the first general manager of the Bag Packaging Division. Willard Hahn, who was then vice-president of manufacturing, continued to report separately to the executive vice-president of the corporation. In the next two- or three-year period, the division was then fully consolidated, with manufacturing, engineering and sales all reporting to Bernard Recknagel. During the next few years we further changed the scope of the Bag Packaging Division and broke it into areas of operation, placing complete profit responsibility under a director of operations for a geographical area. The geographic regions at that point were the East, headquartered in New York; the central area, headquartered in Houston, covering the central states; and the West, in San Francisco, covering the western states. A director of marketing was appointed when the marketing function of this division was established, and the position of general sales manager no longer existed. At that point I was assistant to Bernard W. Recknagel.

The next step was my assignment to Chicago as the Great Lakes area general manager. At this point the areas had been broken into a number of other segments. Following this move, I was selected to become the Bag Packaging Division national accounts manager, and re-located back to division headquarters at West Nyack, New York. I reported to Bob Searle, who was then vice-president-division general manager. In August of 1972 I moved into the corporate marketing group as corporate account manager, working closely on the over-all corporate account activities.

JRR: Charlie, I want to reminisce a little about the early history of St. Regis. You came to the company in 1936.

CAW: That's right.

JRR: St. Regis got into bag manufacturing by buying Bates Valve Bag Company. I'm wondering if you've discovered how this purchase came about--why St. Regis decided to acquire Bates Valve Bag Company.

CAW: In addition to Bates Valve Bag Company, there were other acquisitions--the Taggart Corporation, which was primarily headquartered herein the East, and the Valve Bag Company of America, which was headquartered in Toledo and very much involved in the lime industry. We were a paper company and here was a new market that could use paper; the multiwall bag was a relatively new type of shipping container, particularly for industrial uses. The cement industry and the lime and plaster industries were the initial markets that Bates had moved into. And the growth potential of some of those markets was fantastic. It made a sensible acquisition, even though at that time, we were not really growing the number of trees we are today; we were producing paper primarily from imported pulp. I'm sure that Mr. Ferguson and the others that were involved in the management of the company saw the long-range opportunity for developing an end-use for paper. And as you know, later on we did get into kraft pulp and paper production. The cement industry was probably the biggest market that Bates went into, and that St. Regis continued to develop. Over the years this was a tremendous user of multiwall bags. I remember the peak year was 1955 when St. Regis and the industry shipped in excess of 500 million bags to the cement industry.

Back in 1936, the corporation had a sales promotion department whose function was to develop other new markets, and there were probably five or six of us

who were involved in field activities. The sugar industry was one of the early ones we went after, diverting manufacturers away from hundred-pound cotton bags to more sanitary hundred-pound paper bags. The packaging systems that Bates had developed--the packers themselves--also provided an opportunity for St. Regis to show the sugar industry" how it could modernize and pack with automation, using the easier-to-handle, easier-to-stack and more sanitary paper bags. The interesting thing at that point was that the sugar companies all liked what we had to present. But they then gave us the challenge: "We think this is great, you're showing us how to save money, but you go out and sell our customers." And this became the real function of our sales promotion group--to call on the bottlers, the candy makers, the millers, and the bakers to convince them of the merits of this superior, more sanitary package. Through these efforts, over a period of years the sugar industry did convert from cotton to the hundred-pound multiwall paper bag.

JRR: Was this sales promotion effort the origin of the concept "selling all the way through"?

CAW: It certainly became the basic means. When you look back at Bates and the packaging systems with the cement industry, the lime industry, the plaster industry, and the other rock products industries, they had the packaging system, the equipment. For the cement industry to get out of barrels and go to an automated system was a big thing; this enabled the Bates Valve Bag people and then St. Regis to enjoy a large share of the bag requirements involved. This was true of each of the markets that we went into with the valve bag packaging system approach. There were other methods: sewn open mouth multiwalls were available and were used in the sugar industry, for example; it wasn't strictly valves. St. Regis was promoting the valve system, but we also provided sewn open, mouth packaging. The next market beyond sugar was the flour industry, which came a little later, about 1947. After World War II, when a new group of men' came out of the service, they were put in the sales promotion group, and worked diligently to convert the milling industry completely away from the cotton bag.

JRR: Were these the so-called "flying squads"?

CAW: Yes, the "flying squads," and today many of those men are in key management positions--Frank Myers, Jack Larigan and Bill Orr, just to name a few.

JRR: I first saw that term "selling all the way through" in relation to the "flying squads."

CAW: Probably the key man who developed the theme, used it, and publicized it in paper trade magazines and the brochures that we put together was Ken Lozier,\* who directed sales promotion at St. Regis. He was very much involved in the direction of the sales promotion group, particularly right after World War II, when the company really attacked the milling industry and then later the feed industry in the 1950-1951 period.

JRR: You mentioned earlier that you were developing systems to sell, to open up new markets. Is there any particular time when this started?

CAW: I would go back to the acquisition of Bates in 1929; when we acquired Bates we also acquired the packaging systems they had already introduced and sold to the cement, lime, plaster and rock products industries.

JRR: So you more or less continued what they had started.

CAW: That is correct. We began to look at what markets, other than rock products, this concept could be introduced to; and as I mentioned, the sugar industry was an early one. In the late thirties, and with the advent of World War II, the chemical industry became concerned with the critical problem of steel and fiber drums, and shortages of materials. So a strong effort was made there, in conjunction with the War Production Board, just to help convert the chemical industry out of fiber and steel drums.

JRR: Did the public works or public construction programs create markets for the sale of bags during the thirties?

CAW: No. The effort was strictly one of St. Regis, primarily, and also its licensees. We had several key licensees that were involved in the manufacture of

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\*Kenneth D. Lozier became vice-president of advertising and public relations in 1953. He remained in a vice-presidential capacity until 1963.

multiwall bags under St. Regis's license that were out promoting the multiwall bag.

JRR: The big upturn came with the defense effort.

CAW: Yes. War shortages fostered a stronger effort to utilize the other available fibers, thereby releasing steel and other critical items--fibers and fiber drums--for other uses. And the established industries kept growing. The building products markets were growing and these basically had pretty much converted to use of the multiwall bag. So the growth of those industries had an effect on the growth of the multiwall bag market and St. Regis multiwall bag operations.

JRR: What new markets did you find during the war, or shortly after?

CAW: Chemicals were the major ones--polystyrenes, detergents, the various chemical products such as calcium chloride, soda ash, that were heavily being shipped in steel or fiber drums. The development of the multiwall bag for synthetic rubber was directly related to the war effort. The initial effort was to ship the rubber in large, clay-coated corrugated units and individual clay-coated corrugated boxes. There were serious troubles of breakdowns of corrugated containers during the course of shipment, due to the cold-flow of synthetic rubber. The bag industry had been called in by the Rubber Reserve government group to attack the problem. And I was one of three men within the industry who served exclusively for almost a year and a half to develop the clay-coated multiwall paper bag. This presented tremendous advantages for the shipment and storage of synthetic rubber. There were a lot of technical factors involved in the successful development of that bag. I would say that probably the total market was somewhere in the area of a million to a million three hundred thousand dollars of bags, and St. Regis had a dominant position in supply during that period because of the development work that we had done. The other factor involved there was saving railroad cars. Seventy thousand empty synthetic rubber bags could be shipped in one carload; it took eleven railroad cars to ship that same number of clay-coated corrugated boxes. So during the war period this was a very big factor in reducing the number of rail cars needed.

JRR: Your machine shop was initially closed with U.S. entry into World War II because the War Production Board didn't realize how much of a labor and material saver packaging systems were. As soon as their value was

discovered, the machine shop was put back to work developing packaging systems.

CAW: The machine shop may have been affected by the shortages of steel and materials to build equipment. I'm sure that in order to get priorities on the raw materials, we had to prove to the government the importance of the multiwall bag and its whole package approach, and the need for packaging equipment.

JRR: The paper industry had to prove to the government how vital paper products were to the war effort.

CAW: Right. We worked with the U.S. Army, the Navy; certainly the War Production Board was a major factor; the Rubber Reserve company I mentioned earlier; and also the Chemical Warfare Service. Many of them sought the assistance of the bag industry in developing multiwall bags to help solve some of their problems.

JRR: Where were you getting your kraft pulp?

CAW: Pulp was shipped mostly from the Scandinavian countries, as I understand it, into northern New York. Oswego was our major paper operation and our major bag converting operation. Watertown and Carthage were the other plants.

JRR: You were producing some at Tacoma.

CAW: Yes. We had three or four bag plants in the West that would have been supplied from our Tacoma mill or from other kraft producers in the West.\*

JRR: In terms of the kraft pulp and paper supply, how important was it to move to the South?

CAW: The economics were important. I was not directly involved, but I was aware of what was happening, and heard of moves that the company was making to become self-sufficient in the production of kraft paper, rather than being an importer of pulp. You could grow trees on a much shorter cycle in the South than in the North and the Northwest; labor costs were lower in the South; and trees were available-- trees became a crop in the South just as cotton had been.

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\*In 1943 St. Regis had three bag plants on the West Coast: Seattle, Washington, and Los Angeles and Emeryville, California.

JRR: So the move south was vital.

CAW: Very much so. Today, our kraft production is very much involved in the South because the trees are there and can be grown more economically than in other parts of the country.

JRR: After moving south, you began closing some of the bag plants in northern New York.

CAW: Yes. We had the trees, the forests, and the pulp and paper making capability primarily at Pensacola at that time; we also had a long-term contract with the Camp Company in Franklin, Virginia, where we had built a bag plant; and then we had the Tacoma mill in the Northwest to provide the western requirements. The concept was that these three plants would become the major producing locations of the paper fiber, particularly that used for the multiwall bag markets, and we would ship from these three locations to the entire USA. These decisions were made in 1948, as I recall. Surveying the market at the time (I was a member of a team that went through the Midwest, particularly), we were advised that it would not affect our position to ship from as far as Pensacola up into the Midwest. And so there was no question a major decision had been made: the northern New York, New Orleans, and Kansas City bag plants had been closed, and the major bag plant at Pensacola took over a lot of that production. We did retain Toledo; we did retain Nazareth, which was heavily involved in the cement industry in the Lehigh Valley; and we had the Franklin bag plant which related to the Franklin kraft paper contract. But during the 1949-1950 recession period two things occurred. First, our patents had expired on the bags in 1948. Second, many new competitors in 1949-1950 located converting plants closer to the marketplace and began to affect our share of the market, particularly in the Midwest. New companies began locating in Minneapolis, in Kansas City, and in Texas. We began to see a loss of market, and analysis of this proved that we were not able to serve the market. We had to change the concept, and reestablished service bag plants. One was at Kansas City. We acquired other converters such as Lone Star in Houston, Wagner Bag in Salt Lake City, and Chemical Packaging at Louisville, Kentucky and Savannah, Georgia. Those plants, in addition to the other plants we had, began to give us excellent opportunity to serve the total market, and to compete.

JRR: Those plants you just named are more or less recent' acquisitions.

CAW: We acquired the Lone Star, Wagner, and Chemical Packaging group in 1959.

JRR: You hadn't been producing textile bags before the purchase of Lone Star, I assume.

CAW: No. We had hired an outside consultant, George Fry Company of Chicago, to make a complete market study for us in 1957-1958 to confirm what many of us in the division knew was happening regarding our inability to serve the market and our competition having moved in as strongly as they did. We also were looking at what was happening in the multiwall market with regard to the entrance of bulk as a factor in many markets, such as cement, sugar, flour, fertilizer. In the course of that same study, we learned that in many areas we were unable to give good service. The decision was made by management within St. Regis to correct this problem through the acquisition of the companies I previously mentioned. They gave us physical locations where we were not represented, and allowed us to enter markets still using fabric. And Lone Star and Wagner bag companies were major producers in their own local markets--particularly the feed industry, as an example, and some others. Over the years since then we were able to help convert those markets away from fabric. Ultimately then, St. Regis made the decision there was no longer a need to stay in burlap or cotton, and has since gotten out of those materials.

JRR: You mentioned the expiration of the bag patent. Shortly after that, September 23-24, 1948, you had a Multiwall Bag Division sales meeting. Was there any relation between this sales meeting and the expiration of the patents? This seems to be your first sales meeting, as far as I can tell, and I'm wondering if there is anything significant about this particular meeting.

CAW: Yes. It was the first national sales meeting, and it followed closely the appointment of Arch Carswell as the first division general sales manager. Prior to that year, the selling effort was really very decentralized, with V.C. Douglas handling the entire USA, except the two coasts, Ambrose Plunkett in the East, and Dave Fleischman handling the western states. They in turn were reporting directly to Edward R. Gay,

who was then vice-president of the corporation. So the 1948 meeting grew out of a need to bring about a total, unified selling effort on a national basis under Arch Carswell's direction.\*

JRR: Was this meeting in the Bag Division sort of a spark plug for your selling efforts throughout the other divisions of the company?

CAW: I suspect so, yes. There was the need to go out, develop markets, and sell; and when you're selling bags you're really selling kraft paper. I'm sure we were well aware of the need for the right organization, the right men properly located and properly trained, and working with the right product line to expand the total markets--which would create further volume of kraft paper 'tonnage for the Kraft Division.

JRR: What accounted for the introduction of the stepped-end pasted bag?

CAW: That was initially introduced sometime in 1948 when we brought over a Gramgna tuber from our Italian licensee. And that was put into the Pensacola bag plant. At the time I was headquartered in the Midwest, our initial effort was the introduction of this stepped-end pasted bag to the cement industry, exclusively to the cement industry. For two reasons: first, it was a volume market; it was a fairly standard market with regard to sizing. Ninety-four-pound cement bags in those days were basically all one size and construction, so the bag lent itself to this automated machine. Second, the bag had economies to give to the cement industry. It was a stronger bag and resisted breakage better than the sewn valve bag that they had been using up to that point. Our efforts had to be restricted primarily to the eastern cement companies, since we had only one unit at Pensacola that was capable of producing twenty million bags a year. I can tell you that my days in Chicago and the Midwest as sales manager were pretty tough with the mid-western cement companies pushing and crying for that new bag. They saw it in the marketplace; they knew

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\*Archibald Carswell, who joined St. Regis in 1928, became a vice-president in 1949 and a director in 1952. Carswell became an executive vice-president in 1957 and remained with the company until 1965. Edward R. Gay joined St. Regis in 1929 and became a vice-president in 1936 and a director in 1945. He later became an executive vice-president and vice-chairman of the board, and served in these two capacities until 1957 and 1965, respectively.

it was a better bag, and they really wanted it. From there we did expand tremendously into the stepped-end style bag, replacing the sewn valve bag.

JRR: Did Edgar Hoppe have much influence in introducing the stepped-end bag?

CAW: Yes. He was our European manager in Brussels. In Europe he had developed the stepped-end bag, and had proved the success of the stepped-end bag against the sewn bag. Then Ed Burrows, who was chief engineer under Bob Bushman in our engineering group, designed the Burrows bottomer which today is predominantly the type of bottomer St. Regis is using in the marketplace.

JRR: Can you elaborate on the concept of selling a system rather than selling a bag?

CAW: Yes. It makes a lot of sense and we proved this with many of our markets, many of our customers. You can equip a sales force with not only a bag, but the means by which to utilize that bag, to lower numbers of men by using automated packaging systems. When a man can go in and present his story and show a complete packaging systems approach that reduces manpower costs, this enables him to win a lot of points and win a larger share of the available bag business, if he's done the right selling job.

The cement industry, I think, is probably a good example, where we went in with automatic palletizing, I guess in the late fifties, or into the sixties, I forget the exact year. The cement industry had a tremendous number of men involved in their pack house. With St. Regis engineering know-how, we went in and showed them how to reorganize their pack house with palletizers. The automatic palletizer and conveying lines reduced tremendously the manpower in the pack house. The cement industry benefited to a great extent, and they rewarded St. Regis for that type of effort.

JRR: What exactly is a palletizer?

CAW: It's a means by which the bags are discharged from a filling machine, onto conveyers, into a palletizer which automatically forms each layer of bags and builds a tier of eight to ten high on a pallet automatically, without the use of men. The pallet is then delivered on conveyers to the warehouse, or directly into the truck or into the railcar. The basic purpose is to reduce the cost of manpower.

JRR: And you can move this pallet with a machine.

CAW: Yes. On conveyers. It's on controlled conveyer systems.

JRR: Well, does this concept apply to other product lines?

CAW: Very much so. The cement industry was probably the first that went to this complete type of automation. And today it's expanded into almost every kind of market you can think of. High volume production, however, is generally required for the high cost of the big palletizers. But the Bag Packaging Division also developed a semi-automatic palletizer which is less expensive and has lower rates of production suitable to the smaller producer.

JRR: You package almost everything.

CAW: Today, yes. The total number of product lines today is vast compared to what it was years ago. The food products industry is a big factor. Pet foods, charcoal, almost anything. Consumer packaging came into play.

But back in the 1947-1948 period, management unfortunately decided to get out of the small consumer bag business. This was when the small bag operations at Watertown, New York were sold to the Betner-Shellmar Division of Continental Can. We did retain small bag production in the West, fortunately. This is a market that we re-entered when Bob Searle joined the company, having come over from Arkell and Smith, a major producer of small bags, where he was president.

JRR: Is this comparable to sugar pockets?

CAW: Yes, in other words the initial markets that were involved when St. Regis was in the small bag business were sugar, salt, flour--two- five- and ten-pound packages.

JRR: What about coffee bags?

CAW: The coffee market would have been one. Rice. Many different lines, but the sugar, salt, and flour markets were the biggest ones. This was prior to the advent of the pet food markets, which today are major compared with other food products that are packed in small bags, such as corn meal.

JRR: Bag packaging was a big item for St. Regis in its domestic markets. What impact did the Bag Division's international operations have on the expansion of the company?

CAW: The licensing of other producers in the world market was part of the acquisition of Bates. In Europe, particularly, we had a number of licensees, and St. Regis had its own operations at Tubize, Belgium. I'm sure that the ability to provide technical know-how to these foreign licensees was helpful in building the international position that St. Regis had in the early stages.

JRR: Did your bag operations abroad open the way for other lines, such as boxes and containers?

CAW: I would suspect so, but I was not ever directly involved in that. I'm sure that since we were in the European and foreign markets as bag producers, we had the contacts with the people that also would be in the corrugated box or folding carton areas of business.

JRR: I want to ask you about a study by George S. Armstrong, conducted in 1950. I think the purpose of the study was to advise St. Regis on whether or not to combine or merge with Camp Manufacturing Company. The proposal probably grew out of the need for Camp's supply of kraft paper. Do you know what happened to the idea of a merger?

CAW: No, I do not. I knew of our long-term contract with the Camp people on paper supply at Franklin. I envisioned that someday Camp possibly would become a part of St. Regis, and would continue to fulfill its responsibility as a paper producing location. I was not involved and do not know why that acquisition did not come about. It was unfortunate that it didn't.

JRR: The report noted as a big liability of St. Regis its inability to supply itself with kraft pulp and paper. And it seems that after that report, St. Regis moved to become self-sufficient in pulp and by 1951 had accomplished this.

CAW: Right.

JRR: Let's go back a minute to the subject of Lone Star Bagging Company. I think there was some period of time during which you debated whether or not to buy the company. One of the considerations was the fact it was losing money on textile bags. But after you acquired Lone Star, you continued to make textile bags.

CAW: That's correct.

JRR: So apparently, that was not a serious liability.

CAW: Well, I was involved in the acquisition of Lone Star Bag, and Mr. Douglas and I were very much involved in our relationships with them. We knew of their position in the market, particularly in the Texas and southwestern markets. At that time they were not producing multiwall bags, and were anxious to get into providing multiwall bags to their customers because they were losing them to the paper bag. At that time, St. Regis did make arrangements to produce for Lone Star, under their freight classification stamp, bags for their own sale. And this was the forerunner to Lone Star finally getting into the multiwall bag business. St. Regis, I understand, was very much involved in working with them and selling them the bag making equipment when they added to their plant and went into multiwall bag production themselves. This was prior to our acquisition of the company.

JRR: Let me ask you about certain innovations, like polyethylene-coated bags. How important was that for the Bag Division?

CAW: Back in the early years, the only available moisture barrier was the asphalt-laminated sheet of paper. St. Regis did not produce this--we bought it in the marketplace. The need for a better moisture barrier sheet was evident. St. Regis's technical personnel at Oswego, New York were very much involved in development of the polyethylene-coated kraft sheet, which became the replacement for "asphalt-laminated wherever moisture barriers were required. And this was a vital factor. It also provided St. Regis with the opportunity of polyethylene coating on their own kraft paper; instead of buying asphalt in the marketplace, we were now able to provide ourselves--particularly in the Bag Division--and the market, with polyethylene-coated kraft paper. And this did a tremendous job for our customers in providing a much better moisture barrier sheet, particularly in the area of sewn open-mouth bags. It eliminated the problems of needle-breaking in trying to sew through an asphalt-laminated ply of paper. This innovation was the forerunner of today's extensive use of polyethylene free-film. Polyethylene now provides a free-film ply to be the moisture barrier. Free film is now incorporated as a ply in the bag, as against the initial move that St. Regis developed of coating polyethylene film on a kraft sheet, embodying that in the construction of the paper bag. The next step was

the free-film ply, and the Bag Division equipped itself to produce polyethylene film at a level where it was providing initially its own internal needs.

JRR: What about a system called Bax?

CAW: Bax was a development within the Bag Packaging Division to replace the corrugated box. The forerunner to that, I might mention, was an interesting conversion that occurred in the milling industry. We had been supplying two-, five-, and ten-pound bags and they were being shipped in corrugated cases; and corrugated cases at the time, I remember well, were costing about fourteen cents apiece. The Multiwall Bag Division developed a three-ply kraft baler bag that cost seven cents, so we were able to reduce the packaging cost in the milling industry by fifty percent through conversion from corrugated cases to the multiwall baler. That market converted completely away from corrugated to the multiwall baler. It was during that period that we became very much more involved in the flour milling industry, and began to see other potential applications of some type of a package to replace the corrugated case; the Bax container was the one that was developed. It's a reinforced kraft tube and the word Bax is from the words "bag" and "box": B-A-X. It is being used successfully to a limited extent. It never really grew to the extent that I think the division hoped for.

JRR: This is going way back, but what do you know about the origins of the multiwall valve bag?

CAW: I only know what I can remember being told and what I read about back in the middle-thirties. Mr. Bates's initial concept really was the machine, the valve packer for the cement industry. The initial machines actually packed cotton valve bags, and it was a dirty operation. He had the dream, apparently, as perhaps did some of his associates, of a paper valve bag. I really cannot speak authoritatively on who was involved or how it came about, but it goes back to his days.

JRR: I think one of his employees or friends saw a multiwall bag in Sweden and sent him a specimen. He took that and made it into a multiwall valve bag.

CAW: That may be. I really don't recall that early history.\*

JRR: Let's get back to the more recent past. In 1959 you made some changes in the management of the Bag Division, and restructured the management, sales, and technical personnel, into a line and staff organization.

CAW: That's right.

JRR: Can you comment on the purpose of this reorganization?

