

Interview No. 34
Southeast Asia History
George Weyerhaeuser, Harry Morgan and AHJ
July 11, 1977

AHJ

George, how do you remember our initial involvement in Southeast Asia affairs? What was the philosophy that led to us being interested in it, over there?

GHW

Well, I think the primary thing we were interested in was the knowledge that we had a limited life of large and clear timber and there existed a fairly large resource base out in Southeast Asia which we could possibly develop for the purpose of providing large clear logs into various markets. We, over a long period of time, have been, and still are, for that matter, concerned about the changing product mix and declining volume of high quality sawable and peelable timber. How do we find a way, in effect, to extend our supply to various markets of these kinds of materials?

Now back before we were in there, you know, there were a lot of accidents that happened. I suppose that you become acquainted with successes and failures of others in international activities and then timber activities, and I think that this particular entry came as a result of the initiation on Elliott Bay's part. They had some older ownership and wanted to get out of certain parts of their business and, of course, they were close at hand.

I'm not sure about the sequence, but Jon Titcomb had a lot of contacts with them and they did go to both their manufacturing facilities and their timber concessions, but I look at the particular acquisition and point of entry as being perhaps a combination of things, the most important of which is the basic and underlying desire to, as they say, get into the continuation of large timber supply and then follow it by discussions with Elliott Bay about the particulars of their situation. So this is really how many of these things happen - a combination of the desire and interest, and then some accidental contacts and the pursuit of those contacts.

GHW (Cont'd.)

I think the thing that tended to strengthen our position was the fact that we saw a very strong Japanese situation developing, a shortage of materials there, so we expected the markets to - I don't think we were thinking about Europe at all in those days. I think we were thinking about the possibility of developing a timber source to come through into the United States markets for higher grade materials. And then you put that together with our view that, if anybody ought to be able to bring the production operating expertise to bear on big timber and then in the case of the Philippines, not only big timber but big timber and rough terrain, we felt we, as we got into it, that we had the people who knew how to do that and knew how to operate the equipment and build the roads. And we had a high degree of confidence that we not only had the markets but we had the capability of mounting a successful harvesting operation.

AHJ

At some point along the way, we began to recognize that there might be some limitations on softwood timber and we should be looking for this tremendous resource of hardwood timber, I take it.

GHW

And that's a part of a larger pattern, of course. We have been looking about, thinking about, dreaming about tropical hardwood timber as being a resource of the future that's going to be developed. And, of course, the Southeast Asian timber, in general, tends to contain less species and higher grade and more immediate marketability and operability than hardwoods anywhere else by virtue of the relatively high percentages of Lauan and Seraya and Meranti in those stands.

So I think we're looking at a continuing interest, then, in terms of future resource bases in tropical forests, coupled with a desire to, like I said, supplement and replace to some degree, some of the high quality materials that we're not going to be able to produce from our own timber. Now that last desire certainly has not been fulfilled in any great degree. While we are manufacturing and marketing some increasing amount of their lumber products in the United States, we haven't really found the means or the economics to go beyond that in any way.

We have, however, coupled together, through subsequent acquisitions, a supply of timber to the plywood plants in the Far East, to refinishing and marketing the paneling. So that

GHW (Cont'd.)

in that sense, we have produced a substantial quantity of interior paneling which, in some sense, probably has replaced lumber paneling and other plywood panelings, although none of our plywood, or never really very much, went into interior paneling.

So I guess you start with a presence and some markets, operating skills, a desire to expand, and the perception that international sources and markets are becoming more important; and that we've found a company that had a going operation and we were not displeased with what we saw in the way of timber quality. The result of all that was, after a lot of hard work and blood, sweat and tears, a very successful marriage of these various elements.

So I think it is a good illustration of some long-range views being coupled together with a resource base, and I certainly don't want to minimize the very, very critical and difficult steps between the concept and the execution, because I think that in the last analysis what we were able to do was overcome a lot of very, very substantial operating and political and organizational problems to produce the quantity of material that was very much needed. And on balance, we've been very well pleased and rewarded by the overall effort.

Now if you think about the process that we're involved in, I think the process is one of developing additional operations in existing timber stands from which we hope to be able to not only develop products and markets in the immediate term successfully and profitably, but then we hope to be able to manage these tropical soils to produce plantation crops beyond that. Of course, that still is very promising but there are all kinds of political and economic problems that may make that difficult. We're certainly going to be trying to extend those kinds of activities so that 10 or 15 years from now we'll have another cycle of different kinds of products, but on a reproduceable basis coming out of these tropical areas.

I think we felt when we went into Southeast Asia that that was the primary region and that we would be picking up some of the supplies in the developing country and that we had a good chance of being able to make, if not a tremendously large, at least a significant and a long-term part of our overall timber management product activities.

GHW (Cont'd.)

You always have to admit, though, that the particular timing and the particular place in these - you have to find a willing seller as well as a willing buyer, and sometimes the seller is the primary initiator. Maybe he - I think in Elliott Bay's case, and my recollections are not all that clear - but my suspicion is that they had a much more driving interest in liquidating than we did in acquiring that particular property. I think they had both - they had diverse ownership interest, they had different desires as to degree of liquidity.

So, as is often the case when you put together an acquisition, one or the other of the parties has a pretty strong driving interest. And I think it's fair to say, in this case, that Elliott Bay had a more immediate and driving interest than we did, although it matched with our longer-term strategies and desires, and we liked what we saw.

HEM

I think it's difficult to go back and say, "Hey, here is where some things started in Southeast Asia." If you're looking at the beginning, I think you have to think that some of us started with the Columbus Day blowdown. That really turned our thoughts and ideas in a different direction. We started looking, at that time, for a market that would absorb the excess volume that was developing from our blowdown salvage.

It was just a market before that, where lumber, and at that point in time even the lumber market was not all that good. So that pushed us into something different. We had an SRI study about the same time, to know what was going on during '64, '65 and '66, and part of those results had already been made available to us. And they certainly indicated the opportunity there and in Brazil as well. I think as early as '64 we were looking at Brazil. In Brazil, the forests were different and provided different opportunities.

I guess the other was in '65 and '66. I think it started appearing as a higher priority to the top people of the company. We really were going to do something different in the area. So we were looking, during the same time that Kennedy Bay was available. Maybe not as aggressively, but it was - if we went back and looked at discussions with different management groups, we'd find this became the thing - you know. We were changing direction in some ways. How much of that has happened, how much is the result of expert planning, is hard to differentiate.

GHW

I think you're dead right. The combination of things that happened and the awareness that we had of the Japanese situation accumulating post-Columbus onto a very large scale set of activities made us very much aware there were large scale markets out there that could be very attractive. And, of course, the Southeast Asian timber certainly related very closely to Japan as they were the dominant consumer, but it was also these SRI - maybe I'm talking about another set of studies, you remember we also had looked at our diminishing supply of clears.

So from a market point of view, which didn't have anything to do with Southeast Asia, we were aware that our percentage of clear and shop lumber was going to be declining. And we've had, over the years, sort of reiterations of discussions about, "Well, in a diminishing supply, does that mean values are going to escalate faster or slower? Do you reach a point at which your supply is so restricted you can't service the market? And, therefore, were we in danger of having the last of some very valuable large clear logs and trees that we'd have difficulty in servicing the market and might lose the market?"

There was an awareness that there were two areas of consumption that seemed to be large and important and on one of them we felt we were in position to service very well - the U.S. market - and yet we couldn't see all of the raw material supply we were going to need. So there's a pattern of those and then you'd say, maybe the most important element in Elliott Bay itself, in getting us started, was the people element, was really the confidence of Jon Titcomb, for one, forming a conviction that it was a fine opportunity and his judgment as to, "Is it operable?" had quite a little to do with that particular entry.

We were looking, but you get the people equation in there pretty fast because I think the same thing goes with respect to the key people in the logging development and all - the fact that we have confidence in the leadership in that area where, when we look at something, we think we know what we're doing, so can move forward. But if you didn't have some point of view that the markets and the resource made some sense, on a longer-term larger conceptual frame, I don't think we would have been looking, or Jon would have been spending his time out there. After all, Jon at the time was pretty well along in age and not in very good health.

AHJ

Incidentally, we're still looking for, we still haven't found his trip reports which he tape-recorded every evening while he was over there and sent them home. And they would be extremely valuable when we find them. I'm assuming that we will find them somewhere.

HEM

I told Alden my recollection - and this was when we were in the Tacoma Building - was Jon was really the leader assigned, or Jon had picked up the signal. He was the one who continued to have the enthusiasm for this project and for the dollars. And I haven't really looked at it, but Jon was the one who really said, "For those dollars, this is a good buy. This is a good place to be." It was reaffirmed by Bill, and Lowry was much more active, later on in the negotiations. But without Jon's real enthusiasm, and it was contagious, you'd go in his office and he'd put his feet up on the desk and you'd be talking about something else and Jon would invariably end up talking about the enthusiasm and excitement that he felt for this opportunity. That got us all enthused.

It took us longer than we thought, as usual, and people look back now and they assume that it was really a pretty easy matter to move in there and start getting logs into Kennedy Bay and Basilan. But when you look through the letters and reports, it didn't all fall into place neatly and tidily and quickly.

AHJ

Well, sometimes something real good is obscured by the problems that are on the surface and they're obvious and conspicuous and goodness knows there have been problems over there. You and I were talking the other day about it, Harry. It's just a matter of problem-solving. Every day you get up and you solve some new problems over there.

GHW

And even though - here were people who'd been out there a long time and had operated pretty successfully. They had plenty of problems, both people, and then you look at the amount of capital and equipment needed and risk and it was a very big and compelling undertaking for something that was in the condition that Elliott Bay was in at the time. So it was even significant for us, let alone a little company like that.

GHW (Cont'd.)

So if you want to talk about the problems, all the way from capital risk, political risk to the kinds of problems that you're talking about, Alden, that are very, very real, and that is, "Just how do you make something run and work on a day-to-day basis?" Those of us a long ways away, I think, tend to underestimate, what shall I call it, the debilitating influences of the tropics. All of the different kinds of hazards that you run into, whether they be supply, maintenance . . .

AHJ

. . . language . . .

GHW

. . . weather, soil, language, motivation, understanding. You put those together and you say, "Well, what does that add up to?" Well, it added up to a very significant opportunity with a lot of risk, I think. I think Harry's right. When it comes down to it, I'm sure that the original idea, the concept of an entry to the company and these kinds of activities was an underlying base in a group with some of the things we're talking about.

But when you come right down to how did we get from there to a decision to enter, then you're talking about the amount of time and effort and dedication and convictions that a few people brought to us that have certainly put us right up there at the head of the list, because we had confidence in him and his experience and his interests. I've never, to my knowledge, heard any of those tapes, but I have no doubt in my mind about the convictions he brought, from my recollections in talking to him. And, in fact, he carried on a good deal of the negotiations as well, but that's a separate matter. I think the first one was how do we get up to a point where we think this is the right thing for us - the right entry point.

HEM

The difference between this one and Brazil is that we didn't have anyone who felt that Brazil was really a place to go and had enough specifics to say we ought to move now strongly into a location with some people. We really - at one point in time they were almost parallel. I think Brazil was the leader, but not by very much.

GHW

I think a key difference, Harry, there is that when you were talking about Kennedy Bay and entering into the South Pacific, we were talking about going into business in a production-selling mode, and in Brazil we have always approached

GHW (Cont'd.)

it, in contrast, as a place where we wanted to be over a longer period of time with an extensive land base to go. But the difference is that, in the Southeast Asian situation, we found a vehicle where we could really get into business on a paying basis and, in contrast, going into a foreign environment (Brazil) where you're investing over very long periods of time without the operational experience and background, nor the opportunity to generate business as you generate your future, made it much more difficult to get into Brazil.

If we had found some - it could have been a eucalyptus forest, it could have been even down in the pine country, I suppose, in southern Brazil. But when we tried to, we weren't quite prepared to make a large entry into a remote area in Brazil and mixed tropical hardwoods. We could never find - you look for Virola or a little veneer or we looked for some way in which you could get in business on a small scale, but none of them seemed to fit all that well. Whereas here the combination of Japan and the U.S. markets, and the quality of timber, allowed us to get in on a significant scale.

I think someday we'll find that combination in Brazil. We may have to grow it, which introduces a long time period and, when you introduce, then the political risks arise. That's a very different thing than "two years from now, we're going to be in full scale operation." Well, we thought we were, in Southeast Asia. So I think the fact that a going operation was there, and something that we could see and evaluate and get into business with, was important.

AHJ

Okay, this is focused on the very beginning now. There is another little story that occurred a little later on that I've heard from two people, one of them Jed King, I don't remember the other, regarding our entry into Indonesia. And the story has to do with Norton Clapp running into Foreign Minister Adam Malik from Indonesia in Geneva during a trade conference or something. Have you fellows heard of this?

GHW

I don't know that specific. We ought to talk to Norton. But I do know that, once started in that area and then the logical place, as you think about it and look at it, obviously Indonesia was the coming developmental area - was the Brazil of Southeast Asia. Norton has had, continues to have, did then, a strong interest in the Pacific Basin. He later became the Chairman of the Pacific Basin Economic Committee, PBEC - that's not exactly correct - but . . . and I know, in connection with Indonesia, we - I think at that time maybe the foreign development, Sahdli - he participated in San Francisco and other meetings.

GHW (Cont'd.)

I know - I recall spending some time myself with - this was as a result of Bill Allen and his contact with Otto Miller - with the Cal-Tex Standard Cal people, because they had a lot of experience in Indonesia. And I had a couple of sessions with Julius Tahea, who was their top Indonesian in the Cal-Tex situation, to get his feeling of how you would go about doing business in Indonesia.

I think we had an interest - Norton had an interest - and we were started in Southeast Asia. And Indonesia was a logical place to try to go. We've used the next step as being one of sort of background in how do you get into business in Indonesia in an effective way and on a scale that is appropriate to Weyerhaeuser in a developmental. Now we're talking about, if we didn't have the opportunity to go into an existing - sufficiently large - existing operation.

Indonesia at the time was rebuilding and had very favorable foreign investment laws, and yet there were lots of difficulties in getting into business. So we tried to explore those difficulties with the attitude that, with a favorable foreign investment climate - relatively favorable - that we ought to be able to find a timber base there. So we did a lot of scouting. We looked -

HEM

We looked at the DeLong area before he ever did.

GHW

. . . before he ever did. And we also looked - pretty much I think from an airplane and a data survey - sort of all over. Not just Kalimantan, either. I can't even recall how many years we were at it, but it was several years in the gestation: "Where are the best timber stands?"

Then while we were still looking, in trying, on some other concessions, to develop a foothold, DeLong moved in on this one. Later on, we finally formed the conclusion that this one was better than the ones we've been working on - although we did go ahead with PTWI as a way to establish our presence with the government. That was a direct -

HEM

It secured a position for us.

GHW

. . . with Perhutani. We started in and we said, "Well, it may not be the biggest thing in the world and we may have to take some partners and this and that and the other thing, but we said we're going to go into business in Indonesia through that route." And then later on, we decided to.

I had a very strong desire, for us in Indonesia, to become a full-scale, large and long-term operator. That was - under the best of conditions, our initial entry would have permitted maybe 10 or 12 years at the outside. So we were still trying to look at something larger, more remote and which would be a more appropriate permanent position.

So, here again, Indonesia was a result of a continuing interest over a long period of time. The particular entry was a compromise and we had more trouble with the political aspects of getting into Indonesia than anything else. Finding that resource base, planning how to deal with the various provincial, army, governmental, investment laws. It was very difficult and the large scale concession that was finally - we did in effect have to buy out the existing operator and the Japanese trading companies that, in effect, did a good deal of the financing, in terms of the marketing.

We wanted freedom of action, large scale and longer-term. We found all of those possible. But it did follow from a continuing interest in the area, following the original entry into Southeast Asia and, more particularly, a strong interest in Indonesia, which I think our prognostications indicated, and were later proved correct, was going to be the principal supplying country for this type of material.

HEM

Fine. Can you - No. 1, I guess, are you able to put together a chronology of major events yet, Alden, or are you waiting until we get a little further along? I'm just curious in my own mind as to when we first made - what you can find in our letters. These are the '68 - there's nothing in here that I can spot, when we first made those initial visits to Balikpapan and we went from just a concept to an actual action on the first trip. Weren't you involved in this yourself?

AHJ

The Kennedy Bay transaction?

HEM

No. When we first started moving into Indonesia.

AHJ

Yes, I was there in 1970. That was seven years ago.

HEM

I was trying to think, when did someone go there initially?
It was before that.

GHW

Yes.

AHJ

About '68 or '69.

HEM

That's just what I was thinking. It had to be late '68
or very early '69.

AHJ

Right.

GHW

Ivan and Jackson Beaman, it was. And then I'm not sure
what the dates were on the Perhutani, PTWI actual. I think
it was '69 or, '68 or '69.

AHJ

It was '69, I'm sure. It may have been as early as '68,
maybe later in the year. But before I went over there for
nine months in 1970 I had been over there on a short trip
in '69. I went to Balikpapan. That's what you're referring
to. So shortly before that we made our first move in that
direction. Whether it lapped over in '60 I'm not sure.

HEM

The incredible thing is that, in looking back, you know,
you segregate those in your own mind - the Kennedy Bay-Milbuk
was kind of one thing, but then you imagine there were a
good many years before we did anything else. And it was
really not true. I think it was '65 to '68, a lot of things
happened there, in a relatively short period of time.

GHW

We had been working with the Indonesia government, of course,
the Forestry Agency and trying to find a place. They had
a number of different areas. And we did quite a bit of
data-gathering and flying and talking with the government.
But behind that we really were trying to find, all during
that period of time, following the entry into Kennedy Bay,
access into Indonesia in a major way.

AHJ

Back to your question, Harry, I haven't attempted to extract the chronology but I have complete confidence that it's there, from discussing it from different points of view with different people. I think we'll be able to come up with a calendar with dates on it where different things happened in a progression. I am hopeful, as indicated to you earlier today, that we may be able to catch Lee Jacobsen coming home from Brazil on a vacation this summer. And he, as well as anyone, would be able to fill in the dates on this - because he overlapped from the old Kennedy Bay operation - in a few hours. A few people like Lee should be able to tie this together for us, I'm sure.

GHW

Yes, I think that's accurate. He was active in "where and how" we might get started down there and the other thing I suppose is to find - in addition to these areas, we've talked a lot about the Philippines, but I don't know, even preceding all of this, I can't do it as to dates. But I know that I talked to Jon Titcomb and others about various possibilities in the Philippines. This was - I guess, way back in history, there have been various Philippine operations that, for one reason or other, they had found some success and might be looking for partners or disposition. And there were three or four companies in the Philippines, I can't even name them, that we had at least speculated about as being possibly of interest, prior to all of this. So, I guess what we're talking about really is kind of a 15-year or maybe even a 17- or 18-year pattern of some degree of investigation and interest discussion.

AHJ

But we need to try to identify those, I suppose, or at least a brief touch of our initial interest, even though nothing much came of it.

HEM

Excuse me, I just had a thought. Who was - was Kay Jon's secretarial support?

GHW

Yes.

HEM

Did anybody try to reach her to see if she knows where the tapes are at?

AHJ

I haven't, Harry. I will talk with Blanche or someone and see if they will do that.

GHW

I got a letter from Kay just the other day, so we know where she is if we want to contact her.

HEM

She might have some particular repository or some idea where they might be.

AHJ

Okay.

GHW

I think Kay was Jon's and my joint secretary, during that entire - he had her first. I adopted her.

AHJ

Well, George, before we run out of time, do you have any personal experiences in any of your travels over there, that would be well to have in our chronicle here?

GHW

Oh, I don't think so. I guess my personal and on-the-ground involvement was primarily related to Indonesia because, with respect to Kennedy Bay, apart from the Elliott Bay people and the discussions with Jon, we already had acquired it before I ever got out there for any particular contact with the deal in the Philippines and in Sabah. I guess my recollections are more slanted in the Indonesian direction because of what I consider to be rather exotic discussions with the Minister of Agriculture and Mr. DeLong. I'd have to say, I've seen a lot of unusual people in my life and unusual situations, but Indonesia has to be, dealing with the Indonesian government, has to be different than anything that ever happened to me. I guess Mr. DeLong has to be different than pretty nearly anybody. My impressions are sort of meshing a Jed King, Jon Titcomb, DeLong and some Indonesian officials. I suppose I ought to add Jackson Beaman, probably.

HEM

John Ireton would be hard to leave out.

GHW

Ireton and Emmett. But, Alden, I don't really - you know, my contacts were all sort of either negotiation or governmental or office type, you know. I didn't ever really spend any time out there in the midst of things. So they're not too pertinent.

HEM

Well, this - I've already spilled the beans on our part of the trip out there when you and I and Charley went out there in the helicopter, and they were going to shoot at us coming into Milbuk.

GHW

That was exciting, all right.

AHJ

Exciting for a while. I am not serious, but I could write a whole chapter on helicopter experiences over there. We've been through some dandy ones, in addition to this one. The one the Ziles were in, you know. Apparently, a piece of baggage shook loose and jettisoned and caught the tail rotor and broke it off so the machine started spinning like a top up there and came on down.

GHW

They came down without a tail rotor?

AHJ

That's right, but there've been a number of them.

GHW

Well, I heard a fascinating story. I don't know whether you told it to me or who - somebody - about, I guess it was when they cracked up the Indonesian helicopter. The new pilot hadn't received his clearance papers to fly it.

HEM

No, I hadn't heard that.

GHW

He cracked it up, out in the woods and they sort of covered it all up and left it out there and hoped nobody would find it. And he came back and then reported, after he got his papers, his approval to fly it, afterwards. They then reported an accident and took the people out and they said they made it sound very difficult. They told him he was going to have to walk five miles and this and that and made it very difficult for him to get there because they were afraid he would be able to discern that it had been down there a while. So the government guy that came down to investigate the accident, after the fact, at least weeks and maybe a month or so, never bothered to actually go check it. They managed to keep him from going to the scene of the crime, and he wrote up his report.

HEM

I hadn't heard that.

GHW

Yes, I don't know who told me that. That's hearsay evidence, but . . .

HEM

A lot of it is hearsay - some of the best ones are.

GHW

Well, we used to run into various people and the buyers around the Southeast, as I recall.

AHJ

Well, does that about cover it this time, then, fellows?

GHW & HEM

I think so.

AHJ

If so, I'll turn off my machine here.

This is an interview with George H. Weyerhaeuser, recorded Friday, January 27, 1984.
This is Tape I, side one.

Weyerhaeuser

You're going to be dealing with a lot of things that are, or will appear, different looking from today's perspective. That will not be good from a historical perspective. What I'm saying is that I think it's hard to recapture the moments. It's a lot easier to talk about them from today's perspective: What do I now think of something that happened back when? It's different, but that's what you'll get.

Edgerly

Any good researcher or anyone who's coming to this interview in the future to look for information is going to accept the fact that this interview was conducted in 1984 and consequently is done from that viewpoint, that vantage point. Part of using oral history well is accepting that fact.

Weyerhaeuser

It is different. I want to be accurate in what I'm telling you. Nothing stands still and you accumulate a whole lot of reactions and experience. If you're worth your salt, it is a passing parade even though you've been through the parade. You're a changing entity yourself, that is what I'm trying to say. So my present perceptions are influenced strongly by my current preoccupations. In 1966 they were an entirely different set of both experiences and preoccupations. So (this interview is) in that context, unless I were to go back, which I don't do (I neither read nor try to reconstruct history). There is a process one goes through of change and accumulation: you accumulate and you shed. It's a process of mental health, perhaps. You don't drag circumstance A or B or C or D with you. To put yourself back in that frame of reference and mind, that's an exercise that is not impossible, but it is not normal, nor do I spend a lot of time (on it).

So the things that I bring today in recollections and perception are highly sorted and therefore, disproportionate in many respects and reflections.

Edgerly

I don't know whether I can do this, but maybe some of my questions will help you to go back and place yourself, just momentarily, in that circumstance. And if not, then we'll see how we do with it. There's no way that we can separate your family from this

company in any major way. Your family and the company exist as two separate ways of life, but at the same time, Weyerhaeuser Company has existed all your life. I'd like to begin with as early a period as we can in terms of your memories, which would take us back to the early '20s. I do know that your parents married in 1921 and I think they returned almost immediately from Seattle to Idaho, where J. P. was taking an assignment with Edward Rutledge. Then in '25 he became the general manager of Clearwater. One of his duties in that position was to oversee the construction of the mill in Lewiston. I wondered how it is that given the fact that they were living in Idaho, you were born in Seattle?

Weyerhaeuser

Mother's from Seattle. It was the summertime and I think she, in those years in Idaho normally or frequently in the summertime, came over to the coast. I know that we spent time on the Oregon coast, we spent time over in Seattle. And I think it had to do with the fact that they were western Washington in origin and Idaho is hot and not as nice a place as here in the summertime, and she had her family here. Also, I think that Lewiston's medical facilities were not all that great. My brother and sister, I know, were not born in the middle of summer, but they were born in Spokane. So she went to Spokane to the hospital and they were born there. I think probably summertime had something to do with it and she came back to Seattle where her mother and father were and where she went to school and grew up and all that. That's my surmise of it. Obviously that involved a different doctor and everything else. There was a doctor in Spokane that she used for a long time. I don't know what happened over here.

I never thought about this, but I guess probably we were living in Coeur d'Alene. I'm not sure when the transition (came) from Lake Coeur d'Alene, which was where the Rutledge mill was. They lived up there, I'm not sure when we actually moved down to Lewiston, in relationship to my birth.

Edgerly

I imagine it was around '25, because '25 was when your dad was appointed general manager.

Weyerhaeuser

The mill was under construction then, I think, at Lewiston. In any event, my early days were certainly associated with Lewiston irrespective of when the exact time of the move was. We did not spend any significant amount of time in Seattle. It was just the coincidence of summer and family, I think, that took her back to Seattle.

Edgerly

What are your earliest recollections of Lewiston then?

Weyerhaeuser

Oh, just associated with the home. We had a great time, the three of us. Just as with any other, I suppose, small child, the memories are of the family and the house. I thought it was an immense place. Upon revisiting, typically, it's not so immense.

Edgerly

What was the house like?

Weyerhaeuser

It was a house they built up on the hill there. It was a big, three-story affair. We lived upstairs, the kids, and we had a marvelous yard and lots of fun. There was a driveway we sledded on and skated on, swings in the backyard, trees. We had a marvelous time with my brother and sister there. There were quite a few kids in the neighborhood. We saw a little bit of Rick Billings in those days. His father was mill manager. I went to school for one year, I think, in Lewiston. I went to the Lewiston State Normal School there for teachers. Most of my recollections are associated with that yard, a little bit of school and we used to go out to a place out on the river out there where we had a lot of fun in the summertime. We took a river trip or two. Dad took all of us and other kids and families. We went down the Clearwater River on a log raft with a hole cut out the center and an outboard motor stuck down the middle of it. Every time we'd go about a mile or so, we'd hit bottom and shear a propeller cotter pin. We'd take probably three-day or four-day trips going down the river, which was our recreational equivalent of the floating camps, which is where he got the name for his boat, the "Wanigan". So I remember the swimming and the river recreation, and great summers, hot, pleasant. My recollections of what he was doing in the mill are all reconstructions. I don't have any impression of the mill or business from those days other than talking to him subsequently. It was a great period in his life. He enjoyed Idaho immensely, the

responsibility and the things that they were doing over there. He always had a continuing interest through his life in the Idaho operations. I think there were three separate companies which were combined into Potlatch Forests - Rutledge, Potlatch and Clearwater Timber.

Edgerly

They were at the time.

Weyerhaeuser

I think the Lewiston mill was Clearwater Timber Company.

Edgerly

Did he ever take you or Ann or Flip down to the millsite?

Weyerhaeuser

Yes, I think so, but you know, at age five or whatever, what you remember is a little bit about the other kids and your house. It was a great place to live at that time. My family enjoyed it. I have very positive memories about it. We came over here in 1933, I think, maybe '32.

Edgerly

Do you remember any of your father's associates from that time period? Any people he worked with?

Weyerhaeuser

I think primarily because I knew them later, people like Bill Billings and Jim O'Connell, who ran one of the mills later and was there then. I remember a little bit of the doctor who lived next door, but not business in the sense that business people were in our home or that I had any contact with at all. Of course, in the later days, I got a little more familiar. I was on the Potlatch board for awhile, when I was at Springfield. This would have been in the '50s and I used to go over to Lewiston. My memories of people and all tend to be created in that period, the '40s and '50s, rather than in the late '20s.

Edgerly

Do you remember how you felt about the move from Lewiston to Tacoma in 1933? That's kind of a difficult thing for a kid sometimes.

Weyerhaeuser

Not really. It's a big move to go to a new school, but when you're in the...I can't honestly even remember, I think I was in kindergarten or first grade in that normal school. I think when I came here I started right in the first grade in Lowell School, so it sounds like I was in kindergarten there. I don't know why I would have been going to a normal school. I do remember the school. It wasn't that I had been in a school for a substantial period of time and formed friendships and all that and then had to leave them. It was more leaving the home and the neighborhood than would have been true if you'd been in the fifth grade or something; then it may have been a lot bigger shift. So my entire school influence and all was from one neighborhood in Tacoma, walking or riding a bicycle to Lowell School, which was only a mile away, and Mason Jr. High School in Tacoma, which was farther up in the north end. There are lots of recollections there, kids and friends. Some of those people are good friends to this day. So Tacoma really, playmates, school, friends, is the primary thing that sticks in my mind and experience.

Edgerly

Do you have memories of your grandfather, J. P. Weyerhaeuser, and of Anna, whom you probably just knew as your grandmother, although, of course, she was not your father's mother?

Weyerhaeuser

Yes. I was not aware of that until 20 years later or something like that. Grandfather lost his wife shortly after Dad was born. So for all visible purposes, Grandmother was our grandmother and we used to see them quite frequently. They didn't live all that far away, out in the north end in Tacoma. We used to go out there and play. I have lots of memories of the gardens out there. Grandfather, from my vantage point, was always interested in us. He was fun to talk to. He'd come out and fool around with us. They had a lot of rolling stock that we'd play around out on there in the early '30s. I guess the only period I'm talking about is two years. I think he died in 1935. But those memories from ages seven to nine or whatever are, surprisingly, pretty clear. I associate with that, his home, their home out there, more with Grandfather in a way, which is a little surprising. I can remember him a little more clearly than I do my grandmother.

Edgerly

Was he in good health in those years?

Weyerhaeuser

As far as I knew, he was. Of course, I've read the histories (and know of), both health, psychological and other problems that Grandfather had, but he was just tremendous as far as I was concerned. It was all kind of some combination of warmth and interest. He was a big man and we enjoyed him and also them and going there. It was nice to be near grandparents.

Edgerly

Do you remember ever seeing him in casual clothing?

Weyerhaeuser

No. I think of him in a suit.

Edgerly

In all the pictures I've ever seen of him, he was wearing a suit.

Weyerhaeuser

Now, I suppose that can be also a reconstruction, because that's exactly my impression. But I have nothing to refute it. I didn't think of him as being stiff and formal necessarily, but I certainly did think of him being in a suit, in contrast to my dad, who even when he had a suit on, it was a little hard to tell. And I'm not sure that we're any different, but dad was a lounging type of guy. Grandfather was not. In my experience, I don't associate Grandfather, at my age then, with any particular business concerns or anything else. Whereas with Dad, of course, probably in his later years too, when I was with my father you didn't separate business out as something that was remote and threatening and different. And I don't mean by that that he was preoccupied in the sense that he brought home all of his business problems and worked them at night. That's not my impression. But his business associates were his friends and through the years we met quite a few of them in a social sense, as far as I was concerned. Many of them would come and spend a day or a weekend. So some of the people that I remember, I remember as friends and as fun to have around. Obviously, they were interested and Dad always was interested in what was going on. It was a very large part of his life, but he was not a workaholic in the

sense that ten pounds of material came home every night. It didn't; the evenings were family.

Edgerly

Do you remember when your grandmother died? I think she died in '33, as I recall.

Weyerhaeuser

I don't think it was '33, because I didn't get here until '33. Perhaps my recollections of seeing her were from visits when we were still living in Idaho. If you hadn't said that, and then I'll have to check myself, my impression was that she died after Grandfather, but now when I say that, I don't remember Grandmother by herself.*

Edgerly

It seems to me she died two years before he did, but I may be mistaken about that. I'll check. How did you feel about that house which had a kind of grandeur to it?