CAW: This followed the formation of the division under a division general manager and the need to bring together the total effort on a divisional basis. Previously, people in sales, manufacturing, engineering, and I guess, technical pursuits thought only of their respective areas. We wanted to unify the division in one total effort. I worked closely with Mr. Recknagel in the reformation of the division. With the changing times, there was the need for a stronger marketing thrust, particularly in the development of new products, new concepts in the bag area, as against just a straight industrial multi-wall bag. This was going to take a lot of technical know-how and marketing expertise, and the people were brought together and organized in this area into a marketing staff. We did not have a marketing staff in the bag operations. We had a sales organization. So the need for a marketing staff to provide the line organization with meaningful tools in the way of brochures, selling efforts, and points of sale became very evident. We wanted to have customer needs expressed by the line organization directly to the marketing staff and to the technical and production

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\*T.H. Cosford and R.M. Bates (a relative of A.M. Bates, founder of the Bates Valve Bag Company of West Virginia) observed the use of multiwall paper bags in Norway in 1919. This type of bag had been developed during World War I in Germany as a response to shortages of burlap and jute, two traditional raw materials for bags. The multiwall bag that Bates and Cosford saw in Norway was filled through an open mouth and was sealed at both ends with twine ties. This formed a package, as Cosford points out, that had the appearance of "a giant-scale sausage." Subsequently, J.E. Cornell, a close associate of A.M. Bates, introduced gussets into multiwall bag design, thereby making possible valving of the bag. The multiwall valve bag was first marketed in 1925, with great success. T.H. Cosford, "A History of the Bates Valve Bag Company of West Virginia" (unpublished manuscript, St. Regis Paper Company, c. 1957), pp. 37-38.

staff. We were then able to bring back to the marketplace the type of packaging that the customer really needed.

JRR: It seems to me that in marketing and in research the Bag Division has been the pioneer for the company. Is that a safe assumption?

CAW: Without question. I remember Carl Applegrin at Oswego, the technical headquarters for St. Regis at the time-- he was involved with not only bags but with papermaking. The Kraft Division at that time may not have had the technical personnel that they have today, or the Printing Paper Division, although Printing Paper certainly had a strong position in the marketplace. I recall the technical side of the bag packaging group more from an engineering standpoint--developing a packaging system--the equipment. The kraft paper specifications developed by Carl Applegrin and others in St. Regis, once established, created a pretty good sheet of paper. And I doubt that the specifications today of the multi-wall grade sheet are much different than they were twenty or thirty years ago.

JRR: I understand that the move south was based on acquiring timberlands and kraft supply. But initially southern pulp did not make good kraft paper.

CAW: This is correct. I recall some of the early competition with Union Bag out of Savannah, which produced only southern kraft. We found that the performance of their bags in the field was not up to what St. Regis's was, or others, and it was evident that the nature of the paper in the South was not up to the specifications that we could meet using northern fibers. Subsequently the paper industry found the answer to that and today we have a good grade of multiwall grade paper made from southern pines.

JRR: Can you connect a date or name with the development of good kraft paper in the South?

CAW: I don't know really. I recall that it happened, but I'm not sure of the exact role that St. Regis had, versus International or Union.

JRR: In 1946 St. Regis bought Florida Pulp and Paper. Was Florida's kraft paper a good stock for multiwall bags?

CAW: Again, I'm not sure that I recall where the paper was coming from for the various bag plant operations.

You're talking about the forties--1947-1948--when we closed Oswego and the other plants and put in the big bag plant at Pensacola. And it must have been that the Florida Pulp and Paper and Alabama Pulp and Paper mills were making a good grade of multiwall kraft paper. Even prior to our moving into the Florida operations, others producing kraft paper in the South, such as Union and IP, must have been making a good grade of paper.

JRR: Kraft production started in the twenties in the South and was really booming by the thirties.

I want to discuss Canadian operations and ask you why St. Regis, Limited sold the multiwall bag business to Consolidated Paper after so many years?

CAW: The initial acquisition of the bag business from Bates also brought us into the Canadian operations; they had bag plants in Canada. And so St. Regis, Limited was operating, I believe, three or four bag plants primarily as a converter, in Canada. We bought our paper; we did not produce paper in Canada. I don't know the specific details; Hugh ("Pete") Sloan was president of St. Regis Paper Company of Canada at the time, and as I recall was the man who negotiated the sale of the bag operations to Consolidated Paper.\*

JRR: A source of kraft paper may have been a big consideration, but I'm not sure.

CAW: Right. That may have been the reason--that we didn't have our own paper source. And again, why St. Regis did not get into producing paper in Canada, I don't know. We have many timberlands up there. We were cutting timber, shipping it into northern New York and New England to our printing paper mills.

JRR: Well, you were producing pulp at Hinton.

CAW: Right. But that came about many years later. Also, that's bleached pulp, and bleached pulp as such has a limited use in multiwall bags.

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\*The St. Regis bag plants at Cap de la Madeleine and St. Lambert, Quebec; Dryden, Ontario; and Vancouver, British Columbia were sold in 1960 to Consolidated Paper Corporation of Montreal. In return, St. Regis of Canada received \$1.6 million in cash and 785,000 shares of Consolidated stock, which represented over 13 percent of outstanding shares.

You know, I could mention one thing that I always thought was probably a reason why Hugh Sloan made the decision. This was the advent of the all-plastic bag in Canada, which seriously cut into the multiwall bag in Canada. The chemical companies which owned the fertilizer companies--which were big bag users in Canada--were in the plastic business and introduced the plastic bag to their subsidiary operations in fertilizer. This was the beginning of an all-plastic bag which replaced the multiwall bag. I think the timing was like six or eight months after St. Regis had sold those bag plants to Consolidated that this move occurred. So the timing was very good.

JRR: Was this plastic bag woven?

CAW: No, this was a straight polyethylene plastic bag.

JRR: I have seen some woven. They look like burlap--they have the same weave as burlap.

CAW: This is the cross-plastic product which is produced by St. Regis in Houston. The Van Leer companies developed this in Europe.\*

JRR: When did the marketing analysis department come into being? Did this come out of the Bag Division?

CAW: Again, I would have to say that the corporate management was aware of the need for broadening the total marketing concept. It probably saw the successful use by the Bag Packaging Division of a marketing concept, and I would have to think that Mr. Carswell and Mr. Recknagel were very much involved in pointing up the need for this across all division lines. I would suspect that it goes back to those days.

JRR: One of your attempts to capture the bag market involved garbage bags. I think you tried to develop the system--bags, bag racks, and even a collection truck. Did you have any success with that?

CAW: Well, the company saw the tremendous need for packaging solid waste, as we now call it, and the environmental systems group came into being. The bag basically

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\*The Van Leer companies of Amstelveen, Netherlands pioneered cross-plastic products. The St. Regis supplier of cross-plastic is a Van Leer plant in Houston, Texas.

was a two-ply wet-strength SOS\* type made by the Bag Packaging Division. In fact, a special machine was designed by the bag packaging engineers along with Weber, who was the machine manufacturer, to make this standard, one-size, thirty-gallon paper refuse sack. The responsibility to establish that market was vested in a product development group which was later termed the environmental systems group. This was a tremendous task, but the market was fantastic. If all solid wastes generated in this country were to be put into the thirty-gallon paper refuse sack, you're talking about six billion bags--the equivalent of almost three times the total multiwall market. So there was a vast market, together with the opportunity to develop paper markets and to provide a more sanitary means of solid wastes disposal. And a tremendous amount of effort was put in. The production of the bag was within the Bag Packaging Division. It was not unrealistic, at a given point, that the corporation would place this responsibility for marketing the refuse sack within the Bag Packaging Division. I was asked to head up the group that brought this about. I headed the orientation within the Bag Division on marketing the paper refuse sack to communities through municipal agents and to the ICI (institutional, commercial, and industrial) markets through distributors. Over an eighteen-month period, we selected certain men within the Bag Packaging sales organization, provided orientation so that they could assume this responsibility, and refuse sacks became another product line for the Bag Packaging sales force. There's a growing market. I think we have over a hundred communities that are on the paper refuse sack system. The ICI market is not as vast a market, and it's difficult to penetrate, but it's growing and it's there to be developed.

JRR: I came across this program in the annual reports, but I had no follow-up information.

CAW: You talked about the systems approach. The people that were involved in the environmental systems group spent a great deal of time, particularly in municipalities, and they saw the need for a collection truck. The Kuka-shark truck was brought over from Germany and was introduced by them to a number of municipalities as a means of having a complete systems approach--the bag, and the truck in which

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\*An example of a self-opening sack (SOS) is the grocery sack commonly used in supermarkets.

the bag would be picked up. There were problems with that piece of equipment. I think some of them are still in operation today, but for one reason or another, the St. Regis Bag Division discontinued association with the Kuka-shark. In the ICI markets there was a need to develop cabinets and holders, and this was, again, part of the systems approach. We worked with several different companies that had developed cabinets and holders which are in use today in concert with the paper refuse sack.

JRR: Have you done anything with the trash compactor or bags for it?

CAW: That was a separate, new development in which the Bag Division, working with Sears and Whirlpool, particularly, was very much involved. I'm not sure whether that concept came from the Sears and Whirlpool people. They did come to St. Regis because they knew of our position in the refuse sack market, and a joint effort brought about the development of the equipment, and more particularly the bag. The bag was the secret--to have a bag that would stand up properly under that tremendous compaction, and be leak-proof within the kitchen of a residence. That is a tremendous, growing market that the Bag Division can be proud of.

JRR: In 1966 St. Regis established a Consumer Packaging Center at Louisville, Kentucky. What did that signify for the Bag Division?

CAW: This was the major reentrance of St. Regis back into the consumer bag market, particularly in the eastern two-thirds of the country. We were producing consumer bags in the West. Bob Searle joined the company and one of his strong points was his background and knowledge in consumer packaging. He successfully proved to St. Regis that we needed the kind of facility that was ultimately put in at Louisville, with equipment, printing presses, and coating operations, to reestablish St. Regis as a consumer packaging company. And to develop and sell, consumer bags.

JRR: So today the Bag Division is still one of the stronger divisions of the company.

CAW: Absolutely. The Fry report back in 1957, 1958 pointed out that the major multiwall markets were being lost to bulk movement in railcars and trucks. Cement was projected to go as much as ninety-five percent bulk;

and fertilizers, fifty to sixty percent bulk. As it turned out, flour and sugar were almost one hundred percent bulk. Also starch and chemicals. The multi-wall markets that had been growing were now going to be leveling off--there wasn't going to be the same kind of growth. The type of packaging that would provide future growth was consumer packaging. One thing for sure, you and I and housewives have to buy products in small units that can be brought into the home. This cannot be done in the bulk method. Consumer packaging was the answer to establishing future growth within the Bag Division.

JRR: So the growth now is away from multiwall bags?

CAW: Multiwall bags still have held their own. They haven't shown a sharp growth factor in a number of years. But new products are introduced continually, particularly in the chemical and the food industries, that require bags and that will primarily stay in bags. The consumer-size unit, without question, is a growth market related to population growth.

JRR: What about your packaging system for meat trimmings?

CAW: That was developed while I was in Chicago in charge of sales in the Midwest, and we were very much involved in the development of the screw packer for packing meat trimmings. Herb Zenkie was with St. Regis at that time as a packaging engineer, and he worked closely with us. We were able to introduce this system to the meat packing industry--people like Swift.

JRR: And Oscar Mayer?

CAW: Yes, Oscar Mayer, and others, to provide them a better means of shipping fresh meat than the wire-bound box with a paper liner that they had been using. They had had tremendous losses due to freezer burn. The development of a special bag, and a special piece of equipment, enabled them to get away from the wire-bound box and the tremendous losses they were incurring in freezer burn. That really isn't a big market, and I don't know what it is today in numbers of units. But it was another new market that the bag moved into.

JRR: Let me ask you a couple general questions about the Bag Division. The paper industry in general has been very competitive and has moved in boom-and-bust cycles.

CAW: Right.

JRR: Has that been true with the bag business?

CAW: Very much so. I'd say we had pretty fair, stable price levels within the industry during the late thirties, through World War II, and into the immediate postwar years. The supply and demand factor was involved, and the number of competitors was not what it is today. The advent of new companies, once the patents expired in 1949 and 1950, brought in a lot of new competition--that was the first drastic price competition that we saw in the marketplace. New companies were coming into a market that was growing, one that had been very stable through the war years and the postwar years. Then we went into the 1949-1950 recession, and the total demand factor fell off. Bag inventories had been built up excessively during the war and the postwar years, so you had industries with high inventories. You had a lower demand in 1949-1950, and you had new competitors who wanted to establish themselves. The only way they could was to come in with a lower bag price. So we had very violent price discounting or price-competitive situations in that period. The Korean War situation kind of corrected that, again relating to supply and demand. The market firmed up with the strong demand, and prices became more stable and more realistic, from the profit standpoint, in the return on your: investments. Competition again became very prevalent in the next recessionary period in 1953-1954. And it has been that kind of a cycle since then.

JRR: What about 1956?

CAW: Well, 1955 was the peak year in demand in the multi-wall industry, as I recall. Then, 1956 was a turnaround situation, a recessionary year, and whenever the demand fell off, you had stronger competition and more price activity in the multiwall field.

JRR: The next low point would have been about 1969?

CAW: Yes, the 1969, 1970, 1971 period. Due to the economic recessions in the marketplace and the lower demand. New competition was continually coming in during those years; we had a greater competitive force out there vying for the market.

- JRR: Recently, I think, St..Regis has tried to. compensate for the boom-and-bust cycle. St. Regis has been diversifying for some years now, but recently you've been trying to get into international markets as a way to compensate, and maybe get into other lines. Is this a correct impression?
- CAW: Through more complete involvement in the packaging field, we became more and more known and our efforts were pointed toward becoming a total packaging company. The total world market was there, and we had a very good foothold going back to the acquisition of the bag operations in the Canadian and European and world markets. You have a world market that is continually growing. Worldwide distribution is a factor of life today with a large multinational company. It's fortunate that St. Regis had placed itself in this position. We're beginning to get more and more requests for aid and assistance in various countries in bag packaging, in corrugated and folding cartons, in the total area of packaging.
- JRR: In other words, you may be leading the industry in this sense.
- CAW: Very definitely, I would say. I don't know of another company as heavily involved in total packaging as St. Regis that is involved in the international field. This is the flavor I get from many of the major companies that we work with.
- JRR: I think it's recognized in the industry and the trade journals that St. Regis is doing its own thing. You're trying to stabilize the company in a number of ways, and seeking international markets is just one.
- CAW: Right. Our entrance into the flexible packaging field with the acquisition of Pollock Paper was a major step in integration. Pollock initially produced waxed paper wrappers. We then acquired Rhinelander in order to get into waxed and greaseproof papers relating to the food markets. We were looking at the vast needs of the food industry. The bakery industry, the bread industry, had proven to be somewhat of a recession-proof market, and the performance of the Flexible Packaging Division last year and this year is proving that point. This is not paper; this is polyethylene--film.

JRR: I'm curious about a bag plant you built at Newtown, Connecticut. Is that plant still going?

CAW: That was the acquisition of the Mack Company. The division acquired Mack, under the direction of Bernard Recknagel, for the manufacture of mattress bags. The mattress bag market looked very attractive, but we knew nothing about it. As it turned out, it was a difficult market from a distribution standpoint, and subsequently the business was sold to Bemis. Now, the plant at Newtown was a new facility built by St. Regis; the old location was Bridgeport, Connecticut. But the distribution problems and the collection problems were vast. Bemis Company was a major supplier in the mattress bag field and apparently was interested in taking that facility over. Evidently, the division made the decision that it was not a profitable market for us, and therefore we withdrew from it.

## INTERVIEW I

### Session II

Charles A. Woodcock  
New York, New York  
October 27, 1975

John R. Ross: Charlie, you started with St. Regis in 1936. I want to try to talk about a number of people in the company who were in management positions during the 1935-1945 period--I want to find out exactly what they were doing. I want to determine who was helping Roy K. Ferguson manage the company.

Charles A. Woodcock: The key man was E.R. Gay, who was later executive vice-president. Willard Dixon was secretary and legal counsel to the company, and was also very much involved in the St. Regis licensee program as it related to the bag industry. And W.H. Versfelt, Sr. was treasurer of the company at that time. There was also Al Robinson, who was comptroller of the company.\*

JRR: Do you recall Carl B. Martin?

CAW: Yes, he was a vice-president and pretty much involved with the printing paper mills. There was Ralph Maltby, who later headed St. Regis International.\*\* Also C.R. McMillen was involved at the executive level. He departed from the company in early 1937. He was in an executive position, I think more sales-oriented.

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\*Willard J. Dixon was secretary of St. Regis from 1936-1955 and a director from 1941-1957. Alfred T. Robinson was an officer of St. Regis from 1934-1939.

\*\*Bates International Bag Company was dissolved in 1940, and its business assumed by the newly-formed St. Regis International Division. Ralph B. Maltby came to St. Regis when St. Regis acquired the Hanna mills in northern New York in 1922. He headed international operations from 1930-1952.

- JRR: Can you recall what he was doing? Was he in the manufacturing end?
- CAW: No. Joseph Harnett was in charge of bag manufacturing--the bag operations. McMillen was more' involved in the sales side of the picture.
- JRR: Do you know where McMillen came from to join St. Regis? Was he with Union Bag?
- CAW: I believe he was at one time with Union Bag, yes.
- JRR: And E.R. Gay came from Bates Valve Bag. What about Dixon?
- CAW: I don't know where he came from, but he was basically a lawyer and our legal representative. As St. Regis secretary, he handled all the legal matters. As I mentioned, he was very much involved with the licensee program. I later became involved with Clayton Beach, who was manager of the pricing and cost function as it related to bag operations. We had the direct responsibility for the licensee contracts, and we worked very closely with Willard Dixon in that area.
- JRR: By 1945, with the exception of plants in Canada, did you own outright any of the foreign bag plants?
- CAW: Yes, the Tubize, Belgium plant was St. Regis in Europe. St. Regis also owned two subsidiaries in South America--one in Brazil and one in Argentina.
- JRR: What happened to the plants in France and Japan?
- CAW: My recollection would be that they were licensees--I don't believe they were directly owned by st. Regis.
- JRR: Is there anything you can recall about the people you just mentioned--such as anecdotes to describe them, the jobs they did, the contributions they made to managing St. Regis during this period?
- CAW: I would have to classify Mr. Gay as a very dynamic, strong, and forceful individual. I worked closely with him in those early days in both sales promotion and then in pricing, as it related to the bag operations. He saw the market potentials and was a strong believer in the sales promotion effort, which at that time was a corporate effort. Ken Lozier was brought on the scene by Mr. Gay. Ken Lozier came from Union Bag, and he became the sales promotion manager. Under Mr. Lozier and under

Mr. Gay's direction an even larger and more active sales promotion group was formulated, but this was not until right' after World War II. He came on the scene, however, sometime in the early forties.

JRR: Was Mr. Gay instrumental in the move from sales promotion into marketing?

CAW: Yes. Right.

JRR: I understand that the technical center was also his idea.

CAW: Mr. Gay was a strong advocate of the need for corporate technical expertise and was the strong motivating force that brought about the corporate technical center.

JRR: In addition to sales, did he have any input into any of the other divisions, other than the Bag Division?

CAW: Oh,yes. He was executive vice-president of the company, and all of the divisions were basically reporting to him: printing paper and Panelyte--Russ Mahaney was vice-president of Panelyte Division. The Kraft Division had Reginald Vayo,\* who was probably a strong promoter of St. Regis's involvement in the world markets for kraft paper, linerboard and paper.

JRR: Mr. Vayo was with the company for some time, wasn't he?

CAW: Reg Vayo just recently retired. He was vice-president and general manager of the Kraft Division. He was vice-president of the International Division, and he was very much involved as that division grew and became involved in joint ownership of box plants and such in Africa and Europe.

JRR: At one point you bought a lot of converting plants, or interest in converting plants, in South Africa. Was Reg Vayo involved in that?

CAW: Reg Vayo was very much involved there, working with Mr. Ferguson. Mr. Gay was involved at that time too. But Vayo was the strong factor in the contacts and relationships he had developed through kraft sales, selling linerboard and kraft paper to the African and European markets.

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\*Reginald L. Vayo was an officer of st. Regis from 1949-1974.

- JRR: What about Russ Mahaney? Is he actually the man who developed decorative Panelyte?
- CAW: He was with the company when I joined it in 1936. He was running the Panelyte Division. I don't know whether he originated the decorative Panelyte process as such.
- JRR: I was reading a little booklet that I discovered in the records up at Watertown. This booklet credits Mahaney with developing Panelyte.
- CAW: He may well have. I can recall specifically that it was a product we were producing at Trenton, New Jersey, and he was the general manager.
- JRR: I understand from another person that I've interviewed that a man came to Carlisle's office here in New York, back in the twenties, with an idea--and the idea was Panelyte. I'm wondering if that man was Mahaney.
- CAW: I don't know.
- JRR: From what I've discovered, William H. Versfelt, Sr. was a very selfless and influential man in the company.
- CAW: Right. A financial man.
- JRR: And I think he and C.B. Martin are credited with helping Ferguson get the company through the thirties and the Depression.
- CAW: Yes, that would be my recollection of their financial genius and background.
- JRR: It would be helpful to know some of the things they did, some of the specifics, if possible.
- CAW: I really can't give you any help on C.B. Martin. Mr. Versfelt was a very strong believer in the customer. He became quite customer-oriented and recognized the importance of the customer. I recall his always being present over the years at the major customer lunches and get-togethers. He enjoyed that and encouraged meeting with the top managements of our big bag customers. Tom Cosford was president of St. Regis of Canada, which was composed of the bag plants. He was a strong individual in our Canadian activities. Another man, Joseph Quinlan, who was vice-president of traffic and a director of the company, was a strong motivating factor; during

the World War II years he was a great help to Mr. Ferguson in being available to oversee a lot of things outside of traffic.\*

JRR: Joe Quinlan started up in northern New York. I'm trying to recall how he got started with the company; it was quite by accident.

CAW: His background was railroads, so he was a very strong man, and well known in the railroad industry.

JRR: Was Cosford the man who started the plants in Canada?

CAW: I'm not sure whether he was the one who started them. In my memory he was running St. Regis of Canada when I joined St. Regis, and he was a very strong man in the St. Regis management group as far as the Canadian operations were concerned. I think he came to St. Regis as a result of the Bates acquisition.

JRR: If he was running the Canadian operation and Harnett was running the U.S., who was running the Printing Paper Division?

CAW: The Printing Paper Division at that time was pretty much under C.B. Martin, as far as the mills were concerned. Ted Murray was in charge of sales, in the Printing Paper Division, and had strong relationships with the publication field. He worked very closely with Mr. Ferguson in the major contracts we had with large users of paper, like Sears, Montgomery Ward, and the Time and Life magazine people.

JRR: Did Murray come from the West Coast?

CAW: Not that I know of. He was with St. Regis running sales when I joined the company. Sales was separate--operations were under C.B. Martin. St. Regis's kraft production back in those days, the middle thirties, was basically in northern New York--Oswego, Carthage, Herrings--and the kraft mills, I think, also came under C. B. Martin.

JRR: What about the plant at Tacoma--who managed it?

CAW: Walter DeLong was the key man at the Tacoma mill operations in the Pacific Northwest.