Weyerhaeuser

Oh, it was super. It was a super place. It didn't awe me. I remember rattling around up in the corridors, up in the top of the thing, empty kind of. There was a third floor section up there. We had, and I think Grandfather had, some wonderful, in both cases, Scandinavian ladies that worked for them. We had a Scandinavian cook in our second place we lived in. This would have been in 1936 probably at our house, but they had help there in that big place. I remember Grandmother and, I think, Grandfather out putting salt on slugs. There were slugs all over the place. My impression was it was more garden than anything and wonderful. Then they had a little room which was kind of a sun room, which had a hard floor. It was a wonderful place where we could sit around and play sometimes. They had a great big patio or porch out facing Puget Sound. We used to rattle around out there, play around, and loved it. Then they had a large walled area with a lot of lawn - I think he had a little putting green there. I'm not sure it was all that formal, but it was for putting and croquet and that sort of thing out on the lawn. We used to horse around out there. That's on the street side.

* Anna Weyerhaeuser died April 23, 1933.

So my recollections are mostly outdoors, although they had a stupendous, awe-inspiring, organ in the main hall. That was beautiful and I don't remember who played it. I think Grandmother did, but it was played. That was, to say the least, different. Then they had a great big dining room and a big long table which we took later on and we had afterwards. So that was a big, formal experience. We ate there a few times, I guess. So that the whole place was, I suppose you could say of a size and scale that to small children was great to explore and we enjoyed it. It was a fun place to go.

Edgerly

Conversely, what about your recollections of your mother's parents and her family? We have really no information at all about them, outside of what I have read about George Hunt.

Weyerhaeuser

Of course, he died before I was born. So my recollections about him are Mother's and from what little bit I've read. Mother would talk about him and she and I thought maybe I'd be a lawyer and follow in his footsteps. We used to talk about that from time to time. I sort of thought I'd like that until fairly far along when I was growing up. The idea's repugnant to me at this stage of my life.

Edgerly

So I've heard!

Weyerhaeuser

It's kind of a standing joke around here what I think about lawyers. Mom was very intelligent, a wonderful mixture. She was always kind of the strong right arm for me and set high expectations. She played a very important role. I think her father was a man of stature and was attractive. I was named for him, but I never knew him.

Grandmother, of course, was an invalid, not of course, but she was. She lived with us, so she was very much a part of our family after Grandfather died. I think she lived with us the entire time I was growing up until she died. She'd had a stroke or series of strokes. In fact, we had an elevator in the house we lived in until she died. She had a full-time nurse in 1934-35. Honestly I can't even remember exactly when she died either. They didn't make a big ceremonial thing about funerals. Both Grandfather (Weyerhaeuser) and Mother's mother died and evidently Grandmother Weyerhaeuser did, too, all in that short

time period there. I never went to a funeral, though that isn't to say we were unaware that they died.

Edgerly

Were you able to relate to your Grandmother Walker much as a child or was she so ill that you couldn't?

Weyerhaeuser

Oh yes. We related to her. She, I was going to say, looked after us, but she had a nurse and she could get around and she had all her mental facilities and all that. So we were interacting with her. But she wasn't taking care of us. We had a new baby in the family and then we had a nurse taking care of her, Wiz, in 1934, the same time period. So I think with the baby and an invalid grandmother, we sort of did our own thing and they were there, but I don't have any impression of her, as I say, taking care of me or us. I don't think she was up to that. (She was) pretty sick, I think, and frail. But I do remember and of course, living in the same house, I remember her and my visual image is much sharper of her than of Grandmother Weyerhaeuser, who is just kind of a figure.

Mother had other relatives that we saw and for that matter, I still do occasionally. The Walker family, Grandfather's brother, my mother's Uncle Rob and Aunt Marie lived in the north end only a couple blocks away from us and they had a big family. One of the girls in that family is married to John Cherberg, currently lieutenant governor of Washington. One of the boys is chief of staff (though that may not be the right term) at Mason Clinic, John Walker, a doctor. They had a daughter about my older sister's age who died at about 18 or 20, a beautiful girl. Then there was another brother, Gile Walker, who worked for Weyerhaeuser Company. We did see those relatives of Mother's, but we had no particular connection left with Seattle. With Grandmother living with us and Grandfather gone it was a Tacoma kind of orientation.

Edgerly

Did other members of your father's family pay you visits? Do you remember people like F. E., for example, visiting?

Weyerhaeuser

No, I tend to remember Uncle Rudolph, who used to come once in a while. Our recollections of him are quite at odds with his reputation as gleaned from reading about him.

Edgerly

How is that?

Weyerhaeuser

I think he scared the pants off most people in business. But he used to come and visit us. He always sent a box of Maud Borup chocolates after his visit, so the kids remembered him. Uncle Rudolph was the one I have some recollections about. F. E., not really, although I think Dad had a lot more to do with F. E. over the years, in a business sense, than with Rudolph. Of course, Dave Weyerhaeuser was a bright and shining young light on the scene. That was a very big event in our family when Dave and Annette Black got married. I suppose that would have been around the late 1930s. We remember them as a beautiful young couple and that was a lot of excitement. And, of course, the Titcombs, my Aunt Elizabeth, was only a couple blocks away and we used to see them quite a lot. At Thanksgiving and Christmas we all had dinners together at one house or the other. There were the Titcomb boys and they had an adopted girl who, unfortunately, died. A log rolled over her when she was playing out on the Sound. She was about, oh, I don't know, 14 or 15. The two older boys we knew and enjoyed. So our two families were pretty close. Aunt Elizabeth was a fabulous woman. Very, very brilliant and witty and a very, very strong disciplinarian. So when we were kids, there was a fair degree of respect, I'll tell you. When Aunt Elizabeth said something, you sure jumped to it. And, of course, she was seven years older than Dad. A marvelous lady.

Edgerly

Who was the disciplinarian in your family?

Weyerhaeuser

Mother ran our shop. There wasn't any question about that. She was not a harsh disciplinarian, in any sense of the word. And when we got beyond what my father considered to be the pale in terms of ignoring what she had to say or something, which was only rarely, he'd go 15 feet in the air. It was pretty clear when we'd exceeded the limits, which is to say he only tolerated only so much. There were three of us and it was

probably fairly hectic and a very enjoyable atmosphere, by my recollections. But Mother was both disciplinarian and counselor and supporter and, I think, it was a very positive atmosphere we grew up in. So, I guess I would characterize it: when Dad had something to say about it, you'd better listen, but it wasn't, certainly, the predominant force in what we were doing. I think she gave the direction, made the major decisions, had major influence. And I think that's true with the girls as well. I think all of us would say the same thing. They were very close and there was absolutely no element of playing one parent against the other in our family.

Edgerly

You said that your father would, as you described it, "go 15 feet into the air". Do you remember any particular thing that angered him?

Weyerhaeuser

Well, I only characterized it this way. It was not all that infrequent that we pushed him beyond the bounds, or I did, or someone. Maybe I'd have more recollection of that than some of the others because I was somewhat smaller and I think, by consensus, substantially more temperamental. I had a fairly volatile temper. (END OF SIDE ONE)

This is a continuation of the interview with George Weyerhaeuser, recorded Friday, January 27, 1984.

Tape I, side two.

Weyerhaeuser

But I wasn't the only one that triggered them. The others could also push it to the point where he came down on them. But the characterization I would make about it is, no matter what the subject was, if we ignored or disagreed with Mother, beyond the point at which he (could accept), he was sort of a backstop, I think, which sort of brought things to a halt if we got too far out of line. Mother, although I won't say she was a pushover, neither was she trying to lay the law down to us all the time, precisely, with a whole lot of rules. She was, from my recollections and my experience, a pretty good friend. So it was a nice way to do things. When we were going up, Flip and I worked with Dad. I don't think we were better than anybody else about doing yard work or things we were supposed to be doing but we got them done one way or another. We used to go out and clear brush. Dad built things and we'd get involved with him. He was good with

woodworking. He liked to work in the shop. We built a couple boats together. He was pretty good. He went all the way from design to working on them from plans or whatever. The Titcombs built a sailboat down in their basement. Uncle Rod was an engineer and also a woodworker, a furniture maker. He was very, very good. That was one of the things they both liked to do. So we got a little bit of that flavor and built one ourselves.

Edgerly

How old would you have been when you were building the boats, for example?

Weyerhaeuser

Probably 12, 13 years old, something like that. If he was laying the keel or something, which had a whole lot of screws to put in or whatever, why we'd be doing that. He laid it all out and did all the brain work. We'd pound and screw and saw a little or caulk or whatever had to be done.

Edgerly

You mentioned that a number of your father's associates were also his friends, his close friends, that they were around your house and visited. One of the people who perhaps I'm more aware of than others who was a close friend as well as a business associate was Bill Peabody. I'm sure there are many, many others whom I'm hoping you can help me name, but can you talk a little bit about some of those people and how you remember them from that period of time, in other words, from the vantage point of a youth?

Weyerhaeuser

Well, Peabody's the one that always comes to mind because he was a fascinating character. Kind of a feisty little guy that had fun. My impression with F. K. and Peabody and Bill Davis, particularly, is that there was a fair amount of horsing around going on. They were playing at various times long distance, and sometimes not so long distance, tricks on one another. Bill used to come out, I don't know how frequently. I guess we remember him because there was a lot of horseplay going on and we had a lot of fun with him. Charlie Ingram certainly was in the category, you know, because we saw him in the context of family. He had daughters and a son. We were all intermixed in ages and we lived near one another, we played with them and took trips occasionally; the whole families would go out, six, eight families. We saw the Ingrams socially. Dad obviously saw them in a different context. Laird Bell was an occasional visitor also.

Edgerly

Was he an approachable man from a child's standpoint?

Weyerhaeuser

Not from a child's point, no. Formidable. That's a very different answer.

I'm not sure in what period of time, but the Steamship Company, the Eastern Yards, loom in my recollections. There were Peabody and Cap Howard. I think Cap was associated with the stevedoring and longshore aspects of our eastern operations. He was a character, too, very heavysset, short, impressive guy. I'm not sure that I would include him in the "home" statement. I was much more aware of him and associated him with Peabody and eastern visits. That's probably from later on.

Edgerly

Was Howard sort of a rough and tumble guy?

Weyerhaeuser

Yes. Rough and tumble and seems to be the kind of people associated with shipping and the waterfront and those kinds of activities. Sort of outspoken, vigorous kind of a guy. Certainly some of the association was with the Sales Company people, Kendall, but again not in the horseplay kind of the recollections, more on the serious and business side of things. There always seemed to be problems with communications associated with that. I don't include F. K. in that. I don't think there were any problems with the brothers, but I think once you get beyond that, there were plenty of communications, strategy, interrelationship issues.

Edgerly

Was Charlie Ingram somebody whom you, as a child, could relate easily to?

Weyerhaeuser

No, we were all in love with his wife, who was something else, absolutely something else! One of the, not entirely, but by inclination, a free spirit, if you can put a free spirit in with Charlie. Ada was a character. We saw a lot of her, not so much Charlie, until later, I guess. By that I don't mean that we weren't exposed to him, but I certainly never listed him in the category of child-to-older-person, easy to relate to. And he wasn't all

that easy even in later years. He was a very good friend of mine. I enjoyed him, used to visit with him quite a bit and in later years played dominos and hunted with him. But our relationship was pretty much all business and our interest was all business, too. So we shared a fair amount of time and thoughts but it was usually in connection with something that had to do with business. But that's a little of an exaggeration in that his son was one of my best friends and so I spent a fair amount of time in their home and so I'd see Charlie in a little different vein as I was growing up.

Another thing that we had fun doing was when Dad would take us hunting. Believe it or not, there used to be hunting around here, pheasant, ducks. We did some of that with Ingrams and Lindbergs.

Edgerly

What kinds of activities did you do in the summers? You mentioned taking vacation trips a couple of times with families. For example, where did you go?

Weyerhaeuser

We'd go out, big gangs of people, and I can't even tell you where. One time we went out and spent the weekend with probably 20 or 30 of us all sleeping in sleeping bags and with dogs. We'd climbed what we characterized as a mountain, Goat Peak, which I think is over toward Mount Adams. We made a monumental effort to get everybody marshalled together. As I say, we took dogs. How in the world we did that, I don't know! Boys, girls. We'd camp out.

Edgerly

Who was the instigator of these trips? Who was the prime mover behind these things?

Weyerhaeuser

I don't know. Good question.

Edgerly

That takes a lot of organizational skill.

Weyerhaeuser

Yes. I don't know. I suspect that probably came somewhere between. . . I don't know. My wife's family was usually involved. Cordy Wagner may have been. We had other people that we traveled with, friends in the north end or in Lakewood. The Snyders, the neighbors, they went, the Ingrams. There were about ten families.

Edgerly

Was your mother an enthusiast about outdoor life?

Weyerhaeuser

I can't really characterize her that way. She was not a reluctant participant, but certainly Mother was not, by any stretch of the imagination, a trekker. She was never interested in sports, either participative or as an observer. Her great love was swimming. She did that through most of her life. She was good and steady. That was her form of exercise. But I don't remember her in any competitive sports. With this group of people, we always had a big gang at the 4th of July, we played baseball. We'd go out on the prairie and played baseball. We rode horses for years, both the boys and the girls. We were fairly active. (There were) a lot of golfers. Mother didn't play golf. And I don't mean that we were out camping, like people do, perpetually. These were big single events that we'd kind of do collectively.

Edgerly

But she always went along.

Weyerhaeuser

Oh yes. She went down the rivers and other things over the years. And they loved to boat in later life. Mom liked the water. I wouldn't say that Dad spent all of his waking hours walking around the woods, either, in contrast to Great-Grandfather. Much more (in terms of) allocating time to what they did, was around the house, in the yards. Dad was usually busy doing something, but they didn't spend a lot of time trying to figure out how to climb mountains. We had a few friends that did, that really were outdoor types. Mrs. Everett Griggs was one of the great mountaineers. She lived next door to us. There were a few outdoor types. A lot of the ladies were great golfers, spent a lot of time, but not Mom. But most of the kids, we did everything, all kinds of sports, spent a lot of time on the water. We sailed and we water skied, snow skied, tried about everything.

Edgerly

Did you have chores around the house? You mentioned that you had some things that you did with your dad. What about things like summer jobs?

Weyerhaeuser

We did yard work in our own, and occasionally others', yards. We didn't take summer jobs until, oh, I suppose we were about 16 or 17. We weren't delivering papers or anything like that. I worked in a grocery store one summer. Flip got himself a job down in the Northern Pacific yard working. I accused him of finding a cool spot underneath the locomotives down in the yards down there, but I think he was a mechanic's helper or something. I worked in a lumber yard one summer loading trucks and unloading railcars. Now I'm up to age 17 maybe or 18; no, later than that. We worked down in the logging operations at Vail.

Edgerly

It was '47 when you worked at Vail.

Weyerhaeuser

I came back from the service in early summer 1946. It couldn't have been the previous summer, because we were still in the service. I think Flip worked two years down there.

Edgerly

What was the attitude about your having jobs during the years you were growing up? Was that something that was expected of you?

Weyerhaeuser

I don't know. I guess the answer has to be yes, because I don't think you suddenly go from all the horsing around we were doing in the summertime to . . . you know, I didn't have any particular ambition to be a grocery store worker or Flip to work for the Northern Pacific. So I think the answer has to be it was about time we got a job. Then the war came and it wasn't any longer a question. I'm not sure that our friends were working, come to think about it. I don't know what that has to do with it. It wasn't peer pressure. It must have been Dad: "It's about time you . . .", but I don't remember his sitting down, saying, "This is it, boys." The lumber yard I worked in out in South Tacoma out there, I enjoyed. It was a good experience. I'm always glad I had an older brother to kind of break ground for me. He went out and scrambled around and, as I recall, he was

talking about going to work for and was interested in the lumber yard with Matt Saxton, the one with the yard out there, whom we knew. I think he got tentatively lined up and then he found that didn't open up right away and he found a job down with the railroad. I don't know how he did; I can't remember. But I do remember that I had a better job than he did and I got paid more than he did. I think I took the job that he lined up. So I think I owed him one. As I recall, he was making 36 cents an hour and I got 42 or something like that at the lumber yard.

Edgerly

Do you remember if there was much discussion of politics or economics around the dinner table or at family gatherings?

Weyerhaeuser

Well yes, and I don't know how to separate the time. I'd say politics, not in the sense of local politics, certainly in terms of the New Deal and what was going on in the country, the Supreme Court and so on. I'm sure that over the years we both heard and participated in a fair amount of talk of current events and what Dad's perceptions were primarily about what was going on. Everybody was preoccupied in those days. We didn't know whether we were coming out of the Depression, in those days. You know, you look back and say, "Well, everything would turn around in '34 or '35." The hell it did. It went on and on and on. So, times were difficult. There were a lot of concerns and a tremendous amount of reaction to and antipathy about what Mr. Roosevelt was doing.

Edgerly

Well, it had quite an impact on the business world.

Weyerhaeuser

Oh, survival is what it was, of course. I'm talking about clear through the '30s. There was a fair amount of concern about what was happening in the country and there were people that Dad was associated with who were more actively involved in the political arena. But I do kind of think about it much more on a nationwide scale than I do on a State of Washington basis. Even our minister was an active politician, not in the sense that he was actively involved in political offices.

Edgerly

Who was he?

Weyerhaeuser

Harold Long. A marvelous guy and a minister of the Presbyterian church. He was a man for all seasons; he really was, very, very well spoken, intelligent, involved. He was involved in the local affairs and very much part of a group of people who were concerned, active. But not Dad.

Edgerly

Do you remember being aware of poverty and unemployment in Tacoma as you were growing up?

Weyerhaeuser

No. My contacts were with, certainly in the public school system, a mixed group of backgrounds. I have much more recollection about the different kids, the different ethnic backgrounds and all, not black. It was much more Oriental. We were all sort of in awe of the brainpower of the Japanese kids and the fact that they were going to their own schools and working a lot longer and were a lot smarter than the rest of us. No, I can't say that I, in a local sense, was aware of a lot of unemployment and food lines. To this day, I couldn't tell you how bad it was locally here. Now, there wasn't a lot of lavish and high living going on, not even in the north end of Tacoma, which would have been, if you subdivided the city geographically, presumably the "establishment", I suppose. My impression is kind of a gray time and not a lot of differentiation. What was going on in downtown Tacoma (I don't know). I don't even know what kind of a black population or minority population we had in those days. God knows there must have been a fair amount of unemployment here, looking at the nature of the dependency on the forest products industry and all. There just had to be a tough time in the industrial business, but I don't know much about it. In the '30s there were plenty of real big issues in terms of strikes. St. Paul and Tacoma used to be the biggest employer down there and used to be the target for the day, it seemed like. They were the only AF of L mill and they had a different longshore bunch. Seemed like every year they were taking them down. So there was plenty of labor unrest. That's a different subject. We were aware that things were not all rosy, but I wouldn't go any further than being able to recollect an awareness. I don't suppose I spent a lot of time reading newspapers then.

Edgerly

The publicity about your having been kidnapped in 1935 has been substantial. You've been asked time and time again about it, I know. The events and the succession of events have been recorded in newspapers on lots of occasions. However, not to my knowledge is there anywhere a synopsis of the events as you remember it in your own voice. I wonder if we could go back and go over some of your recollections and thoughts about those events as you remember them.

Weyerhaeuser

I was interviewed till the world looked level (?) at the time, so I don't know. And yet my dad was so fed up with the way the press handled itself. So maybe he didn't allow very much in the early years. I think our whole attitude could be fairly characterized, I guess, my family's attitude about it, was that nothing particularly good could come from whatever effect on me at age nine and on our family was interjected from the outside as a result of publicity. A tremendous amount of publicity and curiosity - and a little bit of that goes a long way and they were, I think, appropriately concerned that that event not dislodge everything else going on in our lives. Therefore, they tried to treat it as "business as usual" as best they could, which meant certainly not celebrating it and certainly not perpetuating it more than they could. I think they successfully tried to insulate us. They couldn't, obviously, for a while there. Not only was the media interested; everybody that I met or ran into was. I was a curiosity when I went to school, to my friends. But I think we put it behind us fairly effectively and, looking back on it, it's kind of amazing it didn't do more damage than it did. My father and mother suffered a great deal from what might have happened, I guess. I was gone for a week and I think they were understandably concerned about whether it was going to have a permanent effect on me. I don't think it did, partly because of the way they handled it. We never chose, and I still don't try, to build a wall, or a permanent fortress kind of mentality. Lightning only strikes once, usually. That's kind of been our attitude - to minimize it. I don't think it's inconsistent with the way we, our family tends to do things. We certainly wanted to minimize it. (INTERRUPTION) It did kind of push everything off the stage a little while. I suspect that that event had something to do with reinforcing our larger family and our narrower family's inclination to maintain a low profile if we could possibly do so. But I think we were inclined that way to start with and when all this blew up, we just worked even harder at maintaining our own little circle and private lives.

I was always surprised how right from the beginning how amazed I was that everybody made such a great deal out of it and expected me to make a great deal out of it. I think I registered pretty much what was going on. I had a very high degree of, according to the FBI, recall. So I could reconstruct what happened during the week. It wasn't all that complicated. Certainly that was fresh in my mind then. In the records is pretty complete detail and they were able to get on these people in pretty fast order and fortunately, I think for me, the ransom passing and all that went not without hitch, but got accomplished. I don't think they had any malicious intent. I think it probably looked like an easy way to make some money in a darned tough period. They were very young, a couple of them, the wife and husband. I think they kind of got led down the primrose path. The older guy was a hardboiled criminal, but I, fortunately, was not exposed to him very much of the time. The way they handled it, he came back to collect the ransom and I was left with the younger man and he was about as scared, or maybe more scared than I was. He didn't know what was going to happen. His partner didn't get back. He got to the point where he was going to let me go, or at least he said he was. We were talking about it. I think he didn't know what else to do maybe. About that time, he got back and they brought me back and let me loose out in the woods up by Issaquah. I remember a lot about that because they were kind of vivid circumstances, day by day and the kind of thing you wouldn't forget, I guess. It's interesting that back in my subconscious what I remember is associated with being out in the woods or in the ground by myself - beautiful. It was late May and the weather was nice a couple of days and I was out there just with the birds and the bees chained in a hole. I can remember. It's interesting that the physical circumstances were so stamped on my consciousness. I don't quite know why. Maybe because there wasn't much else to think about. But those feelings that I had and those isolation moments and all are clearer 50 years later than the traumatic couple, three points in the... (END OF TAPE I)

This is the interview recorded on January 27, 1984 with George Weyerhaeuser, Tape II, side one.

Edgerly

You were saying the things that you remembered most vividly were those moments which were, in that whole experience, if anything can be considered in that experience, serene, maybe more serene than those moments of greater confrontation.

Weyerhaeuser

Yes. And maybe at age nine being alone in itself is an unusual experience and maybe they're vivid because you as a child had a lot of time to think. And of course, it was being out in the wild by yourself is in itself quite a traumatic experience. It's those kinds of things that left more of an impression with me, perhaps, than anything else.

Edgerly

Do you remember whether you ever lost heart, lost faith that things would work out?

Weyerhaeuser

Well, of course, I didn't know what they were. . . in the early stages you don't know what's going on. "What are their motives, what am I doing here?" I don't know. It wasn't all that obvious just who they were. I went out, a sack over my head, didn't know anything. It wasn't a matter of losing heart; I think the matter was more at what point does fear interject itself, where it gets control of the situation. Interestingly enough, the only time I remember a strong sense of fear was, I think it had more to do with the fact that I had a cover over my head and was tied and we walked across a - I don't know whether it was just a log, it was probably just a log or a log bridge - and I could hear the water. So I think it was more a fear of winding up in the water tied than it was a fear of the whole circumstance. You know, that's real and current and present. I wasn't overwhelmed with the whole sequence of events; it was just specific things that came up. That was one that I think maybe has more to do with like a fear of drowning when you're not free. And I travelled across the state in the trunk of a car. Just to illustrate it, I think you kind of accommodate to the circumstances. Somebody said, "How'd you like to be in the trunk of a car, spend ten hours or whatever?" I guess I wouldn't look forward to that in any sense. But at the time, I think I actually managed to go to sleep part of the way. You do what you have to do. I think you're pretty resilient when you're nine years old.

There weren't too many pleasant events, being chained in a hole in the ground and by yourself. But it was those kinds of physical things that - and then the environment which, as I said - left an impression on me. Because I wasn't in a lot of contact with them. How do you have any contact when you can't see them and you don't know what the hell's going on? At the later stages, I did converse with the guy who was staying with me in Spokane.

Edgerly

That was Waley, right?

Weyerhaeuser

Yes. And I could talk to him and that's something you could relate to.

Edgerly

Were you still blindfolded at that point?

Weyerhaeuser

Oh no. I was in a closet. They had a mattress on the floor. He'd come and talk to me once in a while. They brought me something to eat. And in the later stages, he was concerned, as I say, about, I suppose, the long and the short of it was what was happening. I think he came across as being concerned, not necessarily about me, but in general. So once I did get a chance to see a little bit of one of them, I'm not so sure who had the bigger problem. By the time I got to that stage, I was out of the outdoors and out of the hole in the ground and out of the trunk of the car. And it was just an ordeal in the sense of what was going on and I didn't know how it was going to end. I thought a couple of times about and came very close to trying to make a run for it out of Spokane.

Edgerly

Oh, did you? What were the circumstances?

Weyerhaeuser

Well, I was in the closet and he fed me and we talked about things. I wasn't too sure about where anybody else was or I probably...and it had been a long time. I thought, well, I probably had a shot at getting out of there. It wasn't locked. It was just, I suppose, a natural... I don't know what made my mind up not to do it, possibly because he'd been talking to me about letting me go. And I don't know what all his motivations were at that point, other than it could be the thing was going to blow up in his face anyway. But it was not as if he was mistreating me or hurting me, so I wasn't afraid of him at that point. I've always felt, I don't know how to state it, I guess it's some relationship with him as a result of this, kind of the visit and the time and the pressure that he was under. And I think that in subsequent years, kind of an interesting person. He's got a lot of interesting ideas. He used to write and come and visit once in a while. I got him a job, which he did for awhile. Somebody rubbed him the wrong way and he told them what

to do with it, I guess, and quit. But he spent a long time in prison. I think I would be hardpressed to call him a close friend, but I kind of like him. And I think vice versa. He sends me a card once in awhile.

Edgerly

The other man, Danard, that was the name he went by, I know that's not his real name.

Weyerhaeuser

William Danard, yes. Wasn't his real name, though.

Edgerly

Mahan, or something like that. Is he now deceased, do you know?

Weyerhaeuser

I used to hear from him, in a different sense. He'd write once or twice. He'd been in prison for so long, with the prospect of being in longer. I just assume that he's no longer alive because I can take 57 and add a lot of years to his then age. I think he died. I think he spent the rest of his life in prison. I'm sure I don't know that, because I don't have a date associated with it or anything. Waley's wife got out before he did and she remarried. I don't know what's happened to her.

Edgerly

The impression that I have from what I've read is in fact that Danard is the man that tended to be the more threatening. Do you remember feeling very cautious about his presence when he was around?

Weyerhaeuser

No, because I couldn't see anything to begin with. They stuffed me in the back seat of the car and covered me up and travelled quite a long ways. Then they covered my head for some reason, I don't know why. I don't remember, then there was an incident where I was signing the note. Then they put me in the ground and left me. Then I travelled in the trunk across the state. I didn't see much of anybody during those early days. Then, of course, he left to collect the ransom and I'm not just sure where he split from that. I think I would assume he did not go across the state, but I don't know that for sure. So the other end is the only time I had any real exposure to anybody and that was to Waley when in the house in Spokane he began to wonder what was going on himself. I think that

Mahan was late, at least a day late, and maybe more, getting back. I know that I could go back and study the record. I've never really read the thing. People have sent me the documentation and all this. My answer is really that I know he was late because Waley was terribly concerned about it.

Edgerly

Did they tell you that they were going to let you go before they did? (GHW shook his head "no".) So you had no idea? When you got back into the car, you didn't know where you were being taken?

Weyerhaeuser

I don't remember when they told me. In fact, I didn't quite believe it. I didn't quite know what the hell was happening. They let me out in the middle of the night, or it had to be 10:00 or later because it was pitch dark and in May. And they gave me a dollar or something like that and a blanket, let me off alongside the road out there. And I remember, I wasn't sure whether to run for it. My recollection is I couldn't make my mind up what to do. I didn't know where the hell I was. So that must mean that they didn't give me any instructions. I know they didn't tell me, well no, that's not quite right. They told me to stay where I was. But they didn't tell me, "You're two miles from anywhere." I don't remember any great sense of relief at having been let out, so I was still not cognizant of what they were doing or what they intended to do. So I just wandered out in the morning. I guess I did what they told me, because I didn't have a better idea. Sure as hell wasn't going to strike out in the dark in the middle of the woods, I guess. So as soon as it got light, I walked out.

Edgerly

So you just waited there.

Weyerhaeuser

Yes. And obviously, they wanted to get enough distance. I'm surprised they didn't chain me up somewhere. Suppose I could have walked out earlier.

Edgerly

Did you return to school that year? It was toward the end of May and I think maybe you were released on the first of June.

Weyerhaeuser

Yes. I doubt it. I went to camp the first of July, but it would have been a week or something like that. It seems like the next period was preoccupied with fighting off the newspapers.

Edgerly

Do you remember how your parents reacted when you arrived home or do you remember how you felt about it, more than anything else?

Weyerhaeuser

Yes, sure, I remember how they reacted. It was a fairly big event. We were all pretty happy. I remember traveling down the road in that kind of old model car and being intercepted by a kind of enterprising guy. The farmer started driving down, I'm not sure what kind of a highway there was in those days, toward Seattle. A guy from one of the Seattle newspapers, I guess, I'm not sure of that, was coming up the highway the other way and somehow or other managed to recognize us. Somehow or other, he conned that old farmer into taking me. So I got out of the farmer's car into this car. So then he started quizzing me on everything going into (town). I didn't know who the hell he was. I think he may have paid the farmer or whatever, Mr. Boniface, who had a big family of kids. So I rode in with a reporter.

I suppose my parents were substantially more affected, relieved. Because I think sometime back it had dawned on me that I wasn't all that worried about it. I don't quite know how to put it on a scale. My scale of concern was highest at the beginning and when I was tied up. That water did scare the hell out of me. By the time I'd been out there a week and had some chance to visit with the guy, and I think the fact that I began to think about how I was going to get out of there, were indicative that I wasn't in a state of dire concern. So, by the time I walked out and found the farmer, I'd been through the trauma. I'm not sure when my mom and dad found out. I'll be damned if I know how that reporter got up there. I don't know who the farmer called.

Edgerly

But somehow he found out.

Weyerhaeuser

He must have called somebody other than my father, I don't know.

Edgerly

I know you've said that you didn't feel it really had that much of a long-term impact on you. Do you remember at the time any sense of not wanting to be apart from your family or apart from familiar circumstances or anything like that?

Weyerhaeuser

No, I don't. I suppose that the primary effect, and I don't know how much of that was reinforcement and how much was just natural inclination anyway - it certainly stamped on me and my dad a tremendous antipathy to invasion of privacy. But I don't know how much of that was inherent and how much of it was added by this. We certainly both reacted that way, I think, and I think I've always felt (the same) about it ever since. Your private affairs have no bearing in some people's minds and my reaction to that is, "To hell with that!" I'm not about to be bent off of what I'm going to do and therefore, I'm not going to subject myself to being a public figure any more than I... I'm sure it's had some effect. But I think we were inclined that way, my dad was, anyway. I'll never forget one time - we were walking across the street and a guy came up and snapped a picture right in our face. He reached out, took that guy's camera, smashed it and took a punch at him.

Edgerly

Was this soon after you had come back home?

Weyerhaeuser

Yes. Never seen him so mad.

Edgerly

That would be considered uncharacteristic of your father by almost anyone, I presume.

Weyerhaeuser

Yes, except that my father had, and I inherited, one of his characteristics which is quiet and controlled, but not unemotional. When you got him there - this is consistent with my "15 feet in the air" statement - when you got him there, watch out, because he could be pushed. And he was then.

Edgerly

So for a time, you saw reporters around a lot, I take it.

Weyerhaeuser

Yes. And stories. And of course, everybody and his brother wanted to get it firsthand, so anytime you met anybody for ten or 15 years... I'd go east, I'd say two-thirds of the time people would know who I was and wouldn't have heard of Weyerhaeuser Company, which was kind of an interesting phenomenon.

Edgerly

Did your playmates or family treat you any differently that you recall?

Weyerhaeuser

I don't know about family, but certainly I was a curiosity, more so, I guess. I'd say you're more of a curiosity to somebody that doesn't know you at all and the closer you get to family and friends, the less impact it had, in my impression.

Edgerly

There's a story that floats around that, in fact, I wasn't going to ask you about, but I think I will, because I don't know how else to find out. There's a story that floats around that one of your playmates set up a tent and put a sign on the tent that they could see George Weyerhaeuser for five cents or something like that and put you in the tent after you came back. Do you remember anything about that? Is that just an apocryphal story? Did you have any playmates that were that much of an entrepreneurial type?
(Laughter)

Weyerhaeuser

I don't think so. God knows we used to have different kinds of camps and tents of all kinds, so there was plenty of that. I don't remember anything like that.