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\*Thomas H. Cosford was a director of St. Regis Paper Company (U.S.) from 1942-1956. Joseph A. Quinlan was a director from 1941-1959.

- JRR: We're closing in on a lot of this--it's really good. It is a big' help to know who was doing what. The records don't say.
- CAW: Clayton Beach, a man who was not in the top management, was a very strong moving force in those days and worked closely with Mr. Gay and with Mr. Ferguson. Most all of his activities were related to bag operations as related to pricing, the establishment of the pricing list, the relationship with our licensees. It was a corporate function. It had nothing to do with direct selling efforts, nothing to do with the direct operations of the plants.
- JRR: Something else I've been trying to find out has to do with Floyd Carlisle. Did Carlisle help Ferguson manage St. Regis after Ferguson became president?
- CAW: I never had occasion in those years to see any evidence of that. I don't ever remember seeing him at our offices, other than when he came in at the directors' meetings. My impression was that Mr. Ferguson was really running the show. He was the key man.
- JRR: Ferguson, W.K. Dick,\* and Carlisle composed the Executive Committee. And it would be interesting to know how much the other two assisted Ferguson. I'm sure they exchanged ideas.
- CAW: Must have. But I have no direct knowledge of that at all. Two of Mr. Carlisle's sons were somewhat active in the company during my days. John Carlisle was in the sales promotion department, and it was his departure from St. Regis that moved me into the sales promotion function. The department was involved in the development of a film library related to bag packaging equipment--functions and operations. In the early years of World War II we formed the technical development department, and Floyd Carlisle, Jr. was with us for two or three years in that type of field work. Then he departed.
- JRR: As far as I know the sons are still active.
- CAW: I've lost track of them. I've no knowledge of where they are today at all.
- JRR: I think they're in the area, and we plan to interview at least one of them eventually. You mentioned film earlier--by now those films should be classics.

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\*W.K. Dick was a director of St. Regis from 1916-1953. He succeeded H.E. Machold as chairman of the Executive Committee in 1934.

- CAW: That's right. And I have no idea where they are. They were with the sales promotion department, which became a part of the Bag Packaging Division.
- JRR: I wonder if they would be at West Nyack.
- CAW: I have no idea, really. These were early films of St. Regis valve packers in the cement industry, in the rock products industry, in the sugar industry, in the fertilizer industry--the various machines that were developed for those markets--chemicals, fertilizers. Incidentally, Walter Wright was a very key man in the Taggart Corporation in Watertown, New York, in the development of the 160FB packer, which could handle chemical fertilizers. It enabled the Bag Packaging Division to introduce the multiwall bag to the fertilizer industry.
- JRR: Let's move to the World War II period. I want to find out a bit more about the closing and the subsequent reopening of the Tacoma plant, which seems to have been pretty important in terms of pulp supply. From what I read, it was closed because there was a critical shortage of timber, or the timber there was needed for other uses, such as nitrating pulp. Do you know anything about nitrating pulp?
- CAW: No, and I really didn't recall that the Tacoma mill actually was closed down. To my recollection it did continue to operate.
- JRR: It didn't stay closed long.\* You were able to get timber from the Lake Logging Company and the West Fork Timber Company out in Washington and British Columbia.
- CAW: We had three bag plants operating in the West that were converting multiwall grade paper. If they closed Tacoma, we must have then been buying that material in the open market. Again, my area of activity back then did not involve the West Coast at all.
- JRR: Normally where did you get your pulp supply for the eastern bag plants?

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\*The Tacoma mill was closed on November 1, 1942 as a result of War Production Board Order M-251. The order, which closed some mills in the Pacific Northwest and curtailed the operations of others, was designed to assure the government of an ample supply of wood pulp for wartime applications. Tacoma was reopened April 2, 1944.

- CAW: Most of **it** was shipped in from Europe to the big Oswego mill, where **it** was converted to kraft paper; **it** was also converted at Carthage and Herrings, New York.
- JRR: Before St. Regis bought the Bates plants, Bates apparently bought their pulp and even their paper.
- CAW: Yes, they were strictly buyers of paper. They were not paper producers.
- JRR: Well, then you really **didn't** become self-sufficient until you moved into the South.
- CAW: That's right. There was the acquisition of the Alabama and the Florida pulp and paper companies--plus the long-term contract with Camp Company at Franklin, Virginia. This contract gave us a paper source for the Franklin bag plant.
- JRR: Another question about the war. What supplies were difficult for St. Regis to get for making its bags?
- CAW: I don't recall that. we ever had a problem getting materials to manufacture bags. As I mentioned earlier, we were working with the War Production Board to convert industries from critical items such as steel and fiber drums. In that the multiwall bag took less fiber, **it** was more readily available.
- JRR: In terms of getting wood to the plant, there were problems in securing trucks and tires. I wondered if there were other problems in obtaining supplies.
- CAW: Railcars, of course, were a critical problem, and the activity that we had in the development of the multiwall bag for synthetic rubber resulted in considerable savings of railcar space. But railcars did continue to be a problem during the war.
- JRR: How many St. Regis officials left the company to assist in the defense effort?
- CAW: Mr. Gay was the only official I knew of that was actually in Washington on a permanent basis during those years. Ken Lozier and Gardiner Lane were in Washington a great deal, working on priorities and that type of thing. They were still St. Regis employees, but spent a great deal of their time in Washington--as I **did--in** working with all the government agencies during the years 1939 to 1944.

JRR: What exactly did you do with the agencies?

CAW: In addition to working with the Rubber Reserve, I worked with the Chemical Warfare Service in developing bags for decontamination of gassed clothing in the event of a gas war. This involved a lot of development work at Edgewood Arsenal. We helped educate the army and the navy in the proper handling and storage of products in paper bags because they had previously used cotton fabric bags and steel and fiber drums.

JRR: Did you work alongside representatives from other companies who were also producing bags?

CAW: In the case of developing bags for synthetic rubber, there were two other bag representatives from the PSSMA\* who were involved: a fellow by the name of Whaley from Raymond Bag and another fellow by the name of Littlefield from Bemis. And we three were a committee representing the paper shipping sack industry. This was strictly as it related to the Rubber Reserve company, which was the government company that ran the synthetic rubber plants after Pearl Harbor.

JRR: Were the three of you the representatives of the main producers of bags?

CAW: Yes.

JRR: IP was not a major bag producer?

CAW: They were in the business, but our three companies had been selected because of our interest in developing a bag for the particular end use.

JRR: Were you what were called "dollar-a-year men," by any chance?

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\*PSSMA (Paper Shipping Sack Manufacturers' Association) was incorporated in 1933. The organization, a descendant of the Rope Paper Sack Association, was designed as a supplier of statistical data for the bag industry. Two important leaders in the early years of PSSMA were Frank Pocta (executive secretary) and Willard Dixon of St. Regis (president). Mr. Dixon's career at St. Regis is briefly discussed earlier in this interview. At present PSSMA, headed by Executive Vice-President Charles Peterman serves ninety-four percent of the bag industry. The organization functions as a clearinghouse of information on multiwall and consumer bags and also engages in lobbying in the nation's capital on behalf of the bag industry.

Charles  
Peterman

CAW: No. I was in the employ of St. Regis, in our technical development department, which had been formed during World War II. I was the assistant manager; Clayton Beach was the manager. We had other St. Regis people with us--packaging engineers that were involved in the development of equipment to handle the type of packing operations involved.

JRR: Who handled contracts with the army and navy?

CAW: Each division would handle its own contract negotiations. I handled the gas decontamination bag contract negotiations with Chemical Warfare Service. In the case of the Rubber Reserve, those bags were purchased by the individual operating companies that ran the synthetic rubber plants. In other words, B.F. Goodrich, U.S. Rubber, Firestone, Goodyear, and so forth'. That purchasing was on a decentralized basis. The government agency was only involved in writing the specification and approving the package.

JRR: I gather that certain grades of paper during the war were eliminated and priority given to other types of paper.

CAW: Lightweight paper like forty-pound kraft was basically very difficult to come by, for the reason that if you ran heavier grades you could get more tonnage over the machine. So the effort was made to convert customers away from forty-pound into fifty-, sixty-, seventy-pound basis weights. And this provided greater tonnage production from the existing paper machines.

JRR: Were there types of paper during the war that the consumer couldn't get?

CAW: Lightweight papers would be one type--principally forty-pound--for bag packaging. I'm not familiar with what the effect was on the lightweight paper for grocery sack use. But that could have been a critical item because there you go down to thirty-pound basis weights. The machines could have run it, but there was the need for more tonnage to spread out the available machine capacity--to utilize the existing machine capacity. There was no way you could build new pulp and paper facilities during those years.

JRR: st. Regis didn't build much capacity during the war years.

CAW: None at all that I know of.

JRR: And probably the industry at large didn't.

CAW: Right.

JRR: What about during the thirties?

CAW: I know of very little expansion, certainly none in St. Regis. In the depths of the Depression there was no money available to do it, and the lack of profit probably was a big factor in that.

JRR: I want to jump ahead and ask you about an orientation meeting at Pensacola, Florida--April 9th through the 12th, 1955. You addressed a group of young executives.

CAW: My role there was to give them a background of the Bag Packaging Division activities and the markets they were serving.

JRR: This apparently was a significant meeting. I think that a number of people who attended those orientation meetings are now in management positions in the company.

CAW: As I recall, it was the beginning of a management development program, of taking key men in various segments of the company's operations and beginning to broaden them across other product lines, other divisions' activities, give them a broader background to help prepare them for future management positions within the St. Regis operation. The group was a cross-section from all divisions of the company.

JRR: Do you remember any of those young men who are now older and wiser?

CAW: Yes. Ed Jones is our chief financial officer; Steve Kaptain is senior Vice-president, International Division; Jack Hartung is vice-president of purchasing; Jack Clifford is general sales manager of Printing Papers; Ed Strickler is general manager of the Mount Wolf. container plant; and Russ Major is general auditor. There were several of those meetings held, and I remember one here outside of New York City. It was a similar type program. I was on the program representing the Bag Packaging Division and talked about the division's markets and its activities in the marketplace. I roomed with Bill Caldwell, who subsequently became president of the company. At that time he was resident manager at Pensacola.

- JRR: I read through the names of the people who attended the 1955 meeting, but many of them are not that familiar to me.
- CAW: Of the twenty participants involved, I earlier identified six who did move up in St. Regis management. Four have retired after having moved up in management positions. Four resigned and two, unfortunately, died at an early age. It's hard to really pinpoint them, because it has been twenty years since the meeting. As to fellows like Gardiner Lane and Howard Peterson, they also retired. I remember one of the themes that Mr. Ferguson introduced was "awareness of opportunity," which was his great philosophy going way back. I think many of the men who were involved in those sessions are still familiar with this philosophy and practice it today.
- JRR: I read a couple of speeches that Mr. Ferguson presented at these meetings and that theme stands out. Who developed these orientation meetings?
- CAW: Ted Gay and Arch Carswell were very much involved. Ken Lozier was involved in the format and the scope of the meeting.
- JRR: My impression from reading some of the speeches at this meeting, and at some of the sales meetings, is that you were selling the company, in a sense, to these young executives. And trying to get them to capture your spirit.
- CAW: Yes, esprit de corps was one of the factors. We wanted them to know that there were opportunities beyond the specific division they might have been in. Arch Carswell knew the need for that type of program and was very much involved in the makeup of the program. And at that point, he was vice-president of sales for the corporation. My role was general sales manager of Bag Packaging. Mr. Hahn spoke for manufacturing--this was when they were still separate--it was not a consolidated division. Ted Murray talked for the Printing Paper Division, Reg Vayo for the Kraft Division, Russ Mahaney for Panelyte. And then the key corporate officers such as Mr. Ferguson, Mr. Gay, and Mr. Versfelt all talked about where the company was at that point and what was involved in running it. And they looked down the road to what the future of the company might be.
- JRR: Why did you stay with St. Regis for forty years?

- CAW: Loyalty, number one. I enjoyed it and the challenges and the work that were involved. I had many opportunities to go outside but I chose to stay with St. Regis out of loyalty to it.
- JRR: What is it about.. St. Regis that induces this kind of loyalty? Can you describe some of the challenges?
- CAW: The challenges were always there, and the people that I was directly involved with or reported to were people that I would remain loyal to. The people whom I worked with, and who worked for me, were people who accepted and enjoyed the challenges. The opportunity to grow and to change. The complete change of the Bag Packaging Division from the year 1946 when I went to Chicago was a challenging thing. And the need to reorganize the structure of the division, which had been under one-man control in the area of sales. V.C. Douglas had had complete control all over the country except for the two coasts. There was the need to redevelop it and reorganize it under a regional operation, and develop manpower to run their segment of responsibility.
- JRR: So they gave you ample opportunity to meet the challenges.
- CAW: Yes.
- JRR: You've named a number of people who probably account for the situation, but was it Mr. Ferguson, primarily, who created this atmosphere?
- CAW: Yes. In my recollection, Mr. Ferguson was very much involved, and very much involved in my own life--Mr. Gay, Mr. Dixon, Mr. Douglas, Mr. Carswell, Mr. Recknagel, there are a number of people that I was very much involved with. Mr. Dixon was a father image to me.
- JRR: You have to create this loyalty; it doesn't just happen. You have to create the opportunity, and you're telling me that they did. These people that you just mentioned made St. Regis an exciting company to work for.
- CAW: Right. As I look back over the years, when the company was in trouble in given areas, they frequently called on me and asked if I would step in. And apparently my ability to unscramble a problem and help in its re-organization was there, because I was continually called on in different areas.
- JRR: Can you pick some of these areas and expand on them or illuminate them?

CAW: I think I can highlight some of the problem areas where I was selected to assist in arriving at satisfactory solutions. In 1940 I was appointed a member of a special task force to reorganize the order and production function, and procedures on multiwall bag order flow, to various bag plants. We were able to effect a complete change from a central corporation order and production department in New York to a decentralized flow of orders from each sales office to the bag plants.

I was selected in 1941 to take over from the corporate accounting department the bag sales statistics function in order to reorganize and to correct the inaccuracies and delays in furnishing E.R. Gay's office with this most important information. This resulted in complete elimination of the problems. The department of six people were returned to the accounting section in 1945.

Due to the resignation in 1944 of Clayton Beach, manager of the corporate pricing and statistical department, who joined Raymond Bag as general manager, a replacement was appointed from the eastern sales region. Unfortunately, this replacement proved unable to carry the overall responsibilities involved and I was selected in 1945 to return to this function as manager.

In 1946 I was selected to move into the major bag sales headquarters in Chicago to understudy as a future replacement for V.C. Douglas. Four or five other candidates preceded me and all failed. Apparently Mr. Gay at that time knew me--how I had worked with others during ten years with the company--and they picked me to go out. I was able to work with Mr. Douglas. I succeeded, but it was not easy.

JRR: How were you able to work with this difficult man?

CAW: Just my nature, apparently. My ability to work with people and work through difficult situations. And there were many of those. But it was accomplished, and we reorganized the division. And Mr. Carswell had come on the scene in 1948 as general sales manager of the Bag Packaging Division--the first time there was that type of position. And I worked closely with him. I was selected and appointed Bag Division general sales manager in 1953, replacing Arch Carswell, who became the first corporate vice-president of sales.

During 1961 to 1964 I worked closely with B.W. Recknagel in the complete reorganization of the Bag Pack-

aging Division. More recently, in 1969, I formalized the National Account function within the Bag Packaging Division and served as manager. Four years ago I was selected to dissolve the corporate environmental systems division by completely integrating the marketing and sales functions of paper refuse sacks into the Bag Packaging Division. This was successfully accomplished over an eighteen-month period and today is an important growth product line for the division.

The environmental systems division was a promotional type of group to develop the market for the paper refuse sack. And after a period of years, the market had been penetrated, the development of the market was under way, but the amount of money that was being spent by this group, compared to the type of growth, was exorbitant. The corporation felt that they should integrate this function into the Bag Packaging Division. I was asked to step aside from my current duties, and over an eighteen-month period (1971-1972) we successfully oriented the Bag Packaging Division toward the marketing of paper refuse sacks, both to the distributor markets and to the municipalities. We set up municipal agents and realigned a more formidable distributor program and policy. And at the end of eighteen months, after a lot of hard work and orientation with the men themselves, this was done, and then I stepped aside. It is now part of the Bag Packaging Division.

JRR: How do you normally pursue developing a market?

CAW: In the case of paper refuse sacks, the market was there, and a lot of the hard work had been done. It was a matter of expanding the effort. Here you had an entire national market, and it was difficult for a few men under the environmental systems group to be able to really cover the USA. And here we had the Bag Packaging Division, with all the manpower geographically close to those markets. It was a matter of spending more time with the distributor salesmen to get them to understand the product and to introduce it, to promote it. Similarly with the municipalities, you've got to have more manpower out there to do it.

JRR: So reaching customers is more a one-to-one approach than it is a media effort.

CAW: That's right. It's face-to-face discussions, demonstrations in the marketplace, showing the benefits of the paper refuse sack versus the old metal can, which is what we were replacing. The improved sanitation,

the improved handling factors, really reducing the costs of what was involved. Today over a hundred communities are on the paper refuse sack system. And that's still only a drop in the bucket to what the total market ultimately can be.

JRR: You mentioned ICI markets in our first session.

CAW: This is institutional, commercial, and industrial. Institutional would be hospitals, schools, and prisons. Commercial would be restaurants, airports, motels, and hotels. Industrial would be industrial plants where solid wastes are generated.

JRR: You're tapping these as well as the residential markets.

CAW: Yes. The other side would be municipal, where the individual communities have their own refuse sack programs, and the bigger cities, involved with sanitation departments and such. That's an entirely different approach, dealing with the municipal officials and the various boards that are involved in getting ordinances put through to adopt the paper refuse sack as a preferred method to handle solid waste disposal.

JRR: This is going back to our last conversation. What was wrong with the Kuka-shark collection truck?

CAW: Again, it was a piece of equipment that was developed in Germany; we brought it into this country. The principle is very good, but the problems were parts supply from a long way off, the high cost of inventorying parts, and breakdowns in the equipment. I think today there are several of them still in operation. It was a difficult thing, in that it required a large investment on the part of the distributor (or the agent) who was going to handle it, and a large investment in parts which he just didn't care to make. And so St. Regis would be stuck with a high involvement of dollars without really much return. So we stepped aside.

JRR: What other challenges have you confronted in your career?

CAW: In 1972 I was selected to join the corporate account group which was reorganized as a major function of the corporate Marketing Division. To date our results have shown substantial dollar growth and position with close to one hundred major companies. From 1972 through 1974 I served on a corporate task force

established by W.R. Haselton to conduct "zero budget base concept" studies of various divisional operations. The group leader was Cliff Studholme. The studies resulted in many organizational and manpower changes which greatly reduced costs and therefore improved return on investment.

*JRR:* I understand now what you meant when you stated that St. Regis was an exciting company to work for and that the company gave you ample opportunity to grow. Thank you for your time--this has been a most informative interview.

## INTERVIEW II

John D. Clifford  
New York, New York  
October 8, 1975

John R. Ross: Jack, let's begin by having you relate something about your background, how long you've been with St. Regis and the jobs you've performed.

John D. Clifford: I came to St. Regis in May of 1948. My first job was in the labor relations department. I was there about one and a half years and then went into the manufacturing department working in production control. I was in that job about one year and moved into the sales department of the Printing Paper Division. My first job in the sales department was in the order section, and after a couple of years I became assistant to the vice-president of sales (E.G. Murray). I worked with Ted Murray primarily on the larger contract accounts such as Sears, Ward, Time and Western Electric. In 1963 I was appointed assistant general sales manager and in 1964, general sales manager, the job I still have.

JRR: In 1948, the postwar period, St. Regis was moving in a number of directions. Some of them probably because of new markets created by the war, and some created by pent-up consumer demands. I think your first sales meeting held in 1948 grew out of the Multiwall Bag Division, and I'm hoping you can tell me more about that.

JDC: No, I really can't because I was never exposed to the Multiwall Bag Division directly. I knew the salesmen but I'm not familiar with the meeting you make reference to. In 1948 I attended a meeting in which St. Regis announced a major advertising campaign--probably our first big national campaign--and the advertisements were primarily used in Life magazine.

- JRR: I'm not too familiar with St. Regis's advertising efforts, but the advertising campaign the company started in 1965, featuring the life of the forest, is well known.
- JDC: Yes, and it was a successful campaign.
- JRR: Well, I wasn't aware that St. Regis did a lot of advertising until relatively recent times.
- JDC: Actually, I don't think that we do a lot of advertising now. Certainly it is not commensurate with the volume of business we do. The national campaign, the tree campaign, has been well received, but it was primarily institutional and didn't feature any specific product lines. As for the Printing Paper Division, we do virtually no advertising. The extent of our advertising is passing out calendars, pocket memos, and golf balls. The new campaign in 1976 will include this division along with the Bag Packaging, Lumber, and Container divisions. Primarily, we sell direct to publishers, printers, and mail order houses, plus the major telephone companies. Our grades for the most part are commodity in nature where advertising and gimmicks are not important.
- JRR: Apparently for a long time the company sold its products through each division. But at some point, probably in the sixties, marketing became important, too.
- JDC: Yes. In the early sixties, as I recall, we had our first corporate effort in marketing. But as far as the Printing Paper Division is concerned, the major thrust of our marketing is still within the division rather than corporate.
- JRR: Nineteen forty-five is marked as the year in which St. Regis more or less ended a phase which started back in 1935. In other words, it survived the Depression. Then in 1946-1947, it started moving in a different direction. The purchase of the mills from Time Incorporated was indicative of the new direction.
- JDC: Yes. That was a definite direction which put us in the coated publication magazine business. Up to that time we were primarily in lightweight catalog and directory markets until the acquisition of Bucksport.
- JRR: Are you familiar with the name Harry Faeber?

JDC: Yes. The two coaters that we still have in operation in Deferiet are Faerber coaters. They were developed at Springdale Laboratories in Connecticut, which was then a Time Inc. subsidiary. The original coater at Bucksport was also a Faerber coater. It was installed on our #2 paper machine to manufacture paper almost exclusively for Life magazine under a long-term, contract with Time Inc.\*

JRR: Why was the purchase of the mills from Time Inc. important?

JDC: As I said previously, that put us in a new market area. The purchase from Time Inc. included three mills--Bucksport, Maine; Kalamazoo, Michigan; and Little Falls, Minnesota. Only Bucksport remains--the other two have been sold. Bucksport put us in the coated business in a big way and we are still expanding in this area of the business.

JRR: Yes, and recently you began an improvement program at Bucksport.

JDC: That's right. A project that will cost approximately \$85 million.

JRR: The war effort seems to have put the bag business on the map--as well as Panelyte. I'm looking for clues as to how good the market was for printing paper. Apparently it was good, otherwise you wouldn't have been purchasing additional mills.

JDC: As I recall, many of us in the Printing Paper Division thought we should have some expansion, but the big thrust was primarily in the Kraft Division. We waited until 1966 to get the first machine that was ever built for its intended purpose. The machine-coated paper machines presently in use in Deferiet were newsprint machines, as were the Bucksport machines when St. Regis bought the mill from Time Inc.\*\*

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\*Henry Faerber developed two types of roll coaters. The patents for both of them were filed in August of 1945 and were assigned to Time Incorporated.