Edgerly

Well, it probably sounded a lot more appealing than trying to sell lemonade for two cents a glass.

Weyerhaeuser

We used to sell lemonade every summer. I remember looking through the family albums. And I can remember we'd sit up there above Stadium, up on 4th Street and we'd have a little lemonade stand there. The only really good customer I remember was my grandfather. He bought a lot of the stuff, colored water. No, I don't remember being any sideshow. But there were aspects of that whenever there were strangers around with all your friends or anybody. I'm sure that I was kind of an interesting sideshow.

Edgerly

You've spoken about the years of family life then and, from what you've said, it sounds to me as if you related closely to Ann and to Flip. Were you close playmates? What was your relationship like as children? Did you spend a great deal of time with one another?

Weyerhaeuser

Sure, when we were very young, in Lewiston days, we played together all of us. And all of my growing-up years, well, on into and through prep school and college, my brother and I have been a year or less apart in school, etc. So, yes, we were together a good part of the time in sports and everything we did. We shared the same room up until the time we went away to school, then we went to the same schools. I've always spent much more time with him. When we were younger, certainly the three of us, Ann, Flip and I were closer in age. Wiz is seven years younger than I am and, of course, Flip was one older. We had a lot of fun with her, but she was a baby and we were rattling around, growing up in Tacoma. And then time came to go away, Flip and I left and Wiz was at home by herself, so the family went down to three. We went our ways. And, of course, I think when it's your older sister (Ann's three years older, something like that, four) there's a big gap between a 16-year-old girl and a 12-year-old boy in terms of what they're interested in and everything else. So we were observing her in a way that you don't a baby sister, I suppose. But it was clearly a function of "Wiz wouldn't understand that altogether" or would feel that she was kind of left out. But it was left out from my vantage point in the sense of just a different set of activities because of the age spread and therefore, she was doing her own thing more. Whereas we were at least two and/or three, more two than three, though. Boys tend to travel in little different circles. It was very great to have a brother that close in both age and interests. Now the other thing that often gets brought up in our family is we used to fight all the time. I consider that to be a natural phenomenon. We fought as brothers do and never, never were against one another when there was anybody else involved.

Edgerly

In terms of personality, the two of you seem quite different from one another. Was that true when you were children or is my perception as an outsider not accurate?

Weyerhaeuser

I don't think we're all that different. Although if I were to view us as a snapshot today, I think I'd see a bigger difference than I would at any other point in our lives. It's hard to look at yourself. I have a picture of him. I have a picture of my dad. I can see characteristics running through that are similarities. The younger brother environmentally is in a different situation. I was smaller and younger, feistier and, I think, I had a worse temper then, more volatile maybe. I don't know. We're certainly not identical twins. (Laughter)

Edgerly

No. And because I've met both of you long after the time when you were spending time together as close siblings, my perception is influenced by the present more than anything else.

Weyerhaeuser

No, I see the value system and the reactions to different situations, not the way we would appear, but the way we would make judgments. We're not that much different, but certainly from outward indications we're substantially different. I don't know. If I tried to go back...I think there's probably more difference than I see. And I'm sure if you asked the guys who grew up with us, you'd get a wider spread than I would perceive. The thing that surprises me all the time is when we get in new situations or whatever and my sisters or other people are reacting to situations. They see it certain ways. Ninety-nine times out of 100 he and I come out in the same place.

Edgerly

You continued in the public school system in Tacoma through what grade?

Weyerhaeuser

Nine. I finished at Mason Junior High School and then went back to Taft.

Edgerly

Whose decision was that, your going to Connecticut to school?

Weyerhaeuser

My dad and uncle went to the Hill School, Pottstown, Pennsylvania. I've never been there. We (at Taft) never played them in sports or anything. I think he thought about Hill School and thought it would be best for us to go away to school. I suppose in the natural course of events, if left to our own devices, we would have said, "Why don't we go to Stadium High School with our buddies?" By that time, we had a few girl buddies as well as boy buddies. I'm sure it would have been a lot more fun. Certainly initially. My father-in-law, Cordy Wagner and Cordy, Jr. was one of our best friends, went to Taft. They got to looking at it. So from that, I think, I was familiar with Taft. And then my father and mother became acquainted with the headmaster of Taft. I'm not sure how. Maybe they'd been thinking about it. They came out and stayed with us. But I think it probably came from Cordy Wagner. My dad made the initial decision that going away to school was a good idea. By the time it became my turn it wasn't any big deal. Cordy and Flip were back there. Another one of our friends, Tom Murray. So I headed back with the crew.

We used to play bridge going across the country - three and a half days on the train, or four days on the train. We crossed the country 32 times or something like that. Looking back on it, or even at the time, after I got well seated in the prep school, I think it was probably the best thing that ever happened in terms of development for me to have to get in there and establish some study habits. I had a great time in sports and it was a small enough environment so you became a big fish in a little pond. It was great. I still have many close friends from back there. I think the whole eastern experience was good for us - for geographical breadth and talk about different attitudes and people. So I'm still a very strong supporter of that experience.

You started all that by asking the question, "Who made the decision?" We get into this conversation at home every now and then with the kids. It's hard to explain how so many of those things came naturally. There wasn't a big trauma, it seemed to me, about decisions and about work and about school. Some people would say, "Well, you didn't have very many choices and you weren't very assertive and you weren't this and that." We were just as assertive as any kids in those days. The fact (was that there was) some pre-definition of school and career and work pattern. I think we were fortunate. I think

of what my kids do and their struggles, which I not only don't direct, I don't even seem to be able to counsel. Or if I work up both the courage and the inclination to counsel, I don't get very far. Then they go out and crash and burn and you say, "There must be a better way than do it all by yourself." Then I look back and think how fortunate I was because I think the decisions were good ones. But they were not made with a tearing of hair. At least my recollection does not bring a lot of trauma. I thought about doing different things like going to Stadium High School; I thought about going to Stanford; I thought about alternatives. But I don't remember getting too exercised about them and I had a framework which was not, it seemed to me, a matter of great decision-making or difficulty. Dad made it very easy when it came around to going to work, he'd say, "Go down and talk to somebody and talk to somebody else." He didn't tell me to do this and do that. But you had the feeling that you were getting somebody who paid attention and had some ideas. Each step of the way, I'm not sure who was pulling what strings. To this day, I can't tell you. My impression is that much of what later evolved in my company experience was, to a degree, accidental. I know I never talked to my dad about it, in the sense of, "Do you think that I ought to go from here to here to here to here, or anywhere else, geographically?" I'm sure I talked to him about it, but I think basically I just did it. If I needed somebody to talk to, he'd tell me, "Okay, maybe there are two or three people you can talk to." Now he may have done more than I'm aware of.

Edgerly

The recorded interview on Friday, January 27, 1984 continues on Tape II, side two.

Tape II, side two

Weyerhaeuser

I knew practically nothing about Latin. We had these old schoolmasters that knew everything that you'd done or not done. There was no way to fake our way through a course. I mean, we had classes ranging from three to ten students. I was going to say my proudest moment came in my weakest subject, which was Latin. I was probably getting a 75. They graded you all the way from zero to 100. They really did. You could get zero. I was sailing along, passing it and doing fine. Toward the end of the year, they had to select two people to go to the state Latin contest. I don't know, the prof must have had a soft head or something, but he picked me as his second candidate. We had one guy who knew what he was doing. Evidently nobody else did. I went down there. I thought, "I'm going to put this on the bulletin board and send it home to my mother." Everything

was fine except when I got to the state Latin contest, all the instructions were in Latin. It wasn't that I didn't do well; I couldn't figure out what I was supposed to do. I was so bad! I thought, "Whoever grades this, I hope they burn all the papers." Talk about feeble! There I was, supposed to be representing my school. It was pitiful. I never felt so at a loss. I can't remember anything about Latin. I couldn't figure it out even then.

But on the other side of the scale, I always absolutely loved math at any level, still do. When it comes to writing, I'm not much - more an analyzer than a written communicator.

Edgerly

This concluded the interview recorded on Friday, January 27.

This is an interview with George Weyerhaeuser, recorded on Tuesday, January 31, 1984.

Weyerhaeuser

(Looking at a book of production statistics and other data for 1940s.) Those weren't bad wages in 1942.

Edgerly

There's a book that's very similar to this in your files on the Springfield lumber manufacturing class that they were doing in those days. Somehow one that you had had at that period was saved. Somebody put it away.

Weyerhaeuser

For heaven's sake. These are all before Willard (Morss) came to Springfield before I did, I guess. I think he went down there when it started out. This is all Longview. We demolished all those mills. Then to add insult to injury, put a newsprint plant on top of it.

Edgerly

You were remembering last week the incident when you were at Taft in which you had been chosen as the second for a Latin contest. One of my questions, in fact, that related to the period of your school career, which is what we were talking about, had to do with what subjects you felt you were most adept at and which had been a struggle for you. I presume Latin would have been the one that represented the struggle.

Weyerhaeuser

That was one of the ones, probably French being the other.

Edgerly

That I understand. You'd said that mathematics was always interesting and relatively easy for you. Was that true also of other sciences?

Weyerhaeuser

Yes, I suppose they sort of interrelate. I enjoyed things like physics and chemistry and maybe to a lesser degree the engineering disciplines. But the broader sciences were kind of fascinating and I was reasonably good at them and interested in them. Maybe those things go together. Of course, there's an interlacing of mathematics certainly in physics and to a lesser degree in chemistry. Those were the subjects I really enjoyed most. Getting on into college a great deal of what I took was through the first three years. I only went to college three and a half years. I graduated in shorter than normal time because they gave us opportunity to accelerate if you were in the service. I did telescope it and took a fair amount of economics in the course of industrial administration and engineering. It was kind of a combination of engineering and economics. At that level, I think that broader economics and the sciences were much more interesting and I did better at them than civil engineering, mechanical engineering, that kind of thing. Yale had some marvelous courses in liberal arts, in the English field. They had a very fine English department. There were some marvelous professors. English and religion and other things were interesting. But when you got all through talking about it, I think the surviving inclination of all that was mathematics and statistics and those kinds of things...I don't mean a course in statistics, but the approach was something that stayed with me. I went into the Navy after freshman year.

Edgerly

I was going to ask you about the succession of events there, because that wasn't quite clear to me. You went into the Navy in '44. So you had been through one year of undergraduate school.

Weyerhaeuser

Almost one year. I was 18. I got credit for one year. I went to summer school, accelerated, in high school and finished in the middle of winter before I would have ordinarily graduated, went to Yale immediately and stayed at Yale through the entire

next summer. So my freshman year was contained between the end of January and September. I spent a couple of years in the Navy and then came back, after World War II, after those two years, as a sophomore. Then I didn't go the full route senior year because I was through all my requirements in three years in June and stayed on. I got married that summer and then went back and stayed one more term. Even though I'd done all my requirements, they would not allow you to graduate in less than a minimum of three and a half years. So the last term, which I enjoyed immensely, I took all electives and got very good grades. They were interesting subjects that I picked and so I sailed through with a minimum of work and good grades and married and enjoyed it. That was my happiest time in college.

Edgerly

Did you know when you went there that you wanted to study economics, that you were interested in industry or business as a career?

Weyerhaeuser

By that time I'd pretty much gotten over the idea, and certainly when I got married I was over the idea, that I might go to law school. I thought after all was said and done that I'd better know something about economics and I took the best that Yale had to offer in the way of course material that would lead in that direction. They had a very, very popular and very good, I think, broad-gauged combination of economics and science that led to what they called industrial administration. I don't know what that equipped you for. We did spend quite a bit of time studying such exotic things as industrial relations, labor relations, political science. So it was an interesting mixture of things. It didn't equip you to do much of anything, but I think they gave kind of a broad background. I learned enough to be comfortable with accounting and statistics. So there were things there that certainly in later times proved to be useful. And I'd say broad familiarity with a lot of different subjects was really what that consisted of. Unfortunately, getting quite a lot of science and engineering and economics, didn't leave a lot of room for broad, liberal arts education. So I was short, although I was fortunate in prep school to get quite a lot. We were taking history every year. I did get, in the prep school era, some of the things that most people might pick up in college. And if I had it to do over again, I think it was broadening and useful set of subjects. I suppose today you'd go on to graduate school and get a fair amount of, not only what we took, but a lot more if you were going to go on to business school. I think in those days very few people went on, certainly didn't go on to a graduate school of business very often. I didn't really give a lot of

serious attention to going on beyond college at the time and haven't ever thought about it really since. I think it would have been quite different if I'd gone to school in a different era. I probably would have gone broader in college and gone on to business school.

Edgerly

When you enlisted in the Navy, where were you stationed?

Weyerhaeuser

I couldn't enlist in the Navy. I'm nearsighted. I wanted to go in the Navy but my eyesight was not sufficient to meet their enlisting standards. So I waited and was drafted through the Tacoma draft board and they pulled me out of college when I was 18. When I went through the draft, you could express a desire for a chance to go to the Marine Corps or Navy. I was pretty certain I didn't want to go into the Army. So I waited and, sure enough, whatever logic there is in the system, why you would be accepted in a draft and not in enlisting, I don't know, but that was the case. They did accept me in the Navy, gave me a whole lot of tests and sent me down to San Diego for Navy boot camp, which is basic training for the new recruits in the Navy. I went to electronics school in Chicago, then to advanced intermediate electronics school in Del Monte. They had a Navy school down there. Then I asked for and received aviation electronics as opposed to the heavy electronics in the surface fleet. I spent six months down at Corpus Christi, Texas at the naval air station in aviation electronics. Then I went back to San Diego and went out on a carrier. By that time the war in the Pacific was over, or essentially over. That was late in '45. So I cruised around a little and got put off the carrier onto a naval air station out at Barber's Point on Oahu, where we worked on torpedo bombers and various classes of planes where we were either maintaining or, in some cases, dismantling and storing radar equipment as they wound down the equipment from the Pacific theater. Then I accumulated enough seniority points that I got discharged in the summer of '46 and went back to Yale in the fall.

Then I wound up going to Yale for essentially two and a half years and got out of Yale in the January of '49, which with the combination of summer school and credits for service and everything, meant I was not far behind. I would have been out the previous June if nothing had ever happened. So the military two years did not really defer anything else in my life. I was very lucky in terms of both. I think it was a valuable experience for me and I learned quite a lot. It was another area of interest, electricity and electronics, that I've always enjoyed and am familiar with. So in my Navy career, I think I was making \$86 a month as an aviation electronics technician first class when I got out.

Edgerly

Did it in any way change your ideas about what you wanted to do?

Weyerhaeuser

I don't think so. Certainly after a couple of years in the service, you come out a different person. You're several orders of magnitude more independent. You met a whole different bunch of people under different circumstances than on your own. It was certainly a growing-up experience and good, I think. I wouldn't recommend it as a career.

Edgerly

Obviously you didn't take that route.

Weyerhaeuser

No. It would have taken several herds of wild horses to drag me into the Navy.

Edgerly

Were there many veterans at Yale at the time when you got back?

Weyerhaeuser

Yes, gobs of them. We were all ages. Some had gone in in 1941 and never come out until the end of the war. So we were all mixed ages, all different experiences, but the predominant population was veteran. If you weren't a veteran, probably a lot of them had gone partially through college and maybe officer training, Navy 12 or Marine 12 or different programs. So that the people that hadn't actually gone in as enlisted men probably a fair proportion of them had one kind of service training or another. You were mixed in with freshmen coming out of high schools and married guys who had been in the war. It was an interesting time and not anything like, I suspect, the traditional. I know it wasn't anything like the traditional campus atmosphere.

Edgerly

It must have changed considerably the approach to education.

Weyerhaeuser

I think they were a lot more serious in the sense of you were there, at an older age on average, more experienced, somewhat more serious. I suspect it was not as fun a time for us going through college as for many. I don't know whether that's good or bad. But I think it tended over a five-, six-, seven-year period there, to grow up our compatriots faster and they were more anxious to get out and do whatever they were going to do probably than the normal college group. I don't think that the academic programs and perhaps the quality of the education was as good. I think there were a lot of teachers who were, I think, second rate; they filled in; there was a lot of turnover in faculty. There was a much bigger mixture, I think, than would be normal at Yale in terms of backgrounds and educational progression among the students. So when you deal with big mixtures of those things, I think you tend to go to a lower common denominator, big classes that were jammed up. I wasn't particularly impressed with it.

Edgerly

Had you considered going anywhere besides Yale?

Weyerhaeuser

I thought about Stanford, but not really. Once I started there, I think I basically figured I'd go back and finish it off. We didn't switch around as much in those days. Jumping from campus to campus, I don't think, was done very often. People who flunked out transferred but not very many transferred. So I just went back and finished it up.

Edgerly

I understand that the summer of 1947 you worked in the woods down at Vail/McDonald. Do you remember much about that summer? I think you were setting chokers, weren't you?

Weyerhaeuser

Yes, I certainly do remember. Harry Morgan and Vivian were living at Vail in one of those "beautiful" row houses down there. I think they had glass in the windows, but not much more. Yes, my brother came out of the Marine Corps. He went in earlier, and was an officer. He got out earlier. And I think he went down to work in the summer of '46 and back to Yale in the fall. John Wahl put us both to work down at Vail in 1947. I remember driving around Vail with John when we first went to work; he was showing us the place and introduced us to the superintendents and others. We stayed in camp during

the week and drove home on weekends. It wasn't very far away. I being the younger and slighter brother (I'm not sure that had much to do with it), I set chokers behind a tractor, which was substantially less dangerous than working on one of the big high lead crews as a choker setter. Flip worked on the high lead. That's not to say I didn't work hard; I worked damned hard. I enjoyed it, but it was mighty hard work. I know it was a good experience and we had a lot of fun horsing around with the crews. We'd ride the crew buses up in the morning and there was always a lot of horsing around going on on the crew buses. We were half asleep going up there at whatever the time of morning was. We had a few people lighting matches in our shoes and horsing around. We had a lot of fun. In those days you had to marvel (I did, anyway) at the tremendous skill and stamina, particularly of the fallers and buckers. In those days there were no effective power saws, they were falling timber and bucking it with big crosscut saws 100 percent driven by manpower. They would pull those saws all day long and were paid in proportion to the amount of timber they cut. They put in a tremendous day's work. They could just pull those things all day long, seemingly without effort. Try it for about ten minutes sometime and you'll begin to realize how skillful they were. Handling the big rigging and trying to get those chokers around logs, you put that thing over your back and there's a fairly heavy bell whether you're talking about high lead or behind a tractor. You have to pull the cable out to wherever the log is; the logs are not exactly lying on flat ground, they're buried in the ground and you have to get the cable around the log in such a way to get it hooked up. It was a lot of time working with a tractor, they'd get hung up on stumps or crossways with other logs and you and the cat-skinner had to figure out how to get them unhooked. The same thing was true in high lead, I guess. But you put in a damn full day's work and you didn't feel much like going out on the town, I'll tell you. It was probably damned good for us. Fortunately, I was also in pretty good shape in those days.

Edgerly

I would ask if the first couple of weeks you wondered if you'd live through it.

Weyerhaeuser

I'll tell you, the one thing I do remember and remember very vividly was there wasn't enough water in the world in the middle of summer. I was drinking water by the gallons. The other thing that was pretty impressive the way the men knew how to work with splicing of cables and rigging. There's lots of skill involved, knowledge, experience. So you came to find out pretty soon that there were easy ways of doing things and hard ways of doing things. You wanted to pay attention and watch the way

they did it, because you could really bust your pick trying to manhandle things the wrong way. It was almost impossible.

Edgerly

Who was your boss?

Weyerhaeuser

I can't remember directly. It was too long ago. We had a superintendent who was a heck of a guy.

Edgerly

Who was that?

Weyerhaeuser

I can't remember names anymore. It was a while back. Of course, when you were working then behind a tractor with a three-man crew, the senior guy was the catdriver, then there was the head and second choker setter. So I worked with one guy, really, and the catdriver, and the same catdriver most of the time. So it's a little bit theoretical to say, "Who was your boss?" because the superintendent you might see once a week or something. You're out there in the sticks working, doing your own thing.

Edgerly

What about life in the camp in general, do you have any specific recollection or anecdotes about that?

Weyerhaeuser

It wasn't quite like the old days where everybody was sleeping in a loft or something like that. We had our own little two-man or whatever shack, maybe three- or four-man bunkhouses. We all ate together and used common showers. It was close enough to civilization that people were coming and going. It wasn't like the old camps where you had to hike in and hike out or ride a speeder way out or whatever. But as I say, we worked hard enough so that there was no great inclination to head off to the local bar or head anywhere else. We pretty much stayed in camp. We got up early and went to bed early. So it was good experience. I knew something about the territory. We'd been around, been out in the woods occasionally in years when I was growing up. We used to once in a while go fishing. So I'd been around the general territory a little bit down there

before I went to work. There isn't anything very near Vail. If you want to really go to the big city, go over to Yelm. (Laughter) Not much there.

Edgerly

Were you the youngest of the men working in the woods?

Weyerhaeuser

Yes, I think so. Certainly the least experienced, but I think also the youngest probably. There were a lot of guys that were very experienced, been around a long time, so there were a lot of older men there. They looked a lot older to me.

Edgerly

Do you think you got any better or any worse treatment because your name was Weyerhaeuser? Did you experience any bias on either side, resentment or otherwise?

Weyerhaeuser

I don't think so. I think that there was a lot of curiosity. I'm sure we were objects of interest and curiosity to some degree. But you get out there in a working environment and you do your share and they kind of look out for you. I don't think at that juncture I felt any great sense of, certainly not antagonism. I suspect that it wasn't the first time they ever had greenhorns out in the woods and to some extent inexperienced workers are somewhat of a problem in the sense that it is dangerous. You can be dangerous to somebody else as well as yourself. I think there's a tendency to look out for one another. My feeling was that they would tell you what to do. I sure as hell tried hard to do what I was supposed to do, too. There was no sense of wanting to come up short, beyond just being inexperienced. So I think it had an effect, but I'm not sure that wouldn't be the same thing if you started out new or anybody else started out new. I'm sure if you asked the guys in the crew down there what they thought and whether they were really interested and did they treat us differently, the answer would be to some degree, sure.

Loggers are kind of interesting people. They're used to doing their own thing pretty much. They're pretty independent, were, probably still are. They take you or leave you on the merits. That's not true of all. I wouldn't answer that same way about everywhere I worked.

I think we're going to have to leave the woods and go to other things.

Edgerly

Yes, I realize we're down to the end of the time that you have to spend today.

This marks the completion of the interview conducted on January 31, 1984 with Mr. George Weyerhaeuser. This is also the end of Tape II, side two.

This is an interview with George H. Weyerhaeuser, recorded on Tuesday, March 27, 1984. This is Tape III, side one.

Edgerly

I went back through the transcript. What we've done has been transcribed, but I haven't audited the tape against the transcript. I need to check that for accuracy, but I did go through to review where we were. The last time we met, we were talking about the summer of '47 when you spent time at Vail setting chokers. You said in response to a question I asked about it that you didn't feel you'd really been treated not markedly differently from anyone else just because your name was Weyerhaeuser. You made some observations about loggers and the kinds of people who worked in the woods. Then you went back to Yale for another year. You were married in the summer of '48, am I right?

Weyerhaeuser

Yes, I went back to Yale for a year and a half more, because I went back after I was married, too. I tried to get them to let me out of Yale, because I had all my requirements finished. But Yale had kind of a funny idea that you needed a certain number of credits irrespective of what you've completed in your major. It seemed to me kind of unnecessary. I'd done everything I had to do to graduate except the number of hours.

I went back for six more months or whatever it was and graduated at the end of January in '49. I had a marvelous time. I could have actually finished as though I'd never gone in the service, if they'd let me out that spring. It would have been my chronological age and everything even though I'd spent two years in the service. I had gained both credit for service and going to summer school twice. I went when I was a senior in high school and I went when I was a freshman. I almost got out of there at the same time I would have had there been no war interruption.

Edgerly

So in the summer of '48 then you went back to go to summer school?

Weyerhaeuser

No. My summer school was senior year and freshman year.

Edgerly

Oh, I see. Senior year after you graduated from prep school.

Weyerhaeuser

Before I was 18. They had accelerated programs at both prep school and college, because so many people, I suppose, had service interruption. So I chose to accelerate. I picked up in a sense a full year that way with two summer sessions. So when I came back, I was a sophomore instead of a freshman.

Edgerly

What did you do the summer that you were married?

Weyerhaeuser

We went to Europe. We spent the whole summer in Europe. We were married in July and came back in September, but we were in Europe for two months, so we traveled all over Europe. We went over with the U.S. Olympic team on the America. I had one good friend who was on the Olympic team in rowing, Bob Martin, who worked for the company for many years and just retired a little while ago. So then we took off. The games were in England and we went to France and Italy and Switzerland, Scotland, Wales. We had an absolutely super time and then came back to New Haven. We rented a house. I didn't have any requirements to meet, so I studied all electives including some forestry.

Edgerly

Had you taken some courses in forestry before that semester?

Weyerhaeuser

I don't think so. I think maybe I had taken one, I'm not sure, but I only took (a total of) two. It was kind of interesting. They were anything but rigorous. I enjoyed the forestry courses. I couldn't tell you what they were at the moment. That was my first real exposure to the forestry school. There were some interesting teachers and I enjoyed that. Picking courses that you're interested in and kind of like, it wasn't advanced mathematics or anything, so that's how I sandbagged my way into getting an honors degree - not intentional but easy nonetheless. I'd gotten pretty good grades by the time I came out of prep school. I was second in the part of the class that graduated with me and I'd learned how to study by that time. But until senior in college, I certainly hadn't broken any records in college academics. But I had very good grades in that last part at

Yale because I was taking things that were interesting and easy. I really did enjoy the tail end. I can't say really that I got a superior education or that I thought going to college was a terribly challenging or interesting experience. I had a feeling then and I still have a feeling, that in peacetime and under other circumstances, college would have been a heck of a lot more interesting and maybe more beneficial, I don't know.

There was an advantage of being older, I think, with service experience, in that I think you go at it a different way. So in some sense, the interruption was negative; in another sense I would say it was positive. I think we came back with a bunch of guys that were somewhat more serious. All in all, I enjoyed the college experience, but if somebody said if you had it to do over again, I guess something somewhat more challenging and less interrupted would have been better.

Edgerly

When you decided to take the courses in forestry, had you made some decision then about whether you were going to come to work for Weyerhaeuser Company?

Weyerhaeuser

I really can't tell you when. I didn't have any flash of brilliance at some particular point in time or flash of insight into what I wanted to do. I think it was somewhat more typical of the times and certainly of experience that I had and others that I knew had that we did things much more sort of automatically and without worrying too much about them. It just seemed like a perfectly natural thing to do. It wasn't pursuant to any instructions from my family or father or any great trauma of decisionmaking. I think it was just a combination of recognition that it was there and there to do if I wanted to do it and a positive view about what our company and history had accomplished. So it was sort of "go to it and see what happens." Pretty much everything that happened to me down the line was reasonably constructive. Although I think my wife reminds me every now and then that I was impatient and things were not always as rosy as my recollections when it comes to talking to my own kids and all about current circumstances and careers. I guess I have a tendency to look back and say, "What's the big problem? Get in there and go and things will work out." And I don't mean by that get in there and go in Weyerhaeuser, necessarily. I don't think it's all that important where you start although seems so at the time.

Edgerly

Was Wendy in school the last year that you were?

Weyerhaeuser

No, she graduated from Finch, which was two years. She went to a post-graduate course at Finch, which is in New York. I don't know that she would characterize it this way, but I think it might be called a finishing school. Two years was a full term. She went three years, not because she couldn't graduate; she just stayed in New York one more year. Then when we got married, she came on up to New Haven, of course. That was the end of her academic career.

Edgerly

You graduated at the end of January in 1949 and your first job was at Longview in the pulp mill. Do you remember when it was that you started there? Was it straightaway after your graduation?

Weyerhaeuser

We just drove down the Blue Ridge Mountains of Virginia and went through the Smokies and down into (it was the middle of winter then) Alabama and stopped in to see the McGowans at Chapman, Alabama. They've been in the forest products business a long time in a family company. I'd met a couple of them, but Keve Larson, who was our - it's an understatement to call him a marketing manager or sales manager of pulp, he ran it, he was it. He worked for Howard Morgan and worked independently and ran the whole thing. His wife was a McGowan. There were four brothers and a sister, maybe only three brothers. One of the McGowans was the founder, co-owner, or whatever of Pomeroy and McGowan, the southern premiere forest consulting company. One of the brothers was active in the family company in logging and the other in political and another in political affairs, Earl. The oldest brother, Floyd, was active in industry affairs.

Edgerly

Were they your father's contemporaries?

Weyerhaeuser

Roughly. I think Earl had been in the state legislature and later was the chairman of the Mobile Port Commission and one of the leading forest industry people in the South, active in associations. I still play tennis with him at the Business Council. He's in his 80s, lives in New Orleans. But anyway, they were a wonderful family and their mother was still alive. She was a fabulous person. Wendy and I went down there, stayed a couple of nights with them.

Edgerly

What headed you in their direction?

Weyerhaeuser

I can't really remember. I probably ought to be able to remember. I really can't, though. I can see how I met them, maybe, and I had contacts with them through the years, but I can't reconstruct exactly what led us there. We were driving home from college and had never been in the South, so probably it was the family and industry connection. Then we drove on out to California and on home. I think I went to work within a month or something like that, maybe a month and a half, of the time I had graduated. So it was pretty much just a trip home and down to Longview. I went to Longview primarily because I thought it would be worthwhile and interesting to get some familiarity with the pulp part of our business. Howard Morgan was running the pulp business. I guess he had come on board not too long before then. I had talked to him some about going to work and he set it up for me to go down and visit. Ray Baker was running the Longview operation, later ran Southwest Forests, and I became very good friend of Ray's. They were just building, just completing, the kraft mill at Longview, so it was a brand-new mill and I went around couple times, visited with the guy who built it, Jerry Alcorn, who also worked for Howard. Then Ray started me working for a giant in the industry out in the power and recovery units whose name was Tom Stewart, who later was our expert for many years in that part of the pulp business. A fabulous guy to work for.

(There is an oral history interview with Tom Stewart which was done on January 24, 1975. It is in Record Group 11, Acc. No. 77-37.)

Edgerly

I don't think I know anything about him.

Weyerhaeuser

No reason you would. It's kind of running boilers and turbines. A very competent combination of leader and engineer and just a very hands-on, capable guy. I'm embarrassed to say I haven't seen him for years. I'm sure Tom isn't alive anymore. Ray Baker still lives in Longview.

They were trying to figure out a lot of things. They'd put in one of the first, maybe the first, recovery furnace which converted sulphite waste liquor back into recyclable chemicals. I think it was a process that we developed and then later licensed, using magnesium instead of calcium liquor base, magnesium bi-sulphite. In order to burn the residual waste liquor, you had to evaporate it. Nobody had done that and they had tremendous problems, design problems, scaling problems, they couldn't keep the evaporator tubes clean and they plugged up all the time. I spent a fair amount of time working 16 hours a day working on the end of a drill, drilling out the evaporator tubes, because we didn't have sufficient recirculation to keep them clean, which is a design problem. Later on, I think they used baffle types or different types of evaporators. So we couldn't evaporate the liquor and we had a couple of little furnaces there that were one of a kind and they had to learn how they were mis-designed in major respects. That was in the old mill that was built in 1930 that we were recycling the chemical. It had been converted from a calcium base to a magnesium, a considerable investment. That was nothing but in the early stages with headache after headache trying to keep that thing going. And they were starting up a kraft mill, so I got a full course in all the mill startup.

Now we're talking about mills. I suppose in those days, I think the kraft mill capacity might have been 200 tons a day. Today it's 800 or something like that. It was a small mill, but not by those day's standards. But we didn't know how to run one. We'd never run one. That is to say the people that built it were engineers and knew the basics, but knowing how to build it and knowing how to run it are two different things. And it was just one set of breakdowns and headaches. It was a good time to get in with relatively new crews and new situations and whatnot, learn the hard way about how things don't run, I guess. It was a very, very hard time. I worked long hours in that mess down there. When things don't run, they spill and you're forever cleaning up and breaking

down, all hours of the day and night, working rotating shifts. I'm glad I did it, but I'm glad I was 22 or 23 years old, or whatever it was, when I did it, too.

But anyway, I worked in the sulphite mill, which had been running for a long time. They had a lot of skilled guys. It ran, apart from the recovery part, relatively well. They had one new mill, one old, and well-established crews.

Edgerly

Now what were you working on primarily?

Weyerhaeuser

I worked in the various departments. I'd work for a month as a fireman's helper on a recovery boiler, or I'd work in the digesters as a second helper, the bottom jobs that are easy to learn. I guess, parenthetically, that the union in those days... This was union shop; you had to be a member of the union, and the company had to have an agreement that I could fill those jobs. Most of the jobs, of course, are still filled, were then, by seniority and so what I was doing was the bottom job, in a sense, in every department. For a year or so.

Edgerly

Did Ray come to you and say, "How would you like to change your job this week and go to another job?"

Weyerhaeuser

They did it, I didn't. I didn't have any idea. They gave me a look at the two different mills, plus power and recovery. But it was a look at, not in the sense that I was carrying a notebook around, it was a look at whatever was there to be done as a regular helper's job in each one. So I earned the rate for what that job and did the job. But they obviously were jobs that were open, one job a month or every couple of months. I think I worked maybe as much as a quarter at a time in different jobs the first year. Then I worked for Tom for quite a while. I ran the turbines; I was a turbine operator in the power unit. I'm not quite sure how I got that job, because that was a pretty good-paying job. I was the top guy on the shift, so that must have been at the tail end of the year or whatever. There you're dealing with testing and managing the control units, the switchgear, monitoring the thing, testing the water. So you were learning all the time. You get equipped for one job and learned about some of the problems. That was interesting.

Then after I'd been in more than half the departments probably, they put me in as tour foreman, shift superintendent, they call them, which moved me on to a salary job and it was the first-level foreman's job.

Edgerly

That was in the kraft mill?

Weyerhaeuser

Yes. Then I stayed out of the sulphite mill and was just kraft. There were four of us; we'd rotate the shifts. We'd be top man on the shift at night, and there was a superintendent over the whole mill, Hugh Wickett, a wonderful guy. He has two sons who work for the company now; he's retired. So for the last year, I guess, probably the better part of the last year, I was a shift superintendent. So when things blew up at night, I was either on my own or I'd call up Hugh and get him out of bed and ask what I do now. And we were still having a hell of a time running the mill, it was still kind of a mess. The finishing department was a separate department, which the pulp mill shift superintendent didn't have anything to do with, but everything else, the cooking, liquor cycle, washing, screening, bleaching, was under the shift superintendent. So it's just sort of the center of the whole pulp mill.

Edgerly

Who would have been your own peers in that position?

Weyerhaeuser

They were four. The only one I can name is Joe Brown. He came out of the Institute (of Paper Chemistry). Brighter than hell, a doctor. He knew everything about everything. So there was quite a contrast, I'm sure. And we'd relieve one another, talk about what happened, and what was going on, what was needed - not only Joe, there were two other guys. The shift guys usually were experienced, so I had one well educated and not too experienced, probably Joe was like 28 or something - he seemed older than the hills to me. And then there were a couple of guys that had probably worked up through the ranks in the pulp mills. They probably were in their 30s or something like that, or maybe 40s, but more experienced guys. So it was darned interesting.

I think that before I became shift superintendent, there's another job in the pulp mill called shift chemist which is a technical job. You're taking the data from each department and testing. You're either taking data that other people are generating in their tests, or you're taking samples and doing some testing yourself and charting, so you get a reading on whether things are in control or out of control, chemically in balance, heat and time. They call that a shift chemist and I had that job. So that's a technical man working under the shift superintendent. So that was sort of the natural step up to the next rung. I enjoyed that a great deal. By the end of a year or so at that (shift superintendent), I'm pretty sure I initiated the next move. I probably figured I knew it all by that time. I think I wanted to get some lumber experience and I'm not sure how that next step took place, except that I wound up talking to Jon Titcomb, who was at a relatively new mill down at Springfield and when I talked to him, he offered me a job down there. I'm pretty sure that somewhere in that process, I either talked to Charlie or Dad or both and that I just don't know, but my guess is that Charlie probably told Jon to take me on. I've forgotten.

Edgerly

Were you aware of what other people have described to me as being a substantial psychological separation between the pulp side of the business and the lumber side of the business at that point?

Weyerhaeuser

Oh absolutely, it was tremendous. Well, I was more aware of the Chinese wall within Longview. Harry Morgan Sr.'s purview was on the other side - wood products. Harry's dad, Harry Sr., I think literally was appalled and I don't think ever forgave me for, first of all, working in the Pulp Division and second of all, when I went to lumber, going somewhere else. Harry's dad, I knew; he lived next door to Howard Morgan, as a matter of a fact. Two Morgans were on Lake Sacajawea side by side. That's as close as the two activities ever got together, too. Of course, that split went all the way up through the company. The Pulp Division was largely a new creation. Largely from the day Wolf started it, I think, in terms of engineering and design it was separated from the traditional Weyerhaeuser engineering. Otto Schoenwerk was hired. We had separate research, we had separate engineering, we had separate management. It came right up to the top. And, as a matter of fact, Howard Morgan had a different relationship with Charlie than any of the others. Of course, the others were individual mill managers. They were also independent, very independent, I would say. You didn't just transfer even

within the lumber division in those days. We had a fair number of people at Springfield that had to quit and their service was broken from Everett to go to work for Jon Titcomb in Springfield.

Edgerly

Why?

Weyerhaeuser

The mills hired their own people and fired their own people. You were not a Weyerhaeuser employee first and everything else second; you worked for the unit you worked for. So people that were working in the maintenance and mill superintendents, etc., they could talk to another mill manager. Jon hired me, not somebody (for Weyerhaeuser). In my case, I'm sure that he probably talked to Charlie to see, so I don't mean that I was typical. But I'm telling you that in those days when we started new mills, you didn't have any transfer rights or anything else between units. Snoqualmie Falls was Tip O'Neil's mill and Twin Harbors was Dave Fisher's and there was a great degree of competition and independence and autonomy and, to some degree, jealousies.

Edgerly

I didn't realize an employee couldn't, at that time, make some arrangements to transfer.

Weyerhaeuser

I don't say we never did; I'm just saying that there were plenty of cases where at Springfield specifically (where there was a break in service.) Jon had worked at Everett and he knew a lot of the people up there and they knew him, and a lot of them evidently liked him. But they didn't go and ask for Lyn Reichmann to transfer them. They talked to Jon and they said, "I've got a job at Springfield and I'm leaving." They left and were signed on down below as a new employee. It sort of illustrates the relative independence. Of course, the history (of the company) is replete with Sales Company concern about that independence in the sense that they made what they wanted to make. They wanted a discourse on prices and mix and everything else. But when push came to shove, the mills did their own thing. Of course, it was not inconsistent with the way the industry ran, either. These were localized units. They hired, fired and they had different raw material mixes and they made different things on different machinery. There was no structure over them, other than they were under an assistant general manager or general manager. When I was a sawmill manager, we knew who we were

working for; it was Charlie Ingram. We went up and talked to Charlie about capital. When they began to interject staff into the picture, it was very, very traumatic, awkward, didn't work very well. I guess Charlie had a couple of different guys that he had as his assistant or as industrial relations managers. They didn't go very far, meaning that they weren't very well accepted and they didn't have authority.

With logging operations, it was the same thing, independent and very often independent from the mill at the same location, usually independent from the mill, not necessarily from the mill manager. When I was mill manager, I had a fine logger down there working for me at Springfield and when I interjected myself into woods affairs, it was damned tender. They were doing their own thing. They had their own roads planning and we had engineering, woods engineering was separate. They didn't have a lot of interchange. What I'm saying is, there was a lot of autonomy, even departmentally.

We didn't have much tolerance for forestry. Ed Heacox, as one of the early foresters, talked for hours on the subject (of forestry) and its being a second-class activity. The quick answer was they didn't know quite what to do with him and he didn't have a hell of a lot of authority and you put him in there and you have some real, tough, hardboiled loggers in there building roads and cutting timber. They (the foresters) didn't have much authority, or none. It was just do your own thing if you can do it, but if it begins to interfere with what else is going on around here, watch out. It was fascinating to listen to him. I knew the loggers and the loggers were in charge. I tried to work across that raw materials supply question when I was at Springfield. I'd work with my scaler, Charlie Logan, who later ran the whole company's scaling and grading and pond and all that, which would be viewed as the interface between the woods and the mills. I worked very effectively with him, but he didn't have any authority over the woods and I didn't exert much over the woods. I don't know that that's all that different. It wasn't at the time in most of the woods operations.

Everett, of course, was the prototype and Everett didn't have any woods operation. They were a market mill. They bought their logs. They complained bitterly. There was continuous argument about whether the logs were scaled right, whether they were the right grade, whether they were bucked right or whether the transfer prices were right. So we had the woods operation down at Vail/McDonald run by various people. John Wahl was down there for a while. John then worked for Charlie and he was over all of the woods, in a sense. He had a great deal of respect and he made changes. He could make

things happen in the woods, because of his own experience, but before that time, I think the woods were pretty much autonomous, individual units. When I came up to Tacoma, I had a new woods manager under me, Phil Hogan, fine logger from Coos Bay - quiet, soft spoken. And I think he kind of reverted slowly back to the earlier days when he wasn't nearly as assertive or senior or recognized as the leader in logging as John Wahl was in the whole industry. We managed with a fairly light hand. So there's a lot of history there.

Anyway, they had a training program at Longview where they had quite a cadre of young people in the lumber operation. Oscar Weed was in that for a while and I knew a few of them. I didn't give it very much serious consideration. Nobody tried to urge it on me. So I just made my deal and went down to Springfield and I started over.

Edgerly

Was that the thing that put Harry Morgan's nose out of joint, the fact that you didn't pursue that training program.

Weyerhaeuser

Two things, I think. It was partly kidding, but it was more the competition between the lumber and pulp, I think, that riled him, that I would think it would be significant to work in the Pulp Division instead of learn the lumber business. I don't want to exaggerate. They didn't spend all their waking hours tearing each other down or whatever, but there was very clearly a communications and authority barrier right down the middle. There was esprit d'corps and there still, to this day, are different kinds of people; they affiliate with their own operation. In those days it was, "I worked for the Pulp Division." It was a very clear demarcation. They didn't have meetings of all the managers as they do now. The mill managers would be lumber mill, in earlier part of my days. In later years, we'd all get together with Charlie. While we weren't really working problems together. The Pulp Division was a group and Howard ran it. Howard and Charlie got along fine. But partly, that was (because Charlie accepted it as) Howard's bag. Dad and Charlie were very good friends and worked very well together. Different types. But again, these mill managers were Charlie's. That's not to say we had any doubt about who was running the company, but we dealt with Charlie.

Edgerly

In '51 you went to Springfield. Was the plywood plant in operation yet then?

Weyerhaeuser

No. I think it was under construction. Willard Burrell was the first manager. We had the manager on board when it was under construction. He made a lot of the decisions and worked for me. He and I were very good friends. He hired the crews and put the whole ballgame together. Now we'd been in the plywood business ever since the Washington Veneer Co. and the old Springfield Plywood Company which we owned a part interest in and later sold to G.P. These all preceded those the company owned 100 percent. Longview was the first and Springfield was the second. So we built Longview and my guess would be Longview might have been '48 or something like that and then our own Springfield plant in 1951 or '52.

Edgerly

The interview continues on Tape III, side two.

This is a continuation of the interview with George Weyerhaeuser on March 27, 1984. Tape III, side two.

Edgerly

Was there a problem with getting the necessary expertise to run the plywood plant at Springfield?

Weyerhaeuser

I don't think so. The reason I say that is there were skilled jobs in there, but there were enough plywood plants around. Willard, I've forgotten what his experience was, but he was experienced and he picked key people so we didn't start from scratch with experience. They hired crews just as we did in pulp. The pulp industry kind of had its own skilled people who had a history of going from mill to mill. It wasn't a company promotion ladder. Obviously we didn't have very many of those. But the tradition in the industry is, when a new mill starts up, guys apply and upgrade from whatever they were doing in their previous mill, previous employer. Somewhat the same in plywood. But we didn't suck a lot of sawyers over to try to run a lathe. For key jobs, I think, Willard hired from the outside. And then (those in) the second-tier jobs, the key guys would train, so you learn it on the job, more or less. They hired more locally. Now Willard worked at it. But I don't remember it as being any particular problem.

Edgerly

Were there any difficulties in particular that you remember relating to the startup of that mill?

Weyerhaeuser

You bet. We had timber stands that were overaged and very defective and that posed problems, in utilization of the low-grade veneers. We wound up developing a product called ply-veneer, which would utilize low-grade veneer in a sandwich with paper. We had all kinds of headaches designing a new product and a process from scratch. I think we probably had, over a period of years, four designs, each one improving materially, to get a flow of that low grade. It was very brittle and breakable, all kinds of holes in it, very difficult material to work with. The alternative to that was in the chip conveyors. The whole complex at Springfield suffered with that low-grade material, because a heck of a lot of the cubic volume wound up in the conveyors and then you wonder, "What am I going to do with the conveyors?" It was not ideal furnish for the pulp mill either, because of fiber strength in much of that material. The yields were low and fiber strength was poor. So they weren't all exactly wild about the lower ends of those logs and the plywood plant wasn't and the sawmill was making utility lumber out of it and selling it for cost or very little above.

So the whole complex had a low-grade, low-yield set of problems. In the sawmill took the form of, these logs would come in, you'd get a run of low-grade logs and the whole back end of the mill would be absolutely inundated, the conveyors all full and the trimmers all full and everything going down in tiny little bits and pieces, plugged up all over the place. The mill was a very difficult mill to balance, because instead of having a good, uniform log, which produced a good steady flow and you could balance the machine centers, it would all come in great big surges of junk and then too much good wood and you were always out of balance and always buried. I remember when I first went to work in that sawmill, it seemed I was always on the problem because one of the big problems was how do you keep the bloody thing going. You're under ten feet of stuff coming out of these trimmers or out of the resaws. You couldn't get the good separated from the bad. So you were fighting plugups all the time. It was just an horrendous mess.

Edgerly

Where were those logs coming from?

Weyerhaeuser

There were two main areas we were logging in, three really, when I was down there. One big batch was coming from Sutherlin, which is down by Roseburg. The farther south you go, it tends to be a little poorer timber. We had some very beautiful, big 450-year-old timber east of Springfield and then we were up north of a place called Gate Creek. We had timber that was ranging from 300 years to 450 years old. There were various degrees of defect by area, but it wasn't always predictable and you couldn't control the flow. We harvested and you got into large areas where there was white speck. The white speck came from overage timber that got infected with a disease called *Fomes pini* (red ring rot). What happens is that it would go in the dead limbs and then it would travel from those old limbs up and down the trunk of the tree and you'd get big streaks of this infestation, which wound up eating away at the fiber.

Edgerly

Is that a fungus?

Weyerhaeuser

Yes.

Edgerly

What is the name of the disease?

Weyerhaeuser

Fomes pini. The spores would spread. The deterioration of the wood is going on over years and years and years. All this timber is virgin timber and it was quite old, quite fine grained and made beautiful, clear lumber. But after you ran into these pockets, it downgraded it all the way to utility and economy lumber and produced a very, very low yield of lumber by the time you got through trimming. Not only (was it) low yield, but very short, which nobody wanted or very narrow, all adding up to low value and an awful mess in processing. The same thing's true on a lathe. You'd peel this stuff and you run into it and instead of it cutting through, it just crushed; it didn't have enough internal strength. So the lathe would have a big pile of junk and then it'd go into the dryer and dry it, it gets brittle and it breaks when it's out on the other side, so it didn't have sufficient strength to carry it through the processing. We had no mill that had anything like that. We avoided that timber and others did too for a long, long time. It wasn't accidental that Oregon timber was developed later. That's partly geography, but also

partly because of the quality of the timber. A lot of that timber was bought in the '40s, ours and others, after the Depression. It wasn't worth anything; the timber down there was selling for \$1 or \$2 a thousand, this is 1940, not 1900, because it was so defective. It was useless in the early days. And it was marginal when we tore into it. Then of course, the values just went through the overhead in later years and you certainly couldn't afford to waste it, so we were whittling away trying to get what we could out of it. We're still doing it.

Edgerly

Is that the reason that the Springfield mill was redesigned, or parts of it redesigned, in I think maybe it was '53, '54?

Weyerhaeuser

It was constantly redesigned. We had to put in more headrig capacity because we put in a double cut, but that was earlier. Then we put in later years another short rig, to take the segments. When I was there, we put in a log processing center with the big hydraulic barker and a merry-go-round out there so we could saw segments out of these logs and return portions of those logs to the plywood plant where we didn't have enough solid, good length you'd cut between the defects and then that took us into shorter segments in the sawmill. Later on we put in a short rig. And in the back end of the mill we kept adding, changing conveyors and capacity in order to cope with all this junk that came back there. So that mill went through ten or 15 years of flux trying to get the flow straightened out. As I say, the plywood plant was a little more straightforward, but still the productivity, the yield and everything were affected by this and the value of the material coming out the other end was affected. So you had a lower value coming out and more processing problems, more waste. All that waste, we had conveyors plugged going into the pulp mill.

Then Jon Titcomb got the bright idea one time, the pulp mill needed more chips or whatever, he said, "We'll get you more chips." What he did was he saved all the low-grade logs to run at night and then instead of just charging them for the chips, he charged them for the logs and for all the labor. So they'd take these chunky logs and spend a lot of time and effort on them and the chips coming out were very expensive. Jo Julson of the Pulp Division used to rant and rave about that all the time. Jon was the senior of the two. He'd save cants for the lumber out of that night shift going down in the gang pit. Then I think he would credit the Pulp Division for the average cost of the

log for the portion that he high-graded out of it. So we'd make flooring or whatever out of that and so the Pulp Division wound up getting horrendously high chip costs and a low-grade material.

Edgerly

It seems to me I've seen references to Jo Julson's battles over the price of chips. I think I've seen some material on that from time to time.

Weyerhaeuser

Later on, Dr. Brown ran that mill for a while. That was after I was gone.

Edgerly

What did you do before you became Jon Titcomb's assistant? I don't think you did that right away, did you?

Weyerhaeuser

I should say not. As I say, it seemed to me I chased after plug up problems in the sawmill. I worked out in the sawmill when I first arrived. One of the big problems was the flow through that mill. There's a whole series of things called separators. You're talking about a whole lot of stations that are run by men with flipper arms that are making judgments: should it be resawed? should it be trimmed? should it be sent down to the green chain as it completed? So I ran separators, I spotted for trimmers, which is just the lineup man getting the material onto the machine, worked on the edger, same thing. Obviously you had to know grades and sizes to operate either a trimmer or an edger. I hadn't studied lumber grading or anything, so I was just muscle helping a machine operator, I and a lot of other guys, which is the equivalent to the pulp mill helper or whatever. In this day and age, they don't have those kinds of helpers. In other words, there's much more automatic spotting and flow, whereas in those days it took ten men and a boy to keep the lumber moving into those machine centers. That's what I was doing. I worked there for a few months; it was always different. For three weeks or a month, I'd work on one job, then another. Again, I got some idea about what the machine centers were doing. I went to lumber grading class at one point.

Then I went over and worked in the stackers and unstacker and dry kiln, not for too long. Jon was getting me ready to be foreman over there, so I spent some time before. Then I was a foreman in charge of getting the lumber all the way from the green chain

through the kiln process, graded, sorted and back to feed the planers. Before that I worked in the planing mill stacking, bundling, behind planers. I loaded cars in the shipping department, where you're two-man teams loading the cars by hand. None of it for any great length of time. So I'd worked in all but the powerhouse in this case. Powerhouses are somewhat similar. I was in terrific shape, pulling lumber and all that. And that was hard work. Being a shift foreman was long hours, but not hard work. So after a couple of years of married life and ease of foreman and shift superintendent, I really had to go back to work. It was hard work.

And then as a kiln foreman, the foremen would meet and schedule the mill, usually schedule from the orders. The shipping superintendent was the key guy, and he scheduled the whole mill and would tell the sawmill what kinds of things he needed. Then I'd have to be sure I got the stuff into the planing mill. There was the planing mill superintendent and me and the sawmill foreman. So I got a chance to see how the whole thing came together there. I'm not so sure how long I did that, maybe six or eight months or a year. Then Jon pulled me in to work as his assistant when he knew he was going to go to Tacoma. I worked for him for six months or a year.

Edgerly

It says in the one reference I found that you became his administrative assistant in '53.

Weyerhaeuser

Yes, and he left in '54. So a year, I worked for him for a year probably. Now he had me on projects. We had things we were worried about and I had a chance to see what was going on in the woods and work with other people.

Edgerly

What kind of a person was he to work with?

Weyerhaeuser

Jon was as independent as a hog on ice and he expected you to do what he told you to do and he didn't give you a lot of clues about how to do it. So he was a good delegator. He was a fearsome character.

Edgerly

Why do you say that?

Weyerhaeuser

Very abrupt, New England type. Not easy to know. People liked to work for him and with him. I'm saying different things and I'm not quite sure why. I think it probably had to do with the fact that you weren't going to get an awful lot of warmth or credit or backslapping out of Jon Titcomb. He was a tough cookie. In spite of that, he was fair and he was interested. He brought a lot of younger guys along, had a lot of good people. Good training, it was a good training ground, I think, to work with a man like that. I had a great deal of respect for him. He meant what he said. The union knew that and we knew it. Disciplined organization.

Edgerly

Was he a good mill man as well in terms of knowing the mill and its operation?

Weyerhaeuser

Yes, Jon knew mills. Tight as a tick and careful. Old school. He told me one time after he'd been working for me and working for the company for 30 years probably that he'd never paid more than \$12 for a hotel room in his life. He didn't give anything away, in business or personally.

Edgerly

What was his relationship to Charlie Ingram?

Weyerhaeuser

They had a great deal of respect. They were very good. Charlie gave him a lot of rein and he was an independent guy and he worked with Rich up in Everett until he got his own mill, I think he was a perfect fit for the job and the way we had it structured in those days. Jon always had a lot of strong points of view and did whatever there was that needed to be done. I think he and Charlie both scared the pants off people generally. You didn't waste their time. There was a fair amount of fear and trembling when they were being addressed.

Edgerly

What was his relationship to the union and the members of the crews?

Weyerhaeuser

I think he was a pretty good adversary. Harvey Nelson was a key guy in the IWA for many, many years. I know there was a lot of respect there. Jon conducted things personally; he didn't delegate them. Business agents were sort of secondary in the picture. Jon dominated, I think. He was tough. We had a couple of strikes, long ones. But I think, as with other people, the union did not consider him to be unfair, just tough. I think they respected him. He spent time; he wasn't on any pinnacle or in a lofty tower. He was out there. He was known and he talked to people. He'd have town meetings. He was visible and available and involved. I was lucky to be in with somebody like that.

One thing I left out at Longview. I'm not sure what the sequence was. I worked over in the Pulp Research Department under Harold Bialkowski for a while. I was fiddling around working on small samples of dissolving pulp, making cellophane and different kinds of things out of it. I'm not sure how I got there. Maybe it was just something Ray wanted me to do somewhere along the line. I enjoyed it for a number of months.

Edgerly

That was part of your educational rotation?

Weyerhaeuser

Yes, I think so. I think when I was working over in the lab, the Lumber Division or the boom men or both went out on strike. So I don't know whether it was my idea or Ray's, but I went over to help them feed logs into the hydraulic barkers and chippers, because they needed supervisors. But I was also a member of the union and the pulp union found out about it and they were going to shut the whole place down. So my boom career didn't last very long.

I must have worked for Jon a year as his assistant. It was a fair amount of time there. I enjoyed that. I got a pretty broad view of what was going on.

Edgerly

Did you, during that time that you worked as his assistant, have any responsibility for relations with the community of Springfield?

Weyerhaeuser

Not really. I was involved at various times in some of the community affairs, but I don't think as a matter of assignment. They were trying to build a hospital there or build and/or expand a couple different things. I got involved with the mayor of Springfield, Ed Harms and other people. But I don't remember Jon saying, "I want you to do this, this or this in connection with the community." We had quite a few people who were involved. It was a new, growing community and lots of problems. There were no sewers. It had a lot of growth pains and we had problems with the community of one kind or another and they were trying to annex us about every other year. So there were lots of things going on with the community. Jon was working a lot of those and Jo Julson; they were active, both of them, maybe Julson a little more than Jon.

Edgerly

I wondered if there was any conscious strategy or approach to the community from the standpoint of the company. Today that would be represented by Public Affairs person, for example. I know there wasn't such a thing at that point, but I wondered if they saw themselves in a particular light vis a vis the community as a whole and then tried to act it.

Weyerhaeuser

I think so and it was more somewhere between the top management and personnel department people. We had a number of people that were active. We had a fellow named Jacoby who was personnel manager in the Lumber Division. He had a couple of guys working for him, Dick Eyman who later on became the Speaker of the House in Oregon. He had seven or eight kids. Jon Titcomb hired him and a guy by the name of Straub, who later became governor. They both came from Dartmouth. Jon went to Dartmouth, so we had the Dartmouth Mafia down there. Both guys were Democrats, Jon wasn't. They wound up in the center of Oregon politics. Dick Eyman was active in community affairs and worked in the Lumber Division personnel department. As I said, there were problems in annexation, roads, water pollution in the river. We worked the McKenzie River until we were blue in the face. There were odor problems with the University leading the charge. We were certainly without a single defined problem or

responsibility, and there were a lot of people both aware and working on the environmental and community problem. It was not all on the negative. We had quite a fair number of people who were running the recreation district and on the boards of the schools and involved when we had community affairs. We had a guy who was an outdoor plant guy, Westerman, who was always in the center of building the floats for the parades and lots of other community activities. There was a lot of involvement in that small community, more in Springfield than Eugene, of course. So it was an interesting, developing town.

Edgerly

How did you feel about living in a small community like that? What kind of social life was there?

Weyerhaeuser

It wasn't too small. We lived in Eugene behind the University for the first few years and then we moved out north of town, but still in Eugene. Eugene was fast-growing and certainly not big by city standards, but by Oregon standards, a center. It wasn't like working in Valliant, Oklahoma or something; it was quite developed. It was a darned nice place to live, a big step up from Longview. And in Longview, with me working 16 hours a day in the early stages and all, we were busy, gardening and so on. Then in Eugene we had three kids in six years, so we weren't spending a lot of time on the drinking, dancing circuit down there. Nice country club. Played golf and we used to go and gather with a lot of friends. It was a very big change from Longview. We were just doing our own thing, which was also enjoyable. We learned a lot about, and we've had fun ever since, growing things and gardening. Wendy's been at it ever since and I fiddle around at it. We had nice places to live. If you had to pick in the Weyerhaeuser set of communities, I don't know that I'd pick any two in preference today. I might be a little prejudiced. I don't know where they would be. I don't think it would be Plymouth, North Carolina or Valliant, Oklahoma or Columbus, Mississippi by a long stretch.

Edgerly

You were talking about the production figures at Springfield. I made some copies of some data, thinking some of them would be reflected in your description of the kind of logs you were getting in. This was from a book that was in some of your papers. I thought maybe you could actually interpret some of this based upon what you knew to be coming into the mill at time.

Weyerhaeuser

We were adding some equipment and we went from a one-shift mill to making chips at night and making some lumber to a full two-shift and full two-rig and so you're seeing some of that in here.

Edgerly

For example, this is lumber sales. Here there's quite a difference between '54 and '55.

Weyerhaeuser

I think that might have been a major strike. I think so. I think that's when Jon was there and we had one right in there and that would be reflected in the '54 figures. We were adding. Then just before I left, I bought the Woodard thing, but I guess that wouldn't reflect in '56. The numbers jumped way up again with two mills, then a plywood plant. The ply-veneer plant would have been coming from nothing production. And we put a particleboard plant in.

Edgerly

While you were there?

Weyerhaeuser (looking at production and data sheets on Springfield for early 1950's)

It was at the tail end. That's interesting. I'm looking at '56 and dividing 1,000 into five million. I think that says \$5,000 per employee, doesn't it? That would be more like 20,000 some dollars now. These were growing and good years in general.

Edgerly

Obviously, you knew the inside problems that not would necessarily be evident here.

Weyerhaeuser

These overrun figures are ridiculously low. You think about normal sawmills with a 20 percent overrun or something and here we're even underrunning, cutting low-grade logs and we're trying very hard to take more and more off the ground. I've always been kind of preoccupied with that. When the lumber markets were halfway good, we just sawed everything known to man and we made an awful lot of low-grade lumber and we were selling it for \$30 to \$50 a thousand or something like that in the South. Here's the average realization now. That's a mixture of a whole lot of low-grade material being

mixed in with clear lumber at \$150, \$160 a thousand and an awful lot of \$50 a thousand. There wouldn't have been another mill in the world making that kind of a mixture. But that's lower and lower grade depressing the production. But we were getting more and more off the acre.

Edgerly

I think it is worthwhile, sitting down with people with something like this in hand. You can look at this and know exactly what was happening at that time, whereas another person looking at these figures wouldn't have any ability to interpret them. Here are some figures on depreciation on capital that also would reflect, I guess, some of the changes that were being made in the mill.

Weyerhaeuser

Yes. The gross would show that we're putting in some more major capital.

Edgerly

That figure remains pretty steady right there, which means a continuing investment.

Weyerhaeuser

That's right. You can see that buildup here. We're still bringing things on all the way. They always look amazingly small because the dollar's worth so little these days. It's hard to relate. When you look back 30 years and see that one tiny new sawmill at Raymond cost as much as the total Springfield complex just for a sawmill. We spent \$25-27 million. And I think the whole Springfield linerboard mill cost only something like \$20 million, maybe less; that first, approximately 200-ton mill.

Edgerly

It is interesting to be able to put some of that in perspective, too. Another question that I wanted to ask is about the condition of the timber. One of the things that I've read about is the beetle infestation that occurred around the Springfield area in the early '50s. Were you encountering some of that and was some of the logging going on related to where the infestation was? I don't know how much logging that you were doing would be shown on this map of the tree farm, but that was the only one I could find that was small enough.

Weyerhaeuser

This is what I was talking about - Sutherlin, so when we came down, we'd bring that down by rail and bring it into Eugene. This is the Sutherlin Block, which was acquired separately, very low grade. We had a lot of defect and we were logging way down there trying to clean that one up. We were logging in here near the Springfield mill. We had our own truck road out in here and this was called Fall Creek. I bought some largely second-growth land, cutover in close to the mill. But we were logging in Fall Creek and we were logging up in Gate Creek. Longview logged in the early years up on the ridge, Ryan Ridge, during World War II. Before Springfield got started they had an operation there which was shipping logs to Longview. Springfield never got started up there until the later years. But this timber and some of the timber in Fall Creek and over on the Calapooya were very, very low grade. We bought this timber in the 1940s, these blocks.

Edgerly

Was the beetle infestation in these areas that you were logging? So you had not only the just general deterioration...

Weyerhaeuser

Yes. We had the old age problem and the infestation, which was in various degrees prevalent all over. We had large second growth here which didn't have any problems. And this stuff I acquired later. And we then acquired all this timber south of Cottage Grove from Woodard. He had a mill here at Cottage Grove and a truck road up into the timber up the east fork of the Willamette with the Bureau of Land Management owning alternate sections. Then we broke a road over the divide - there's a fairly good-sized set of hills between Cottage Grove and our southern block. And instead of taking the timber down by rail and hauling it all the way up on the Southern Pacific and into Springfield, we pushed a road over the divide into our Sutherlin road system so in the later years all this timber comes into Cottage Grove. So we shortened the haul when we bought Woodard in 1956, I think, just before I left.

Edgerly

Were the edge gluing and end gluing operations part of trying to deal with the small sizes that you were coping with?

Weyerhaeuser

Yes. We just had mountains of stuff that were 3" and 4" wide and six to 12 feet long, and clear, no knots. So we said, "We have to sell them for one third-price or whatever. There has to be a way that people want longer and wider material and we'll glue it. We'll take the waste and glue it up and the cost and we'll produce high-grade material out of a lot of short, narrow strips."

Edgerly

Was the technology for that there or did you have to develop it?

Weyerhaeuser

Oh, it was evolving during the time. We didn't invent it, but we had to design the layouts. You had woodworking machinery, which would multiple rip it, put a good clean edge on it. Then you have to put it under some kind of pressure. There were machines in those days, one of which was evolving in Tacoma, which was electronic curing of the glue lines, which is just a way of saying instead of sitting it in a press and holding it for a fair period of time, you could develop a continuous process. Mann Russell here in Tacoma was one of the leaders and we put one of their machines in down there, so we were reacting to the mountain of material that was available and trying to find ways and means of upgrading it. It was not revolutionary in the sense that it greatly changed the economics, but we improved the economics of utilizing that material. And that's so with ply-veneer and edge and end glue and with the pulp mill, in a sense. We were trying to work off the low end of the material and produce a much wider mix of the product. I'd say certainly with an awful lot of pain and strain, three or four iterations of equipment, we created something in ply-veneer that is still contributing. Edge and end glue has changed immensely. We had too much labor and too much waste and the processing time was too long and those things have been improved over time and changed. I'm not sure what we're doing today. But we produced panels that were four feet wide, all clear. And maybe eight feet or ten feet or 12 feet long. We produced a lot of them. Then you have the option of making different products out of them. But yes, we did quite a lot of that.