\*\*Originally, Bucksport's #1 machine was designed for the production of newsprint. Later, it was altered in order to produce uncoated printing and publication papers. In the 1946 contract with Time for the purchase

The new machine at Bucksport, which is expected on stream in December of 1976, is designed exclusively for the manufacture of lightweight publication coated papers. To be candid, some of us in the division think that we were slighted for many years when most of the capital expenditures were going into the Kraft and Bag divisions.

JRR: Is Bucksport your most prosperous plant in the division today?

JDC: Most certainly, and I expect it ranks very high in the corporation also.

JRR: Where does your division get its pulp supply?

JDC: We make the groundwood pulp at each of the three mills in the division. The wood for this pulp comes from both St. Regis land and local farmers. The kraft pulp comes from our pulp mill in Hinton, plus outside purchases.

JRR: Did you capitalize upon a sodium peroxide bleaching process which was initiated at Deferiet?

JDC: You would have to ask someone else. I don't know. I am not too well versed in the technology of paper-making.

JRR: Well, St. Regis was the first company to use it commercially as I understand it. I'm just trying to determine its importance to St. Regis.

JDC: There are any number of people in the company at West Nyack and the mills, who could help you on this--I can't.

JRR: Do you get any of your pulp from Jacksonville or Pensacola?

JDC: Not really. In an emergency about a year ago when pulp was very hard to get, we did get some from Pensacola to keep Bucksport operating.

JRR: You have a company-owned timber supply fairly close to Bucksport.

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of the Bucksport, Kalamazoo, and Little Falls mills, St. Regis agreed to convert further the #1 machine at Bucksport for production of machine-coated paper.

- JDC: Yes. I think it is something in the neighborhood of 750,000 acres.
- JRR: And some of it came as a result of the purchase from Time Inc.?
- JDC: I believe so, but there have been further acquisitions also.
- JRR: From what company did you acquire the Sartell mill? You didn't buy that from Time Inc.
- JDC: As I understand it, Sartell, then known as the Watab mill, manufactured newsprint for a newspaper in Minneapolis. I think it was owned by the newspaper, but I'm not sure.
- JRR: I got the impression that someone thought it came from Time Inc.
- JDC: Quite a few people still do. As I said earlier, the Time Inc. acquisition was Bucksport, Kalamazoo and Little Falls. Kalamazoo and Little Falls were subsequently sold.
- JRR: Yes. Why?
- JDC: Well, Kalamazoo was a whole different type of paper-making for us and required a different concept of selling. The grades of paper made at Kalamazoo were distributed primarily through paper merchants, and we like to sell primarily direct to end users. It just didn't fit as far as we were concerned and, likewise, Little Falls didn't fit. Little Falls was a small, one-machine mill which couldn't make any money on the grades required in the markets that we served.
- JRR: The industry changed a lot from the late forties, and by the mid-fifties, I think things were looking different.
- JDC: Yes. We've changed, too. We were always heavy with the mail order people such as Sears and Ward, and later with J.C. Penney when they entered the mail order business about twelve years ago. We are also very big with Western Electric telephone directory paper. At one time we were seventy percent of their supply and now we are down to about twenty percent, but the reduction was by design since we got into more profitable grades. The relationship with Time Inc.

opened a lot of doors in the magazine business. The insistence of Time, Inc. on consistent quality and their driving efforts to go lighter and lighter in basis weight, while troublesome to our manufacturing and technical people, made us the leader in the lightweight publishing business that we are today. We profited greatly from the impact Time Inc. had on St. Regis in the lightweight publication area.

JRR: In other words, they were pushing you to produce?

JDC: Yes. They have been pushing us for as long as I can remember. The real heavy push came about ten years ago. I can recall a meeting at their Springdale lab in the early sixties when one of the top officials of Time Inc. indicated his goal was to go to thirty-pound paper. We were probably at thirty-eight- or forty-pound then, and the mill people damn near fell out of their chairs when they heard thirty-pound was a goal. Today it's a reality. It didn't come easy, but we have a leg up on the market for our accomplishments. Some of our competitors thought we were foolish for trying to go so low in basis weight because they didn't feel it could be done profitably, but they have now had to come our way. When Time Inc. announced on December 18, 1972 they were going to kill Life, that magazine used approximately ninety thousand tons annually, and we had about forty thousand tons of it. We were successful in filling in with new accounts such as Better Homes & Gardens, Playboy, Esquire, and Conde Nast Group (Glamour, Mademoiselle). We also became a major factor with Hearst (Cosmopolitan, Good Housekeeping, Popular Mechanics), Fawcett (Woman's Day), and Family Circle, plus many others. Our current tonnage position with Time Inc. is almost back to where it was before Life folded. We now supply paper for their People, Time, and Sports Illustrated magazines. Actually, there is hardly a magazine of any prominence that we are not represented in now.

JRR: Do you do anything with book publishers?

JDC: Not greatly. We sell some to Random House and Prentice-Hall, plus some of our paper goes through merchants for hardbound and softbound books. This paper is made mostly at Deferiet.

JRR: What about specialty papers, such as glassine?

JDC: I do not get involved in glassine. That is made at the Rhinelander mill and I would rather let them speak on that. All I know is that the glassine market has

changed a great deal, and we do not have the volume that we had years ago.

JRR: How did St. Regis get into glassine production? How did that mesh with the total picture?

JDC: I really don't know. Obviously, our management thought it good for the company at that time. I suspect there were combined financial plus marketing interests. The same could be said for the Howard Paper Company of Dayton, Ohio, which after operating for a few years was sold. I don't think Howard was completely compatible with the kind of mass selling that St. Regis does. I was not involved directly with the Howard grades.

JRR: You also had a Market Service Center, didn't you, as part of Howard?

JDC: Yes. That didn't enjoy the success that was anticipated.

JRR: Some other things apparently did, like the Birmingham Paper Company and the Nifty brand.

JDC: Well, there again, you are asking me to comment on things I am not close to. I frankly do wonder how some of these things did come to pass. Again, I suspect the financial considerations had a lot to do with it.

JRR: I wouldn't be surprised.

JDC: As I suggested earlier, we didn't have the sophisticated marketing setup that Procter & Gamble, for example, has. All the companies that we purchased were actively in business in their respective fields, and I suspect they were considered to have a good relationship in the fields in which they specialized. But when they came into our company and meshed into the corporate structure, it didn't always work. There have been several acquisitions that have gone by the wayside. It seems to me that our present management is doing its best to take care of the healthy properties, and the sick ones are getting a reasonable amount of care. But if their problems are incurable, they, too, will go by the wayside.

JRR: Well, I think you started that as a conscious policy in about 1969.

- JDC; Right.
- JRR; This company was taking a hard look at the old boom-and-bust cycle in which paper companies over-expanded, everything caught up, and prices sagged.
- JDC; I think that was the philosophy in the whole paper industry. It just seemed fashionable that if one company was going to put in a new machine, everyone would follow. The \$85 million expansion at Bucksport was in the planning stages for many years before it was approved. If another company such as Consolidated or IP, our major competitors, had announced a new machine before we did, I am not sure that St. Regis would have gone ahead with Bucksport #5 machine. The market can take just so much production. There has been a lot more discipline in the paper business than there was in the years following World War II and the Korean Conflict. When paper was in short supply in 1973 and 1974, very few companies made plans to expand--a clear break with the historical practice. When Bucksport gets on stream in December, 1976, we will produce approximately 420,000 tons annually or about \$200 million in sales out of that one location. Some questioned our expansion in the uncoated super business at Deferiet in 1974 because we already were the dominant supplier of this grade, and many of the mills had discontinued its manufacture. The largest users of uncoated super are the mail order catalog people, and we have been doing business with them on long-term contracts for many years. Our move in this grade has proved to be very profitable.
- JRR: Well, in terms of coating and supercalendering paper, my impression is that you have to keep innovating or fall behind.
- JDC: Yes. The maintenance and improvements are very necessary and very expensive. Also, research such as that done at West Nyack is very expensive but also has proved to be quite profitable.
- JRR: In the past your research efforts were spread around the different divisions. Then you consolidated all your efforts at West Nyack in 1962, and that made some difference.
- JDC; When I first came to the company our technical headquarters were located at Deferiet. The lab was located on the second floor of a relatively

small building. It was the basic technical center for the company, but each of the mills had small technical facilities within its location. West Nyack has proved to be an impressive way to show prospective or regular customers that we are really on top of our developments in the paper business. It is a good facility.

- JRR: Prior to that, you were coming up with solutions to other people's problems that you didn't know about, or at least that's the impression I get.
- JDC: Well, that may be. Previously, I believe more inventive effort went into the bag packaging area than the Printing Paper Division. A lot of our development work in the fifties and sixties was on an ongoing, day-to-day, and trial-and-error basis. I am sure some of the technical people would quarrel with me for that statement but I think it's true. In recent years we have gotten more help, especially at West Nyack, in the development of lighter weight coated paper. New methods and technology are very important, especially at Deferiet, which is an old mill. We have to do things better to remain competitive, and this requires our technical and production people working closely together. They are really doing a great job and our profits show it.
- JRR: Do you recall anything about the product development department?
- JDC: Yes. In the Printing Paper Division, we never really got that much involved with them. Again it was in the bag packaging area.
- JRR: Then let me jump forward and ask you about the marketing analysis department created about 1961.
- JDC: Frankly, I thought their function was more statistical--compiling facts--than it was looking down the road to forecast what was going to happen. Here again I speak primarily for the Printing Paper Division. Maybe they did more looking ahead for other divisions, but in my view they used numbers to tell us where we were or had been. Prior to coming to St. Regis, I worked for A.C. Nielsen. We did forecast work and market analysis studies for accounts like Proctor & Gamble, Campbell Soup, Colgate, and General Foods. There people wanted to know what was going to happen, so I feel I had a little awareness of what marketing analysis should be. This is not meant to be a slap at our group;

but to repeat, I think they dealt with historical numbers.

JRR: Well, how do prospects look for St. Regis?

JDC: Speaking for the Printing Paper Division, we had a situation in 1973 and 1974 when nobody could keep up with paper demands and there was a lot of panic buying. The increase in paper prices caused some publications to cut back, but I believe 1975 will prove to be a good year for us and I look for a good year in 1976. Postal increases will hurt magazines and mail order catalogs, but a spurt in advertising will help defray some of these costs. Convenience is the biggest plus for mail order selling, in the urban areas more than the rural. It is the convenience of being able to pick up a phone any time of the day and place an order--no problems with baby-sitters, parking or traffic. We look to the mail order field as growing. The magazine industry has suffered the loss of three or four big publications such as Saturday Evening Post, Look, and Life. Very few people thought that the coating business could survive the loss of this type of volume user. At the same time, other magazines have come on stream. Special interest publications and women's magazines--like Family Circle, Woman's Day, Good Housekeeping, Cosmopolitan, Better Homes & Gardens, and Ladies Home Journal are all doing quite well. Sport magazines have been hurt by the economy but show signs of coming back. Therefore, I look for growth in the magazine business. With an improved economy, we will get advertisers back in the magazines. Regional advertising has also been a big help for national magazines. The telephone companies have probably reduced paper use as much as they can by putting large city directories on five columns instead of four and by adding extra listings per page. The effect has been about twenty-five percent reduction in use of white pages. The yellow pages is a very profitable business and for that reason, their usage has not been reduced. Schools have gotten into paperbacks, as opposed to the traditional hardbound books, and this has been good for us at Deferiet.

JRR: You have to have some kind of specialization.

JDC: Definitely.

- JRR: Let me ask you about the proposed merger with RCA. That was one of the few times in this company's history when there were rumors of selling or merging. Back in the twenties, it was rumored that F.L. Carlisle was considering selling out to International Paper.\*
- JDC: I'm not aware of that.
- JRR: Yes. That was in 1926 and in 1927.
- JDC: Too far back for me.
- JRR: What about this merger? What benefits would it have had for St. Regis and RCA?
- JDC: I don't know what the benefits to st. Regis would have been from a marketing standpoint. From their standpoint, I can see where they would pick up a lot of assets in the way of land. At any rate, I am glad it didn't happen.
- JRR: RCA apparently wanted St. Regis for the purpose of diversification. They had just bought Random House and Hertz.
- JDC: That's right. I don't know what they would have needed us for from a paper standpoint. That could not have been the consideration in wanting to merge with St. Regis. It had to be financial.
- JRR: Do you feel St. Regis is better off for having decided not to merge with RCA?
- JDC: Yes. A couple of years immediately following the "almost-merger" proved this. RCA had many problems, especially with their computer activity. Most people in st. Regis were pleased when it didn't go through.
- JRR: That's the reaction I get when I ask the question. Shortly after the merger was abrogated, St. Regis

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\*These rumors circulated when F.L. Carlisle was actively pursuing investments in public utilities as well as running St. Regis. Reports of a swap of St. Regis's paper-making facilities for IP's hydroelectric power properties appeared in the Watertown (N.Y.) Daily Times of January 19, 1926. Over a year later (October 27, 1927) the Watertown Daily Times printed a story about the impending sale of St. Regis to IP--so that the latter company could control Northeastern Power Corporation, in which St. Regis had a majority holding.

embarked upon a corporate advertising campaign.

*JDC:* Our advertising department, in recent years, is a lot more active and does a good job with the funds available to it. The department is now trying to get each of the divisions identified in some way. The 1975 TV program was pretty heavily steered towards the packaging end of the business which, of course, is a very important profit center. Very few people who read magazines, order from catalogs, or use telephone directories ever hear of St. Regis. They don't know the ramifications of the Printing Paper Division's business.

*JRR:* I've discovered that the paper industry in general is relatively unknown.

*JDC:* The campaign accelerated after the aborted merger with RCA. We had to go out and make our own identity. Very few of our products are actually sold under the St. Regis name. The Consumer Products Division is an exception since the majority of their products are sold in the consuming market-places. We are very well known within the trade but not necessarily by the general public.

*JRR:* I think that's true in general in this type of industry. You're almost an unknown industry.

*JDC:* A lot of people who buy paper simply take it for granted. The old philosophy was that paper was basically a cheap, disposable commodity. I don't think the management within the industry, until fairly recently, did enough to correct that image. Paper machines were operated at almost any cost just to keep them running. Now senior management of most of the paper companies is taking a hard look at that practice. Management will run mills and machines profitably--or take downtime or even close the mills. In the past, sales people were told to keep prices up but not to lose the order. That doesn't go hand in glove. People who see paper being made for the first time are astounded to see what's involved--the machinery, the energy, the wood, and the chemicals, and so forth.

*JRR:* It is a complicated process.

*JDC:* It really is. It seems to me that there should be an easier way, but here we are building a new

machine which for the most part will use basic, traditional papermaking principles.

*JRR:* Your company grew from a one-mill operation to quite a diversified company, and by the early sixties you were well established in the industry. At this point you restructured your management in what seems to me a pretty significant move. Is this a correct impression?

*JDC:* I think we had to digest some of the many acquisitions. Some of them had to be restructured and molded into the St. Regis method of operation and, as we know, this didn't always work out. Some had to be sifted out, and also people involved with the acquisitions had to blend in with St. Regis methods of operation or be replaced.

*JRR:* Generally, when you bought a company you tried to keep the management intact.

*JDC:* That's right. The inevitable had to happen.. As people grew older, retired, or died, their positions were frequently filled by St. Regis people.

*JRR:* As early as 1950 there was a study that recommended the appointment of a number of vice-presidents to help the president, and I think 1963 is the year when St. Regis finally got around to doing it.

*JDC:* Up until the mid-fifties, for the most part our directors were in-house vice-presidents of various divisions. I am not sure but I suspect it was in the late fifties or early sixties when outside directors came on the St. Regis board. Our sales were growing and we were becoming more diversified. This required financing, hence the need for outside directors.

*JRR:* Yes. Your growth has been spectacular.

*JDC:* The thing I like about St. Regis is that it is a fairly intimate company in many ways. There are a lot of first-name relationships. The officers are active, not simply figureheads. People seem to like to work with us. We can get the management of our company to meet with customers very readily--but, on the other hand, the top management is not overbearing in this regard. They leave each division, at least it has been my experience, fairly free to move around within the parameters of the company policies. I may be off the track here, but I have heard some criticism about our

competitors regarding management interference-- which lessens the personal touch management has with company personnel and customers.

JRR: Your remark about St. Regis seems typical--not only in terms of selling and your contact with customers, but your employees also seem to have enjoyed working for the company.

JDC: Yes. We have our normal turnover obviously, especially the younger people who get charged up in school and some who just can't wait to get ahead. For the most part, I don't think our turnover is too high. Our people are willing to work beyond the normal nine-to-five hours if necessary. On this point, I believe I am speaking for the whole company and not just the division.

JRR: Jack, this has been good. Thank you for your reflections on St. Regis history.

INTERVIEW III

Jack W. Hartung  
New York, New York  
October 8, 1975'

John R. Ross: Jack, let's begin with 'a biographical sketch of yourself, including your background and your years of service with the company.

Jack W. Hartung: I'd be glad to. I started with the Bryant Paper Company in Kalamazoo, Michigan, December 8, 1941--a date that's a little hard to forget, being the day after Pearl Harbor. I started there as an assistant purchasing agent, getting the job primarily due to a chemical background that I had built up while at Kalamazoo College. I was with Bryant until early in 1943, when I went into the navy. Upon returning in 1946, I found that Bryant Paper Company had been sold to Time Incorporated; some eight or nine months "later, the company was picked up by the St. Regis Paper Company, for which I've worked ever since. I was in Kalamazoo and headed purchasing from the time I returned after my naval service until 1955 when I came to New York. I took over the operations of the purchasing department and have been here ever since.

JRR: Jack, could you explain exactly what purchasing involves? What kinds of jobs have you done for St. Regis both in Michigan and here in New York?

JWH: Well, of course, it involves the procurement of goods and services that are required to carry on the operations, and the purchasing manager, as we call him now, is charged with committing funds to the best interests of the company. He must search out new sources and new products, and he should contribute in general to the profit-making mode of the company.

JRR: Let's go back to the Bryant Paper Company. Can you explain, perhaps, why Time Incorporated bought Bryant?

JWH: Yes. I believe they thought World War II was going to last longer than it did, and they were interested in preserving their sources of paper. They were not, at the time they purchased the Bryant Paper Company, getting any paper from that operation; as a matter of fact, weren't even in a position to because it was committed elsewhere. Obviously, they would be in a position later to obtain access to the mill's output. But the war ended rather abruptly, and I think they were not overly interested in being in the producing sector of the paper industry; so they sold the Kalamazoo operation, along with several others they had acquired, to St. Regis.

JRR: As I remember, St. Regis managed those mills for a time before St. Regis bought them.

JWE: That's correct.

JRR: When Time bought the mills, did they plan to have St. Regis manage them?

JWH: Perhaps so, although they didn't manage the Bryant mill. The management that was at Bryant continued to manage that facility. It was somewhat unique as it was a user of secondary fiber--in other words, their pulp was obtained from waste paper, whereas the other mills that Time acquired were virgin pulp mills. The technology involved at Bryant was somewhat different than that of the other Time operations. In fact, my biggest job was buying quality waste paper--a very difficult thing to do. Mills that use the types of waste paper we used do not exist anymore.

JRR: Eventually St. Regis closed that mill, did it not?

JWH: St. Regis sold the mill to Allied Paper Corporation, a part of SCM, in 1956. Although Allied still operates the mill, I'm not certain how much of the waste paper facilities are running.

JRR: When St. Regis bought the mills from Time, there were new markets in the bag industry, and for Panelyte, which the war had created. What were the markets like in the printing paper business? I'm trying to determine why St. Regis might have purchased those mills from Time.

JWE: I believe St. Regis was interested in some of the mills that Time owned. But I believe also that

Time wanted to get rid of all they had and therefore insisted, perhaps, that St. Regis take them all. I don't really believe the management of St. Regis was particularly interested in acquiring the Bryant Paper Company facility.

JRR: But they were interested in Bucksport.

JWH: They were interested in Bucksport and the mills in Minnesota--Little Falls, which came from the Time purchase, and Sartell, which was a separate acquisition. Actually, I'm not sure about Little Falls because it was sold later. St. Regis was more specifically interested in Sartell.\*

JRR: What new products did these mills bring to St. Regis?

JWH: The Bucksport operation, Sartell, and Little Falls all added to the existing markets that St. Regis had as a result of its operations in northern New York. The Bryant Paper Company, the output of which was sold primarily through the paper merchants, was quite a departure for St. Regis. In fact it was an area of the paper business in which St. Regis had little, if any, knowledge. St. Regis was primarily engaged in selling paper directly to large accounts, such as Western Electric (for telephone directories), the big catalog users, and Time. The merchant side of the business was to sell paper to paper jobbers, who in turn sold less-than-carload quantities to small printers. And the type of paper sold, coming from Bryant, was generally of much higher quality than was produced elsewhere in the company. It was coated paper, high grade, and was designed for such things as annual reports, college annuals, and high-grade advertising brochures such as automotive advertising, which were handed to the consumer with color photographs. It was quite a departure for St. Regis and it was a marketplace they knew little about.

JRR: With this purchase, and with the installation of coaters at Deferiet, St. Regis began producing coated paper. I don't think they had produced

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\*In November, 1945, St. Regis acquired all the common stock of Watab Paper Company, which was dissolved in June, 1946. St. Regis thereby acquired the Sartell mill and 6,440 acres of timberlands in Minnesota. During 1951 the mill at Little Falls was sold.

coated paper before. And somewhere along, the name Harry Faerber comes up. Can you identify Faerber?

JWH: Yes. At Bryant, Time Incorporated installed Faerber coaters in a new building right after the war. This coated publication paper was too expensive. Bryant's machines were too slow and not wide enough to get out big tonnage. Although the high waste paper content of this sheet made it print well, it could not be run as fast on the presses as was desired. The coating of the paper was an off-machine operation and added significantly to cost. Eventually Time abandoned that operation, and St. Regis acquired the facility for a decorative Panelyte operation.

JRR: Did St. Regis participate in developing this Faerber coating process?

JWH: No. St. Regis was developing an on-machine coating process at Deferiet, New York, and did so subsequently at Bucksport. This is a business we're very big in today.

JRR: Let's go back once again to the purchase from Time. Was this arrangement primarily the work of Roy Ferguson?

JWH: I don't really know for sure that it was, although certainly the consummation of the sale was. I would suspect that other people in the organization who were interested in these various grades of paper perhaps had great input into that decision.

JRR: Do you have any idea who these people might have been?

JWH: I would suspect that Ted Murray, who was vice-president of the printing paper group at the time, must have seen the need for additional production and probably saw this as a means of expanding that effort. This was being encouraged, incidentally, by Time. They established a laboratory in Connecticut after they left Kalamazoo and continued to do research and development work for many years. This facility was shut down only three or four years ago.

JRR: For a brief time there was a flurry of interest in the fact that publishers like Time Incorporated were buying paper mills, but the interest waned with the realization that the publishers didn't have the

timber resources to sustain the mills. I'm just guessing, but I suspect that may be one reason Time sold them.