Edgerly

I had heard of the edge and end gluing, but I didn't know how developed the technology was and whether it was readily available to you or not at that point.

Weyerhaeuser

The answer's no.

Edgerly

You were part of the development, I guess.

Weyerhaeuser

As a matter of fact, we sure as heck were and we took other people's equipment and then worked it into a process and changed the flow and the process. Time went along and improved and upgraded it. It made sense and made money, but it wasn't something for which you hired a consulting engineer to "give me one of these". We designed the flow and we put the equipment in. Individual pieces of equipment, however, were in other woodworking applications in other places.

Edgerly

The interview with George Weyerhaeuser continues on Tape IV.

This is a continuation of the interview with George Weyerhaeuser recorded on Tuesday, March 27, 1984. This is Tape IV, side one.

Weyerhaeuser

We had the difficult problems of keeping the equipment running. (It can be) sensitive to moisture, lots of different things you have to learn. So you had to have the lumber dried properly. Those things you learn. With ply-veneer I'm not sure anybody else has (developed it). Chicago Mill and Lumber developed a competing product with a process (which was) not the same, a little later than we did. They were in that business; we were competing in the marketplace and, I don't think anybody else out west developed it. Georgia-Pacific took a different route. They sort of closed their eyes to the specifications that were required in plywood, made their own specifications and just buried it in plywood and sold it as sheathing - a low-grade, actually not so low-grade. They covered it up with good-quality veneer and sold it on their own certification. In other words, the Association wouldn't certify it, but they did. It was good enough to provide function. They had hellish arguments in the industry and everywhere else about its being against the rules and everything else. But they did it and disposed of their white speck veneer. They made sheathing plywood out of it and put a C grade veneer over the top. This was a problem for the whole area, the whole industry.

Edgerly

Who was in charge of the logging operations for these areas?

Weyerhaeuser

A fellow named Charlie Preppernau. He's still alive. I haven't seen him for a long time.

Edgerly

What kind of a character was he?

Weyerhaeuser

Very short on words and short on temper and short in stature and a very hard-working and hard-driving guy. He ran the place. There was no question about that. And you'd have wood superintendents under Charlie at various locations. Again, I think those wood superintendents had a lot of leeway as to who was working for them, how they went about it. They hired and fired people. The Personnel Department was always beefing because they never got much of a look. They didn't hire them. They didn't send them up to talk to the superintendent. They wondered if there wasn't a better way to go about it.

Edgerly

How much time did you spend out in the logging operations when you became manager?

Weyerhaeuser

It was always a form of interest and recreation getting out in the timber and seeing what was going on. The costs were terribly important. Logging costs have always been an important part of the success or failure. We had good logging costs. I "eyeballed" the operation pretty well. And then we had a tremendous problem with grade. So I worked more on and spent more time with grade, the inventory situation, etc. with the log scaler, foreman, superintendent than I did trying to help Charlie with the problems of how to get the logs out. It was more a question of bucking, how did they buck the logs? What kind of lengths were they coming in? Where were the grade cutoffs? Were we getting the right amount of utilization? Were we bringing in too much low-grade stuff to process? So it was more a coordinating kind of a thing than spending any amount of time on the logging itself. We had a railroad haul up the Mohawk. I worked on planning that, trying to lower the transportation cost. I spent a fair amount of time in the woods, mainly because I liked it. And, as I say, the overall had some significance in our costs and yields.

Edgerly

You referred earlier to the fact that sometimes when you tried to become more involved or a little more directive in the logging area, you hit some tender spots. What were the tender spots that you mentioned?

Weyerhaeuser

I think just giving orders and taking direction didn't come easily either for me or to Charlie. Charlie was Jon's kind of strongman. Jon left him with a lot of leeway out there. So I don't think that he took too well to help from a new manager. I can't remember the specifics, but it had more to do with the fact that I was giving some direction than the particular disagreements over what we ought to do. I think it was a matter of independence more than anything else. Not true in the sawmills and the plywood; I worked closely with Willard Morss and with the foremen. So I didn't have any particular problems managing down there. I thought we had a pretty good team. They were well-established guys in their own right when I became manager; I didn't pick them. It was an interesting experience for a young man to be trying to discern what we

needed to do differently. I had some very good friends and I think we worked pretty well together. They're still good friends, the ones that are still around.

Edgerly

When you took the job as manager, did you take it having in mind some objectives which you wanted to work toward in that mill? Were there things that you knew definitely you wanted, for example, to do differently than Jon had done them?

Weyerhaeuser

I just think it was more a question of unfinished business. We were working at it, the mill had been under a change and growth. So I would say I don't think so. These things I mentioned as being problem areas were not due (to previous management). It was more a question of trying to make changes that overcame some of the obvious flow problems, balance problems, grade problems. It was kind of in a constant state of change, really. It wasn't something I brought in. "Here are ten things that need to be done differently here." Typical of sawmills, you're always trying to get more volume through and you're trying to get the grade up, you're trying to do a better job of matching your production to what your order file's worth. So there's a certain amount of push and shove on "Isn't there a better way to get this scheduling?" Difficult. You have hundreds of items you're producing going into hundreds of orders and they never come out right. You always had too much of a whole lot of stuff. Then you were always trying to find certain other items that we'd oversold, overcommitted on, and couldn't get out of the logs. It was much different in plywood. You produce to orders in plywood. Willard was highly organized and had a schedule all posted, knew what he was about. There was much less blood, sweat and tears over there. That was more of a question of cost and expansion and change. The sawmill and lumber operation was always a very complicated, a complicated mix of processing steps of trying to get coordinated with the sales. With ply-veneer it was just a question of learning and changing, learning and changing, trying to make the thing run. You had marketing problems. That was more a mill-centered thing. It was the only one we had, so we had the sales planning responsibility on that.

Edgerly

One of my questions is about sales. Who did take that responsibility there at Springfield?

Weyerhaeuser

We had a sales manager always who was working with the shipping superintendent and working with the sales people in Tacoma. He had a lot to say about what we made and was aware of prices and knew what the customer requirements were at any point in time. He managed the inventory, the data flow, the billing and he really was the sales manager. I worked for him for a little while.

(Barbara Maldon arrived.) What time is it? I'm going to have to go. I promised my wife that I would be on time if she would be. She's going to be here in ten minutes, she said, which probably means 20.

Edgerly

We'll wind up for today. This is the end of the recording made on Tuesday, March 27, 1984. The interview was concluded at approximately 4:30 p.m. We had met in the west dining area of the fifth floor at Corporate Headquarters.

The interview continues on Monday, April 2, 1984. This is Tape IV, side one continued.

Edgerly

We had pretty much covered most of Springfield, but there were a couple of things that I wanted to talk more about, one of which you referred to quite directly the last time. That was the acquisition of the Woodard Lumber Co. That would be the sawmill, the plywood plant and timberland. Those were pretty much the assets of that company. The land and the mill and so on, I think, are only about 20 miles from Springfield. To what degree were you involved in the negotiations for that?

Weyerhaeuser

I was very much involved in it. I was the principal initiator with Walter Woodard, who was one of a kind.

Edgerly

Why do you say that?

Weyerhaeuser

He's an absolutely remarkable gentleman, a self-made guy, was Mr. Cottage Grove. I think he was a millwright and he bought timber. I'm not sure how he got into the ownership of the mill. I suspect it was a little bit like my great-grandfather in the sense that I bet he wound up working on a broken-down mill in the late '30s, probably sawmills weren't in great demand. He started in a business from a construction and maintenance point of view. He had very strong views. He had the sawmill at Cottage Grove built, very unusual in those days, on steel foundations, steel underpinnings. He knew every piece of that place. He probably put part of it in place himself. I knew him. He would reminisce some about how he'd buy timber that, I suppose, had reverted to the counties, probably for taxes. He'd go down to the courthouse in Douglas County or Roseburg, wherever he was, and they'd auction off tax sale timber. The land wasn't worth anything in those days. He did have some partners who put money up, maybe not with him, maybe for him, I don't know. But he was the prime guy. I think it (the money) was from east, Detroit or someplace. It was kind of typical, Booth Kelly, for example. Lots of the ownership, the timber capital, came out of the Midwest. I think he had some midwestern or eastern partners or a partner, at least, who brought some capital to it. He built that thing up coming from being a millwright working on an old mill to acquiring possession of it and then buying timber from the counties. Then the markets, I suppose, began to improve in the '40s it would have been. I look back on it and it seems to me it was a long, long time that he operated that way. You think about it, I suppose the only time that timber values really began to take off was (after the war). It had been selling for \$1 or \$2 a thousand in 1941 or whatever. I don't know how much of it changed hands during the war. We bought quite a lot of timber in those days in the Calapooya; some from the Mussers. There were major blocks that we bought. There was a lot of timber being traded.

We made this deal with Woodard. My recollections tell me it was maybe 30-35,000 acres, something like that, which he accumulated in this process of buying timber cheap and running a pretty good mill operation. Nothing helps more than rising markets. Walter was probably 70 years old, had a son my age. I suppose I spent a number of months talking to him and we wound up buying the property, largely for cash, although he took some Weyerhaeuser stock it seems to me.

Edgerly

Did you approach him with regard to making an offer or did he suggest the purchase as a possibility?

Weyerhaeuser

My memory isn't all that good, but his operation and timber fit so well with us. My recollection tells me that I initiated it, but it took a considerable amount of time. I don't know whether Walter had this disposition foremost in his mind. Certainly healthwise and otherwise, he could have kept going on with it. They had a machine shop which they kept, Kimwood, right across the street. Walter had two boys and they were both - how should I phrase it - moderately involved, but as long as Walter was going to be around, there was no question about who was going to be running things. He was that kind of a guy, a real do-it-yourself character. He built a beautiful house with ponds and everything next to the plant and it was hooked in with water and steam. We had more trouble figuring out how we were going to supply his house with all the needs than any single part of the deal.

I was interested in it because, among other things, their body of timber and a private truck road went up the coast fork of the Willamette south of the Cottage Grove mill. Our Sutherlin timber lay over the next range. We were running a railroad down to Sutherlin and having the Southern Pacific pick up the train and bring it into Springfield. That was pretty expensive. We had a pretty good-sized block of timber there, so I thought it made a lot of sense to tie into Woodard's mill on the southern end of our timber. There was a lot of Bureau Land Management timber in alternate sections in the coast fork intermingled with Woodard, which with Sutherlin, would give that mill, we thought, a pretty good shot at buying some local timber and long life. We would save a lot on transportation and it just seemed like it made a lot of sense. Pretty good mills. The plywood plant was not too old at the time.

So we thought we could get good mills and fair amount of timber supply close by, some second-growth out west, which would fit into the mill's longer-term picture. I remember my dad was in the last stages of his cancer at the time and I remember coming up to see him in the hospital. He couldn't talk; I think he was still cognizant at that time. I remember coming away wondering whether he understood all that. I was all steamed up about this and wanted him to know things were still going on. I told him all about the Woodard thing. It was just about closed. I've forgotten dates, but it was probably in November...

Edgerly

I think the acquisition was effective January of '57.

Weyerhaeuser

Our negotiations were just about complete. Dad died in December, I guess, so it would have been probably in November. I think apart from bringing the lawyers into it, Walter and I did the negotiating. I can't remember what we paid for it, but it seemed like an awful lot of money at the time.

Edgerly

Was that the first acquisition in which you were primarily responsible for negotiation?

Weyerhaeuser

Yes. We were buying things here and there all the time. Les Calder, the land guy down there, was. So it wasn't as though I hadn't had any previous direct acquisition involvement. We were trying to buy, and did buy, some from Bohemia Lumber Company lands on the southeastern side on Sharps Creek. We were trying to fill out. I knew we had a tremendous amount of timber that we really should be cutting and it was defective and not getting any better. So I wanted to get what I could in the way of additional land and second-growth to balance up that tree farm. So I talked with Dale Fisher about Fisher Lumber Company's lands. They were up on the west side. They put a deal together with Willamette, I think. And we talked with Willamette Valley from time to time about grades, trying to get some closer in. They were always interested in Santiam timber. I wound up building a railroad up the Mohawk. We trucked some of the timber off the top of Ryan Ridge and down into a reload on the Mohawk. But the Santiam timber had to come all the way down a very, very long haul and up over the hill and clear down into Springfield. Lot of it, a substantial part of it anyway, goes to exports now; it's still a long haul. It's very steep country and there's a lot of timber still left there. That was a big block that I wanted to see if we couldn't do something about trading.
(INTERRUPTION)

We worked on increasing the cut down there as we improved the mill and added to the plywood plant.

Edgerly

One other thing I should ask about. You mentioned that Walter Woodard was quite the mill man in regard to how the mill worked and the condition of the mill. What about the logging operations? Had he gained an expertise in that area or had he hired people who were able to fill in?

Weyerhaeuser

I don't have any impression that he was all that interested in the logging operations per se. Certainly in terms of timber acquisitions and all, he was knowledgeable about the quality. An awful lot of the value, of course, was associated with logging, as it always is. When you look at why we bought it and what we paid for it, it was largely timber values. Obviously, he'd been very shrewd about what timber he bought and when. I think they probably used contract loggers. I don't have any great impression that he was overly interested in the logging per se.

Edgerly

There was no big logging operation that you acquired in the process of making the deal?

Weyerhaeuser

They did have their own truck road, so they had made a major investment in getting off highway. I'm sure they had a portion of their logs coming in on off-highway rigs, which sounds like would be company operations as opposed to contractors. So they were involved, but it wasn't a big part of the proposition. Then later, after we acquired it, we pushed the road south, built a major extension of the road over into Sutherland, and ever since, that timber's been coming north by truck into Cottage Grove. So we shifted a big part of our operations down there to highway trucks and abandoned the railroad.

Edgerly

That was happening companywide at the time, in any event.

Weyerhaeuser

We were sort of after the cycle in the sense, though, that we had two railroads that we built in the '40s and '50s, one of which is still running. That's certainly bucking the tide. We were trying, obviously, to minimize transportation and also stay off the highways if we could. We had a lot of trucks running down the highways from the east side of our operations coming down the McKenzie River. We had private truck haul from our Fall

Creek operations. We hooked the Calapooya truck road system, which is up north, into the reload at Mohawk. Then we put the Sutherlin railroad in. So we were probably 80 percent avoiding the public highways, 80 percent of our volume, or something like that.

Edgerly

While you were at Springfield how much contact did you have with people who were working in the forestry research area of the company?

Weyerhaeuser

Little or none, as far as personal. My contact with them started largely when I came into Tacoma. In those days we were reforesting with the aerial seeding and getting very spotty, typical results. In some of the old logging areas we were removing brush and planting or removing brush trying to seed. And it took us about three tries to get some of it rehabilitated. Springfield, in terms of site and temperature, was far enough south and low enough site so you had moisture problems and you had survival problems, particularly on the southern slopes. We were worried about getting a good job of reforestation and we didn't get it universally good. Sutherlin was a problem on the southern slopes down there.

Edgerly

Was there anybody in forestry research who'd started to work on those problems with you or had that not been tackled yet?

Weyerhaeuser

I don't think it had. They were experimenting with plantations, but I'm not aware that they were doing a great deal. More of it was being done in the State of Washington with the branches up here. They were much farther down the cycle. They had a lot of second-growth and there were a couple working on plantations. But I don't have any recollection of a lot of work coming out of what was then Centralia or their being associated with our field activities. I'm sure that they did. We kind of planned our reforestation. We had a good, solid guy, Bob Gehrman, who was our chief forester, and he worked with them. He was running the reforestation operation largely on a decentralized basis. I remember Dave Weyerhaeuser was the head of our forestry and timberlands. He was very instrumental in building up a skill base and the Centralia research center was run as part of his department. There was a pretty good core of scientists, pretty much self-contained. There was not a lot of interchange, I don't think,

in the early days with the operations. The loggers were still responsible for the operations and the operations included reforestation. The foresters were a pretty good bunch and I think they were aware of, in working with, Tacoma forestry and timberlands people, but it was not the primary activity it later became when a lot of time and attention was given to really making darn sure that we got the rehabilitation going and forestation work done. We had quite a backlog over time of acres, you always do, that are not performing well. In later years we very consciously tried to figure out many of those acres there were and how long it would take us and to work not only the current reforestation. Obviously the first thing you have to do is not let it get away from you in the first place. It's a lot harder to bring it back because the brush does predominate. Once you get into that cycle you have a much tougher job and a lot more expense associated with growing because of the competition.

And when you're relying on seed, which we were - in the early days at Springfield we were leaving seed blocks on the higher elevations (the seed years, as I recall it, were on a six- or five- or seven-year cycle) - (you hope for) a good seed year. Unfortunately, though, in many of those areas you get a good seed year and on something that had three or four years of brush growth, the competition would get ahead of the seedlings and you'd have a brush control problem. It was kind of fighting a losing battle, particularly where the moisture was a problem and even in a good seed year your survival rate would be low and you'd lose a lot of the seedlings for moisture stress or any number of reasons. Then you have to wait for another seed year. Those seed blocks didn't work very well. This is true companywide and certainly was true of Springfield. You'd get a lot of blowdown in the seed blocks, there'd be breakage, then you'd be winding up having a log here and there to pick up. Not only the blowdown but (not having) a logical cleanup area. There'd be a lot of blowdown on the fringes and then slowly the whole seed block would go down, sort of serially. So that certainly wasn't too good a solution. Then we got extensively into seed gathering and seed processing so that we could aerially seed. That took care of the seed source, but not always the moisture and not always the brush. I can't remember when we got extensively into planting. I know some areas you just had to plant because you just couldn't get rid of all the brush. You had to have something that had a pretty good start. We were using planted seedlings on those difficult areas.

Edgerly

And that was the case while you were at Springfield?

Weyerhaeuser

Yes.

Edgerly

So it was a combination of the aerial seeding and the handplanting.

Weyerhaeuser

And we were still leaving seed blocks, too, so it was all three things.

Edgerly

It was sort of a transition period then.

Weyerhaeuser

Yes. This was in contrast to the Harbor (Twin Harbors area) and some other areas where all you had to do was stand back and the hemlock would come back at you. It was good timber down there, largely Douglas-fir, and relatively big. So from a handling and harvesting point of view, we got very cheap logging costs. As I said, we had a hell of a time in the mills processing it because a lot of it was so defective. But it was large size and easily handled and we had a pretty good transportation system. Of course, we were logging fairly short hauls in the early days, except for these extremities. We weren't even logging in the Santiam when I went down there. We opened that up.

Edgerly

Did you say it was Bob Gehrman who was the forester? What was his relationship with the people in the logging operations? Was he fairly effective in communicating the forestry message?

Weyerhaeuser

Yes, he was. And he worked with Charlie Preppernau, who was the woods manager there. Bob was a hands-on kind of a guy. He wasn't a theoretical forester. I've forgotten what his training was. He may have been a forester by education, but a very effective field guy. We were working the problems and we were serious about them. It wasn't like the early days when foresters were for show; we were trying to do the job.

Edgerly

I've also heard a number of people who were maybe a little closer to the logging operations comment on the fact that the foresters tended to be people who "wanted to stand on a hill and look off into the wilderness" and not necessarily people who looked at the situation from a practical standpoint. I've heard there was a fair amount of resistance among those in the logging operations to any interference by these people whom they considered, whether correctly or not, to be not very helpful.

Weyerhaeuser

I think that was absolutely the proper description. That would be the generality in the early stages. I think reforestation was a problem and we not only didn't have all the answers, but it was a nuisance. Where the logging operations were spending tens of thousands of dollars, the foresters were spending hundreds, just to give you the scale of activity. I know we had endless debate about "should we be logging with tractors or should we be logging with cable operations (high lead)." I know that at Springfield we got an awful lot of cheap logging using tractors. (END OF SIDE ONE)

This is a continuation of the interview with George Weyerhaeuser, recorded April 2, 1984. Tape IV, side two.

Weyerhaeuser

When push came to shove on what you should log, where and when, and with what logging methods, supplying the mills certainly was at the top end of the scale. Regardless of season or whatever, you were going to get the logs out. That dictated settings that were perhaps not in the right sequence or, from a lot of points of view, maybe should have been deferred. So you tended, when you got under weather conditions or low inventory conditions or whatever, to cut the timber that was seasonally most available. One thing which we learned more about later is that you do considerable amount of damage with tractors if you're logging under wet conditions. You get a lot of soil compaction. And you shouldn't use tractors when you've got poor soil and slope conditions. You lose a lot of the soil productivity. But it was the day of the tractor. I think Charlie and the guys we had at Springfield were biased in favor of tractor logging. And we did a lot of it, which produced pretty good logging costs and chewed up the land pretty good in some cases. If you were looking at it strictly from a forestry point of view, the amount of slash we were leaving was gigantic and we had a great big slash disposal problem; we had some soil problems. But all those decisions were made and run as a part of a logging operation. We didn't have any standards, if you will, imposed from Centralia or anywhere else and the foresters, as was everything else that was associated with the woods operations, were run with an operational bias.

I think when it came to appropriating funds for reforestation and all, there was oversight on that and we were trying to make sure that we were getting that job done, but it certainly came well behind the priorities of logging costs and inventory management in terms of the log supply to the mills. It's an evolutionary thing because, I think, in the early days we had some pretty good forestry ideas and people with education and commitment to improving forest management. But for every one of them in the early days, there were a thousand loggers and lumbermen. Those proportions changed, I think, in our company. Dave Weyerhaeuser and the people who were concerned about the forest management issues over the longer pull got a lot of credit for prevailing in a sense and it wasn't easy. I don't think it was accepted as being a mainline part of the business nor did the guys who were dirt farmers and loggers out there accept it as a primary responsibility. Over time it got imposed, kind of, as a part of our stewardship. The managers accepted it, but that doesn't mean that the loggers ever were terribly enamored with it.

It would just make you sick to go into some of those stands and see what was left when we got through logging. It was just unbelievable. That made it difficult. We had a lot of fire hazard and we had reforestation problems associated with all that slash. You had a liability building up. We didn't have very, at least as good, methods as we do today of getting the slash burned in a hurry, getting a hard burn. You were afraid to burn it when it was too hot. Now they get in there and put all the forces at work and burn in the middle of the fire season, light it all off with helicopters and get it burning in a big hurry and it's all over and done with. You've got a good, clean burn with control. In those days, it would take you a long time to light the darn things off and once they got lit, Mother Nature had a lot to say about whether it either burned out or burned something else along with it. We were still very much concerned with fire all the time. We're still concerned with it, but it's controlled now. The mobility factor is so high. We didn't have helicopters. So we had a lot of people out on truck roads with their water trucks and handguns and axes. And the farther south you get, of course, the worse it is. Our Springfield operation had more to worry about and greater amounts of slash.

Edgerly

There were three other people who were at Springfield, I think, when you were there. One was Lester Calder, another would be John Gischel and Dick McDuffie, I believe.

Weyerhaeuser

McDuffie and Calder are still alive. John Gischel died just recently. He was a wonderful guy.

Edgerly

Can you reminisce a little bit about the three of those gentlemen?

Weyerhaeuser

John Gischel was an absolutely marvelous personality. A big man, he'd been in construction and maintenance all of his life, I guess. I'm not sure whether he was in charge or not, it would have been surprising if he were, but he was one of the guys who built our Baltimore yard in the early '20s. I'm not sure how he got to Springfield, but he was one of Jon Titcomb's strong right arms. I think he probably - I'm sure he was - involved in the construction at Longview and maybe Everett. Couldn't have been Everett because he would have come west in the '20s. He probably worked at Longview. But Jon

got him down there and all the maintenance functions reported to John Gischel. He built the mill. He and Jon Titcomb were very close. John Gischel was a very good friend of mine, too. Everybody liked him, and liked to work for him. He understood all, and could do most of, the construction type jobs. Old school, solid as the Rock of Gibraltar. The one thing that was a constant - I was going to say battle, I'm not so sure we didn't blow it up out of proportion - but he'd just go right ahead and push the construction job, whether or not he had the plans in apple pie order and it was kind of a running battle with the Tacoma Engineering Department. They never seemed to have, in John's view, the information he needed at the time he needed it or they were doing it wrong. So he was a builder and not a designer, not very patient with the engineers. We had our own engineering department down there, small, two or three guys. So if we didn't have the plans, he'd fill them in down there and then Tacoma never knew exactly what was built when we got done and we were always building something. There was always something being built. John had eight, nine, or ten foremen working for him and all of the utility functions there. He was a marvelous person. He lived near the mill and was out there all the time, day or night. So if anything went wrong, John was really keeping the place's body and soul together.

Edgerly

It sounds as if a lot went wrong.

Weyerhaeuser

Yes. There were a lot of construction jobs going on, so he (John) was busy, no question. There was plenty to do. We were either building something or rebuilding something all the time. We did some of our own analysis there, process analysis, and then we'd design something down there to change the flows. The division of labor between there and central engineering was kind of an uncertain thing. God, they used to holler at one another. It was funny. Jack (?) was a gentleman, a patrician, a great guy. If Charlie Ingram said, "Jump," Jack would do three somersaults. (He had a) lot of respect for Charlie. He hired Jack from United Engineers from Philadelphia. So he was very close to Charlie, but very sensitive to Charlie's desires. I can remember they went back and forth at one another, John the doer and Jack the professional. It was a constant battle, but it worked pretty well. After all was said and done, I think they did a pretty good job. John knew how to run jobs. He was fine man.

Dick McDuffie was Jon's (Titcomb) and my right arm.

Edgerly

He was the office manager, was he not?

Weyerhaeuser

Yes. He ran all the office functions and was very good at it. People liked Dick a great deal. He got the work done and he was a good advisor. He understood what was going on. He was and is active in community affairs, on his own volition; it wasn't a direct part of his assignment. He was very active in Springfield. He had a good crew of people. He ran the accounting functions, computers, all the office help. Personnel was separate. Jake Jacoby was in charge of personnel functions. We were hiring people all the time. We were growing and there was quite a bit of turnover. So they had a big job in personnel. That was wood products personnel. Pulp was separate. And it was wood products in the early days. Dick was wood products, too. We put him over the whole thing later on, but the pulp had their own office staff as well. Sales was separate in a sense; it tied in to Tacoma and Dave Greeley really was the sales manager for lumber and plywood. I inherited all of them. They were all in those jobs for Jon. Of course, I wasn't manager for all that long, either, just a couple of years, '54, '55, '56, maybe two and a half years. They were all there when I left. We had a wonderful sharp guy as purchasing agent, McPhail. These were all pretty experienced, capable specialists, each one of them. Jon had really assembled a first-rate team of people.

Edgerly

Did you experience any resentment when you went into that job as quite a young man, working with some of these people who'd been around the mill for years?

Weyerhaeuser

I don't think there was any great resentment. When I was working as Jon's assistant, I wasn't in between, you know, he didn't have five people reporting to me. I'd been there quite awhile. Even in the life span of that mill, I wasn't exactly a new boy. I'd been there three or four years maybe by the time I took over. Willard Morss was the mill superintendent. The mill departments headed up under Willard. I got along well with Willard. He had a nice personality and was easy to work with. I wouldn't call it resentment, but Charlie Preppernau did not want to be interfered with and he was independent. He had lots of years of experience and didn't want a lot of help. I'm not even sure he wanted a lot of help out of Jon, but I'm sure he didn't want it or need it

from me. Then we had another marvelous guy whom I mentioned last time, Charlie Logan, who was in charge of the ponds, scaling and purchasing of materials, of logs, chips. He was kind of halfway in between the mill and the woods and to this day I don't recall precisely whether (he reported to) Willard Morss. I think it functionally would have been under Willard, but I know I worked very directly with Charlie, closer than with most of the others because I was coordinating. I was interested in coordination of the mills and the woods and so I worked with Charlie very closely on utilization standards, all aspects of the material flow. Whoever he officially was reporting to, he in fact worked for me and with me. And I worked very closely with Willard Burrell in plywood. Willard Morss was not particularly plywood oriented. He was a sawmiller by training and inclination. He came from Longview. To this day, he writes about his various ideas about how we ought to be doing something differently. He knows more about it probably than most anybody in the company. I didn't sense any great resentment. It was a darn fine bunch.

Edgerly

It's interesting that there seem to be several pretty strong personalities in that group, and yet...

Weyerhaeuser

There's another very strong one. I haven't mentioned him. Walt Pfeiffer.

Edgerly

I don't know anything about Walt Pfeiffer. Who was he?

Weyerhaeuser

Walt's still alive. Smarter than anybody down there, probably. He ran the shipping operations for lumber. The lumber shipper was also the scheduler of the whole mill. So the guy at the tail end of the line there worked with the sales office and scheduled the thing. He was a one-man computer and managed all the inventories and then scheduled planing mill runs and the dry kilns and the sawmills behind that. Walt was kind of managing the flow of the mill. Nobody told Walt too much about what to do. We'd have regular meetings. I don't think anybody ever designated Walt as being in charge of the flow, but that's the way it was. Everybody was lined up trying to get the product out. So, in fact, he was kind of the key mill flow coordinator.

Edgerly

Did all these strong personalities manage to stay out of each other's hair for the most part?

Weyerhaeuser

Yes, for the most part. I don't think Willard went around leaning on his guys very hard. That might not have worked so well. Walt Pfeiffer certainly was very strong; Jon Titcomb himself was a very strong individual. Preppernau certainly was. If you go down the line, they were a bunch of pros doing their own thing and the linkages were interesting to observe. I suppose they had started the mill up from scratch, working together, and it was a good team.

Edgerly

Was that the glue - the fact that they had been involved in the mill pretty much from the start, and felt a very paternal feeling?

Weyerhaeuser

I think so. And I think it was Jon's mill and Jon was a competent, strong leader. It was a very good place for a young man to come in. I think I was very fortunate.

Edgerly

Of course, you had to go on and manage those people yourself.

Weyerhaeuser

I enjoyed working with them. I count them all as good friends. I don't think that there was either resentment or standoffishness. I think we got along well together.

(DISCUSSION ABOUT TIME LIMITS)

Edgerly

You mentioned that you remembered coming to talk with your father during the last stages in which he was ill and telling him about the acquisition of Woodard Lumber Co. Do you remember when you learned about his illness? How many years were you aware of his illness?

Weyerhaeuser

I can't be precise, several.

Edgerly

Did many of his colleagues know that he was ill?

Weyerhaeuser

I don't think so. I think he did that on purpose and he didn't make any great thing of it with us. My mother was the communicator in the family; she told me. I'm not even sure that she told all of the kids at the same time, maybe she did. But there wasn't a lot of certainty associated with it. We didn't know how much time he had. We certainly knew that it could well be terminal. He got along pretty well for quite a period of time, but the treatments were not easy on him. Radiation, I guess, was pretty difficult. I'm not so sure whether there's some element of blood thinning that goes on, or did in those days, or else the nature of the disease and the treatment was such that he had to be very careful not to cut himself because he couldn't stem the bleeding. That, to say the least, bothered him. So he had to be pretty careful about that. He went about doing his business, tried to, as though nothing was wrong and wanted it that way. Same thing was true in the family pretty much. I'm not sure how long he knew. I think that's probably a question of fact; I think we probably know the answer to that and can check with Mason Clinic. I think we gave permission to release that. I've forgotten, but I think Mother told me and probably all of us after the early stages.

Edgerly

Do you know why he felt as he did about not telling his colleagues about the illness?

Weyerhaeuser

Oh, I just surmise; I never talked to him about it. I think, consistent with the way he felt and did things, he kept them pretty much to himself. He was self-contained, didn't like a lot of fuss and fanfare, a pretty private kind of a guy. I don't think he wanted a lot of sympathy or inquiry. It did not seem to me at the time, nor does it now, particularly unnatural that he'd want things to go on as they were and not, in a sense, become an invalid and the object of everybody's concern. That would be my own sense of it. I think we just handled it the same way intentionally, without any communication about it. In the later stages, of course, right at the end, of course, he went downhill very fast and it was pretty obvious.

Edgerly

What about the matter of succession, which his illness, and what then became clear was going to be a fatal illness, raised? Do you know whether there was any discussion about what would occur within the company as a result of his illness, and the management problems caused by his absence?

Weyerhaeuser

I'm not sure. My reaction is that I don't think there was a great deal of communication or study about "what happens next." I'm sure that Dad and my uncle did some thinking about it. Of course, F. K. wound up picking himself up off the St. Paul circuit and coming out here and doing it. It certainly wasn't his choice at that stage in life, but he was the right answer and I think he did it because I'm sure that Dad and he probably felt that was the right way to go and he relocated. I know at the time I felt it was asking him an awful lot, tearing up his roots and come out here and do it. That certainly made an easy transition. Charlie always got along well with F. K. They had a little time. Charlie had several years left before retirement. That was fairly traumatic shift when Charlie retired. F. K. and Charlie must have had some ideas about me and Howard Morgan when they brought me up here. Howard, of course, was still in place running the Pulp Division. There was no great immediate set of problems. I guess we were in the stages of talking with the Kieckhefers. I think that was F. K.'s first set of decisions, which were fairly gigantic. That was a fair amount of dilution and a big acquisition and a major directional move for the company. So they were interesting times.

Edgerly

That was a pretty pressurized time for the company, I imagine. Do you think that your father's death hastened the move to bring you to Tacoma or was that already in the offing, as far as you were aware?

Weyerhaeuser

My guess would be it hastened it. I think that would have been sometime downstream. I would think I was already in a very good position to see some of the important aspects of the company from a middle management position. I doubt that there would have been anything in Tacoma that would have beckoned. Now maybe when Charlie's retirement came up, they would have been faced with succession problems, but I might not have been involved in them at that time. I think Dad's death must have accelerated it.

Edgerly

I've heard people talk about your father's relationship to people at all levels in this company with some amazement at how well he managed the different kinds of personalities of people who had jobs in the company. Do you have any specific recollections of how people felt about him, or did people express to you at any point feelings about him as a manager?

Weyerhaeuser

More after the fact because, obviously, I wasn't here. The company was small. I'm always surprised at how personally affiliated people express themselves as being with Dad. Maybe there's some exaggeration involved. I suppose being a friend of the top man tends to build one's own ego. So when I heard, after his death, from various people in the company, it always had the flavor of "what a wonderful man to work with and to know," a lot of esprit d'corps. I think they were people proud to work for the company and they attached a lot of net worth to the personal relationship with Dad. This was at levels that would not be at all obvious to me. Knowing him, he wasn't exactly the world's greatest backslapper and circulator among crowds. He was a very private kind of a guy. Those two things don't exactly fit. But there was a great depth and breadth of appreciation for the relationship that they felt. I think that the man and the company were, in a lot of their eyes, one and the same. I think he established a pattern of leadership and growth for the company that people understood, admired and liked to work with. He had a nice sense of humor. Privately he could be just as sharp and tough as anybody'd want to be, but my sense is that that didn't frighten people or turn them off in an authoritarian sense. It wasn't just that they liked working for the company and for him, it was more than that. They felt some openness in terms of going and talking about their own problems which I find, as I say, kind of surprising at levels that I wouldn't consider to be particularly normal or natural for him. But I know my views of him, (are based on when) I'd come wandering into the ivory tower and Charlie's secretary and maybe three of them out there in the bullpen. I'd wander in and talk to him and always felt it was interesting and in my perception, he knew pretty much what he wanted and what he was doing. It was a source of confidence-building and all, but that's just from my perspective. But I guess I'd say, from all I've seen of the company and people who've worked around him, he transmitted that sort of confidence and easiness, even though he was not easy to open up or get very deeply into, but not unapproachable at all.

There was an interruption here by Barbara Brower. The interview was not continued and recording will resume on Tuesday, April 3, 1984 with Tape V.

This is an interview with George Weyerhaeuser, recorded on Tuesday, April 3, 1984. This is Tape V, side one.

Edgerly

You talked a little bit at one point about your feelings about Charlie Ingram. I certainly want to get your impression of Charlie as an individual, as well as your view of how Charlie and your dad worked together. You noted that personality-wise, they were quite different from one another.

Weyerhaeuser

Yes. I don't know how to characterize that difference, though. Charlie was all business, it was his whole focus. At least in the later years that I knew him, he had a 100 percent orientation toward our business and industry. He was a very, very strong detail guy. Knew an awful lot about not only "what" but "how to". He usually wanted to penetrate whatever matter was under discussion very thoroughly. I'd have to characterize him as being much more concerned (than my father) with precisely how things were going to get done. Dad was much broader (with) more direction and concept and much less interested or concerned about day-to-day details or operations. I don't mean that he wasn't very much interested in business, because he was. I can't differentiate them on that, but not to the degree that he carried an immense amount of work with him all the time. He thought about things a lot, but he didn't work late hours at night. My impression of Charlie is that in that respect he was really totally immersed in the activities of the company. I think that he and Dad had a very close relationship, complementary and supportive of one another. Charlie was, I know, very, very fond of Dad and had a great deal of respect for him. They worked in a relationship where they had a division of labor. Charlie did not involve himself much with externals, to my knowledge.

Edgerly

Your dad was well known outside the company and Charlie barely at all it seems.

Weyerhaeuser

I'm not sure I ever heard Charlie make a speech. That probably is not fair, but it wasn't his interest, it wasn't his capability. I don't know whether it was injury, disease or just the way he was born, but his voice was very raspy, it didn't carry. I think it was something traumatic. It wasn't just a soft voice. It didn't project, anyway, and neither did his personality. He was noted for his complete disinterest with evening social or

business affairs. When it was 6:00 he ate dinner and when it was 7:30 he went home; it didn't matter what was going on. In earlier years it may have been different. I don't mean that Charlie was antisocial in the sense that he didn't have friends. But certainly, business came first, last and always. He had a schedule and he kept it. He didn't let anything interfere with that. The external activities and dimensions of things were not a part of his routine.

Dad, of course, had a broader set of contacts, really right from the beginning when he came to Weyerhaeuser Company. While he certainly didn't flourish on the speech circuit, he did it on occasion and he took on various outside activities from time to time, like the United Good Neighbor chairmanship, the Washington State Historical Society and things like that. I'm sure this wasn't something that he sought out, particularly, but I think certain things he did have interest in gave him pleasure. I'm not aware that Charlie had any of that. The more unusual one, I think, is Charlie more than Dad, in a sense. But I'm sure that they worked side-by-side physically and conversationally. When it came to what was going on, I think Charlie kept Dad reasonably well acquainted and kept pretty good tabs on the key people in the company and pretty much knew what was going on in the operations as well as at headquarters. He (Charlie) was all business to the extent that I don't think he had much tolerance for people who weren't working hard and long hours. He used to, at least it was rumored that he did, keep tabs on when people went out to coffee or lunch by watching out the window. He was just convinced that people were supposed to be working, not socializing.

I think that they had a very good working relationship. I think Dad did with Laird Bell, too. I think they counselled a lot on strategy. Laird had different viewpoints politically and in a lot of other ways, a much, much wider set of interests. He was a thinker and he had a lot of ideas, had a great influence on Dad. Going one notch further, Dad did on Charlie. They were in the right relative roles, of course. Laird was senior and outside and broad and Dad had some of that and a pretty good sense of direction and what we were trying to do with the company. I don't think he spent a lot of waking hours trying to tell Charlie how to do things, although I think he exercised a fair degree of influence where they needed to have change and bring people in. Some of those things didn't work at all, but I think Dad was trying to build a corporate staff, at times strengthen it, and I think appropriately so. A fair number of the things that were attempted, Charlie would not have initiated and some of the personnel changes that were made didn't work all that well. I'm not sure it was easy to work for Charlie in a staff role. The people that he had

the best relationship with were the people that were in charge of their own parts of the company and not working directly for him or in any support role. I don't feel that was true of Dad. Corporate people worked pretty well with Dad.

Edgerly

Were there aspects of the business on which your father and Charlie might very well have been diametrically opposed to one another?

Weyerhaeuser

I wouldn't know the answer to that. My guess would be that Dad would have had ideas for change and cooperation/coordination - working with F. K. and the Sales Company - that for Charlie would have seemed, from a manufacturing and mill point of view, somewhere between unneeded or undesirable.

Edgerly

What about labor? How would each of them have come down on the issue of labor, including cooperation between labor and industry?

Weyerhaeuser

I would be surprised if they had different views or perspectives. I think those matters during the period of the '30s were evolving. A great deal of change was going on and I'm sure in the early stages there was a lot of resistance. There wasn't a lot of statesmanship being exercised in the industry or by us. It was a typical evolution, maybe it still is. I'm sure that Dad and Laird Bell would have had broadly different ideas about that, but I suspect that Dad and Charlie, and I'd say the mill managers of the whole system, were alike on labor. I don't think we ever did have strong leadership or theoretical longer-term objectives and labor management philosophies that were leading us down certain paths. It was much more a step at a time, confrontational mostly. I don't know an awful lot about those times, either. My impressions of the work force in the early days were that they were pretty damned independent individually and pretty independent in terms of area and I don't have any strong sense or any real sense of any corporate (plan). Now when we started to try to work on industrial relations, introduction of training or even management succession, a whole lot of things, it was like pulling teeth to get any significant amount of change introduced. But I don't have any recollection of them discussing it. I didn't say there wasn't any concern. Labor problems were real and severe periodically. You were always treading a fairly fine line between labor rates and lumber prices.

Edgerly

I guess most people would probably say that of the personalities among the company's leadership at that time, Charlie was the most formidable in terms of people being able to approach him; you mentioned that yesterday. What was it about Charlie that caused people to feel that way?

Weyerhaeuser

I think he was short, to the point, brusque. You knew you weren't engaged in a social interchange. You were talking to somebody who's got a lot of information and is on top of things, was there to do a job and expects you to. So the small talk was very little part of Charlie's makeup; it was his personal style. I wonder if Charlie's secretary, Ruth, is still alive.

Edgerly

I don't know. We do have an interview with Charlie, of course, that was done before he died...

Weyerhaeuser

Yes. Who did that?

Edgerly

But he wasn't happy about it at all.

Weyerhaeuser

No. I read it. I know he wasn't happy about it.

Edgerly

Actually, there were two.

Weyerhaeuser

Did you ever talk to him?

Edgerly

I met him but we ever really conversed at all. The thing I think I remember most distinctly was his very gravelly voice.

Weyerhaeuser

Did Art McCourt do it?

Edgerly

Art did the second one. The first one Woody Maunder, I believe, did and I'm not sure it was ever released.

Weyerhaeuser

I'm sure that probably was a disaster - in terms of personalities for one thing.

Edgerly

I don't think it ever saw light of day.

Weyerhaeuser

Yes. Charlie never let it out.

Edgerly

Then Art did a second interview. Art and Charlie seemed to be able to communicate pretty well. Art would go and play dominoes with him.

Weyerhaeuser

It would help if you could get him on subjects in which he was interested. I'm sure that if you came at it conceptually a lot of the things you might try him on he might think were unimportant or irrelevant and then he wouldn't probably, knowing Charlie, volunteer anything. So unless you got onto the right subjects, he'd probably dismiss you out of hand.

Edgerly

I would imagine. Given the fact that you did come from Springfield and knowing that your first job was going to be as Charlie's assistant, what could you say you learned most or learned best from working with Charlie?

Weyerhaeuser

I'm not able to associate it with that particular new arrival period. I think he was a very, very good leader and taskmaster in the sense that he focused your attention on the basics and I think that his concentration and combination of experience and asking the tough questions is a good example of that. I never felt it was a waste to spend time with Charlie. We talked about basic things. Surely his experience and inclinations were in the manufacturing side of things and I'd had a fair amount of first-hand view in the previous years at various operations of the company and I felt comfortable dealing with Charlie on those. I think if I'd been in some kind of a broad assignment, staff work or something, I would have been scared to death probably, because not only I wouldn't have known it, he probably wouldn't have been too interested or was likely to be critical.

Edgerly

Was he good at delegating responsibility?

Weyerhaeuser

In the sense that he didn't spend a lot of time holding hands. You were out there to do it. Now in another sense, when it came to capital plans and other things, it was pretty clear that you were going to have to justify what you wanted. So yes and no. But I think, yes, in the best sense. I didn't have a feeling they were looking over my shoulder in a very rigid fashion or that I didn't have a lot of leeway and a lot of responsibility. I think that's my sense of delegation. They had a pretty detailed tracking system on the performance of these different units and what was going on, so it wasn't that he delegated and forgot about it or that he was unaware of what various parts of the company were doing. I think that's a pretty good combination. So you didn't feel like you were disassociated from your boss or from the senior management of the company. Yet you had quite a lot of responsibility.

In many ways I think Howard Morgan had those capabilities, too. He knew the business up, down, in and out. Both of them could and did make decisions easily and communicated them; they had a good grasp of what they were trying to do and what was going on. I think Howard was running a business really, for the company. He worked well with Charlie, too. I don't know why that chemistry necessarily worked, because Howard was one tough cookie, I'll tell you.

Edgerly

That's what I've heard. Let me flip this over.

The interview with Mr. Weyerhaeuser recorded on Tuesday, April 3, 1984 continues on Tape V, side two.

Edgerly

Did they (Charlie Ingram and Howard Morgan) communicate much directly with each other in business or was much of their contact through other people?

Weyerhaeuser

No, I think Howard and Charlie talked quite a bit. I don't think Charlie ran, or tried to, the Pulp Division. He was intimately familiar with, and came up through the logging/lumber side of things. The people that worked for him in the branches were in charge of those operations and I think that he exercised a lot more control in management in those sectors. Whereas we were building a business on the side in pulp and Howard was the strategist. In terms of the people, they were Howard's people. They were of different training, different background, different culture, which is what the pulp and paper business has always been in this company, had always been and, to this day, remains somewhat aside. It's different, it takes a different set of skills, different kinds of people are in it. I think the lumber business and logging, the timber side, have always been more rough-and-tumble, school-of-hard-knocks, learn-it-by-doing kind of business; more of an owner/operator kind of a business. That carries over into the big companies. I think the character's more of that nature. The pulp and paper people are of a much higher education, more specialized. There's more interchange among companies and industry culture. People move across companies more. Obviously the loggers in the old days changed, floated around. I guess you'd say that's true in the sawmills too, but in the times we're talking about, there was more stability, I think, and less inclination in the Weyerhaeuser mainline old businesses to hire outside. So as we were building the pulp business, we were bringing in different, new kinds of people. A new mill would tend to start up in the industry and some of our supervisors and hourly people, everybody, were potential applicants. So the affiliation, I guess, was tied to training and experience. The people were tied closer to the industry with less of an affiliation with the company. We managed it as an isolated part of the business in the early days. (This was true) right up to and including Howard. Howard came from the outside, he worked for Dad.

Edgerly

He brought a lot of people from the outside.

Weyerhaeuser

Yes. Charlie and Howard, I know, talked about things. I didn't sense any barrier or any conflict there. But between, say, Charlie and Jon Titcomb it was a different relationship with the lumber business background. John Wahl in the woods and Linn Reichmann and the mill managers, they clearly worked for Charlie Ingram. The pulp managers clearly worked for Howard. At later stages, when I was the manager at Springfield, we'd all get together out at Charlie's and rub elbows and have a great time, but it was clear we were members of different teams, subsets of a team. Incidentally, I think they were a great bunch. I thought that Howard's selection of people (was good) and he did quite a bit about bringing people in and seeing to it that some training was done. Yet he was a strange mixture himself, because I never saw anybody that I thought was absolutely colder, if you just judged by his appearance and by his unresponsiveness; it was just blank. No clue as to whether he was in a good mood or a bad mood or whether he cared whether you were alive or not. I was a pretty good friend of Howard's. I was in a position where I knew what Howard thought about on many subjects. He was concerned about what I was doing and he helped immeasurably getting me started. But I think in contrast to what I would usually say about my relationship to the company, I think it was a really major advantage that I was my father's son with Howard. He liked Dad, and he worked hard at including me in things and he talked to me. So I felt that Howard was interested and that I could and did visit with him. I had kind of a dual relationship. He was, in a sense, partly my mentor and I'd say that's an unusual statement to make. I'm not sure I was peculiar in that regard. He was a strange man, because he had a lot of interest and a lot of warmth, I think I mean it that way, although you had to be able to divine that by yourself. A lot of the time externally you couldn't tell it. Think back on it, the three of them were all very, very strong personalities. It's really kind of fabulous that they worked so well together.

Howard worked at getting good people and thought about it a lot and yet, Howard could turn off on somebody and they were in absolutely tough shape. He seemingly made some of these moves and judgments when somebody'd lose his confidence. I marvel at the combination that he appeared to be. I couldn't understand some of the things he did and the way people reacted on the one hand and some of the things you could observe him doing on the other. They seemed completely inconsistent. I don't know whether Howard

was changeable; I don't think so. He was a darned hard man if you crossed him, whatever dimension that crossing took.

Edgerly

Do you remember, either from the time you were at Springfield or when you first came to Tacoma, something that is referred to in the records as "Hell Week"? Can you describe it to me?

Weyerhaeuser

Yes. We got the whole management group together and everybody had his place on the agenda and reported on his operations and everybody listened to everybody else. We had the whole bloody group. I'm not sure how much staff. These are the operational guys. I'm a little fuzzy to what degree the corporate staff was involved at the time. I think they participated in the sense they were there, but I'm not sure that they lectured us on their specialties.

Edgerly

Did this include the pulp and paper people?

Weyerhaeuser

Yes. It varied, I guess, from time to time, but I think most of the time we had all the operations. Of course, we had various iterations of that after Charlie and Dad were gone.

Edgerly

Do you remember it as truly being a hellish week?

Weyerhaeuser

Oh, it was interesting. Long and arduous, but interesting. I think I regret its passing. It was a pretty good way to get a flavor of what was going on, what others were doing. I think it was during the course of Hell Week that we would go out and get together at Charlie's one night. We usually had some management gathering, at least a significant portion of us. It gave you a little bit of a sense of belonging to a larger group.

Edgerly

Were careers really made and broken at times in these confrontations that took place?

Weyerhaeuser

I doubt it. No, I don't think so (laughter). Well, there were some. I'm thinking about some later years, some fantastic things. We had a guy running the hardwood, veneer, and plywood business we acquired.

Edgerly

You mean Roddis?

Weyerhaeuser

Yes, Roddis.

Edgerly

That was acquired in '61.

Weyerhaeuser

Yes. A guy named Tony Bandick (sp.?) was manager for awhile. He worked for me. I'm not sure he'd ever been up there before. I remember at least one occasion when he got up and talked to this whole big crowd. He went on for about 15 or 20 minutes. We couldn't tell whether he was serious or being funny about half the time. He was talking about what a good job they were doing selling knotholes, what a big, tremendous overrun he was generating. I think he was serious, but you certainly couldn't tell for sure. It was so far from being anything that made any sense. You had to wonder if he was in his right mind.

Edgerly

So what happened?

Weyerhaeuser

Eventually, I figured out he wasn't doing all that good a job and we agreed to part company. It was a stark contrast with the old, conservative, detailed, well-organized company, to have this crazy guy coming in there and lecture us on the niceties of running a hardwood veneer business. That was something else. But we had a strange mixture of people when we started acquiring things. It was a cultural shock for the company. It was

interesting; there were some pretty good guys, but business practices... The same thing is true of the shipping container business, to a degree, of the paper business. Every one of them was different. You just kind of assumed that they all had the same motives and background and it's the farthest thing from the truth. These industries are different, small and intermediate companies are different. A fair number of wheeler-dealers come in that way and they don't fit this culture very well or didn't. It took us sometimes quite a while to recognize that and make changes.

Edgerly

I'd like to spend a little time talking about that. But first I have a couple questions about F. K. I wanted to get in, if we could. He represented, perhaps, one of the critical elements between January of '57 and the time he left the presidency of the company in 1960. You mentioned that you thought it was difficult for F. K. to pick up and move his home out here for that period of time. Another thing that strikes me about that time period is that, in fact, he was president and presided over the liquidation of the Sales Company, a company that he himself had been instrumental in the development of. Obviously, there were some pretty tough decisions to make. Do you have any observations about what his special interests were and what direction he wanted to see the company go in that short period of time?

Weyerhaeuser

I think he came West with sacrifices. My sense of it is that he uprooted everything, family and social and vacation and everything else, at a fairly advanced stage in his life. They had quite a complete set of activities that he and my aunt jointly and individually were involved in, ranging all the way from opera to politics. Aunt Viv had been very active in politics. And they had lots of friends. I never met anybody that gathered friends any more easily than my uncle. He really enjoyed people. It was a traumatic shift. I think he was concerned about the leadership of the company, but I don't think it was in any sense an emergency. I think he came with very real confidence in the continuity, in Howard; Charlie was still here and Joe Nolan. I think the company was in pretty good shape. He didn't make any big sweeping changes, as I recall, in the organization. He was there to counsel and direct.

I'm not sure about the Sales Company. The reason I say that, I'm not sure about the dates. Maybe you know something I don't, but my impression of the Sales Company thing is that I did it.

Edgerly

It actually was '59 that it was disincorporated. So, while you certainly would have been here in Tacoma, F. K. was president.

Weyerhaeuser

Yes, but I think he went along with what I perceived as a needed interaction. I think it was associated with the degree of remoteness and frustration that I felt. I needed to pull together in order to run the wood products activities more effectively. Bob Douglas had worked for F. K. for years and years and that was not an easy, by any matter of means, transition for Bob personally. That said a lot about the Sales Company, too. We had made a decision based largely on Joe Nolan's and the lawyers' evaluation of the situation and the trends that added up to a need, as they saw it, to straighten out the Sales Company's relationships with Potlatch and Boise. We felt we were increasingly going to be in a vulnerable position in the joint sales approach and we went through quite a lot of soul-searching about that. And, in a sense, coming out of that, Potlatch was launched off onto generating its own sales capability. A lot of people thought that was a mistake; probably a lot of people still do.

Once crossing that bridge, the Sales Company was going to be the sales arm for Weyerhaeuser Company and more narrowly, Weyerhaeuser wood products, which was me. So, instead of seeing each other occasionally and having the Sales Company devise its strategies back in St. Paul, with coordination between stock offerings in Tacoma and prices accomplished through a sales company function. (We decided to end) that dualism between Tacoma and St. Paul. F. K. and Bob Douglas moved out here and we decided that we were going to move down the road toward independence in the sales functions of Potlatch-Boise and Weyerhaeuser Company. I don't know to what degree I accelerated that process, but it seemed like a logical step. I don't remember any trauma associated with F. K. at all. I couldn't tell you whether we had long talks about it or not; we probably did.

Edgerly

Knowing that he had been so deeply involved for all those years in the Sales Company, it seems a little ironic to me that the disincorporation occurred during the very brief time that F. K. was president.

Weyerhaeuser

But I think that you have to put it in a larger frame and say, "Where were we?" These legal decisions came prior to that time. That's in the records, too. I can't do the dates, but I know they took a pretty thorough look at the thing. My impression is that might have been as early as 1950. Of course, we had quite a little contact with the lawyers through Laird Bell and Joe Nolan, Budge Cook. I'm not sure, from a lot of points of view, that if we didn't have any antitrust considerations (we would have done it). But once the split was initiated, the disincorporation of the sales company and pulling Weyerhaeuser Company's wood products marketing together with its other management functions in Tacoma seemed logical to me and that's what we proceeded to implement. The family has always had these independent companies associated with various individuals in the family way back from the early days. There was not any kind of sham or any front in terms of independence. I don't care whether you're talking about the Wood Conversion Company and Ed Davis or whether you're talking about Potlatch and Fritz Jewett or the Sales Company and F. K. or Weyerhaeuser Company and its own mills. There was a hell of a lot of independence and independent judgement on what to make and how to price it being exercised in a lot of different places. So, in fact, we were not guilty of anything in terms of sacrificing one set of shareholders or customers to some central authority or purpose. But times changed and as the Sales Company could no longer carry out the marketing function for all the companies, we pulled the Weyerhaeuser Company marketing management into our headquarters and tied it to our wood products group which I headed at the time.

Edgerly

The rest of the interview with George Weyerhaeuser continues on Tape VI.

This is a continuation of the interview with George Weyerhaeuser, recorded on Tuesday, April 3, 1984. This is Tape VI, side one.

Weyerhaeuser

So, I guess what we were talking about is having that occur (dissolution of Sales Co.) in the particular time that F. K. was here. Maybe I'd have had more difficulty in doing it if he weren't here, in a way. As I say, I don't remember any trauma associated with it, but I'm sure that if my uncle were sitting in St. Paul running the Sales Company... Although that probably was somewhat of an exaggeration, too, because Bob Douglas was running the Sales Company and one of the things that we were doing was bringing Bob in so that I could certainly talk directly to him and we could make decisions together as opposed to couple thousand miles apart. It was anything but easy for Bob. He had an awful lot of independence. They had their own sense of purpose and corporate form. That didn't disappear all at once. I had a difficult time trying to communicate whatever changes were inherent in what we were doing, and come to a meeting of the minds with Bob. Bob had a very strong "sandbox" mentality, you know, protective. He could read the handwriting on the wall, but was not accepting it all that easily. And he was working for a relatively young man. It wasn't easy for him.

And then we went through another trauma as we acquired Roddis and brought all that in. That was a big change and a different philosophy. It was a period of a lot of uneasiness. One of the things we did, I'm not so sure it was conscious and certainly was not with malice aforethought, but we did put a lot of the Roddis people in key positions in time. It was a little bit of a question of who took over what. I think as you looked and watched what we did with Jay Wallenstrom, who came from Roddis and became a lead sales guy, some of the older Sales Company people phased out. So it was not just a one-step Sales Company coming to Tacoma; it was a whole series of things that changed the leadership.

Edgerly

Who initiated that acquisition, do you know?

Weyerhaeuser

I can't remember.

Edgerly

What was the company looking for?

Weyerhaeuser

Distribution, broader distribution, broader product line. I think we felt that the distribution centers made sense and we could put more product through more effectively with a combination. I don't think it was the result of our dying to be in the hardwood door business, for instance. It all hinged around the sales. My guess is that we probably became aware that they were thinking about doing something different. As far as who initiated it, I don't think we had a grand scheme (such as) looking at all the various distribution companies and deciding that we were going to go after one of them. They seemed to be doing a few things that fit. They brought the California operations with them.

Edgerly

Which of the California operations?

Weyerhaeuser

Arcata, not Arcata Redwood, a plywood plant and a particleboard plant. They bought plywood. Roddis was handling a lot of plywood, so there was plywood and plywood was a distribution center item. So we looked at it as a vertical and increased geographic spread, an integration towards the market. It was a mixture of things. A fair number of those hardwood products, the door lines, while they were stocked in these distribution centers, there were a lot of them sold directly to institutions needing specialized products, specialized sales. So it didn't amalgamate all that well. Just because you have hardwood plywood, softwood plywood and they can be handled physically through the same kind of facility doesn't mean that the marketing was necessarily the same. A lot of it was architectural plywood, very high priced, specified by job and it went to the job. They handled birch plywood and softwood plywood. It was that fit that seemed to make sense to us and once acquired, as I say, we did build onto that organization. We picked people out of there and, as we developed a region sales system, a fair number of the Roddis people became the region managers in the system. They got a heck of a lot more than their fair share of the sales responsibilities. I don't think that was anything we did intentionally.

Edgerly

I've heard comments on both sides with regard to the matter that you referred to earlier, that is, trying to integrate one kind of organization with another. I've heard people who were from the Roddis side say they felt that they got cut off at the knees in terms of their own progress, and I've heard people from the Weyerhaeuser side that the Roddis people just didn't fit in, their personalities were different, their approach was different. Obviously, those two viewpoints are going to exist in any situation like that where you have some overlap. What would you say were the major differences in character between people who came to this merger from the Roddis side versus those who represented the Weyerhaeuser tradition, as it were?

Weyerhaeuser

I don't know how to generalize about that, really. I think the nature of running a business that's not overly imbued with capital and long-term resources and a lot of high value, high capital, high volume kinds of assets, tends to be shorter term, tends to be more expedient, tends to be more highly reactive to changing conditions. I think that the Roddis people were a lot more short-term-business-oriented kinds of people, as they should have been. We were running a big sales organization, broadly serving the retail trade and selling carload quantities to retailers all over the country. Our people had a tendency to be order takers. Traveling around with some of our sales people, I was always kind of impressed how much continuity they had, long service in the territory. They were really the purchasing agents for a lot of their customers. In one sense that was very positive. They were trustworthy and we were dependable and they did the best they could finding through our system what they could get at a cheap price. That's on the sales end now. They were volume oriented. So you had a system of movement-volume to market. I think superimposed on that comes the sales bureaucracy. That's an unfortunate term, perhaps. I'm not quite sure how much real profit orientation and innovativeness was either generated or tolerated in that. They carried out a kind of a workman-like job as they saw it and probably too narrow a responsibility, given the remoteness of it. The people who were concerned about price and tend to be at the mill or stock and price in Tacoma got more of that and played a key role in that. There were some pretty tough guys in there.

Edgerly

So what you're talking about is the difference between a fairly aggressive organization, Roddis, and a more protected environment here.

Weyerhaeuser

Yes. If you sit in the center of something as a wholesaler and your orientation is to move your material, that's kind of what we were. In fact, we were even selling to wholesalers, so we were a wholesaler to wholesalers. We never really liked to admit that to ourselves. And we always had difficulties when we tried to do industrial selling or we were trying to develop wood products or something. The organization was not really well equipped or allowed or some combination of the two. I'm just talking about the generality. The Roddis management, I think, were fairly tight, fairly tough people. A couple of them wound up running our sales organization. I have the highest regard for them. Shrewd, hardworking. Ted Magarian and Jay Wallenstrom. You'll find people in this organization today, I'm sure, who have a very different view of them. They were doers and businessmen, as contrasted to, perhaps, a much broader, cog-in-a-wheel kind of situation that I think our Sales Company involved.

I'm not talking about back in history. I think the Sales Company in the earlier days was a leader in our system. They were doing things to make sense out of the product lines and they were working back of the market to influence what the mills were doing. They did manage in terms of credit and customer selection. So I'm not making a blanket statement; this is as I saw it in the '50s. If you go back further in history, from what I've read, heard and felt, I think we had a lot of leadership and strength in St. Paul and in the evolution of these companies coming from the Sales Company, or from the combination of the Sales Company and General Timber Service in handling the accounting and credit. It was a pretty darned good job they did. It was more in the later years, when we got bigger and more volume, they got more remote. I felt that the move toward a closer relationship and directing ourselves collectively to what we were trying to do for Weyerhaeuser Company with sales playing a larger role in the marketing decisions by those of us who were responsible for wood products, was a move that needed to be made.

Edgerly

It almost sounds as if you see the Sales Company as having gone through its evolution, having reached perhaps and passed the highest level at which it could make a contribution. Is that an accurate summary?

Weyerhaeuser

I think so. Or, in order to make an improved contribution, I think we had to find out how to work more effectively together. Then you put the anti-trust on top of that. I think some of the reason was to cover more territory, spread more volume, afford to put the salesmen in territories that inland products and others could help carry. Of course, change kept going along with the small retail yards where we were strongest losing ground. Looking back on it now, we had to shift both product mix and we had to shift territory as freight changed and product mix changed. In those rural territories, where we were very, very strong in the Midwest, they needed mixed cars and the retailer could get everything he needed and the only way he could get a carload was to take 50 items. That was sort of our strength. That was, through time, eroding in that we didn't have as broad a product mix.

Of course, we had retail yards for awhile, too. That was a great deal of debate about that. Charlie always felt we gave them away; that we should have kept our retail yards. They were not all Weyerhaeuser yards, but there were Weyerhaeuser Company's Thompson yards and there were other line yards, such as Rock Islands yards. They were very small businesses and they couldn't afford to carry much overhead, they couldn't afford to pay managers very much. They were managing inventory and receivables. The line yards didn't do all that well out there. The market was changing. The Laird/Norton people, who've acquired a lot of yards, manage them differently, and Boise did. But I think that retailing was changing. I'm not so sure that managing yards in Fargo, North Dakota and other things was really going anywhere. Although I think Charlie's view was that we sold them too cheaply, probably. I think further than that, that maybe we should have run them tougher and better.

So there were lots of changes going on. If I had to do it over again, I don't think it was a question of whether; I think it was a question of when and maybe F. K. felt the same way about it.

Edgerly

You became a member of the board in 1960, I think, on the occasion of the annual meeting that year. F. K. resigned from the presidency in February of 1960, which meant that Norton was elected president before the annual meeting.

Weyerhaeuser

F. K. was 65, I guess. He was born in 1895.

Edgerly

I don't think at that point age made any difference. I don't think there was a retirement rule. I think that was instituted later on.

Weyerhaeuser

I know we had some pretty old board members, but I don't know about CEO.

Edgerly

I believe he could have continued to serve if he had wanted to, although I'd have to check myself on that to be sure.

Weyerhaeuser

I've had it in my mind that F. K. retired in the normal course of events. I don't mean that there was anything signed in blood. I can't remember the sequence of this. Howard Morgan and I and Joe Nolan all were made executive vice presidents and put on the board, I think, simultaneously. My guess would have been it was 1960 or '61.

Edgerly

May '60 is when you became a board member. In any event, I'll check to see exactly how the age bracket may have affected the situation with F. K. But do you have any sense about how the decision was made for Norton to succeed him, even though you were not on the board and therefore wouldn't have been a party to the negotiation or discussion?

Weyerhaeuser

No. Knowing how things were done in those days, my hunch would be that that was a function of three or four of the board members, including F. K. and Laird (Bell) coming to the rest of the board. Howard Morgan, Joe Nolan and I were put on the board as senior executives in the management transition under Norton and I think it was a logical thing to do. I think it was the same meeting, but if it wasn't, it was nearly simultaneous. We hadn't had management on the board. I'm not sure we ever did.