JWH: Yes. And, of course, Time obviously was interested in producing the types of papers they could utilize, and the only place there was timber to do this really--a perpetuated operation at that point--was in the South. They made an effort, as you know, with Crown Zellerbach to put an operation in the South, to produce these lightweight printing grade papers, which was not the greatest success. But as time has gone on, and postal rates have gone up, the need to produce lighter and lighter sheets has been prevalent in this market; St. Regis has been unique in that we're probably the foremost producer of lightweight paper, and in fact some of our competitors as recently as two, three, four years ago have gone by the wayside; they have gotten out of this marketplace entirely.

JRR: About the time you were buying the mills from Time, you were experimenting with sodium peroxide bleaching at Deferiet to produce lightweight paper. From my reading, I understand that you may have been the first to do it on a commercial basis.

JWH: I think perhaps that's true. I wasn't involved in that particular operation, but we also used sodium peroxide in our waste paper operation, which was an offshoot of the work that had been done in Deferiet. Deferiet was a groundwood mill, and conventional bleaching methods didn't work. These methods degraded the fiber and, as a matter of fact, had a tendency to turn the fiber grey. Sodium peroxide, buffered with silicate, generally did not damage the fiber and did a pretty good job of bleaching. So that particular process was brought to Kalamazoo while I was there. Waste paper, our base fiber, was being invaded by groundwood sheets. Fiber retention of waste paper suffered greatly when de-inked and bleached by conventional methods. The retention got so bad that it was in the range of fifty percent by weight of the total product. Of course, you have to recognize that a healthy chunk of the loss was in clay and other fillers that naturally would be washed out. But by using the sodium peroxide process, we were able to increase our retention to approximately sixty-five percent. This brown stock was relatively bright, having been bleached somewhat

by the peroxide--so we were able to attain a 72 GE brightness with a single-stage sodium hypochlorite bleach in one pass, which was satisfactory for this filler grade pulp. We bought virgin pulps to add to this mix to bring our papers up to specification.

JRR: Are you doing anything currently with reclaimed fiber? Two or three years ago you were experimenting with something called urban fiber, a process that I think Black Clawson Company had developed.

JWH: There has been a small amount of work done along that line to see what could be done. It's possible to make paper, but the quality left something to be desired. Certainly as an experiment it was successful. I really never saw any cost data on it, so whether it was economical might be highly suspect. Although it's conceivable that in conjunction with some sort of solid waste disposal facility, where the fiber might be an offshoot of that operation and purchased cheaply enough, this might someday become commercial.

JRR: As I recall the economics had to do with being close to the source of supply. If you have to transport the raw material, it becomes marginal or uneconomical. You mentioned the move south, and this seems to have been significant for St. Regis.

JWH: Right. The multiwall bag business, which was a significant part of St. Regis in the early days, didn't really take off until immediately after World War II. Although multiwall bags had attacked cotton bags pretty well in the late thirties, they really hadn't replaced them completely in the marketplace. Suddenly there was a wholesale change to the paper multiwall bag as we know it today. And had that segment of the paper industry stayed in the North, I don't believe it could have handled the volume. It had to move to an area where there were more trees, where they could get new and faster machines, and that's obviously what happened. So I think in St. Regis's case, our primary desire was to move south for that reason--and perhaps only incidentally, and at a somewhat later date, to go into the linerboard business, which also took off after World War II and which has pretty much moved south.

JRR: Can you give me any information on how this came about? How did St. Regis happen to buy Florida Pulp and Paper Company?

JWH: I can't answer that because I was in Kalamazoo at the time, and I really don't know. I suppose the idea was to buy something that existed and get the timberlands that went along with it. I don't believe that, in those days, St. Regis was particularly long on cash; we were probably more interested in obtaining something that existed rather than trying to put something in from the ground up.

JRR: I think St. Regis prepared for the move south by acquiring some profitable mills to give it a base of support.

JWH: I agree. Then we were later in a position to build our own facilities. Jacksonville was the first paper mill, as far back as I can remember, that St. Regis built from the ground up. It was started in 1951 and completed about 1953--that was the kraft machine. This was followed with a liner-board machine which was completed in 1957. And of course in the interim period, some machines were added at Pensacola.

JRR: St. Regis built its first mill at Deferiet from the ground up. Otherwise I think you're right.

JWH: Going way back, that's true. I don't think we really built much of anything previously that I recall. There may have been some of those mills in northern New York--of which there were seven at least at one point in time--that St. Regis may have built.

JRR: They might have built a plant in Oswego.

JWH: Yes, there was a mill in Oswego, which is now a part of American Can.

JRR: You bought mills from the Remington family and from the Taggarts. Those were already constructed.

JWH: Right. Someone else could probably tell you more about that history of northern New York because that's all hearsay to me.

JRR: What about ventures like Monticello and Hinton? They were primarily to produce pulp?

JWH: Hinton, of course, was to produce pulp. Monticello was a result of a heavy move into the converting area of producing corrugated containers, and it

was logical that we should be basic in the paper; we certainly didn't have enough in our own operations to support that, so we went in that direction. And about that same time the company was moving more and more into world markets, hence export from Jacksonville, particularly.

JRR: Is there any particular time when St. Regis began to emphasize the world market?

JWE: Here again, you'd probably better ask someone else. I might say this: we always had an interest in world markets from the time we were in the multiwall bag business, in that certain patents and certain technology that we possessed were marketable, and we pursued this business all over the world. So we really always had a stake to some degree in world markets, and it was logical that we would follow this in many directions. I would guess that about 1960, perhaps, there was a concerted move to broaden our overseas operations, which have steadily grown since that time. Those operations initially were almost entirely converting operations, with some minor interests in a number of locations where paper was being produced. It's only very recently that we've had a joint venture in Sweden where we are actually involved in producing linerboard.

JRR: And that's to provide your converting plants with linerboard.

JWE: To provide a European market from a much closer source than Jacksonville, and it had the effect of giving us increased domestic production, at costs of some twenty years ago.

JRR: Formerly you had been shipping linerboard to Europe.

JWE: And South Africa and many other places, mostly out of Jacksonville--some from the West Coast. This tonnage now can be turned back into this country.

JRR: The reason I'm fishing for this particular date is that I have the impression that even though you have been in the international market a long time because of Bates and Panelyte, at some point you decided to get out of this cycle of boom-and-bust. International markets are one way to do it. The markets are new and they're expanding. The industry in this country seems continually to expand and overproduce--and then prices drop.

JWH: That's absolutely right.

JRR: And at some juncture I think St. Regis decided that the way to go was in international markets. The year 1960 may well mark that point.

JWH: I'm guessing at that date, but there could well be people around here that could zero in on when that really took place much closer than I have. It may have even been somewhat earlier than that.

JRR: The trade journals do it roughly, but they still don't pin it down. I want to know when St. Regis made its decision.

I want to back up again and talk about containers and flexible packaging. Apparently World War II created new markets in containers, bags, and flexible packaging. Why did St. Regis decide to go into the box business?

JWH: I think it was just a matter of generally trying to expand our business and seeing where things were going. Perhaps a little bit of it was the fact that up to that point some of our competitors, who produced linerboard, controlled the independent converters through supply contracts so there was no market for us. Our only entree into this market was to buy the converter. St. Regis, and some other paper companies who were sort of on the outside looking in, got into the business in that fashion. I think that we carved out a pretty good niche in so doing, right under the noses of others who, because they didn't want to compete with people they were selling to, didn't make this move until it was too late. Since then, very few independent converters have survived.

JRR: Why do you think the converters decided to sell?

JWH: The converters finally got to the point where they were competing against each other. Prior to this, the multiwall bag people and the corrugated box people had competed against wood, cotton, and other materials that were a pretty easy mark. The profits that were made in the container business right after World War II were phenomenal simply because other forms of packaging were in the process of being knocked out. So once that show was over, and you had to go into the marketplace and compete for paper, it was quite a different situation, and I think this took a great deal of the profit out of the corrugated box business.

JRR: Do you think the converters were worried about their source of paper?

JWH: I don't think they were worried too much about the source. I think they were more worried that they didn't have any control over the price and, as a result, were getting squeezed. The few companies that were integrated were willing, in tough times, to make one profit, either on the paper or the converting but not both.

JRR: Let's go back to Panelyte. It was a profitable venture during World War II, and probably shortly thereafter. But eventually you sold it. What happened?

JWH: The original part of the Panelyte business--primarily refrigerator door panels and things of that nature--was, of course, very profitable. At the end of World War II, pretty near everybody, as a result of the war and the Great Depression, needed a new refrigerator. And for the next four years or so, this market boomed. Refrigerators last a long time, and once that period was over, the bloom was off the lily. In the meantime, a profitable market like that was under attack by people who were trying to do things cheaper. Polystyrene replaced the thermosetting plastics. Polystyrene didn't require painting and simply did the job as well--and more cheaply. The industrial side of the market, gaskets and electrical panels, was never a very profitable business.

To save our thermosetting business we entered the decorative market. We competed headlong against Formica, which was, at that time, independent. That company had spent millions of dollars on advertising--Formica was a generic term--and although we did fairly well for a few years, we just couldn't make it. So eventually we moved into the vacuum-forming and injection-molding field where we were not basic as we had been in the thermosetting plastics. There we furnished the paper, but now we had to buy the plastic resin. We weren't able to buy any better than anybody else, even though we had large volume. The machinery didn't cost a lot of money, and anybody with a two-car garage could get into the business and compete with you. Your customers like Frigidaire could--and did--get into the business themselves.

So you had a **built-in** situation that made success virtually impossible for a company the size of St. Regis. On the one hand, you had to buy all the raw material, which eliminated any advantage there, and you were pinned to a very low profit by your customers who would invade the business if you ever made too much money.

JRR: What about ventures like Richmond Molded Plastics?

JWH: That was a vacuum-forming operation, and for a period of time was relatively successful. For the same reasons I mentioned earlier, it couldn't make it either.

JRR: How did you get into flexible packaging?

JWH: After we acquired Pollock various forms of plastic began to invade the waxed paper markets, and so pursuing end markets took us pretty much out of waxed paper into the flexible packaging business. Today, we call ourselves a packaging company because we have a pretty complete line of packaging products. One of the few areas in which we are not represented is metal cans.

JRR: You moved from multiwall bags to a packaging division over the years.

JWH: That's right. So the substrate is not always most important. You must have some basis for adding value. In one case we had the paper, plus the technology. In the case of our Flexible Packaging Division, we really rely very heavily on our leadership in technology because we don't produce the basic raw materials. Selling and servicing customers is another important ingredient.

JRR: How do you follow the markets? You established a marketing analysis department in 1961. Is that kind of a department a response to new markets or an attempt to find new markets?

JWH: For years, we had a product development group that existed before I came to New York in 1955. They were quite instrumental in getting us into a lot of markets. They did a lot of work and were certainly the forerunner to the more sophisticated setup that I guess we have today.

JRR: Do you know who started this?

JWH: Gardiner Lane was the head of that particular group in the company, but I believe it was our former vice-chairman Ted Gay, who was at that time executive vice-president, who probably was instrumental in that facet of the business.

JRR: Are you familiar with the manufacturing development department and Benton Cancell?

JWH: Yes. I think that had more to do with the paper mills than it did with the converting operations or the area of converted products.

JRR: There was a time when each division or, in many cases, each plant, had research facilities, many of which you eventually consolidated.

JWH: That's correct. Each had its own research and development which was aimed, perhaps, in two directions: one was in examining the process of producing the papers in the plant, and the other was in researching various end uses. The product development department was an offshoot originally of our Multiwall Bag Division, in which we were trying to make inroads into other types of packaging through various forms of the multiwall bag. Later, combinations of bags inside of a box, plastic bags inside of a box, or plastic combinations with paper all began in this product development department.

JRR: The year 1955 seems to mark the origin of the product development department.

JWH: That sounds about right.

JRR: Who was the architect of the Ferguson Technical Center? Who was the person who said, "We ought to coordinate our research efforts?"

JWH: I recall that we did have a technical center of sorts at Carthage, New York.. This group originally did most of its work on pulping for all areas of the company, both kraft and white paper. It also did a great deal of work on the coating of paper. Perhaps a wealth of its effort was in that direction towards the white paper group, providing technical service to the mills, and technical service to outside customers, particularly in the form of assistance to printers. Now, the multiwall bag group had its own technology setup, and still does. Bill Adams was instrumental in putting the Technical Center at West Nyack. Even after it was built,

there were still a number of widely diversified technical activities carried on in the company that were completely divorced from West Nyack. There is still some effort in that direction at a number of our laboratories around the country. But I don't think there's anything being done without the knowledge of West Nyack. It's all coordinated.

JRR: Can you tell me anything about the Middle Management Group?

JWH: Well, there was a Middle Management Planning Committee--if that's what you're talking about-- I was on that. The group met once a month. It was made up primarily of people who were in New York, although later we did have some people coming from outside of New York. The purpose of that group was to communicate at the middle management level and to suggest some things to top management that we thought they should take a look at. That group was instrumental in establishing a great many of the methods that St. Regis uses today to satisfy human needs within the company.

JRR: What do you mean by human needs?

JWH: I'm talking about consideration for health, examinations. There were great discussions about how we handled the moving of people, the costs involved, selling homes, and all this sort of thing. Prior to that time, as far as we could determine, there wasn't any policy. There were other things that had to do with policies regarding travel, training and schooling of middle management people--anything that we thought needed to be looked at was discussed. We stayed out of operations.

JRR: These are basic needs that affect the company.

JWH: The original group, which included George Kneeland, consisted of just four or five people from different departments who got together here in New York. Their purpose was to find out what was going on, because there was a great tendency for the various areas of the company to operate pretty autonomously. This so-called Middle Management Group was able to keep informed by getting together and exchanging information. These men saw the problems that were cropping up. They felt that these problems should be solved if the company was going to grow and prosper. Yet top management of the company was more interested in worrying about day-to-day profitability of operations

and did not concern itself with these other matters that were, perhaps, little more than a nuisance.

*JRR:* You have created a pretty good record in employee relations, or so I've gathered.

*JWH:* I think we have, yes.

*JRR:* Paul Dunn was telling me yesterday that it was certainly a good company to work for, and that it didn't operate in the way some of the others did.

*JWH:* I think that's true.

*JRR:* Are you familiar with the Long-Range Planning and Policy Committee set up in 1965?

*JWH:* I'm familiar with it, yes.

*JRR:* Do you know its objectives? Its role?

*JWH:* No, not exactly.

*JRR:* A lot of these committees came into existence in the late fifties or early sixties. This seems to have been a time when you were really growing up, so to speak, growing into domestic and world markets. And an intriguing proposition comes along in the late sixties in the form of a merger with RCA, which didn't happen.

*JWH:* Almost did though.

*JRR:* Is there anything you can tell me about that? Why it was proposed--what happened to it?

*JWH:* Well, frankly, it came as a complete surprise to me, and perhaps to most others around here. We couldn't understand it--that is, from our standpoint. We could understand why RCA might want to pick us up. But I don't think to anyone here it made much sense why we should go that route. We felt that disaster would have overtaken us if that had gone through. I wasn't enough involved in that situation at the time to tell you really what prevented it from going through. I know I was sure delighted when it didn't.

*JRR:* The Board of Directors voted it down.

*JWH:* Yes, I know. But the Board of Directors had to be gotten to--otherwise there was an inclination in

those days to do what Mr. Ferguson said.

JRR: There was a period between the announcement and when it was rejected by the board, a period of waiting.

JWH: Yes, when the work behind the scenes was done, and there were people within our company that made that effort. I think without that effort, the board wouldn't have voted it down.

JRR: Everybody I have talked to about it did not like the idea. And disapproval must have been unanimous.

JWH: I'm sure it ultimately was, yes.

JRR: One explanation I heard was that some of the directors had been owners or presidents of some of the companies you had acquired.

JWH: Yes.

JRR: And they were proud of their companies, and proud of St. Regis, and didn't want to merge with RCA.

JWH: That may very well have been the prime reason.

JRR: Almost immediately after the merger was cancelled, you started a corporate advertising campaign, preceded by a pizza party at Mama Leone's for the press. This campaign seems to have set the company off in a new direction, as if to say, "We don't need RCA." Is that an accurate impression?

JWH: I think that's absolutely right. I think we realized that we were fair game for someone, and the only way not to be picked off was to be aggressive and be the one who did the acquiring rather than the one that was constantly on the block.

JRR: You have a good record of acquisitions, and I'm surprised that anybody would consider picking you off.

JWH: There have been some other pretty big paper companies that were assimilated. Look at the merger between Container Corporation and Montgomery Ward.

JRR: Your new image was that of a force in the paper and the packaging industries, including plastics. Who designed this new presentation?

- JWH: I would say that probably Bernie Recknagel and his marketing people. I don't know that I could give you a list of names. Certainly some people who are now retired were very instrumental in pushing us in this direction.
- JRR: I have heard Bill Adams, Bernie Recknagel, and Michael Biondo were important forces in this campaign.
- JWH: That's correct. And, of course, others were becoming very strong about that time, such as our former president, Bill Caldwell, and our present one, Bill Haselton, although they weren't maybe quite that involved then. Bill Caldwell may well have been.
- JRR: The emphasis was on a young, dynamic, wide-awake company to play down any appearance of stodginess which had been characteristic of the paper industry in general.
- JWH: That's right.
- JRR: There is another proposition that has intrigued me somewhat. Early in the sixties you began to reorganize your management structure, mainly because you were a large paper company. As early as 1949-1950, the consulting firm of George Armstrong and Company recommended that you give the president some assistance by creating or appointing a number of vice-presidents to help with the various departments.
- JWH: Yes.
- JRR: Now in 1955, I believe, you started a management training program for young executives.
- JWH: Yes, we did.
- JRR: Did it make a difference, did it help?
- JWH: Yes, definitely. I think we still have an occasional management program. The idea was to acquaint the middle management group with the intimate details of running the company. The idea came from the Middle Management Planning Committee in the first place, so top management said, "You guys suggested it, you go to it." Over a period of two years, I think everyone that was in the group went, plus some others. It was carried on for a few years

and then dropped for a few years. It has been modified and reinstated on occasion since then. The value was that it broadened the scope of the younger people who might someday be the top executives running the company. The company was very stratified. People in the Kraft Division, for example, knew only that part of the company and they didn't know what was going on elsewhere. All the key executives came in and talked at various sessions and then permitted questions with "no-holds-barred." These questions were nearly always answered to the best of that executive's ability. I can assure you this group didn't pull any punches about asking some pretty probing questions, as to just what management thought about certain things. I don't say that they got all the answers they wanted, either, but at least it was a pretty open forum. There is a group in the company that is an offshoot of that Middle Management Planning Committee called Strymen. Their format is different from anything that's gone before. They bring in an executive of the company at a luncheon, I believe, once a month. And he generally talks about his area of activity and then submits to questions of almost any nature.

JRR: Jack, I appreciate your time and the information on St. Regis. This has been quite helpful.

INTERVIEW IV

Session I

Andrew F. Storer  
New York, New York  
September 17, 1975

John R. Ross: Andy, how long have you been with St. Regis?  
In what capacities have you worked?

Andrew F. Storer: As of July, 1975, I will have completed thirty-five years with St. Regis; throughout these years of my experience, I have always been in line sales or marketing, in either a divisional or a corporate capacity. For the last three years I have served as director of corporate accounts, which is a part of our corporate marketing department, and I also have the title of assistant vice-president. I think that briefly sums up my background.

JRR: In 1946/ St. Regis decided to organize the St. Regis Sales Corporation. Can you tell me anything about the purpose of this organization?

AFS: My recollection of the purpose of the Sales Corporation is a little bit vague. I do recall its formation, and a number of us, including myself, were its officers. It's my recollection that the purpose related to some tax advantage to the company at the time, but I cannot recall the specifics of that. At that time, we billed everything through the Sales Corporation, and in turn the Sales Corporation was billed by the parent company as the producing corporate entity.

JRR: What kind of impact did the defense effort during World War II have on the company in terms of production?

AFS: I left the company as a draftee in March of 1941 and did not return from military duty until November of 1945, so I was not part of the company during the period when the impact of the war effort hit us dramatically. I was corresponding with the company while

I was in military service, however, and I recollect that there was a severe paper shortage--allocation, control by Washington, and so forth. The War Production Board, as I remember, controlled paper production and allocation; and some of our people--like Reg Vayo and Ted Gay--were on leave as part of the war production effort. That's about the only comment I can make, except I do know it was a very tight paper period.

I might interject a thought here. I think the war had a dramatic effect on the company and its markets, particularly in the multiwall bag field, which was our principal converting operation except for Panelyte production using saturating kraft. The shortage of textiles as a bagging material accelerated the move to paper, which was in its infancy in textile bag markets like fertilizer, sugar, and so forth. Rock products had pretty much moved to the multiwall bag in the prewar days. There were markets that were just beginning to move to paper at the start of the war, and certainly the war accelerated this move from textile bags to the multiwall' paper bag to provide packaging for badly needed war commodities.

✓ JRR: In 1946<sup>✓</sup> St. Regis bought three mills from Time Incorporated. Was the goal to strengthen the Printing Paper Division by buying those mills?

AFS: I believe that is right. It provided an entree for us in the printing paper business with facilities that were far broader than those existing at the Deferiet mill. During the war period, our major printing paper mill was Deferiet. We were also operating some very small, marginal properties in northern New York--one at Harrisville, another at Norfolk, and the third mill, Raymondville, operated at least in the early part of the war.\* These were all, except Deferiet, very marginal, small mills; and we knew they were living on borrowed time because of the war effort. So I think the opportunity to purchase the Time-owned mills provided an excellent springboard with what were then modern, much higher-speed mills--in contrast to all our own mills except Deferiet.

JRR: The company began to close some of those northern New York mills in the early fifties. Was that mainly due to wood shortage?

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\*Raymondville, a two machine mill, was sold in 1943. One of its paper machines had earlier been moved to the Deferiet mill.

AFS: No, I think this was a matter of their being marginal mills profit-wise and equipment-wise. Wood supply had a bearing on this, too. In those days we were a little hard-pressed in terms of wood supply out of northern New York timberlands because of the limited cut that we" could make on company-owned and state forest lands in this area. The combination of wood supply, small, slow machines, poor locations, maybe too many machines and mills in this one area, were the reasons why we chose to sell or close those marginal mills. They were either unprofitable or close to being so at the time.

JRR: What about the timberlands the company owned in Canada--the Godbout tract--had they been cut over?

AFS: We started supplying Deferiet with Godbout timber shipped down the St. Lawrence in the twenties, as the supply from northern New York began to dwindle.\* It was very cheap wood, relative to northern New York wood at the time. But through the fifties the cost of that wood began to escalate rather substantially.

JRR: The major event for St. Regis after the war was, apparently, moving to the South.

AFS: That certainly was the predominant strategy of the company in the immediate postwar years and probably by far and away the most significant move of the late forties.

JRR: Why did it take St. Regis so long to move into the South? The kraft industry was evidently booming in the South throughout the thirties, and kraft pulp and paper operations were making inroads on other paper markets. Apparently several companies went south in the thirties and built mills to cash in on this boom.