Edgerly

Charlie would be the one exception.

Weyerhaeuser

Sure. That's right. And when did Charlie retire?

Edgerly

'60.

Weyerhaeuser

Same time.

Edgerly

I believe his retirement maybe was effective the first of January 1960.

Weyerhaeuser

And it was probably Charlie's retirement that triggered appointment of Howard and me and Joe.

Edgerly

Except Charlie remained on the board. You mean being appointed vice president in charge of the various groups.

Had you had much contact with Norton Clapp prior to the time he became president?

Weyerhaeuser

No. I knew him. Norton never had any, I won't say never, but certainly very, very limited, other than board, responsibilities with the company. So he was not in any sense an inside director. He was secretary of the company for years, but I wasn't aware of that being other than a nominal involvement. I don't think it was and I think he was an officer, nominally. As I look at Norton coming on as CEO, I think they basically decided that they were going to pull him off the board and make him president. But I had never worked with him.

Edgerly

Did he involve himself in day-to-day business decisions? Would you consider him a CEO in the sense of being on the scene?

Weyerhaeuser

Everybody does different things. I think that Norton came as an accomplished lawyer, businessman, investor, not inactive, very much the contrary. He brought a lot of both procedural and business risk know-how to the table. He brought all that with him and exercised it. I guess I'm trying to draw a contrast; when you say day-to-day... Norton formed his own ideas about who he wanted to do what and how he wanted it organized. His ideas didn't agree with everybody's by any matter of means. I know that nobody had trod on Howard Morgan's territory from the beginning, but Norton did. When we had acquired Kieckhefer in '57, Howard was very much integral to that process. I'm sure he led the acquisition. Somewhere along the line, Norton decided that he ought to separate out the shipping container business from Howard and put Ivan Wood in charge of it. I'm saying this to illustrate that he didn't come in here as a custodian. He had his own ideas about what to do and did it. So he was actively involved.

Day-to-day in the sense of sawmills or wanting to spend a lot of time with me on what was going on in location A, B, C, D, E, I don't have any great impression of that. I'm sure Howard would have given the same answer. Howard was running, the part that wasn't carved out anyway, for a long time. Norton had worked and was certainly thoroughly compatible with, knowledgeable about, a lot of Joe Nolan's activities and worked very well with Joe. He had his own sense of things that he wanted to do that were kept up, a lot of external direction things. He worked very hard at it. He didn't come in once a week to see how we were doing or anything. Norton was very much involved. It's certainly fair to say that Howard and I and Norton did not agree on everything. We had differences, but it was not an atmosphere in which we were not allowed to carry out our responsibilities. So when he wanted to change the direction or something, we thrashed it out and changes were made. If you were to compare him, say, to Charlie Ingram, for instance, in terms of intimate knowledge and areas of interest and following what was going on, there was no comparison. Of course, Charlie wasn't the CEO, either. So, in effect, we inherited the full responsibilities that Charlie was carrying, subdivided a couple different ways.

Edgerly

One of the changes that I see most readily as a result of Norton's being chairman are some of the alterations that were made in the board and its structure. He introduced what appear to have been some major changes not only in membership, but how the board did its business, and the expectations that were placed on board members. Certainly the fact that some new members of the board were introduced at that time or during that time would be an example. Do you remember any major difference in the way the meetings worked and the role that the board was expected to play as a result of Norton's being president?

Weyerhaeuser

Of course, that was my first time on the board, so I'd never attended meetings. Maybe there was a little transition there, but it wouldn't have been much.

Edgerly

I thought maybe you would have seen some evolution, let's say, over a period.

Weyerhaeuser

Again, I remember in the early days we had Herb Kieckhefer and Joe Auchter, Ed Hayes, F. K. They had all been the senior counselors. I think they put in an age limitation somewhere along the line. O. D. Fisher was on the board. O. D. was about 80 years old or something. He'd get to talking, and you couldn't stop him. He'd get to talking about Louisiana Longleaf Lumber Company in Louisiana. Incidentally, I sat next to a lady at a dinner Friday night. Said she had quite a lot of Weyerhaeuser stock. She said, "Do you know much about Snoqualmie Falls?" I said, "Well, I know a little bit about it." Her name is Grandin. There was a company called the Grandin Coast Lumber Co.

Edgerly

That's right. It was one of the investors in the formation of Snoqualmie Falls.

Weyerhaeuser

It was one of the investors in Snoqualmie Falls, along with the Fishers. I don't know what form the Fishers' investment took, whether or not they had a company, but it seems to me there were at least three groups. She was one of them. She was also involved in Louisiana. I said, "Yes, I think I remember a little bit about Louisiana." I'd heard O. D. Fisher talk about it at board meetings a long time ago.

But the board was pretty big and pretty much all ownership and fairly old, so the meetings tended to ramble on. That's my first recollection of the board. Now obviously, as time went along, it got smaller and there were some additions to the board. I guess Hauberg was on then. O'Brien came on.

Edgerly

O'Brien would have been one of the first outside board members, I believe.

Weyerhaeuser

Right. And of course, Bob Kieckhefer was on then. So of the current board, only Hauberg and Kieckhefer preceded me or preceded us, and then O'Brien, I guess. But with Herb and Joe Auchter, these were businessmen. They understood the shipping container business. Joe Auchter was a very shrewd and very able businessman in a lot of different respects. So they got involved in the history or business aspect of a part of the business in a major way and they, of course, were very major shareholders. John Musser was on there, Carleton Blunt, all the historic representations were on the board. We began to shift then, to try, as retirements came, to get the board smaller. We reduced the representation by attrition in the families and we've evolved now to the point where the families that are still represented are represented by single members. We did that consciously. We felt we ought to bring in strong outside board members. Then we were, from time to time concerned with what's the best size board; we had different views of that. Generally we felt we didn't want a great big board. It got too big at one point there; I guess we had 15 or 16 members. In recent years, we've brought in younger members, Bronson Ingram, John Driscoll and Bill Clapp, so we've got, I'd say, the next generation of family representation. Bob Wilson came on about the time I became CEO, I think. Bob was experienced in the lumber industry in Oregon. Let's see, who else? We brought Grant Keehn of Equitable on the board. He was on for one year. (Mr. Keehn joined the Board of Directors in 1964 and served for approximately one year.)

Edgerly

Among those people whom you've named, who would you say were the most forceful personalities?

Weyerhaeuser

I certainly think Bob fits into that category, Bob O'Brien. He was both forceful and took a lot of interest. He has always been well informed and works at it. I think Joe Auchter was a very forceful individual and knowledgeable. He was going off, though, not coming on, I guess.

Edgerly

What about John Musser? Was he very active?

Weyerhaeuser

John was always very interested and always had ideas and always had a lot of questions and concerns about what we were doing. There were certain areas of activity he was very much interested in: personnel matters and sales, part of his background. He always had some things he wanted discussed or wanted us to think about various different approaches in terms of education and training and employee relations. He did a lot of reading, had a fair number of friends and associates, I think, in the field. That was a particular interest over a number of years, a long number of years. He was on the board a long, long time.

Edgerly

Did his opinions on such matters carry weight to the degree that it influenced some of the company's personnel policies?

Weyerhaeuser

I think he kept us exploring always. These are not typically matters of board decision that he was engaged in, so I don't think he was having any particular influence on board decision-making, more on management. He did have an influence there. Of course, Herb Kieckhefer and Joe Auchter had a lot of ideas about how we ought to be conducting our business in the segments that they were familiar with.

END OF SIDE ONE

This is a continuation of the interview with George Weyerhaeuser on April 3, 1984. Tape VI, side two.

Weyerhaeuser

Ed Hayes and Charlie were always well informed about the lumber and timber side of things, very much interested in our forest policies, cutting practices and sustained yield and broader than that, I'd say. Probably Ed and Charlie knew more during their board service and after. They had lots of contacts in the industry, in the area, with our management and so they continued an active interest and were certainly forceful in the major decisions that were made while they were on the board. As, of course, was F. K. He continued to be actively involved. So we had some strong and experienced owner/managers.

Edgerly

To get back to your career path in a general way, I did a little bit of reading to see what I could find out about the business cycles in wood products during those first years that you were responsible for wood products. I found out that sales were off and production was down because sales were off. Prices were not as good as they should have been. Do you have any specific recollections of wrestling with problems that were caused by the slumps of the late '50s and first couple years of the '60s?

Weyerhaeuser

I don't know the dates you picked. Are you talking about when I went on the board or when I became CEO?

Edgerly

It would be during the period of time in which you became responsible for Wood Products in particular.

Weyerhaeuser

We also had a big sag in '67 or '66. I'm sure another one in '70, about every four years or so.

Edgerly

I was thinking about it from the standpoint that that would have been the first time you were responsible for one particular group and yet you were faced with what was a very difficult time in that business.

Weyerhaeuser

I don't have any strong impression of that. I have a strong impression of periodic cycles and the reactions. Usually we were reorganizing. Nothing ever went along a nice, steady path with programs and the markets cooperating. But I guess that wasn't anything too new. I wasn't overly concerned with the short-term situation. I think that I'd been around long enough to know that what goes down often goes up.

Edgerly

So you don't remember feeling any particular sense of pressure as a result of that?

Weyerhaeuser

No.

Edgerly

The company changed its name in 1959 and devised a new logo at the same time. Did you have any discussions with colleagues who expressed certain feelings about it or mentioned the loss of a particular identity by dropping "Timber" from the name?

Weyerhaeuser

I don't think it was a particularly traumatic event. I think there were individuals and I think a sense of loss in some people's minds. There was a sense of history and what we were all about. I was close enough to the changes. They had corporate identity advisors coming in. I thought the transition was done well. There's still some nostalgia associated with it. I see old-timers that still own shares or old employees who, to this day, refer to it as the Timber Company. I guess we all did, as a matter of fact. But we were changing, more products, more exposure. I think it made good sense. I certainly didn't get out the crying towel or have any great sense of internal revolt over it. Maybe more shareholders were concerned than employees.

Edgerly

There was a re-education program, I know. They made quite an effort to introduce it, to phase it in with a fair amount of information about what was being done and why.

Weyerhaeuser

Yes, that's what I mean. It was reasonably carefully devised with some considerable follow-through.

Edgerly

What do you remember about the Columbus Day blowdown in 1962? Certainly Wood Products and Land and Timber were affected in a major way, to say nothing of the fact that the company was affected in a major way.

Weyerhaeuser

Again, it was a major event which required a lot of adjustment in terms of logging plans, but not unique. It's kind of like my statement about cycles; it seems like there's a cycle of natural events, which is too frequent. We certainly had major salvage operations in connection with fires, in connection with the Douglas-fir bark beetle, particularly in Coos Bay. I can't even remember the dates. We had the hemlock looper in the State of Washington. Then something was hitting the white fir. I can't remember what that was. All these have dictated new logging plans. The Columbus Day blowdown was more extensive, bigger amount of timber. There was a lot of concern about what was going to happen in terms of logging costs and recovery rates. Looking back on all those things, I think the company was well served by its ability, as at Mt. St. Helens, to extend our transportation systems and logging areas rather rapidly. Thank god we were truck logging and thank god we were developed as far as we were. We were far enough along in the development of most of these areas that we could in fact access the damaged timber. There was a fair amount of breakage, a fair amount of loss. Maybe you're not as impacted by those things as you would be if you were living on three years of timber, or four or five and you had paid current values for them and you lost them. You'd be viewing them as traumatic economic events and supply events. Whereas, in our situation, I think it's natural - it's a luxury - to view it as coming off the tail end of the harvest. It's not affecting mills and marketing, at least not to the extent that major volumes are lost or that great big product shifts had to be made. So, once you adapted the logging plans and could implement them in a reasonable fashion, all these events could be contained within three or four years. I would guess, the Columbus Day blowdown was the longest.

Edgerly

Who did work on the logging plans after that blowdown?

Weyerhaeuser

Every branch. All the detailed logging plans were constructed in the areas. Certainly we surveyed the total situation and we had a pretty good idea about what the extent was and the logging that was involved. Then each one of the major operations developed plans. Longview seems to be the center of most of these things. You can go all the way from the Yacolt burns to the hemlock looper to Columbus Day to St. Helens, every one of them's hit Longview. But Longview is also a branch where there is a fair amount of second-growth and we have extensive transportation systems in there, rail and road. So we've been able to pretty well handle it. If some of those events had happened in Coos Bay or Springfield a few years earlier, where you have great big blocks of timber, isolated and a long way from roads, we'd have lost a lot more of it. Mainly what it implies is a large scale salvage operation which redirects a lot of local effort. I suppose the other thing that happened to us is we generated, during weak markets anyway, a fair amount of additional wood and a fair amount of whitewood that would have had very little value if we hadn't been able to coincide with the Japanese need for increasing volumes and a preference for whitewood. We were very fortunate.

Edgerly

Many people point to the Columbus Day blowdown and the resulting surplus as being the company's first real step into major log exporting, although there had been exports by the company since the time it started to manufacture lumber. Do you know who pursued that, how that came about, who was the prime mover in arranging for the export?

Weyerhaeuser

I should, but I can't remember. In history we sawed a lot of material that was graded to specification and went to Japan in the old days in the form of big cants. When I was at Springfield, I think we did a pretty consistent big volume of timbers. Our alternative there was to saw them up into little pieces and to ship them halfway across the country at a fairly low realization as utility lumber. So we sawed a lot of low-grade logs up and put them into export. We sawed high-grade up where we got very high prices on selected clears. Or we sawed timbers for Australia or hemlock planks for the East Coast. But all that was part of the lumber business and I'm not aware that the company ever did anything significant in the way of shipment of logs. That isn't to say we didn't. I'm not conscious of logs moving intercoastally or export.

Edgerly

No, that's my impression. As I said, I know the company had exported before that, but it had been manufactured lumber of some sort or other. Consequently, perhaps the Columbus Day blowdown stands out because it does represent an entry into a market that had not been pursued prior to that time.

Weyerhaeuser

Yes, I'm not sure. I think probably Harry Morgan could help us with that. He was probably involved. But I'll be darned if I can remember the sequence was of investigation, first orders, etc. We certainly built up significantly in the early years and then it took off. As in most of these things, I'd be surprised if the Japanese didn't have something to do with it, too. Whether they came to us, I just don't recall.

I know I was very concerned, particularly about the hemlock. It was unmarketable and if we'd been forced to saw all that stuff, the coastal hemlock was not a preferred wood in 2x4 or 2x6 dimensions. We were selling hemlock in 3x12, planks, and that kind of stuff into Brooklyn at very low prices. We got a lot of this hemlock down, some of which was defective, but much of which would just go into dimensions because hemlock doesn't make very good timbers. Even the hemlock we were cutting before the storm was not commanding much of a market or a margin. There's a little bit of a contrast with Cascade hemlock, because St. Paul and Tacoma Lumber Co., and Weyerhaeuser's White River mill had been touting Cascade hemlock for years and years. They made a pretty good product in selling dry dimension. But you weren't going to take that big blowdown on the coast, saw it and dry it. We didn't have either the facilities, the quality of the timber or the market. So the log trade was a godsend. It, of course, evolved into a pretty good quality log, but it was heavily the hemlock and the values that they were able to pay far exceeded in domestic market values, still do, of course.

So, we had incremental volume, a species that we would have had trouble marketing in a manufactured product form, and it shipped very well. We've been at it ever since. We've worked hard, we've got more second-growth fir, there's a lot more fir moving now in the trade we've established.

In export hemlock was the preferred species and demanded a higher price. That's swung around now, so that fir is now probably 50 percent of the volume. We've learned how to

use fir for different things and the preference is not as strong. We've got Canadian competition in the whitewoods, whereas we don't have as much in fir. So that whole thing has evolved as a major demand which came at a good time and "took" very, very well; still does. As we've lost markets in the South, and freight rates have gone up, it has provided us with a very strong additional market in which we are not at a disadvantage to anybody. I can't tell you how we (got into the log exporting). What's even more disturbing, I'm not sure, other than Harry, whom I would ask.

Edgerly

Harry and I did talk a little bit about it, but I'm not quite satisfied with the amount of information we do have about it. It's such a critical turning point in some ways, and yet, we seem to have very little about it in the Archives and people's recollections of exactly how that occurred seem to be pretty vague. Maybe it's just because it was over 20 years ago.

Weyerhaeuser

It started, like most of those things do, a little bit at a time. I have much more of a recollection of the initiation of the chip business, for instance, because we had some people working that. We were dealing with distinct Japanese companies right at the beginning. Then Charley (Bingham) got involved in that business early on.

Edgerly

When did the chip business start to evolve?

Weyerhaeuser

I wish you wouldn't ask me the dates on things like that.

Edgerly

I'll do the research on the dates then.

Weyerhaeuser

I think it was a little later, mid-'60s. It started with Toyo Pulp and at the beginning the Japanese, in order to get the freight rationalized, had studied the situation. Some of them had a pretty good idea of what they wanted to do. They needed a certain size of vessel and insisted on long-term contracts so they could amortize a specialized vessel. We started out that business with distinct, individual customers. We had to put in some

investments at loading points, Coos Bay, later on at the Harbor, Longview, Tacoma. So there was kind of a business growing there that required facilities. We bought chips, so we were buying. Again, there was a very significant price differential to pay for the facilities and to do other things. Once you got them in, then we were in a position where we could rationalize the freight to these points and procure chips. So it became a part of an overall system.

Edgerly

Were some of the contacts that had been made in the log export business part of the development of the chip business?

Weyerhaeuser

I doubt it. Because I think it's different customers and you're talking to the paper companies. That isn't to say that the trading companies couldn't have been parallel, but they would be different departments or you'd go to different customers. It was much more driven, in that case, by the industrial user, whereas the logs were going through the trading companies to a myriad of individual sawmills and associations, so it's much more fractured situation. Whereas, I don't suppose we ever had more than 15 chip customers, we've probably had 150 log customers at various times. Let's say a contract for chips is 60-80,000 tons a year, so you only needed 15 contracts to move a million tons, or whatever. I think we got up over a million tons. The log business could go in various kinds of vessels; small vessels were not specialized and required no onshore investment. You didn't have to change. I still don't know the answer about which trading companies or how. I knew that in the later stages, of course, we worked very closely with Mitsubishi. We developed our own momentum, and were initiating things, but I'm not sure how that first couple of years evolved.

Edgerly

I don't know how much time you have. I feel as if I've glanced off some areas. I haven't maybe come up with good enough questions today and I'll try to work on that a little bit. I don't quite know why. Some subjects are eluding me, partially because it's a transition time, in a way, in your own career. It's a time when you're going from the specific to the broader view. I may be missing some of the essence of that. I'll have to work on it a bit.

Weyerhaeuser

I think it's certainly harder. I said the last time it was predictable, because it's a good deal harder to separate the events and any kind of demarcation points when you're going into broader set of responsibilities. A lot of those events tend to meld together in my mind, whereas things we were talking about the last time were so sharp and distinct and different. I remember the people and the circumstances. I can visualize. I remember talking to my dad at various times. Some of his fondest recollections of various times were associated with Lewiston and Idaho. I always found that to be very peculiar. And yet I'm the same way, I think, in a sense. The formative years leave an impression, the early years, the freshness of the experiences and the satisfactions associated with something that's close at hand and not general and not administrative. Those are distinct. I guess they don't leave you. I guess that's also true as you age, too. I think it's true that older people's memories are sharper in the distance than they are in the present.

Edgerly

I don't think you're at that stage yet.

Weyerhaeuser

No, but I remember that.

Edgerly

I've already got some really broad and very distinct categories that I want to cover from the mid-'60s on, but I've had trouble with this transition period, obviously. I can feel it today. I can feel that my questions haven't really hit the mark, haven't triggered some of the things that I was hoping to learn about. So I'll have to work on that.

One thing I wanted to tell you, because this came to me the other day after we were talking. I thought you might especially appreciate it. I don't think it's recorded anywhere, because it was part of a conversation that John Shethar and I had one time. I think we talked a little bit about the fact that we hoped to do an exhibit about your father at the time that the book comes out. We had done sort of a little prototype exhibit in the Archives to see what our resources were and experiment a little bit with what was available. He said to me, "I remember the first time I met J. P. Weyerhaeuser, Jr." I said, "When was it?" He said, "I was in New York at the time and I was told that the president of the company and his brother, F. K., were coming. This was the first

time I'd ever had any exposure to people at this level and I was very excited and, I guess, a little nervous about the arrival of these two people. I was supposed to meet them." (I guess he would have been meeting them at a train.) "I had the description of these two people, but of course I was expecting someone who'd be very distinctive, someone I could pick out right away. I saw these two people walking across the station toward me and they had hats pulled down on their heads and wrinkled old raincoats and they looked like they were just walking around in Brooks Brothers bags." He said, "I looked at these people and I thought, 'Oh no, that can't be right.'" He wandered around a bit. I guess they sort of circled each other and finally he realized that these were the two people that he was supposed to be meeting. He said, "It took me a week to get over the fact that this unassuming pair were the two people who were making major decisions about the company and so on. I was so pleasantly surprised that this was not some grand entrance being made by a CEO." It was a charming story about his first recollection of seeing your dad walking across what I think was the railroad station in New York with F. K. with their crumpled clothes and hats pulled down over their heads.

Weyerhaeuser

I can associate with that very easily. I guess if there was one characteristic about my dad that sort of would be at odds with the giants of industry, it would be that. He didn't care about clothes. He was casual, if anything, in dress and manner. F. K. was a notch better, but not much (laughter). I don't remember him with a press in his pants; he had old hats. He was a very nice-looking man, but he didn't enhance it any by what he hung on his frame, for sure. The term "rumpled" would be appropriate. It didn't matter too much what the circumstances were. I don't remember him getting shaped up very often. He kind of sprawled around and relaxed. Interesting guy.

I think I saw John the first time in New York in a sales office up there on Park Avenue. God knows when.

Edgerly

I regret deeply that we did not have an interview with him.

Weyerhaeuser

He was very insightful, a very thoughtful guy. I can get you an interview with his brother-in-law (laughter). Have you ever met Spencer Smith?

Edgerly

No.

Weyerhaeuser

A wild man. He's married to John's sister, Lois, an old friend. He worked at Longview for a little while when I did.

Edgerly

Does he still work for the company?

Weyerhaeuser

No. John succeeded him. Spencer was in pulp sales. He drinks like a fish now and I guess he has for a while. He went to Dartmouth. He used to be a great guy; he's a mess now. John worked for him. He ran our pulp sales for ten years.

Edgerly

I didn't know that. Well, in any event, that's one story that John told me and I thought it was rather an endearing story and that you might enjoy hearing it. I don't know if he ever told you that or not.

Weyerhaeuser

No. It generates an interesting picture.

Edgerly

Yes, it is. A very clear picture in my mind, as I see them walking across the station. I have seen photos of your father and there's the one of him, a profile in which he has the hat pulled down and his coat collar turned up. That's a photograph I like very much. I find myself thinking of that picture with the hat pulled down and there was John, probably with his best suit that day to meet these people from Tacoma.

Weyerhaeuser

Yes, all slicked up. Well, another day, another battle.

Edgerly

Another battle?

This is the end of the interview recorded on Tuesday, April 3, 1984 with George Weyerhaeuser. This ends Tape VI, side two.

This is another of a series of interviews with George Weyerhaeuser. This interview was recorded on Wednesday, July 18, 1984. Tape VII, side one.

Edgerly

I want to begin with some of the questions which were prepared for the last meeting. They start us into the period of the early and mid-'60s in which your career made some major changes in direction, and the company did, too. One of the things that interested me were some documents that I found on a Palo Alto meeting in September of 1965. The material on the meeting seems to represent sort of a culmination of what appears to have been maybe even more than a year of discussion with regard to corporate growth strategy. The analysis looked at Weyerhaeuser and its potential. There was a report from the Management Consulting Division of the Boston Safe Deposit and Trust Co. Then I looked at your files on that and found that Norton Clapp and Joe Nolan, along with you, played the three major roles in that process. Can you describe to me what happened in that year or more prior to that Palo Alto meeting and what the discussions were like?

Weyerhaeuser

I wish I could. I don't think I can. I remember working with the Boston consulting group. Interesting exercise. It was relatively new itself. Bruce Henderson had set the thing up. They had views about growth, market shares, learning curves, how, with time and experience, repetitive operations could cut down the cost. As you come down that learning curve, you gain market share; you come down the learning curve faster because you're doing more and more and gaining experience in the field. He had and they had some interesting theories about how as you do that you gain market share, you gain cost advantage. You can come down that curve, you gain competitive advantage. It's a sort of reinforcing process that results ultimately in a more efficient producer being farther down the curve, being bigger. It's a growth scenario strategy.

As I recall, we looked at various aspects of what we were doing. I think we knew the process of examination was probably more important than the result; looking at what you're basically doing and standing back from where you've been and trying to look at where you want to put your emphasis for growth. I think all that was useful. Whether or not we followed a particular recommendation or strategy that came out of it, I can't recall. But I think the leadership of the company was attempting to look at directional change and look at what we were doing and I think all of that had certainly some influence on what we did in the ensuing period. We were in a period of uncertainty and

new faces, both with Norton and Joe, you'd have to add Howard Morgan to the list, I think.

Norton was certainly interested in and an advocate of different courses of action and change. I guess it's natural that as you go through a couple of changes of leadership and fluctuation in the top management, you get different views and different perspectives and it was a period in which there were a lot of changing responsibilities. I suppose the thing that changed the least in that time was Howard's responsibility. He had an awful lot of experience in his field and the pulp operations within Weyerhaeuser were somewhat segregated and managed separately. They continued to be. Howard ran our pulp and paper operations. They had a culture of separatism - I don't use that term entirely in the bad sense, either - separate training, background, people, management.

When we took on major acquisitions in shipping container, Kieckhefer, and integrated forward into fine paper with the acquisition of Hamilton Paper Co. and Crocker Burbank, the Fitchburg related business, there were big changes in the company. We had a major expansion in terms of product and different cultures, largely following Howard's direction. They introduced a lot more long-distance communication, a different sized company, produced a lot of change in that period. We were in the late '50s, early '60s. I think that Norton, I'm not sure of the reasons, moved into the shipping container/linerboard end of that and in effect left Howard concentrating on pulp and paper. At some point there, it must have been in the mid-'60s or had to have been in the first half of the '60s, Norton had Ivan Wood reporting directly to him on shipping containers, and dealing with the Kieckhefer organization. It had its own culture, its own pretty strong guys running various parts of it. So it was a consolidation and formative period, unsettled as heck. I don't think Howard ever, very understandably, was pleased with all that.

Edgerly

You mean the move in to the shipping container business?

Weyerhaeuser

No, I mean the removal of linerboard and shipping container responsibility from Howard's group. Howard always had a lot of knowledge, conviction, strength. He did his own thing. He did it his own way. It was a very difficult period for him. I think it was a difficult period for the company. I don't think we did a very good job bringing those

organizations into focus and on board in a well-thought-out way. With the various entities that had a history of running themselves, we had a good, sound strategy, but it was a long step between the strategy which led us into those businesses and a good, sound set of working relationships, right up to the top, which did not really get well established.

Edgerly

During that period of time, was Norton what you could consider a "hands-on" CEO?

Weyerhaeuser

It's a mixed answer. Everybody has his own style. I think Norton was hands-on in the sense that he had certain things that he wanted done and he initiated certain things. But certainly when you talk hands-on in the sense of the way Jon Titcomb or Howard Morgan were involved in wood products and pulp and paper, there's certainly no comparison. You can describe that in terms of personal contacts, the experience of personal contacts with the key managers. Those were Howard's men, running our old-line operations, and Howard interjecting new operations and Howard worked with them in the sense that he worked from the top with the people that were required there, personally directing and consulting. He not only conceived the directional strategy but also was operationally in direct contact and very much making the key decisions and guiding people. Jon Titcomb had a very different style, but again had a lot of good experience and a relationship with individual people and experience. He'd travel around, spend time in the operations, he dealt with the managers, top guys.

So they were personally very much involved in the top direction operationally. In Howard's case that would go to marketing strategy, pricing, product mix, things like that. Norton did not concern himself with those kinds of things. But when we went to the Boston consulting firm, he certainly did spend time thinking about and dealing with consultants and with us about the way we were organized, what we were trying to do.

F. K. certainly had looked to Howard to run that part of the business. He'd given me a lot of responsibility. We had Joe Nolan having the staff activities and a lot of independence, I guess you'd say, in the various parts of the business, under the two of us, Howard and me. Norton had ideas and he carried them out in consultation with us or on his own. He came in over the top of that structure, but he followed a history, as I've described, of independence on Howard's part. And Charlie Ingram, through Jon Titcomb and through the mill managers, certainly had had a long history also of running these

businesses in Dad's era with a lot of consultation about where they were going to go. But contact, direct hands-on, came from the operating managers, Charlie and Howard. So we went through a series of changes in people, but I don't think style changed all that much. I think Norton came in with more ideas and more studies and there were a lot of changes that took place. And he changed the organization, as I said, in the shipping container case. Increasingly we tended to pull up some of these historical relationships, grouped and segregated, as time went along, into a more centralized structure, directed more from the top. I tried to pull paper activities together later under Joe Brown, get organized, trying to get better control of what was going on. In Fitchburg and North Carolina we had established groups; we tried to pull marketing closer together in the pulp and paper situation, also brownboard, shipping container. That got increasingly messy, difficult, and competitive almost immediately after we bought the business.

Edgerly

You mean the shipping container?

Weyerhaeuser

Yes. I think if you wanted to pick the golden era, it was probably the '50s. As we and others integrated forward into shipping containers, it got less and less profit-oriented and more and more dog-eat-dog as the industry kind of rationalized itself. It still is a pretty darned tough business, now probably 90 percent integrated, with the basic producers having gone into the converting business. We went through this period when box making was the name of the game from Kieckhefer's point of view to an integrated approach, which took on much more the flavor of system management. One of the outturns of that was a lot of people doing that as well as ourselves and the profit margin tended to disappear out of the box making.

Edgerly

Is that primarily because of the capital investment necessary to sustain the flow?

Weyerhaeuser

I think that's part of it. People that were in the production of linerboard which has high capital intensity tended to move into the box business for protective reasons, to try to get assured market access. One of the results of that was that they were less cognizant of the individual opportunities in markets and more cognizant of flow and more concerned about volume and continuity than they were about service and margin in the

box plants. It's just a big business, with high capital intensity managing a small one. The independence became less of a factor. So it was big against big. It changed the character of a lot of the business.

Of course, we later went through the same kind of rationalization period, in pulp and paper businesses. Companies were acquiring paper distribution chains in the fine paper field and we were integrating from pulp to paper. Later we were working, trying to see whether we felt we had to go into the merchant distribution business in order to protect our flows to market from the fine paper division. We decided not to, which was a wise decision, and instead worked with a lot of new, growing paper merchants. We helped them in various different ways including financial guarantees and other things. Later, they became bigger and bigger and now we have good, strong paper distribution relationships without trying to own and manage the outlets.

The reverse happened in shipping containers. Companies, one after the other including us, expanded into that field, so it became almost totally integrated. And, in the process, less profitable. But, it depends on what your objectives are and one of our objectives certainly was to have full access to the market so we could control, in a sense, more of our own destiny with these big facilities at North Carolina and Springfield. In various later phases of development we have set up shipping container plants as profit centers, giving more substance to their independence, and now are really down managing them plant by plant as major profit centers. So we're doing a better job of it. This is a long time. We're now 25 years later.

What I'm saying is, we acquired our way into these fields, we took some time to get acquainted with the management, we changed some of the senior people relationships in the company. It took us a long time to settle down and get the employees organized as business entities. Historical differences, cultural differences in the people, business differences, different views at the top of our company about how to manage - all created barriers and took time to work through. Of course, in fine paper, we acquired a lot of people who had worked for several companies. The paper business itself was going through something of an evolution and you don't always see the end point of all that. In getting into the field, you have to get with people who are willing to be merged and they turned out to be fairly big pulp customers with non-integrated facilities. Of course, the direction of the paper business has gone two ways. The smaller, non-integrated mills have specialized. We didn't do that very well; we integrated and we disposed of them.

And then the other route, as the paper business has grown, commodity lines expanded and we have tended to integrate them at big facilities. So the acquisitions only really in retrospect provided us with entré to people and some knowledge of the business. We bought some fair degree of obsolescence when we did that. Then the startup curves were fairly long and getting acquainted with these businesses and people took time. Disposition of the parts that didn't fit was just a rationalization process. We could have continued operating these specialty lines and maybe we should have. I'm talking about specialty products made at Fitchburg and Miquon. The new owners are more successful than we were. I think that goes to size and scale and attention to the myriad of opportunities as opposed to larger scale kinds of things that our people are better trained for, more comfortable with and that perhaps fit our style better. However, some of the better-run specialty operations earn better returns on smaller capital bases.