AFS: The Savannah mill of Union Camp would be a primary example of a facility that was operating, I'm sure, well before the war. You raised the point about the relative tardiness of St. Regis moving to the South. Our production of kraft paper from Oswego, New York was basically to feed our own converting facilities

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\*In 1920, St. Regis purchased the Godbout timber tract, which consisted of 36,000 acres located in Saguenay County in the Province of Quebec.

in the multiwall bag business. It's my recollection that the prewar grade of kraft coming out of the South was definitely an inferior sheet for multiwall bag usage--perfectly satisfactory for wrapping kraft, for grocery bag usage--but when you got to a higher specification kraft sheet, such as multiwall bag kraft, technology in papermaking in the South had not advanced to the point that southern mills could make a comparable sheet to northern kraft on a pound-for-pound performance basis. I think the war effort stimulated more technical work during the early forties on a southern kraft sheet; by the end of the war, the southern mills were producing a grade of multiwall kraft that was beginning to approach, if not equal, performance quality of northern krafts. That, obviously, had a bearing on St. Regis's move, coupled with market demand and knowing that there was no long-range problem in producing a suitable grade of shipping sack paper in the South.

JRR: Do you recall the company or the individual that perfected kraft to the point where it was adequate for conversion to multiwall bags?

AFS: No, I don't. I think Union Bag and Paper--before their merger with Camp--probably did more work than any other single company on multiwall grade kraft in the South. I can't recall anybody else that was really producing down there--probably IP, although they had not entered the multiwall bag business at that time.

JRR: I think the original use for southern kraft was for newsprint.

AFS: Yes, I think you're probably right.

JRR: By the end of 1951, according to annual reports, you were self-sufficient in kraft pulp for your kraft paper operations at that point. In the fifties you started expanding into other areas.

AFS: The first expansion I can recall would be our 1954 purchase of Superior Paper Products Company with the two box plants at Pittsburgh and Mt. Wolf. That was our first acquisition in the converting area beyond multiwall bags.\*

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\*Superior Paper Products Company, acquired early in 1954 through exchange of common stock, converted purchased paperboard into containers, sheets, inner packing, and similar products. These products were sold to the glass

JRR: How did the program of acquisition in the fifties relate to the overall evolution of St..Regis-- the growth and expansion of the company?

AFS: It seems to me that we added to the raw material base before we acquired the converting base as a captive market for increased kraft production. I cite the construction of the Jacksonville mill as an example of this.\* The bulk of our converting acquisitions took place beginning in 1954 with Superior, and in 1955 and 1956 with Pollock and Rhinelander. The heavy period of acquisition was definitely from 1955 to 1960-1961. We added a second Jacksonville machine in the late fifties.\*\* The point I'm making is that we built a substantial part of our raw material base ahead of our acquisition of converting operations as a home for our expanded kraft production. This seems to have been our strategy at that time.

JRR: The only big move in the South after constructing Jacksonville was Monticello, right?

AFS: Yes, other than the second machine at Jacksonville. What we were doing at Tacoma, in the meantime, had no bearing on the eastern market. The addition of a paper machine in 1947-1948 to the pulp mill at Tacoma had no impact on our strategy in the South, or on adding to our raw material base east of the Rocky Mountains to supply our enlarged and acquired converting operations.\*\*\*

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container and steel can manufacturing industries, producers of household appliances, and other container manufacturers.

\*The Jacksonville mill came on stream on December 31, 1952 as a fully integrated plant producing kraft pulp, paper, and board.

\*\*The second machine at Jacksonville (the "Seminole Chief") began production of linerboard in September of 1957, at an estimated cost of \$40 million. As a result of this expansion of the plant, Jacksonville ranked among the largest kraft mills in the United States.

\*\*\*In 1947 construction on the Tacoma paper mill was begun; production commenced early in 1949. The new plant was designed as a supplier of kraft paper for company bag plants in Seattle, Washington and in Emeryville and Los Angeles, California.

*JRR:* When did promotion and advertising become important for the company? Was the first sales meeting of the Multiwall Bag Division in 1948 the beginning of a concentration on promotion and advertising?

*AFS:* Well, that was the first time, I'd say, we had a top-flight advertising agency. A very promotion-minded individual, Ken Lozier, joined the company in the war years, or at the close of the war. Ken, working under Ted Gay, put the company in the forefront of the business public in terms of what St. Regis was rapidly becoming and in terms of its facilities and its ability to serve segments of the packaging arena. Multiwall bags were our principal converting product at that time/,and I can well remember that particular meeting held at the Waldorf Astoria. It was the first such meeting in the company's history, and as you state, it was limited to multiwall bags; it wasn't an overall company meeting. But because the multiwall bag business was such a big part of the company at the time, in effect it was a promotional meeting for the company as a whole. That did launch us on our first kind of full-scale promotional effort. The promotional effort at that time, and in the ensuing years, was largely centered around the markets for multiwall bags and our efforts to convert key industries away from the cotton bag to paper.

*JRR:* Who designed the policy of expansion, diversification, and integration in the fifties?

*AFS:* I'd say there were two architects. Ted Gay was more the marketing thinker in the company--the strategist, if you will--and Mr. Ferguson was the financial side of the picture, together with Bill Versfelt, who was then vice-president and treasurer. But I'd have to say Ted Gay made the greatest input in terms of where St. Regis ought to be and the direction in which we were moving. He probably had much influence on Mr. Ferguson's moving in certain directions that best fulfilled our long-range growth goals.

*JRR:* There was a trend toward integration and mergers in the fifties.

*AFS:* Certainly the Korean period and the paper shortage of 1951-1953--pretty good years for our industry and for business in general--created a squeeze on the independent converters in terms of sources of liner-board. Another factor at that time was that the

independents were largely family-owned companies. These firms were run by men in their fifties or sixties who were concerned with estate taxes, which began to loom pretty large in terms of the size of their businesses. In many cases a business which was wholly-owned by a single individual had grown from a one-plant operation to two, three, or four plants with sales of maybe fifteen to twenty million dollars a year. This aspect, coupled with linerboard tightness and the escalating cost (even at that time) to build linerboard mills, set the stage throughout the corrugated box industry--if not the whole paper converting industry--for a wave toward integration in the fifties.

JRR: Can you comment on the movement by St. Regis into the container field, folding cartons, and other converted products? Was this part of an integration and diversification policy?

AFS: I think the corrugated box strategy was pretty clear-cut. We could expand what was then quite limited linerboard production in the South into more substantial linerboard capacity. The best example of that, I guess, was the second machine, the big board machine, that went into the Jacksonville mill. So with the possibility of substantial future linerboard production in the South, the corrugated box field seemed like a logical area for the company to move into from an integrated standpoint.

Our first acquisition in folding cartons was by accident. We acquired General Container Corporation, headquartered in Cleveland at the time, and it had not only corrugated box plants, but three folding carton plants as well; our present Marshall, Michigan plant, the folding carton facilities at Dubuque, Iowa, and the folding carton plant at Cleveland were all part of General Container.\* We acquired General Container principally because of the corrugated, not because of the folding. We didn't really have any integrated facilities to back up folding carton operations. In the film area, I can't recall whether we acquired Rhinelander or Pollock Paper Company first.

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\*Through exchange of common stock, St. Regis acquired General Container Corporation of Cleveland, Ohio in September, 1955. As a result, St. Regis gained plants at Cleveland, Canton, and Coshocton, Ohio; Buffalo and Cohoes, New York; Dubuque, Iowa, and Marshall, Michigan.

JRR: I think it was Pollock.\*

AFS: Of course, at that time the bread wrap business, which was Pollock's principal area of business, was in waxed paper, the base sheet of which was partially being supplied by Rhinelander Paper Company. So by acquiring both Rhinelander and Pollock in a short period of time, we were acquiring both the base sheet capacity and the converting facility in the manufacture of waxed bread wrap which was competing with cellophane. A little cellophane was being used at that time for premium grades of bread, but the predominant bread wrapper was still waxed paper. The bread wrap business was one reason why we acquired Rhinelander, a good facility with good management. Pollock was an equally well-managed, profitable operation; in fact, it was "number one" along with Marathon and Crown as a major supplier of bread wrap in the country.

JRR: You mentioned that some of these firms were profitable one-man companies. Did you have any problem incorporating them into the St. Regis organization? Apparently you tried to keep existing managements intact when you acquired a company.

AFS: The policy of the company with acquisitions, as established by Mr. Ferguson, was that they be left alone to run their own show. At the time, that probably was a wise policy because we were so management weak that we did not have the manpower to move into a completely new field--like the folding carton arena and the corrugated box business. We were neophytes in those areas, to say nothing of the bread wrap business, which was pretty sophisticated in terms of printing and graphic arts. So the policy was one of leaving these newly acquired companies pretty much alone, and their integration into St. Regis was rather painfully slow. There was a lot of duplication of facilities--financial and otherwise--and I think to some of us this was frustrating during the period of years when we saw the need to bring these new companies a little closer in. These companies had strong management that had been told to run their own businesses: "Buy the board from St. Regis, but apart from that--you know the business, you run it."

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\*Pollock Paper Corporation of Dallas, Texas; was acquired in June of 1955 through exchange of common stock. Pollock manufactured waxed paper, bread wrappers, labels, folding cartons, set-up boxes, containers, and specialty papers; over half of the corporation's net sales in 1954

- JRR: Well, eventually you built an organization that encompassed all the new acquisitions.
- AFS: That was slow in coming, slow in coming.
- JRR: What about a venture like the pulp mill at Hinton? Who was the architect of that?
- AFS: That had to be Mr. Ferguson, coupled with Reg Vayo, who was vice-president in charge of the sales of kraft pulp, paper, and board. We were partners with North Canadian Oils, Limited in the Hinton venture.
- JRR: Well, you owned the whole mill within a few years.
- AFS: That's right. This was because we had been advancing so much money through the years to our partner, who didn't have the cash to carry his part of working capital requirements which far outran what was originally projected for that mill.\*
- JRR: Hinton was designed to produce pulp of a uniform quality through a process called the Kamyr System.
- AFS: That's a continuous Kamyr digester, a system which became quite common in kraft mills in the South and which employed continuous digesting rather than batched digesting. The Hinton mill, I guess, was probably our first mill that put in Kamyr digesters.
- JRR: It seems that it took you a few years to work the flaws out of the system and also the management.
- AFS: Yes, and weather was a big problem. We had put water lines only six feet below ground instead of ten feet below, and they would freeze. Labor was a factor in that area; a lot of problems plagued the Hinton mill. I can recall some very serious power plant requirements and some big generators that had to be sent back after they were installed.

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derived from waxed paper operations. The corporation had plants in Texas, Georgia, Alabama, and Ohio.

\*In January, 1969, St. Regis acquired 49.9975 percent of the common stock of North Western Pulp & Power, Ltd. from North Canadian Oils, Ltd. Payment was made with \$15 million of 6% 15-year subordinated convertible notes in Canadian funds. As a result of this transaction, St. Regis owned all the common stock of North Western Pulp & Power.

JRR: But the Hinton mill did become profitable eventually.

AFS: Yes, but it took probably the better part of ten years for that to happen. I think we started that mill about 1957, and it was probably 1965 before it was profitable.

JRR: Who bought the pulp?

AFS: Within St. Regis we were using a relatively small percentage of Hinton's pulp production in its early years. Some was going to Rhinelander. When we acquired Howard\* we stepped up, in terms of supply to the Howard paper mills, a captive supply from Hinton. But largely the customers in these early years of the Hinton mill would have been independent paper mills in the United States that did not have their own pulping facilities. An example of that would be writing paper mills in New England. Our market was also large, integrated producers that appreciated the high quality, high brightness pulp that Hinton always supplied. So the Hinton mill began to find a place for its pulp as an additive to bring up the brightness or the quality of sheets that were using a blend of pulps. An example of that would be photographic papers made by Eastman Kodak on their paper machines at Rochester. The Hinton pulp did a good job for them. Bible paper producers of the Ecusta Division of Olin Corporation down in Pisgah/IForest found Hinton pulp to be a very desirable pulp for lightweight Bible paper production. These are only a few examples of the growing markets in those initial years of Hinton.\*\*

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\*Howard Paper Mills, Inc. of Dayton, Ohio was acquired through exchange of common stock in 1960. Howard had three fine paper mills (Dayton, Franklin, and Urbana, Ohio) which produced a variety of printing and fine business papers; an additional plant in Dayton manufactured envelopes.

\*\*Among Hinton's customers in the United States during 1959-1964 were Charmin Paper Products, Kimberly-Clark, Eastman Kodak, Paterson Parchment Paper Co., and Bemis Brothers Bag Co. In 1964 Charmin Paper led consumers of Hinton pulp with over 31,000 tons. Customers in Canada during 1959-1964 included Continental Can, Bathurst Power & Paper, and Consolidated Paper Corp. George S. Armstrong & Co, Inc., "Review of World Market for Bleached Kraft Pulp: 1970 and 1975, and Economics of Expansion of Hinton Mill of North Western Pulp & Power Ltd., "May 14, 1965, Exhibit IV.

St. Regis did not, itself, provide any big market. In subsequent years our printing paper mills have moved more and more to increasingly lighter basis weight sheets; and in order to maintain strength of the lighter basis weight sheets, we had to go down in our sulfite content of those sheets and up in our sulfate. The sulfate we began to use more and more was our own Hinton pulp, so by about 1965 our Hinton mill began to enjoy a greater percentage of captive tonnage from St. Regis. Mills such as Bucksport, Deferiet, the Howard paper mills, and Rhinelander were using more Hinton pulp.

INTERVIEW IV

Session II

Andrew F. Storer  
New York, New York  
September 18, 1975

John R. Ross: Andy, what can you tell me about the Rhineland Paper Company? Was its acquisition St. Regis's first move into specialty papers?

Andrew F. Storer: Yes, Rhineland would mark the first.

JRR: What grades of paper did Rhineland produce?

AFS: Rhineland produced glassine, greaseproof, and base waxing stock. Base waxing stock was a grade that, in turn, fitted the recently-acquired Pollock Paper Company requirements in terms of the base sheet which was waxed, printed, and sold as bread wrap.

JRR: Do you remember much about R.W. Paper Company?

✓ AFS: In 1956, Ben Cancell was Rhineland's president, and he reported to Folke Becker, who was chairman of the board. Mr. Becker and Ben Cancell had made the arrangements with Weyerhaeuser, and I think the R.W. mill was being constructed at the time we acquired Rhineland.\*

JRR: Did Rhineland and Pollock Paper together comprise an integrated operation of sorts?

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✓ \*Through exchange of common stock in May of 1956, Rhineland Paper Company joined St. Regis. At three plants in Rhineland, Wisconsin, the company manufactured glassine and greaseproof papers, torula yeast, and chemicals. The R.W. mill at Longview, Washington, jointly owned by Rhineland and Weyerhaeuser, was completed in 1956. The Weyerhaeuser pulp mill in Longview provided the pulp for the R.W. production of glassine and greaseproof papers.

AFS: Rhinelander's role with Pollock was one of a supplier of base waxed stock, with Pollock doing the waxing at that point. I can recall that at the time we acquired the two companies, the supply relationship of Rhinelander to Pollock was not very good. Obviously one of our objectives was to reestablish a good supplier relationship between what were then two wholly-owned subsidiaries of St. Regis. Rhinelander's customer pattern was outside sales through a variety of markets, principally in the food field, and it still is today. There certainly was a motivation in our acquisition of Rhinelander in terms of Pollock. The two fitted together; at least the waxed paper supply out of Rhinelander fitted in the St. Regis picture.

When we acquired Pollock, it was principally a manufacturer of bread wrap. They had other paper converting operations, one of which was a folding carton plant in Dallas, which now is part of our Folding Carton Division. They had a corrugated box plant in downtown Dallas in their corporate complex. They had the paper distributing business, which we've subsequently disposed of, and that was what Pollock consisted of when we acquired it. In effect, we got four businesses.\*

We acquired Pollock because it had been a money-making company, preeminent in its field in the bakery industry. The corrugated box plant we got from Pollock in Dallas has since proven to be a good point in terms of serving the southwestern market. And the folding carton plant in Dallas that we acquired has been a most important facility in serving the folding carton markets in the Southwest.

JRR: We talked yesterday about the northern New York mills. In the early fifties you sold Oswego, Harrisville, and Watertown.

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\*In 1955 Pollock had four plants in-Dallas manufacturing bread wrappers, waxed paper, cellophane wrappers, folding cartons, set-up boxes, and corrugated boxes; one plant in Houston (bread wrappers, waxed paper); one plant in Fort Worth (folding cartons, set-up boxes); one plant at Mineral Wells, Texas (folding cartons, set-up boxes); one plant at Atlanta (bread wrappers, waxed paper, cellophane wrappers); one plant at Birmingham, Alabama (bread wrappers, waxed paper); two plants at Columbus, Ohio (bleached machine-glazed specialty papers, bread wrappers, waxed papers); and one plant at Middletown, Ohio (bread wrappers, cellophane wrappers, labels, frozen food wrappers).

AFS: Some of those were abandoned or sold, or at least we sold the equipment. Others were sold outright; Oswego was an example of this. Oswego was, by far, the largest of those mills and was producing kraft paper. It was a Taggart mill, non-integrated, and fully dependent on pulp; and during the time we owned this facility we were using mainly imported pulp--Scandinavian pulp. This would come in by boat down the St. Lawrence River and into the port of Oswego. We were right on the Ontario lakefront at Oswego. In those days Oswego was our principal source of kraft paper for the manufacture of multiwall bags. But being a non-integrated northern mill, it was a high-cost mill; and with the move to the South in the postwar years, Oswego became more and more marginal in its ability to compete with the much lower cost of southern production, particularly in the shipping sack paper industry. Oswego was a little bit different than Carthage, or our other upstate New York kraft mills.

Watertown was also a Taggart mill, basically making family flour bags from waste paper. It had, I think, two small cylinder machines which were completely too old, too narrow.\* We were going out of the flour bag business anyway, which is what Watertown principally produced--what they call white-blue line stock. In the thirties and forties, the small bag plant in Watertown, right alongside the paper mill) also had produced potato bags that we would ship over to Maine; the plant might also have manufactured cornmeal bags. We conducted a market study that I can vividly recall, having been a part of a team that made the study about 1948-1949, and the recommendation was that we go out of the small bag business at Watertown. And as a corollary to that, we did close down the paper mill located physically in the same facility.

JRR: I want to explore the bag business a bit more, but first I want to ask you about printing paper operations. Can you itemize the grades of paper that St. Regis acquired by buying the mills from Time in 1946? What exactly did you produce, and what grades did you gain?

AFS: Deferiet was, at "that time, principally producing telephone directory papers. We were relatively weak in catalog papers in terms of the end markets we were

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\*In the late forties, the St. Regis paper mill in Watertown had a 58-inch trim cylinder machine which produced rope and kraft papers for the manufacture of single-wall bags in the company's adjacent bag plant. Watertown also had a 73-inch trim cylinder machine which made stock used in the production of containers by non-affiliated companies.

serving out of Deferiet. The Norfolk mill produced printing papers and Harrisville made groundwood specialties. The Sartell mill was making catalog and book papers. Deferiet was by far the largest mill in the division, and publication papers were relatively small at that time in terms of the Deferiet mix.. I would say they probably were the third most important category, following telephone directory and catalog papers. Bucksport gave us a significant entree into the publication business, plus added capacity to run directory and catalog.

JRR: Apparently the Time purchase doubled your capacity.

AFS: Another thing the purchase did, of course, was to get us into merchant grades of paper at Kalamazoo, in which we had been quite weak. We had never been a producer of any substantial quantity of merchant grades)and we didn't do much by way of selling the merchant grades.

JRR: The use of merchant grades can range from brochures to magazines, is that right?

AFS: Magazines are almost in a different category, as large publications will tend to buy their paper on a direct basis, on behalf of their printer. Or they could do their own printing, but the tendency has been for a publication not to run its own printing plant. I can't think of a major publication today that owns its own printing facilities. Curtis Publishing had a tremendous printing plant in Philadelphia for the Saturday Evening Post, but that's the last one I can recall.

JRR: Let's return to a discussion of the multiwall bag business. My impression is that this was a strong division in the company and was a major area of expansion after World War II.

AFS: That's right. Also, the Printing Paper Division was always a pretty good performer. Of course, as we've mentioned, the acquisition of the Time mills substantially increased the market stature of the division in terms of the new capacity and the broadened range of production. The Kraft Division was of growing importance, too, at the time with our southern expansion--the purchase of the Pensacola properties,

the additional machines that went into Pensacola,\* and the building of Jacksonville. The Bag Division, the Printing Paper Division, and the Kraft Division were, in effect, the company. Panelyte Division was there, but it was pretty nominal. This is up through 1954.

V ✓ JRR: What is your definition of "selling all the way through?"

AFS: This is a very common term for any aggressive, successful selling effort in which your effort does not stop at the salesman-buyer relationship. Another term that you could substitute for it is what I call "multi-level selling," and the extent to which you employ this is obviously relative to the size of the customer and the amount of business you're doing with that customer. With anyone of our top ten, twenty, or thirty accounts in the company today, we're "selling all the way through:" our chairman would know the chairman of the board of the customer company; the two presidents would perhaps be acquainted. So at various corresponding levels between the customer company and our company, we are attempting to develop a personal rapport which extends from the working level--the buying-selling level down at the bottom, where the buyer is working with our salesmen--all the way up. Now that's what I call selling all the way through. You could also apply the term to selling the customer well beyond just the purchasing department. What I'm describing is kind of vertical selling, but you could also use the term "selling all the way through" to describe, let's say, horizontal selling. The Bag Division, selling a purchasing department multiwall bags, is just as anxious to become acquainted with, and determine the needs and the marketing objectives of, the marketing division of the customer. What do they want this package to do in the marketplace? What is it lacking in terms of their customers? Is the present package protecting the product adequately? Are they getting too much breakage when the product arrives at their customer's plant? Are the graphics on the package failing to do what they should either in terms of identification or merchandising?

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✓ \*Pensacola's #4 paper machine went on stream in 1952, raising the plant's annual paper and board capacity to 265,000 tons. In 1953, expansion of the bag plant at Pensacola was completed, and one year later the #1 paper machine was modernized. During this same period, an administration building for the mill was completed.

Let's get over to the operations side of our customer. We're "selling all the way through" in that case as well. We're just as anxious to meet the operation and production personnel of our customers. How are our bags performing in the plant? Is there a breakage problem? What are their labor costs in filling and closing these bags? Our interest in selling multiwall bags is selling a system, not just the product; and the system of filling, closing, conveying, and loading the bags on a railroad car is sometimes of less concern to that purchasing agent than it is to the director of engineering or the director of production. These are costs that are incurred in filling the bag. The purchasing department is sometimes too narrowly concerned just with the procurement and the purchase of that bag as a package. So "selling all the way through" can be interpreted as a horizontal kind of selling approach in which you are anxious to develop a rapport, to sell our capabilities to any area of influence in the customer company that has a bearing on the sale of multiwall bags. This applies to other areas as well. In the printing paper business, the guy who is running this press and printing our paper is a pretty important factor as to how satisfactory a job we're doing. In that instance we're pretty anxious to develop a good rapport with printing people who might work for a different company, namely the printer, as well as the company that bought the paper, the publisher.

JRR: I first saw the term used in reference to selling bakers on the idea of receiving flour in multiwall bags in order to convince the millers it was to their advantage to use them.

AFS: Yes, that's a little different; in that case we were selling our customer's customer on the advantages, while the direct customer, in this case the flour miller, took a neutral position. He didn't care what kind of a package he packed it in. There were some definite advantages of multiwall bags, but maybe there were also some disadvantages. His position at that time was: "I'll ship my flour to bakeries any way they want it." Faced with that situation, we had to presell this market; or in other words, sell the baker on the real advantages to him of getting his flour in relatively insect-proof, contamination-proof bags that empty clean with no waste.

JRR: In 1949 you organized the manufacturing development department under Benton R. Cancell.

AFS: I do not recall Ben being in that particular role in 1949. I can remember a development committee that was meeting about 1949; the chairman of that committee was Pete Massey, who was quite a technically oriented man. He was running the Kalamazoo mill at the time we acquired it from Time.\* Now, Pete might have reported somehow to Ben in 1949, but I remember attending some of those meetings, and Pete was a .. very dynamic kind of a guy; it was always a pleasure to watch him lead a meeting. This was a development committee designed to pool our development efforts in the company. Carl Hartman, who came to the company in the acquisition of the Bates Valve Bag Company in 1929, was the holder of a fair number of patents on the multiwall bag and headed in 1949 our development work in the multiwall bag field. Carl was a very active member of that development committee, but I don't remember Benton Cancell heading it up.

JRR: Are you familiar with another group called the consolidated research and development department under Kenneth A. Arnold in 1951?

AFS: I don't remember that title per se. Ken had joined us as a young Ph.D. in 1946 or 1947, reporting to Carl Hartman, basically doing research and development work in the multiwall bag field. He was really the first Ph.D. I can remember the research area of St. Regis ever had. We were the first company to extrude polyethylene successfully on kraft paper due to development work led by Ken Arnold which was conducted in concert with the duPont Company. From the period 1948 to 1951 that you're referring to, I think there was an effort in the company to broaden the capability that Dr. Arnold had brought to the company.

The first extruder that successfully coated polyethylene onto kraft paper was at Carthage, New York, supported by a small lab that we had--kind of an offshoot of our main lab at the Deferiet mill.\*\* Well, that one

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\*Peter J. Massey developed and patented a machine coating process and was responsible for the first commercial application of machine coating at the Wisconsin Rapids mill of Consolidated Water Power & Paper Co. in 1934. He received the TAPPI (Technical Association of the Pulp and Paper Industry) Gold Medal Award for his accomplishments in 1947.

\*\*A St. Regis news release dated June 15, 1949 announced the introduction of polyethylene-coated kraft paper. The release also outlined the background and future of the innovation: "The Packaging Division of St. Regis has long recognized

contribution of Ken's got a lot of attention. It was a unique thing in the plastics-paper industry; it kind of set a pattern for the marriage of paper and plastics to combine the economy, flexibility, and the other advantages of paper, with the barrier, moisture-resistant, MVTR\* characteristics of polyethylene.

JRR: Did this contribution receive industry-wide recognition?

✓ AFS: Yes, it was a very significant development. I can recall a need the company saw for employing Ken on a little broader basis than just the bag area, so in the early fifties Ken began to get involved in areas beyond the multiwall bag field. I do not recall the name of that particular committee you mentioned, but the background I have cited may relate to it.

JRR: You used that polyethylene-coated paper not only for bags, but you also adapted it to the meat industry.

AFS: This was with Oscar Mayer Company. We developed a screw-packer for a very wide valve bag that was coated with polyethylene. The qualities of polyethylene successfully overcame the problem of freezer-burn damaging frozen meats.

JRR: You continued your involvement with plastics by getting into molded plastics and flexible packaging in the mid-fifties. Did the move into plastics help or hinder the paper industry?

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the benefits to be obtained from the use of resin coated plies for multiwall paper bags, but heretofore the high cost of the application has proved to be a barrier to the broad expansion in this type of package. With its new coating operation in production, St. Regis reports that it is in a position to provide, on an economic basis, a multiwall bag containing a sheet of kraft paper coated with polyethylene for many heretofore unpackable or hard to pack materials."

\*Moisture vapor transmission rate (MVTR) is measured by the grams of water which penetrate a surface area of 100 square inches at 100 degrees Fahrenheit and at 90 percent relative humidity in a 24-hour period. Paper, a porous material which "breathes," transmits water more readily than does polyethylene--which, in turn, is more permeable than "cross-plastic" material.

AFS: It helped the paper industry. First of all, let's look at the price of polyethylene at that time. When we pioneered that development with duPont, I can kind of recall polyethylene being in the neighborhood of a dollar a pound. At a dollar a pound, polyethylene wasn't going to make many inroads into the paper market; fiber at that time was probably four or five cents a pound. Until duPont got into greater production of polyethylene, the price had to be high. It dropped pretty quickly, as I recall, to the fifty cent range. At that price, combining it with paper, as we were successfully doing, offered a very definite advantage to paper to move into areas of packaging where paper alone did not provide adequate protection--the frozen meat industry being a case in point. Of course, a longer-range objective that we saw for polyethylene was as the replacement for the old asphalt-laminated sheet as the moisture barrier in bags. Asphalt was not a very effective barrier, but it was the only thing we had; and it was dirty and messy. There was a very definite need for an improved moisture barrier, and the qualities of polyethylene provided this, as long as we could get the price as quoted on a sheet of paper down to something that was realistic. The objective was to utilize these qualities of plastic--polyethylene specifically--to broaden the markets for paper as a packaging medium in the multiwall bag field. So there was no concern at that time that we were going to lose anything to plastic. This was all a forward step, very definitely, and well thought-out.

JRR: What about rayon? There was a time when you were considering rayon and even bought a company.

AFS: Skenandoa Rayon. We had a pretty good percentage of Skenandoa at the time, and we sold it. Our getting into Beaunit mills, I think, related back to the sale of Skenandoa.

JRR: Beaunit Mills bought Skenandoa.

AFS: Was that it? That's how we picked up the Beaunit interests, yes. It was never an operating entity of the company; it was an investment that Mr. Ferguson had made. Skenandoa's operations were up in the Utica area. I think there was perhaps a tie-in to Mr. Ferguson's northern New York background; and maybe a long-range thought that the company would someday be in the dissolving pulp business, and therefore rayon was a good thing to be in. I'm just guessing at what the reasoning was. The fact that Skenandoa was, as I recall,

a northern New York company might have had something to do with his interest in it.

JRR: It doesn't figure very prominently in St. Regis history, but it was an investment that apparently had some potential.\* Now, I would like to jump forward a little-- past the fifties. Why did St. Regis buy the Creamery Package Manufacturing Company of Chicago?

AFS: I think it was for a strong cash position. A second reason, and not nearly as strong as the first one, was their relationship to the ice cream industry. Ice cream was their number one market, and they were, along with Cherry-Burrell, one of the two leading producers of high-speed ice cream freezing equipment. Creamery Package's background had been, of course, in homogenizers and a standard line of dairy equipment. From there they moved to ice cream and became very strong in that field. When we acquired them, they were moving from ice cream into all kinds of frozen foods--they were beginning to get contracts from a blueberry freezing plant here, a french fry freezing plant there, and so forth. We had by then gotten into the folding carton business, and folding cartons were the basic container with which frozen foods were packaged for the consumer market. So I think the conception of the company was: a company like Creamery Package, which had a tremendous reputation in this marketplace, would be of definite help to the packaging side of the business, namely, the Folding Carton Division. I think that was the second motivating factor.\*\*

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\*During 1944-1945 St. Regis acquired nearly 90 percent of the common stock of Skenandoa Rayon Corporation. Mr. Storer's hypothesis concerning the reasoning behind the acquisition--that rayon production afforded a market for dissolving pulp, a type of production that St. Regis was at least considering--is substantiated by the 1944 St. Regis Annual Report. Late in 1945, the stock in Skenandoa was sold to Beaunit Mills, Inc. for cash and 35,000 shares of Beaunit common stock. The St. Regis Annual Report for 1945 (p.3) states that this move was made because major expenditures were planned for expansion of primary operations in paper, bags, kraft pulp, and plastics.

\*\*St. Regis acquired Creamery Package Mfg. Co. of Chicago in 1960 through exchange of stock. Creamery had plants in Arlington Heights and DeKalb, Illinois and in Fort Atkinson and Lake Mills, Wisconsin. Among the products manufactured were homogenizers, ice cream freezers, pasteurizers, and automation controls.

JRR: Was it a part of your ongoing policy of integration?

AFS: Yes, our diversification. Well, I'll mention a third factor here. We're going back to the bag business. One of the reasons for our success in bag packaging was the sale of the system. We weren't just selling bags. We designed the equipment; we built the equipment; if we didn't have equipment that would work, we would build a new packer to pack this product. It was system selling. Having been as successful as we were in the multiwall bag business in system selling I think we saw an opportunity for system selling with a company like Creamery Package with its tremendous machine reputation and engineering capability. I think there were definite thoughts that, in the long run, CP could be a tremendous asset in offering systems packaging to the frozen food industry. Creamery Package was not then involved very much in the way of packaging equipment, but there was no reason why they couldn't have been. So I think that system selling was another factor.

INTERVIEW IV

Session III

Andrew F. Storer  
New York, New York  
September 22, 1975

John R. Ross: Andy, can you explain the product connection between Pollock, Pacific Waxed Paper, and the Gummed Products Company?

Andrew F. Storer: Well, let's take those one at a time. Pacific Waxed, at Seattle, was at the time of our acquisition a leading converter and printer of waxed paper, principally for the food markets. This was printed bread wrap. As such they provided a beautiful entree for our recently-acquired Pollock Paper Division-- they were in the West Coast market as a smaller competitor to Crown/Zellerbach, with a parallel product line to that which Pollock was selling east of the Rocky Mountains.\*

JRR: Was there any relationship between Gummed Products Company, and Pollock and Pacific Waxed?

AFS: No; there was very little relationship between Pollock, as a newly acquired division, and our decision to acquire Gummed Products. Gummed Products' business, when we acquired them, was basically threefold: the first aspect was laminating foil to board or paper for markets like the folding carton industry. Their second basic business was the tape business, both sealing and box tapes--hence our interest as a captive supplier, for the volume of box tapes for our growing corrugated box operations. Also we saw a home for kraft paper,

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\*Through exchange of common stock in April of 1956, Pacific Waxed Paper Company of Seattle, Washington was acquired by St. Regis. Pollock Paper Corporation of St. Regis purchased all of Pacific Waxed Paper's outstanding stock later in the year. In this way Pollock extended its business nationwide.

in terms of our supply of gumming stock for box and sealing tapes. The relationship to Pollock in that instance would have been supplying box tapes to Pollock's corrugated box plant and the supply of foil-laminated board to Pollock's folding carton plant. That would be about the extent of it. And the third business that Gummed Products was in, of course, was gummed printing stock. This was supplied to label printers where gummed stock was a requirement, or to the trading stamp industry. Pollock might have been doing some label printing at Middletown, Ohio. Thus, we gained a supply position out of the Troy plant's gummed printing paper operations to Pollock's Middletown plant. But the relationship of Gummed Products to Pollock was very negligible, compared to the interest St. Regis had in other areas towards the Gummed Products Company--namely, our supply of box tape and the market Gummed Products offered for kraft paper. Those were the motivating factors for the acquisition.\*

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JRR: Gummed Products, then/integrated with your container operations.

AFS: Yes.

JRR: How did you get into flexible packaging?

AFS: Pollock's major market was moving from waxed paper bread wrap to polyethylene, and it was a matter of moving with the trend. The Pollock Division moved toward supplanting waxed paper wrap with cast low-density polyethylene film. The reason for cast film was its better machine ability. At that time we weren't blowing any film, which we do today in the Bag Division. We coat and blow film. The Flexible Division casts all their film. Two different techniques.

JRR: In 1956 President Ferguson had George S. Armstrong and Company do a study on the impact of plastics on the paper industry to determine if St. Regis should expand and diversify its plastics operations or if it should go into basic manufacturing operations in plastics. Are you familiar with this study?

AFS: No. I don't recall that study. It probably was a study of the fact that flexible packaging was moving

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\*Gummed Products Company of Troy, Ohio was acquired in January, 1956 through exchange of stock.

away from waxed paper and into polyethylene quite substantially. Hence the proper management question: "Should we be integrated in terms of resin?" This was a logical question to raise at the time. The study might have considered the quantities of resin that we probably would be consuming in the future. If it were a make-and-buy study, which your description suggests, our election was to buy. Whether that was Armstrong's recommendation, I don't know. In looking backward, I think that was a relatively smart decision, in terms of the changing technology of polyethylene in the sixties--particularly the development of resins and films of varying density and resins designed for particular processes and applications like blown, cast, and extrusion coating. By being a buyer, rather than a maker, I think we enjoyed the fruits of that progress in resin technology. In the ten-year period 1956-1966, we were able to use the best available resin from suppliers that were offering the most at that time.

JRR: During the fifties, as we've said, the move was toward integration from raw material supply to final converted products. How essential is the ownership of forest lands to the policy of integration--why ownership rather than leasing or cutting rights?

AFS: Well, I really can't comment on that. That's really a financial question that concerns the value of increased acreage and the need for the increased acreage to support our expanding mill production in those years.

JRR: You started an extensive forest management program after World War II, and you set up the forestry department in Syracuse, New York. This was after you moved south. So I'm wondering why you established A.B. Recknagel\* as director of forestry in northern New York rather than in the South.

AFS: I think merely because he was, as I recall, a professor of forestry at Cornell. His roots were in northern New York. I think he wanted to maintain his academic

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\*Early in 1948<sup>1</sup> St. Regis announced the appointment of A.B. Recknagel to the position of technical director of the newly-formed forestry department of the company. He had previously held positions with the United States Forest Service, the War Production Board, and Cornell University. Bernard W. Recknagel, his son, began his St. Regis career in 1941 and worked in management positions in flexible and bag

pursuits, as well as serving our purposes, and I think that more than anything else was probably the reason for a northern New York location, as opposed to a southern location where the growing nucleus of our timer was.

JRR: You apparently had forest land managers in different sections.

AFS: Yes, we had Albert Ernest who was, about that time, our southern woodlands manager of forests, as I recall. I can't remember who was our northern woodlands manager at that time, if we had one.

JRR: It seems that at some point you found some oil and gas in Florida and Alabama on your timberlands. What kind of impact has this had on your operations, in view of the energy crisis?

AFS: Well, it had its major impact on the Pensacola mill, which we now fuel through a pipeline which we built across western Florida--the panhandle. And the natural gas that is generated at wells on our land has made us self-sufficient at the Pensacola mill. So that's been the major impact on our own mills of that oil-gas situation. Over and above the earnings that have been, of course, substantial. Pretax oil and gas revenue should be seventeen to eighteen million dollars this year; such revenue has increased sUBstantially over the years.

JRR: Who was the architect of the Forest Products Divison?

AFS: Well, I guess our first acquisition in the lumber area was J. Neils Lumber Company in 1956. Architect-wise, I guess I'd have to say, Roy Ferguson. And obviously the reason was more timberlands. And I can recall some talk after acquiring J. Neils that we'd eventually have a paper mill in the western Montana area supplied by the timberlands of J. Neils. We could ship either westward or eastward, with a freight advantage over our supply at Tacoma.

JRR: Why did St. Regis get into the lumber and plywood business?

AFS: I think we just got into the lumber business as a means of acquiring timberland. I think this is what

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packaging. He became a vice-president in 1959 and, in 1969, was elected executive vice-president of marketing and communications. He retired as of July 1, 1976.

happened in the acquisitions of St. Paul and Tacoma Lumber Company and J. Neils Lumber Company, And by and large, they haven't turned out too badly for us.

We now have the Lumber and Plywood Division, which really consists of the original properties acquired from J. Neils and from St. Paul and Tacoma--except for a plywood plant in Olympia, Washington that we closed down a couple of years ago. The Construction Products Division, which would be the Wheeler operation, basically, was a separate acquisition. The Lumber and Plywood Division will ship raw material that is subsequently treated by the Wheeler Division, and sold as treated poles, timbers, agricultural fencing, or wooden guard rails. So one division producing raw wood material is selling it to a sister division for treatment.\*

JRR: Again that's a type of integration,

AFS: Yes, and distribution. The Wheeler Division has some distribution yards; and within the Lumber and Plywood Division we're operating three distribution yards in the state of Washington.

JRR: Let me jump back to papermaking. What about American Sisalkraft, which St. Regis acquired in 1960--how did this mesh with the other St. Regis product lines?

AFS: Well, American Sisalkraft's reputation was principally as a leading manufacturer of reinforced paper. They bought their raw stock, kraft paper, and laminated that with sisal fibers, together with asphalt. We were using more and more reinforced paper in certain packaging operations. Our Gunned Products Division, as a manufacturer of reinforced sealing and box tapes, used base stock manufactured by Sisalkraft. In certain bag applications, where we required strength, we were starting to use a reinforced sheet for added durability. Sisalkraft had something like forty-five to fifty percent of the market when we acquired it. They were a substantial user of kraft paper. I think all these reasons contributed to the decision to acquire them. They also had good overseas markets, so this was another plus in the international arena.

They had two markets at the time we acquired them. The first of these was various converters who needed a

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\*In 1968 St. Regis purchased Wheeler Lumber Bridge and Supply Company of West Des Moines, Iowa.

reinforced sheet. The second was the building products field, where they were selling a barrier sheet. This sheet might or might not be reinforced, depending on the requirements--as a moisture barrier, for cement or crawl spaces, or the wrapping of metal or lumber. And of those markets probably the predominant one was the reinforced base stock market for the manufacture of tape. Tape was the number one market for the reinforced base stock produced by Sisalkraft. The company was well-managed and had been an innovator, and had a good share of the market. It had a lot going for it when we acquired it.\*

JRR: For a long time, company management considered the market contact of the various diVisions sufficient to stimulate sales. This policy changed with the marketing analysis department, which was created in 1961. Do you remember anything about this organization?

AFS: The motivator for the department was Pete Sloan. I think Pete was among the first in the company in that era to recognize the need for a marketing concept in the company, as opposed to a straight sales concept. The word "marketing" until 1961 was really an unknown term at St. Regis. I think Pete Sloan's feeling was that we needed market analysis on which we could base good long-term planning efforts. The marketing concept was very dramatically picked up when Reck (Bernard W. Recknagel) came on the scene at the corporate level in about 1964, with the retirement of Mr. Carswell. The division that began to reflect marketing thinking first was, I think, the Bag Packaging Division, principally because Reck was then running it. In my recollection, the first director of marketing that we had in any of our divisions was in the Bag Packaging Division. Mickey (Michael T.) Biondo was director of marketing in that division in the early sixties.

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\*American Sisalkraft Corporation of Attleboro, Massachusetts was acquired in September, 1960 through exchange of stock. The corporation had plants in Attleboro, Massachusetts; Jacksonville, Florida; Cary, Illinois; and Tracy, California. American Sisalkraft also had affiliates in England, Australia, and New Zealand.

JRR: It seems that for some time prior to 1961, you had depended on the different subsidiary companies and different divisions of St. Regis to sell their products, and there was no central sales or marketing effort.

AFS: That is correct, with this exception: during the early sixties, Mr. Carswell was executive vice-president of sales. As such, he maintained contact at a corporate level with a number of key customers, principally those who were Bag Division oriented. There was no corporate sales planning per se, nor was there any marketing for that matter. But I think it would be unfair to say there was no corporate sales effort, because there was at that time under Mr. Carswell. But it was a corporate sales orientation, not corporate marketing orientation, if I can differentiate between the two. The late fifties and the early sixties when Carswell was vice-president, and then executive vice-president of sales, marked the first time we had really any coordinated corporate sales effort. I was working for Mr. Carswell during that period of time/and I found myself becoming more and more involved at a corporate level in working with major customers. And through those years, we were beginning to lay a foundation for what eventually became formalized in the seventies as the corporate account function, which I presently handle for the company. But it had its inception in the sixties when, as the company was broadening its base, we were getting more firmly entrenched into broader converting areas--corrugated boxes, folding cartons, and so forth--and we had a growing group of common customers among the converting divisions. A need at the corporate level became apparent for some centralized sales effort, even if it amounted to nothing more than somebody at an officer level at corporate headquarters being acquainted with major customers, particularly where those major customers were involved with two or more divisions.

JRR: It seems that the diversification and integration policies had been in effect for some time, and perhaps marketing was an attempt to stay abreast of the situation. You also made some changes in management structure about this time.

AFS: I think that the marketing analysis department had some impact on the St. Regis organizational structure that began to emerge in the late sixties. Also there

were some retirements that had taken place. Mr. Carswell retired as executive vice-president in 1964. Two years earlier, Ben Cancell, who was also an executive vice-president, had left the company to become president of Potlatch.\* Bill Adams had already assumed the presidency, in 1957. The departure of two executive vice-presidents cleared the way for certain organizational changes that took place in the late sixties. Some of the changes might relate to the fact that we were beginning to think from a planning standpoint--where certain markets were, how the company could best approach these markets, and how we should be organized to succeed in those markets.

We also had a big digestion job to do. Through the middle and late fifties, and into the early sixties, we acquired a sizable number of companies--some large, some small. Quite a period of time went by after those acquisitions where they were left pretty much alone. The Container Division, I guess, emerged as a division in about 1960 under Philip Duffy. That was one significant step forward organizationally, to bring together the rather disjointed corrugated box operations we had acquired, and mold them together into one Container Division. And the architect of that was Philip Duffy.

JRR: Well, at this point you were bringing together all the various companies that you had acquired. In your opinion, was the organization coping with the growth of the fifties, or were you projecting into the future also?

AFS: I think there was more response to the situation as it was, rather than, I think, projecting into the future. The need for consolidation was very apparent. We were not getting the yield out of the companies that had been acquired. There was too much duplication of effort and outright competition in some cases--I'd say this was more predominant in the corrugated box arena, where one plant would compete with the other as an autonomous unit. So there was a real need to pull these things together and begin to work as a team. I think that was the motivating factor, more than any grandiose plan that the company really had of where we were going to be in the future.

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\*The resignation of Benton R. Cancell, executive vice-president of operations, became effective March 31, 1962.

JRR: In the mid-sixties, you launched an award-Winning advertising campaign, Who was the architect of that?

AFS: You're referring to our first so-called forest-oriented campaign of 1965. I certainly give the agency--Cunningham and Walsh--a lot of credit, and I think Reck had a fair amount to do with that. I give Bill Bunn, who was director of advertising at that time, a great amount of credit. The final decision to go ahead with this program was obviously Bill Adams's, but George Kneeland was a prime mover in recommending this program. In terms of the size of the company at that time, this was a significant investment and I am sure a number of people were involved in the final decision.

I think the campaign was a recognition that we were moving in the direction of a fully integrated packaging company; the emphasis was on packaging being the new look of the company. Not to downplay, of course, the paper production, and our supply of paper and board in raw form; but I think there was a recognition: "Here we are, and we've grown as we have, largely through the acquisition route--we're a different type of company and let's publicize that fact." There were rumblings at that time on the environmental scene; to indicate that we were a company that was conscious of the forest, that we had this resource which we had to perpetuate, was a timely message--coupled with the fact that we were utilizing the output of this resource to support the growing predominance of the company in the packaging arena, as an integrated package supplier. That was certainly part of the thrust and the reasoning.

JRR: At about the same time you began to emphasize international markets. Was this the policy of President Adams?

AFS: I think the thrust here came from two directions: first, Mr. Ferguson's growing interest in the international arena; second, Reg Vayo was certainly an architect of our expanding interests abroad. We had made a decision about 1964 to build the new mill at Monticello. With this added production, we certainly realized that the international arena had to be a growing market for that added production of linerboard. I think that prior to Monticello's completion, we were shipping nominal export tonnage from the Jacksonville mill. When Monticello came on stream in 1968, we could then supply a much greater percentage of our national

board and paper requirements from the new mill at Monticello, thus freeing Jacksonville, as a deep water-located mill, for a growing role in the export area. So this very much was the thinking in the 1964 to 1968 period, while the new mill was being built. Then certain moves that we made in the converting area had a direct bearing on that additional tonnage overseas.

JRR: Eventually, the new mill in Sweden will fit into this international market.

AFS: Yes. Very definitely.

JRR: While you were engaged in international expansion and domestic construction in the sixties, you were also consolidating or disposing of more marginal operations.

AFS: Right. When I look back on the sixties, I guess the thing that stands out most vividly in my recollection is the disposal of the entire Panelyte Division--a decision that it didn't fit our long-range picture. This was a strategic move--the division had been marginal for a number of years; we were, as I recall, losing money every year in Panelyte. And we felt this was a business that we now no longer belonged in. The move to divest ourselves of Panelyte was part of a decision that we made in the sixties to begin to dispose of properties that didn't fit. And that went back to the beginning of strategic thinking--part of the market analysis effort in analyzing what we had, where it was going, and if it contributed long-range to the overall company welfare. The Panelyte Division was disposed some four or five ways. The Trenton plant went to Thiokol, in exchange for which we picked up a small minority interest in Thiokol. We sold two molding plants at Cambridge, Ohio and Dexter, Michigan to Phillips Petroleum, and they subsequently operated them as a wholly/owned subsidiary--Phillips Industries of Phillips Petroleum. We sold the decorative plant in Kalamazoo, Michigan to Reliance Universal in Louisville, and we had a vacuum-forming plant in Richmond, Indiana that was sold to the Purex Corporation, and that was how the Panelyte Division went.

JRR: Right. As I recall, you also closed two papermills in Ohio, and a flexible packaging plant.

AFS: We bought Central Waxed Paper Company outside of Chicago and attempted to operate it for maybe a

year, a year and a half, as part of the Pollock Division.\* At that time the bread wrap business had moved to polyethylene. That plant was competing with Pollock's Middletown plant that had better gravure printing facilities than Central Waxed did. The closing of that plant was really a divisional decision. They didn't need both Central Waxed and the Middletown plant; both had somewhat comparable printing facilities. Certainly that was an illustration of consolidation and the closing of a facility that was marginal.

There were other decisions that were made on marginal operations, such as Ajax Box Company, that we had acquired in downtown Chicago. It was a marginal plant, a two-story kind of affair, with very poor production flow; in addition, a freeway was being built in the way of the plant. These factors led to the building of a new box plant at Bridgeview at a site in southwestern Chicago.\*\*

The papermills in Ohio you referred to were part of the Howard operation. I think the only mill we actually closed was the Franklin mill. There were three fine paper mills in the Howard complex when we acquired it. We operated all three for a period of time but had problems, profit-wise, with those locations. About that time the market research department in New York proposed the establishment of a converting and distribution center at Urbana, Ohio to service more effectively the merchant trade on Howard grades, in addition to serving other divisions for items sold to paper merchants. The distribution center, I believe, was constructed about 1967 and did enable the Howard Division to ship mixed carloads of various merchant items from various divisions. The

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\*In July, 1960, Central Waxed Paper Company of Chicago was acquired through exchange of stock. Central Waxed treated a variety of flexible packaging materials for food and consumer products.

\*\*Ajax Box Company was acquired in January, 1956 through exchange of common stock. In addition to boxes, Ajax produced shipping materials and display-window decorating materials. Construction on the Bridgeview plant, as well as a similar facility in Dubuque, Iowa, was begun in 1959.

In the meantime, the Howard mills became more and more marginal as profit centers. We began to realize that Howard, as a long-range property, really did not fit into St. Regis. But I think it was in 1971 that we disposed of two of the Howard mills.

JRR: What became of your joint effort with Monsanto--Fome-Cor?

AFS: The idea of Fome-Cor went back to the late fifties and was a joint development between Monsanto and St. Regis, of extruding polystyrene foam, in varying densities and thicknesses, on kraft board. That was pioneered by our product development department, headed up by Gardiner Lane. The product appeared interesting enough, and had a direct relationship in our marketing thinking to the packaging arena, notably the frozen vegetable and meat market. We found that we could convert Fome-Cor on conventional corrugated box equipment in our corrugated box plants. So the whole thrust of our Fome-Cor efforts between Monsanto and St. Regis was toward a tremendous market we saw in the material's packaging insulation value. We formed a company, Fome-Cor Corporation, jointly-owned by St. Regis and Monsanto, producing the base coated Fome-Cor board at Addyston, Ohio. The market never developed in the frozen food field as we contemplated. We found ourselves looking for other markets for the Fome-Cor material. We had a possible application in sheathing board to replace conventional plywood sheathing. This, again, involved our Container Division. It was a very hot item for a year or so and we spent a lot of effort in the Fome-Cor arena, on this sheathing board. We had building code problems--getting the material approved on a regional basis. So this really never took off. Then we went into the decorative sign field with Fome-Cor, because it had a certain decorative ability, internal as well as some external, for sign applications. We went into the novelty field, things like coasters for drinks, but we really weren't finding the big market for Fome-Cor that we had envisioned. The product, the board itself, was fine. But I think

we were becoming more and more disenchanted; I think Monsanto was as well. Since this didn't tend to fit into the packaging arena where we had a contribution to make in conversion of the raw material, and the marketing of it, our interest seemed to tend more and more just to the supply of the board. There was a decision to sell our fifty percent interest to Monsanto to let them run Fome-Cor. They began to see some applications that eventually made the success of Fome-Cor, namely the mobile home field, and the automotive field, which today are the two major markets for the product. Monsanto, as a plastics producer, and to some extent a converter of plastics, had a better entree in the automotive field than St. Regis did.

JRR: Do you think that going into the construction products field had anything to do with an attempt to break the boom-and-bust cycle in the paper industry?

AFS: No, I really don't. It might have had some bearing. In the late fifties, having acquired two lumber companies in our effort to acquire timberlands, we now found ourselves in the lumber business. Well, we saw a growing housing requirement as we began to look at the US economy. We needed more effective distribution for that lumber production. We acquired a wholesaler, Cowen Lumber Company in Iowa, which had some distribution yards. This provided us with a captive distribution in the Midwest. Acquisition of some distribution yards in Iowa to help our distribution of lumber led us to interest in companies such as Wheeler, which offered a further captive market in construction products fields. This company had had an excellent record in its sale of a variety of products--culverts being one of those, and also poles and fences. One thing led to another; I don't think there really was thinking at the St. Regis management level that a move into construction products was going to even out these economic cycles. Housing starts, as projected in the late sixties and into the seventies, were going to move. Another part of our thinking was, "How can we more effectively market our lumber? Maybe we ought to be converting more of that lumber product." This is the added value concept.

JRR: You went into the production of studs quite extensively.

AFS: Well, again, this certainly was a parallel effort. It was really an offshoot of our plywood production. In

producing plywood, you start with a peeler log, which is peeled down to about a six-inch core. The veneer that you have peeled is used for the manufacture of plywood. You have two choices with the core. You can either send it over to the paper mill and chip it for raw material supply for the paper mill, or you can make studs out of it. At that time we were running a plywood plant at Olympia, Washington; and then we elected to build the sheathing plywood plant at Libby, Montana. As a companion to the Libby operation, we put in the stud mill to utilize the cores that were left from the peeler logs.

JRR: It seems you had to shut down one or more softwood plywood plants at some point.

AFS: Only one. The major operation we closed down was the Olympia plywood plant, which we had acquired as part of St. Paul and Tacoma Lumber Company. During the sixties, plywood was the dog-eared end of the lumber business. Lumber prices were bad enough, but plywood was even worse. The Olympia plywood plant, although relatively large, was an old facility, and it always lost money with plywood prices down in the sixty-five dollar range. So we reached a decision to sell that Olympia plant in the early seventies. Subsequently, we ceased production of any plywood at Tacoma.

JRR: How did Span-Deck, Incorporated fit into St. Regis's move into construction products?

AFS: When we acquired Wheeler Lumber Bridge and Supply Company, one of their big markets (as their name implied) was the supply of wooden bridge timbers. They supplied these to county and state governments in Iowa, the Dakotas, and the Minnesota area. Wheeler, as I recall, had a demand for more and more prestressed concrete for bridge construction, as opposed to wooden timbers. So they were buying an increasing volume of prestressed concrete forms from a company called Iowa Prestressed Concrete, a licensee of Span-Deck. We were motivated to acquire Iowa Prestressed, rather than to buy from them. They were a profitable company; prestressed concrete was a relatively new kind of an item and was moving not only into the bridge field, but also into the high-rise kind of structure. We merged this company into the Wheeler operation. We were then aware of

the profitability of the Span-Deck system of making prestressed concrete. Span-Deck, at that time headquartered in Nashville, probably had some thirty licensees in the United States, of which Iowa Prestressed was one. That, in turn, led us to acquire Span-Deck. I think we acquired Span-Deck simply because of its profitability as an operation.\*

JRR: Pollution problems were really assuming sizable proportions in the sixties and seventies, in terms of the cost of air and water abatement equipment. On a item that caught my eye is the fluidized bed technique--a kraft recovery system that you developed with Copeland Process Corporation.

AFS: I recognize the name, but it's a little too far afield into the technical area for me to really comment on it.

JRR: The Copeland process, or the fluidized bed technique, started in 1967. In 1970,<sup>2</sup> you received the grant from EPA to build a pilot project to demonstrate that kraft mill process water could be purified and re-used. Was the development of Copeland process part of this project?

AFS: My exposure to this was more in the past three years, in our efforts to get the pilot plant launched in Pensacola, producing activated carbon. This relates back to the original grant from the predecessor organization of EPA, which was the Federal Water Pollution Control Administration.

In the kraft process, after the woodchips are cooked in your digester, you get a black liquor which is left over. From that black liquor you get two basic end byproducts: crude sulfate of turpentine and crude tall oil, both of which are fractionated. The common practice, after these chemicals are recovered, is to burn your remaining black liquor and get the fuel value out of it. Our new process that goes back to the federal grant involves producing char from black liquor rather than burning the liquor. From that new recovery system to which you were referring, we would get the char, which is the residue of the recovered black liquor.

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\*Prestressed Concrete of Iowa, Inc. was acquired in 1970; the following year, a large percentage of the common stock of Span-Deck, Inc. was acquired.

### III

The char is a soft, carbonaceous material which has been described as synthetic coal--it's soft and black like natural coal. It is basically a carbon waste product. This attracted the attention of the FWPCA in terms of our projected ability to take this char and manufacture activated carbon from it--and then, in turn, use that activated carbon to treat the effluent wastes of a kraft mill, and thus recirculate the mill's water requirements. A major kraft mill in the South would use, perhaps, between twenty and thirty-five million gallons of water a day. And that's a lot of water. At a mill, water is usually treated in settling ponds and is eventually discharged into a stream. It was a serious pollution problem, to say nothing of the physical area you needed for all the settling ponds.

The federal grant which we received originally, I guess in 1969 or 1970, was two-phased. The first phase was to demonstrate to the Federal Water Pollution Control Administration that we could successfully treat kraft mill effluent using activated carbon; the second phase was to show that we could manufacture a low-cost activated carbon from the char. That led us to build the pilot plant at Pensacola to demonstrate these two aspects of the grant. That demonstration was completed in 1974. Having successfully demonstrated the requirements for the grant we were then free to pursue commercially the manufacture of activated carbon on our own, with no governmental restrictions. The only government restriction was that we could not license that knowledge concerning the recovery system, which is public knowledge. But we are free today to develop technical aid agreements with other paper producers who want to use our system and benefit from the experience we've already built up.

JRR: Are you now utilizing this activated carbon process?

AFS: During the first phase of the government grant we were buying activated carbon and developing the system for treating waste at the Pensacola mill. In the meantime, we were building the activated plant--so actually, we treated the waste before we had the facilities to produce the activated carbon. We brought the activated plant on stream a little over a year ago, and through the balance of 1974 we demonstrated our ability to make activated carbon at low cost.

We're currently making some changes in the pilot plant--in the compaction unit, to upgrade the quality of activated carbon that we're getting. We're also trying to bring down the sulfur content of the resulting product. For some time we have been shipping experimental quantities of activated carbon from the pilot plant to potential users. Included among these have been several companies who were candidates as possible partners of St. Regis in a commercial venture on activated carbon. The role of such a partner would be their technology on activated carbon manufacture, distribution, and knowledge of their markets both for gas and liquid phase carbons. I happened to be part of a study team in the company that spent some time on this project, and our recommendation to St. Regis management was that we not try to go into the activated carbon business alone. It was a little too involved in terms of technology; there were some technological needs that we had, particularly on the activation aspect, this was a whole new arena for St. Regis, and we were ill-equipped to carry that product effectively to the marketplace, as opposed to existing producers of activated carbon.

JRR: Are you treating the water that you use in the kraft mills with this activated carbon?

AFS: That is the eventual plan, but I would guess that until we put the first commercial unit in (which is tentatively scheduled for the Jacksonville mill), we won't be in a position to produce enough activated carbon to treat effluent with our own activated production.

JRR: It seems that the potential of this system is tremendous for cleaning up water pollution.

AFS: It is. I think that's what caught our eye from a market analysis standpoint when we looked at the long-range markets for activated carbon. It's the cheapest material for tertiary treatment of any effluent stream. Its principal application is in removing organic contamination; it does not do too effective a job on inorganic contamination. A very high percentage of contaminants are organic in nature; activated carbon does an excellent job on color removal too.

- JRR: In Jacksonville you discovered another byproduct, when you were collecting particulates from the stacks of bark burners.
- AFS: Fly ash.
- JRR: Right. It's converted into charcoal briquettes.
- AFS: Yes. We sold land to a briquette manufacturer right at Jacksonville, and they put a briquette plant right there, fed largely by our fly ash out of the Jacksonville mill. We have worked with several briquette manufacturers, and our work is well enough along at the present time to prove that that's a very logical outlet. This is a timely move, because the source of wood waste (which is the main raw material for briquette manufacturing) is beginning to dry up. And prices of wood waste are getting pretty high for the briquette industry to bear. So we could find a very nice market for this char in the briquette industry.
- JRR: Let me ask you about the proposed merger with RCA which was considered between October, 1968 and March, 1969. Do you know anything about its intended purpose, and why it didn't transpire?
- AFS: I don't know the exact reasoning, other than what I recall the financial press putting out, and what RCA itself put out at the time. I think the move on RCA's part was toward our forest lands; the move to get into a natural resource industry; diversification. I think you could draw a parallel between this effort and ITT's acquisition of Rayonier. I think the acquisition by RCA of St. Regis would have been just as desirable as the acquisition of Rayonier has been for ITT. I think there were a lot of disappointments in St. Regis at the time that began to build up more and more momentum after the initial announcement in October of 1968. The deal, I think, was strictly one made by Mr. Ferguson with Mr. Sarnoff. I think we all approached it with a certain amount of trepidation-- and I'll say disappointment. We had lived through a period of seeing St. Regis grow and diversify very dramatically. I think you approach any acquisition in which you are the acquired company with a certain amount of fear as to what the future is, and a little

loss of morale. Apparently this also began to take place at the board level. As I recall, both companies had the option, by the end of February of 1969, of backing out. Our board was at least fifty, if not seventy-five, percent made up of inside directors like Mr. Pollock, and Mr. Neils, who had headed companies that were now a part of St. Regis. They tended to look with a certain amount of pride on St. Regis. I think they felt as a group that we had a lot going for us. So at that February board meeting they elected not to go through with the merger, much to the joy of many of the rest of us.

JRR: During the sixties, after a decade of acquiring companies, you began to consolidate some of your operations. In 1970 you organized the Specialty Paper Division. Can you comment on the reasons for this?

AFS: I think that organization structure related primarily to our just having built the converting center at Urbana, Ohio,\* which I have mentioned previously. The function of this facility was to take over certain converting operations that had been done at the specialty paper mills, particularly the Howard mills. The idea of a converting center at Urbana was that the mills--Rhineland, the Columbus mill, the Howard mills, also certain converting locations like Troy, Ohio--would ship in jumbo rolls of stock and Urbana would, for example, do the sheeting. It was most of this kind of specialty tonnage that was marketed through the paper merchant. The theory was that we could go to a paper merchant and say, "Look, you can now buy from St. Regis a mixed carload of paper products that will be shipped from our converting and distribution center in Urbana. If you want a quarter of a carload of gummed tape, fine. If you want another quarter of that carload made up of waxed paper, meat wrap, butcher wrap, or paper from our Rhineland mill, we'll have that right in our Urbana facility. We'll have bond and mimeo,

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\*In January, 1967 the St. Regis Board of Directors approved construction of the Marketing Service Center in Urbana. The completion of the facility was announced in the company's 1968 Annual Report.

if you want a quarter of the carload made up of that." This was an attempt to eliminate the cost of converting operations at some of the specialty paper mills, particularly sheeting. Urbana would be a central point from which we could ship out to paper merchants and offer a service that the competitive mills were not offering, particularly in terms of mixed carload shipments. And to tie that together, we organized the Specialty Paper Division, headed by Bob Milkey.

JRR: I have come across a statement to the effect that a papermaker who sells most of his output to the customer becomes a prisoner of that customer. I'm wondering if the idea behind organizing the Specialty Paper Division and the Urbana Center was an attempt to get away from one customer-oriented business.

AFS: No, I don't think so. In the specialty paper area that we're talking about, we were not a major factor. We had acquired Rhinelander, the Gummed Products Company, the Howard paper mills. We had this mixed bag, but we weren't really predominant, except in the Rhinelander field--that was probably the only area in which we really had a leadership position of some note. So the attempt in the specialty paper area was to offer something to the coarse paper merchant that was a little bit unique and provided us a greater share in that merchant paper business.

Let me get back, in general terms, to your question about being dominated by a single customer--a relationship in which you supply one hundred percent of his needs. From a broad marketing standpoint, you do lose your flexibility when you've got a one hundred percent position with a customer. You're obligated to take care of him in a way; he's betting all his chips on you and so it does deprive you of a certain amount of flexibility and freedom--perhaps independence. In my opinion, this relationship restricts you as a supplier. And the responsibility is pretty heavy. You're always living in fear of a strike or some Act of God that might shut you down, which would force your customer to shut down--it's just a bad position to be in.

JRR: It would seem that the customer wouldn't want to be in such a position, either,

AFS: Some of them do. They go along with it; and you as a supplier say, "Well, one hundred percent, I'll take it." It's good business and you make money on it, so you get yourself boxed in. You know if he's going to go to another outside supplier you might salvage sixty or seventy percent, but you don't like to lose the balance of the business that you had.

JRR: What do you do with your excess at a box plant, for example, if you are selling fifty percent to a single customer?

AFS: I'll use a hypothetical situation. Because a major customer (such as Heinz) is putting in a plant, and we've been a good supplier of Heinz, we must put in a box plant close to his new plant. When this new box plant starts up we might be selling seventy percent of the plant's capacity to Heinz, with the balance being sold to other local box users. Our objective would be to build on that thirty percent to minimize our dependence on Heinz, so that eventually Heinz would represent a decreasing percentage of the plant's output--although we would be retaining or even increasing the volume of our sales to Heinz. I am not sure that this answers the question you raised.

JRR: Do you sell directly to the customer, or do you use distributors?

AFS: It depends on the converted product. In the box area we're selling almost one hundred percent directly. The same would be true of folding cartons. There are some exceptions to that such as the moving industry, where sometimes you're selling wardrobe boxes and book boxes, our standard kind of box. You might sell those to a distributor who, in turn, would sell to the moving companies located in his area of distribution. But normally in the corrugated box, folding carton, and multiwall bag businesses, you're selling directly to that user.

JRR: So you don't use many middlemen:

AFS: Not in those three areas. Other converted products-- laminated and coated products--are largely sold through distributors. Let's take a typical item: gummed tape. There are two kinds of gummed tape that we produce: sealing tape is a standard item, which you couldn't afford to sell directly to the end user--which might be a department store, sealing their outbound mail shipments in corrugated boxes. In that case, our outlets are paper distributors, who carry quite a variety of paper items that they, in turn, sell to people for the purpose of sealing corrugated boxes. The other type of gummed tape we're selling is what we call box tape-reinforced tape. That's applied by the box manufacturer to form the joint as he makes the box. In that case we'd sell that directly to the box manufacturer. When you have an item that's used in significant quantities by the end user and it is a custom-made item such as a corrugated box that is printed, you almost have to deal directly with that end manufacturer. He's buying these items in carload quantities, or certainly truckload quantities, so you can afford the sales time to work directly with him and sell to him directly. The tendency in the industry, in the last twenty years, has been to move more and more to direct sale of those items that economically can be sold directly. The middleman has been cut out except where he really performs an economic service.

JRR: I have one more question for you, Andy. How much of an influence has the snack food industry had on your various divisions?

AFS: The influence has been quite predominant on our Flexible Packaging Division. It's been one of our major new markets, and has enabled that division to move away from its formerly heavy dependence on the paper industry.

JRR: The Atlanta Film Converting Company and Domtar Packaging were apparently purchased in response to growth in the snack food industry.\*

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\*In 1964 St. Regis acquired the assets of the Atlanta Film Converting Company, converter of cellophane, polyethylene and other films for use in small packages in the snack food industry. The assets of Domtar Packaging, Inc. of Moorestown, New Jersey were sold to St. Regis in 1968. The plant at

- AFS: Atlanta Film was probably the principal acquisition that helped us tremendously in our entree into the snack food business. These acquisitions helped us a lot, not so much in terms of technology as in the market contracts that they had. Also physical plant location, in some cases, enabled us to move into that market quicker than we could have on our own.
- JRR: There have been some dramatic changes in packaging. Apparently bulk shipment has cut into multiwall bag markets.
- AFS: That's right. As this movement came about, those of us in the bag business had to find new markets to replace those lost in bulk. These new markets took the form of growth in certain end markets, such as the dog food business--the move from canned dog food to dry dog food--which gave us the opportunity, with our printing ability, to come up with bags for five or ten pounds of dog food. This restored paper tonnage. Things like the paper refuse sack, or commodities that were less feasible for bulk shipment than flour, sugar, and cement, received our concentrated efforts. An example of this is the feed business. Feed had been bought by small farmers to feed their chickens, let's say. They didn't use so much feed that they would ever buy it in bulk, unless they were big chicken farmers. But a lot of the chickens raised are not raised on big chicken farms. A small dairy farmer, raising chickens on the side, buys his feed in bags, and always will. That market has been somewhat more immune to bulk. So we concentrated our efforts in the multiwall bag field on markets for paper that were a little different than those which had been served by the conventional multiwall bag and which were moving to bulk shipment.
- JRR: Thanks very much, Andy, for your time in these sessions. We've probed a wide variety of subjects.

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