Now with the cycles, of course, when demand is high, the industry tends to operate full, these big, efficient, integrated facilities do very well. They don't do very well on the reverse side of the cycle, when specialty products do relatively much better. But I'm just sort of describing our transition from a pulp producer, seeing the pulp consumers being either acquired or integrating and you see your market eroding, in various stages of this. We integrated forward in a defensive, protective kind of a way.

In the last analysis we did not really protect our pulp business by buying Fitchburg and Miquon since they became uneconomic buying market pulp, unless they could make more specialized products. We sort of went through that transition with the worst of both worlds, I think. I think, in terms of the management of the new business units which we were integrating, they suffered when they tried to accommodate to a larger system, trying to move volume. We also, in this time period, went out and - I'm covering quite a time period in all this - decided that we would expand the milk carton and the folding carton businesses as well. The folding carton business was run by small entrepreneurial-type operators. We wound up, I suppose, at one time acquiring six or seven of them. My recollection's a little vague, but I think we managed to lose money on them most of the time. So did others.

Edgerly

Was that approached with sort of an experimental bent of mind?

Weyerhaeuser

I don't think so. I think we thought we could move out in the next stage of conversion from folding boxboard. Kieckhefers had a primary boxboard plant. We employed the same sort of strategy, which is "go ahead and convert the primary product". If you use the term "experimental" in the sense that we thought it might fail or was...

Edgerly

No, I was thinking of it in the sense of "testing the water", trying to get a feel for whether that was a business that was right for the company.

Weyerhaeuser

No, I think we decided we would go ahead and expand by acquisition and vertical integration. People involved in it were dedicated to it. We rationalized that we had to stay in it. Milk cartons, of course, Kieckhefer was in in a fairly large way and there were only two or three licensees in the country and we were out in front at one point with something like 25, 27 percent market share. I think we made a series of fairly large mistakes in that arena. I can't recall all of them. In changing the type of carton, to poly coating from wax, we were slow and had problems upgrading our conversion facilities. We lost market share and got it down into a position where we were in a holding pattern, not really sure whether we were going to grow or shrink. Finally we decided to shrink. At that point, the margins for converting were nonexistent, our basic facilities weren't fully competitive in scale or cost with IP and Champion, so we converted our bleached board facilities at Plymouth and Longview, one totally and one partially, to fluff pulp and keyed on the bleached board export business, which was still viable in Japan, in a growing market. We finally shrunk back to a West Coast milk carton operation from, at one point, the number one position in the country. I don't think there's too many cases to where we've done that in this company. Our two main competitors put more resources behind it and got their costs down and managed competitively. I'm not sure what we were doing. All three of these businesses, of course, emanated from the Kieckhefer acquisition. [Pause] All of these kind of started from some position as a primary manufacturer of the primary paperboard, bleached, brown, and folding carton board. To various extents, Kieckhefer was in conversion of all of them and we chose to expand the conversion operations with varying degrees of success but generally disappointing results.

Edgerly

Do you think there was pressure from the Kieckhefer people to move in that direction and that that, then, had an influence on the company's decision?

Weyerhaeuser

That's not my impression. The Kieckhefer management which, in the early stages, was represented by John, who was a very, very strong, competent leader, knew his business very well, and by Joe Auchter, a very, very shrewd man, capable and good businessman, and then a lot of the regional executives. Herb [Kieckhefer] sat on our board and Joe Auchter and Bob [Kieckhefer]. When you acquire your way into a business, you do so expecting to build on it. Once you're into a field, you look at the parts and you tend to look for growth opportunities. I don't have a sense that they were insisting that we do that or that there were pressures coming from that side at all. I think it was just a natural evolution of building on what you bought. The industry was going through structural changes. Against this background in some cases we advanced, in some cases we lost significant position and eventually got out, but in general once in a new business we followed the industry trend and either grew or eventually lost out and shrunk.

After the acquisitions, we significantly expanded Weyerhaeuser horizons. It was our international era. We moved out on the international front, seeing growth rates in Europe and feeling that we had a significant opportunity to build a business on an international frame of reference. I think what I've learned after all these years in that is you'd better be prepared to do that with people who really know what they're doing in each of the countries you're in and I don't think we ever got ourselves to the point where we were prepared to find or build on good, strong management team for these international operations.

Edgerly

I have some pretty specific questions about the international expansion which I'd like to get to, though today may not be the day to do that. If you don't mind deferring that subject and approaching it as sort of a whole topic if we could.

Weyerhaeuser

No, we're off in another era anyway. We're downstream from the time period we started on.

Edgerly

I do want to think about it in topical terms, if we can do that, and your observations about the other businesses involved, namely milk carton, linerboard, boxmaking, certainly are part of what was happening in the organizational changes that I see.

Some of the things that came up for me in trying to look at this piece of time were things such as the fact that there was evidence of the organization looking at itself, a kind of self-analysis that went on. The stock was listing on the Stock Exchange in '63, so that took the company into a different position "vis-a-vis" the investing public. There was in that period also, in '65, I think, the first really large-scale loan at that time, which was \$50 million on a short-term.

Weyerhaeuser

First big borrowing.

Edgerly

Right. I guess what I'm trying to get a feel for is how these, and the things that you've mentioned, and the fact that the company announced in '65 or '66 that it was going to build a corporate headquarters building, fit together, how they influence one another, if in fact they did.

(END OF SIDE ONE)

Continuation of the interview recorded July 18, 1984, Tape VII, side two.

Edgerly

I am hoping you could help me understand what the network of influences was among those things. Or is it senseless to try to do that?

Weyerhaeuser

Not senseless. I'm just not sure I can do it. That's a memory problem. My recollections go to the forces behind the individual developments. When you talk about the corporate headquarters, it's a function of growth. There's no question that Norton was the primary mover in the initial stages of that. He personally got Lon Varnadore buying land out in the West Campus. Norton was very knowledgeable about, always has been, real estate. I'm not sure about the steps that we went through to prove to ourselves that we ought to move out of Tacoma, but I'm pretty sure that Norton had that in his mind initially. I

certainly supported it. I think we were constrained by the site and the conditions down there. We thought about building a headquarters in downtown Tacoma, did a couple of renderings and locations.

Edgerly

What were your reservations with regard to moving from Tacoma to Federal Way, if you had any?

Weyerhaeuser

It was people questions, dislocation. We, more or less seriously, asked ourselves the question, "Should we be in San Francisco or should we be in New York?" I say more or less because I can't remember a tremendous amount of analysis going into that, but I know the question was serious. We tried to think about where we were; we felt remote from financial centers. Maybe that had something to do with our awareness that the capital markets were going to become more important to us, a public company. Obviously, the land ownership and all was still fairly concentrated in the West, but we'd begun to move into the South. We were moving out geographically in terms of converting and U.S. marketing. So the horizons of the company, product and geography and everything, were growing. I think the fact that we had a lot of owners, a lot of customers, a lot of operations that weren't concentrated in the Northwest, raised the question. New York, obviously, and San Francisco were financial centers. And, to some degree, we considered marketing at the time. I suppose Kieckhefer broadened us out nationally. So we were a hell of a lot less provincial, less regional in outlook.

Edgerly

Well then the obvious question is why did you decide to stay here, whether it was Federal Way or Tacoma, but still geographically the same area?

Weyerhaeuser

I think when we got to looking at it, we probably convinced ourselves that it wasn't necessary to be physically located there in order to have reasonable relationships with the investment community. We did ask ourselves the question about what an eastern location might imply in terms of dislocation of people and loss of people. The transitional question was there, we decided that the benefits did not outweigh the risks and costs. I think it was a very sound decision, particularly when the growth was headed out in the Pacific. That didn't necessarily play a big part. We really were just getting started in a major way in the early '60s in the Pacific.

I sort of took over and got heavily involved with the architects and conceptual planning and all that. I wasn't very happy with what was coming out of the New York branch of Skidmore. I didn't like the looks of the West Campus in terms of the access or in terms of the probable long period [of development] and then no certainty that it was going to develop into a desirable set of surroundings. Our site was fine, but I was convinced myself that this location was a controlled environment that we could count on and West Campus wasn't. So I moved our planning to this particular location. But Norton had moved us to the point where the basic idea and initial plans were in place. In my mind it wasn't a question of whether, it was where and when. As I say, Joe Nolan and I, Norton, were all heavily involved in the process of planning for the initial move.

I started out by saying I can't take us back to the two or three years before when a combined set of strategies of growth, diversification, relocation, etc. were collectively being worked at the beginning of a new era. I'm not that sure about the sequencing of them and can't be very helpful about the decision-making process and how integrated it was. A characteristic of this company that strikes me, and which I still feel is prevalent and proper, is it's more a sum of the parts than it is a cohesive, central-nervous-system-driven entity. I think there are different circumstances, different people and different forces at work in each of these decisions. I don't think Howard Morgan would have given a hoot in hell whether we built on the West Campus or not. He had other things on his mind, not things that Norton was interested in because of his background, training and inclinations. I would say 50 percent to 75 percent were of minor interest to Howard and maybe me, too. Not so much true with Joe. They [Joe and Norton] were both from legal backgrounds and were administratively oriented and broad-brush kinds of people.

Edgerly

Let's take the listing on the Stock Exchange in '63 (?) (earlier under F.K.W.) as an instance and the loan, the \$50-million loan. Is there any way to connect those two moves? Is there any way to understand them in the context of each other, given the fact that there was a fairly short time period between them?

Weyerhaeuser

I don't know how to connect them, but I think that if there is a connection, it is size and scale, growth that's behind it. Regarding the listing on the Stock Exchange, by the time we'd gotten a little wider breadth of operations and of holdings in the company, we were

becoming bigger. I guess we were one of the three or four largest, nonlisted, privately held entities in the U.S. We were aware of that; we were growing. So it seemed logical that we take the next step and list. Liquidity of more valuable and large holdings certainly had a lot to do with that. The ease of ingress and egress in company stock ownership, was becoming of more significance as time went along. So I think we felt that having Weyerhaeuser Company be a listed stock would be a benefit to the shareholders and was a logical thing to do at that point in time.

Now the borrowing, I don't remember how much trauma there was associated with that. I'm sure there was some because F. K., to his grave, I think, would carry a conservative financial, born-out-of-the-Depression training. That advice got passed on to me regularly. In spite of the fact that we were borrowing money in significant quantities, he never lost his concern or point of view that there were a lot of negatives to that. I don't think it was an aversion for risk in the sense of unwillingness to do new things, but risk in the context of willingness to lose is different than risk in the context of significant amount of debt and leverage. He had an aversion for debt. I felt then and feel now differently about it. Both the size and liquidity of what we were changed and the risk and benefits associated with a significant amount of debt were different. The benefits of growth and the treatment of debt in the tax world are significant. But I didn't live all the way through the Depression, either, and I think that that made F. K. and others of his generation realize that there are some very severe penalties to having no options in regression or depression situations. They saw that in their personal lives, they saw it in their business associates, partners and other people, saw it in their immediate families. When we came to taking the company into debt, we did that against the backdrop of a much larger and more secure set of earnings and a strong sense of potential about what we were doing in terms of building the company or we wouldn't have done it. But I can't make the tie back to the listing directly except that maybe we felt we ought to do both. I'm not sure there is any direct connection.

Edgerly

All of these things made the company more visible, probably, than it had ever been. How do you think people felt about that? How did you feel about it? How did F. K. feel about it?

Weyerhaeuser

By that time I don't think we felt that there were many negatives associated with visibility. I think that the family, certainly, was and remains somewhat less than avidly interested in being in the spotlight. The company had reached the point where there wasn't much chance that you were going to be able to hide under a barrel. We had discussions among our various family members and we had various feelings among that group but Weyerhaeuser was obviously largely public and growing and it made sense to make it a fully public and fully visible entity. Among the directors, as I say, I don't think there was a lot of debate about it. I suppose they crossed a major barrier when they made the Kieckhefer transaction. That was a big move toward enlarging the stock base and diluting ownership. One consequence was that more people and more groups would have interest in a better reflection of value and liquidity.

I've never been the least bit reluctant personally. While I'd like to have personal and family privacy, broad understanding, recognition and involvement of Weyerhaeuser Company has overriding benefits for all. A fully public company hasn't been an issue as far as I'm concerned.

Edgerly

In other words, as long as you can separate yourself, or for family members, as long as they could separate themselves, it didn't make much difference?

Weyerhaeuser

Of course, the fact is, they can't. That's something they have to live with. It's not ideal. If you could avoid a public name and a public company, it would carry some advantages, no question in my mind, for the younger generation. But I don't think, by the time we got around to listing, that there was any way to turn that clock back. Probably wasn't any way to turn that clock back a hell of a long time before that. When Great-Grandfather got listed as the richest man in America, I guess we really got pretty hard to hide.

(DISCUSSION OF TIME)

Edgerly

I think it was a Management Bulletin that came out five days after you were elected to the presidency of the company that gave me an initial picture of some of the changes you perhaps had in mind, or had been thinking about. The Management Bulletin indicated that you would be keeping Howard Morgan where he was; that Ivan would be concentrating on the international operations area; Merrill Robison, he was already in the packaging area by then, but you moved him into a more senior position; and Lowry was, of course, in charge of wood products. Some of those people, certainly Lowry and Merrill (Howard, of course, was near the end of his career) were probably the beginning of a senior management team that you, over the years after, put together. Were you conscious at all of trying to put those people together in a particular way in those initial stages of taking on the job of CEO?

Weyerhaeuser

Yes. I had already established relationships with and confidence in those guys and I knew Howard wasn't going to be around too long. I had a lot of ideas from my previous experience, though it wasn't that big a transition in wood products. I'd been working in it and timberlands so I knew some of the things that ought to be done and had a pretty good idea about who I wanted to do it with. I didn't have some predetermined vision of the whole group or just how it was going to come together, but certainly I knew some changes I wanted to make and things I wanted to do. It was an uneasy period in a very real sense. It wasn't all sweetness and light. We weren't doing all that well. For instance, my relationship with Howard. I don't know how to characterize it. I would say that it went through stages. He was something of a mentor of mine in the early days. I always had a lot of respect, mutual, I think. But Howard was a tough man to communicate with. Hardboiled, coldblooded, if you just judged sometimes by the way he acted. He wasn't really - he did think about people. He was good in selecting and directing management. But he was murder on other people and did not generate universal warmth. So people were either afraid of him or a very mixed bag. Also, in a very big organization and with all these relationships which had been evolving and changing under Norton and with various entities that were pulled out from under Howard, lots of changes had been going on. I wasn't about to try to tell Howard how to run some parts of the business and it's certainly true that Norton wasn't in a position to either, although he carved some out. I can say in retrospect I'm not sure that was altogether wise.

As we got bigger and bigger and broadened the thing out, some of Howard's communications propensities made it difficult to run the larger organization. I had some concerns about morale and communication in different parts of the business. No question about either his ability or my relationship with him. It wasn't a power struggle. I can't remember the evolution with Merrill, but the relationship evolved to the point where it was clearly my responsibility and Howard was phasing out, so Merrill was my guy. Not that Howard didn't think well of him, too. Merrill kind of became a key guy and I worked well with him.

Of course I had worked with Lowry. He picked up the traces easily there. We had Jon Titcomb, who had all the experience in the world. Very good in a certain way - knew what he was trying to do and also with a lot of field contact. Jon Titcomb was a tough guy. Howard Morgan and Jon Titcomb had fiefdoms or at least their own spheres. They were part of the puzzle. I gathered around me, as we got larger, better communicators, broader organization men. I think that was needed and necessary. I inherited Ivan, Norton's man. Ivan was in way over his head, never had a chance. I wouldn't have put him there and to this day I don't think it did him any good. So it was a mixture of things. Some were coming along, younger men were coming on, and somewhere we just had to make some changes in responsibilities. I didn't have any feeling that I didn't have good, solid help and support when I started, but there were a lot of problems, a lot of things to do.

Edgerly

That hasn't really changed.

Weyerhaeuser

No. Maybe they're different when you're 39 years old. It still takes good people. It's interesting how some of the most hardboiled guys, appearance-wise, Howard and Jon Titcomb, were sound thinkers and tough managers and did a good job with people in a one-on-one sense. Howard made the most amazing misjudgments sometimes about people.

Edgerly

You mean with regard to character or capability?

Weyerhaeuser

I think both. He'd change his mind. I don't know how to make that consistent with what I said earlier. I know that over the long pull, he had good people and he gave them good direction. In other cases he was just blank. It was an interesting time. I enjoyed working with the team, though, most of them. John Aram, Nolan, good bunch.

Edgerly

This is the end of the interview recorded on Wednesday, July 18, 1984 with George Weyerhaeuser. The series of interviews will continue on the following tape. This is the end of side two.

This is an interview with George Weyerhaeuser, recorded on Tuesday, September 18, 1984. Tape VIII, side one.

Edgerly

I went back through my notes and the transcript for the last interview. We discussed the company's expansion into linerboard and the folding carton business and some of the early self-examination that the company had gone through in the early '60s to determine what some of its directions were going to be under Norton's leadership. We discussed the early reorganization of managers that you had effected when you became president, Howard Morgan's role. You talked a little bit about Howard Morgan's lack of, I guess what we would today term, people skills, interpersonal skills in regard to most people.

One of the questions I want to ask you to get a little bit of insight into how that early organization had worked is, what was Howard's basic feeling about Merrill's being named head of paperboard and packaging? Did they get along well? Were they good at communicating with each other? How did that division of responsibility work out?

Weyerhaeuser

I think Howard and Merrill got along fine. Merrill was one of the key young players in the evolution of the pulp division under Howard, coming out of engineering and construction management on the pulping side. Howard generally worked well with and communicated and directed those activities with a few key people, one of whom was Merrill. So I don't think it was a matter of Merrill's not having a good relationship with Howard. The problem, of course, was a matter of division of responsibility that centered on Howard not having complete authority and control on the whole spectrum of pulp paper and paperboard activities. He was really the builder, director of the whole thing until we got to the stage that the acquisitions and the expansions got large and Norton subdivided some of those responsibilities. Howard no longer was the sole strategist. I don't think Howard took it very well. Of course, interjected into the thing for the first time when we acquired Kieckhefer were directors that were involved and knowledgeable, who did not necessarily see eye-to-eye with Howard. I don't mean to say that there was any direct conflict as much as a division of views and a new business. So as we got farther and farther into converting, containerboard, boxes, and the fine paper business, I think it got farther and farther away from Howard. Norton divided the responsibilities and I don't think Howard ever really accepted either the advisability or the necessity of that. Howard had developed some very strong individuals and some strong loyalties.

There always had been and continued to be a turf question in his part of the business. It worked well as long as it worked within the framework of Howard carrying the main direction and responsibility. Howard worked rather closely and well under Charlie's general direction, and with Dad, but he was clearly the strategist and the line manager.

As time moved along, we began to split off some of these operations. It was not as clean and cohesive. I think the size and scale of things did not lend itself as well to Howard's personal direction as it had previously. So we had perfectly normal growth pains with division of responsibility that was not as manageable and coordinated as it had been previously.

Edgerly

Was your creation of the positions of senior vice presidents, which had not existed before 1969, an attempt to solve some of those difficulties of management division of responsibility?

Weyerhaeuser

Yes. Then I went through a series of them, of course, on the fiber side and in the handling of the Paper Division and its relationship with the Pulp Division. I eventually moved to a series of divisions lined up by product-line under Merrill's overall leadership. Earlier I was concerned about the direction of the shipping container business and our international activities and the Paper Division. I put Joe Brown in the Paper Division to try to give that some improved direction, which I think he did quite well. We had the need to pull those acquired companies in closer. Also during the '60s we embarked on a large scale of international expansion in shipping containers, which followed the linerboard into foreign markets and need better leadership in tying our containerboard with both domestic and international shipping container operations.

As we grew in the paper business and as the industry evolved, the economics of physical integration of pulp manufacturing on the site with paper became more and more the mode. The large users of pulp that were not physically integrated were no longer able to compete effectively in the U.S. We met that by integrating pulp and paper at Plymouth. Eventually these units that were using non-integrated baled pulp got less and less competitive and more and more specialized and we finally disposed of them and integrated ourselves, which we're still busy doing. The evolution was a sound one, but the management problems that came within this period of structural change in the industry

and competitive changes requiring changes in product mix and facilities, were difficult to manage from a distance. We really bought a fair amount of obsolescence at the same time we bought some know-how. As we rationalized those, we tended to pull the management closer together and emerged as a paper division pretty closely aligned within the fiber group but not as a major customer for Weyerhaeuser market pulp. In the rationalization stage they got organized increasingly independently, independently in the sense that the paper business had its own problems, its own customer base, its own marketing direction. It shifted toward Plymouth, which became an integrated mill management situation, as opposed to a lot of separate physical locations. All that was over a ten-year period. Howard led us into the fine paper in the initial stages at Plymouth. That was well done, successful.

As time went along, we had to cope with some of these nonintegrated, older locations. There were people problems in connection with that. There were many more physical locations, many more changes, people, retirement and facilities. It was a much larger management task than we previously faced. You can follow a similar kind of growth and evolution with different reasons in our shipping container and containerboard businesses. I guess what I'm describing is a span of control problem and a direction problem that multiplied during the '60s.

Edgerly

You mentioned earlier the international expansion that took place during the period beginning in the mid-'60s. If someone asked me to characterize in a very few words something that would describe Weyerhaeuser during that period, one of the words would be "expansionistic," I guess. One of those early expansions took place at Kamloops in Canada in 1964, in a business that Weyerhaeuser probably was familiar with, or at least traditionally more familiar with. Can you describe for me how that connection with Canada originated or how the decision to go into Canada was made?

Weyerhaeuser

Not really. I can tell you some of the things that were going on. I don't know that I can put dates on them very well. I can't. In Weyerhaeuser the pulp business, as a part of this evolution in the United States toward larger scale, physically integrated pulp and paper operations, resulted in a much higher proportion of the pulp that was going into commodity paper products, being produced at the location where the fine paper was produced. Traditionally, Weyerhaeuser had been a pulp producer and we marketed into

the Midwest and East our domestic pulp to people who were increasingly specializing, as in the case of Fitchburg Paper Co. So we became tied to specialty producers who had a smaller and smaller position in the overall pulp and paper flows. The intermediate-sized pulp and paper units in the U.S. were getting less and less economic. These were people who were taking market pulp and converting it into paper. Then they were trying to compete in the bulk paper grades with integrated producers. And they were losing. So our traditional pulp customer base in the United States was, in a sense, eroding as the industry structure changed. Somewhere in that time period, that forced us to find other outlets for our pulp. Pulp historically had been an international commodity. It had been moving in international trade in history into the United States, not out of. The Scandinavians shipped in here and competed initially with us and others in supplying pulp into the U.S. As that change took place, the industry grew. The European industry was largely nonintegrated, not only not physically integrated but not ownership integrated with European papermakers. They were importing from Scandinavia. The battleground tended to shift toward Europe where market pulp was consumed in large quantities. So we became significant in the export of pulp and are still exporting 50 percent of our pulp market. And in connection with that, we became suppliers to some of the principal European companies' papermakers in Belgium - in the Low Countries, in Germany, Italy and, to some degree, in France, although France tended to be and still tends to be protectionist.

We were in contact with, and servicing pulp requirements for, some of the European papermakers. I mean particularly people like Feldmuhle of Germany. We affiliated with them in different ways. We then were aware, working with our European customers, that they were interested in longer-term pulp supplies. They were looking to North America for sources of pulp. Feldmuhle was interested, and we were, in working with us on the possibility of joint venturing to build a pulp mill. They wound up joint venturing in a couple of mills in British Columbia. Although we never put a joint venture together in that field with them, we did get interested in expanding our pulp business aimed at export markets.

British Columbia became the place where there was significant amount of residual wood and roundwood underutilized and cheaper than anywhere else in the world. So we began to think, as I said, about joint venturing up there, attracted by the low cost and available wood supplies and the European need for more market pulp.

Kamloops specifically came as an opportunity with a bunch of sawmills working together. They had the residuals and they were interested in finding a market for those residuals and they lined up some engineering. Typically, when you get a bunch of sawmillers thinking about the pulp business they have more ambition than capital. I don't know what their sawmills cost but only a small fraction of the capital needed in pulp. There were at least three major partners and \$20 million was big capital to those people. They got an engineering firm and they got a design and all that. They were pretty far along and ready to go but undercapitalized.

We joined with that group and I know Merrill was involved, I think Howard was involved with that. I've forgotten. Certainly Howard was involved in the earlier stages of planning and with Feldmuhle, etc. Howard also involved us with a Belgian papermaker - Intermill's Oswald Steisel, which was one of a consortium of papermakers in Belgium and an importer of pulp. So we were selling them pulp and through that connection we started a joint venture box plant, which we built in Belgium, then later built another and acquired another. So we started with the idea that we were going to have, in that case, a European partner, who was a customer we had on the pulp and fine paper side and we were interested in getting European ownership and management so that we had local contact and content in the box business. The internationalization, if you will, toward Europe, toward Canada, both evolved from Howard's contacts and our position as a marketer of pulp and linerboard who was interested in expanding on that base.

I think we were opportunistic in the case of Kamloops. It was something we had been thinking about and the vehicle came along and we eventually bought them all out and expanded the mill. At the next stage partners clearly didn't have the capital and all, and we didn't want to leverage the whole thing. So we managed to run it as a small mill for awhile with them; it was successful. Then we upgraded it to a 1200-ton mill. We bought them out one at a time and eventually wound up with the whole thing.

Edgerly

The reason I refer to it as a little more (less?) traditional is because it was not an integrated situation in terms of Weyerhaeuser's complete ownership initially.

Weyerhaeuser

Yes. The same thing in Belgium. We didn't usually do joint venture, but neither had we done business outside the United States. I think we started with a market orientation, which is not always Weyerhaeuser's driving force, but we also had a British Columbia view and we had been interested. I looked at a lot of properties up there for timber, to buy timber or get timber licenses. We were not used to licensing timber. I'm not sure we're used to it yet. We satisfied ourselves that the business conditions were sufficiently stable and the quota arrangements sufficiently stable that in fact you could go into business up there. And we, of course, in the Kamloops situation joined Canadians, so it wasn't an American company initially buying out quotas. There were a lot of American companies, of course, that did just exactly that in the interior.

Edgerly

Do you think you would have had more trouble going into business there had there not been that Canadian base to begin with? Would the provincial government have made it more difficult for you to do that?

Weyerhaeuser

Yes. Except that, through their policies of pulpwood harvesting licenses, they were trying to encourage the pulp and paper industry up there. We could have gone up there anyway. They were allowing buying and selling of quotas. It was controversial, however. Theoretically they weren't supposed to be bought and sold. It was part of a rationalization process of hundreds of sawmills and planing mills out in the bush. They started out with literally thousands of little tiny operations which evolved into sawmill/planing mill combinations, larger, more capital. The way to expand was to get quotas from the previous owners, amalgamate the wood, build or modernize a mill with a big enough quota to make some sense. The whole industry evolved that way. I think British Columbia under Ray Williston's leadership in forestry did a very intelligent job of rationalizing, in historical terms, "peckerwood operations" into reasonable scale sawmills. It's still going on, of course.

Of course, on the coast there was significant ownership of fee timber, and bigger, older, established tree farm licenses. MacMillan-Bloedel and the larger operators, Crown and others were very much more involved in British Columbia. They had British Columbia subsidiaries or they were British Columbia companies, Canadian companies, albeit with a fair amount of U.S. stockholding and ownership. On the coast it was much more a matter

of buying established positions with a lot more facilities and structure, whereas the interior was still very much wide open country, evolving. The interior turned out to be the right place for us to be, although we did from time to time and still do look at the coastal operations having possibilities. The pulp and paper companies typically were on the coast, of course, and much more export oriented, much larger entities.

We really went, in a sense, where the growth was going and where the stage of development was not nearly as advanced.

Edgerly

Would you consider the Kamloops investment then a relatively low-risk situation for the company at that point?

Weyerhaeuser

Yes. I think it was, but with a fair degree of political risk. Let's say it was a much less radical as opposed to acquisition of a major company or joint venture with a major company up there. In several cases, as I say, we thought about how to get there with a joint venture with the Germans or some combination. Interestingly enough, most of the growth in British Columbia did take place that way with some combination of ownership. The Prince George mills and the coastal mills that built farther north, pushed the frontier out, so to speak, in B.C. with largely foreign or joint ventured capital. The politically sensitive part of it was more as you got into sawmill quotas with small Canadian sawmills. More employment, politics, than in the pulp mills. With respect to new pulp mills, B.C. said, "We have all this timber up here and we'll grant pulpwood reservations and we'll overlay them over all the existing quotas and say that you have the right to cut so much small wood if you need it." But the primary basis of supply was sawmill residuals from a growing sawmill industry to which pulp mills were given a first refusal right. That was consistent with what we were thinking. We never really felt that going out and logging timber to make pulp out of it was the primary way to go. I should except the first sulphite mills, which certainly did utilize in a noncompetitive way because hemlock was not considered to be a prime sawtimber. With that exception, as the business grew and we got into kraft, it was residual-based. The pulp industry in the West has typically grown very heavily, 80 percent or so on residuals, as opposed to harvesting timber. So pulping in B.C. was a logical adjunct to what was going on in terms of the development of sawmills and sawmill residuals. It used to be the residuals wound up in a pile and either they had a burner or it was a big burned pile. That waste was all

waste. As they got larger and got amalgamated in sawmill/planing mill centers, then those waste streams were accessible. You didn't have to transport a lot of sawdust and slabs and everything out of the woods. The B.C. policy then said if you'll build a pulp mill you have, in fact, a first right of refusal on the residuals as well as an insurance policy on the timber if you need it. Pulpwood harvesting only, which would presumably put you into small diameter timber and you would be assured of a raw material supply without owning it.

Edgerly

So with Kamloops as a background, how would you look, for example, at some of the investments made in Latin America, some of the European and Caribbean investments which the company made? They, at least to a novice like me, appear to be much more risky and create more of a management problem.

Weyerhaeuser

They do. But they're smaller scale, of course. Even that first pulp mill at \$20 million was a big scale. When we went to Venezuela, for instance, we were dealing with a major pulp customer, a major board customer, Venepal, or in the case of bleached board, Convepal, where we were dealing with a strong management group in Venezuela which was in the pulp and paper business. We were not getting involved in the politics or the management of the resource base. We basically were aligning with a customer. We owned 16 percent of Venepal. We sold them pulp and they managed it. They were very much in the political structure. We were in a sense integrating forward with foreign ownership. So we chose to go the joint venture route or the stockholding route with the exception of the shipping container plants. That's a whole different story because there, typically, we were dealing with smaller operators and we generally bought them out. We inherited the management problems, and they were manifold. In a shipping container business in France, for instance, you face a consortium with elements of a cartel where the large players, and/or the government, control prices, control wages, control market share. You were buying an established position and managing within that framework. We brought the know-how to make boxes into that, machinery know-how, and capital. We improved those plants, and we built some, but still within the framework of a market structure which is European in nature. This doesn't describe Germany so much, and we weren't in Germany, but it does Belgium. In other words, to sell boxes in France, Belgium, Italy, you had to be part of the club over there.

So we were in effect establishing converting, thinking we could make a living in converting and, to the degree that those converting operations needed imported board, we could supply it. They bought various, but large, proportions of their board domestically and all their corrugating medium. In France, we made a fair amount of board for our own operations by gathering waste paper and manufacturing it on a couple machines out of waste. We didn't get involved in forests, but some of the big players in France, of course, were integrated and had much more say-so in the industry structure and played a much larger role in terms of industry moves and market rationalization, etc.

We were interested in supplying what we perceived to be a need for imported materials. We decided the best way to do that was to get out in front of the trend, which had already occurred in the United States toward integration forward to the box plant. In the U.S. it occurred by acquisition, ownership, building. Kieckhefer had established a national position which we purchased and still hold in all the major markets. In Belgium, France and Italy we bought out and then built, but primarily we bought out, smaller entities with lesser capital involved in these things, and then managed a small scale enterprise, pretty much the way they'd been managed with our input of know-how on machinery tied in.

END OF SIDE ONE

Edgerly

How did you feel about going into a situation in which the economy is somewhat more planned, in which there is less latitude for creative business activity?

Weyerhaeuser

I think in a sense you could say we were in an expansionary mode or mood and felt that we were in a strong position with respect to the international supply of these materials. We thought we knew what we were doing in the marketing and supply side of that. We thought we knew something about how to make boxes. We had good know-how in the United States which was transferable. What you tend to overlook is that, in a sense, knowledge of the local territory plays a fairly important element in success. I think we underestimated that, by hindsight. We should have had much stronger emphasis on local management and know-how and participation in their local industry affairs. We got so that in Belgium, for instance, we were up to 33 percent of the market or something like that. There were only four players or whatever and they tended to carve up the market,

set prices, or tried to, let's put it that way. They're not completely in control of their own destiny by any matter of means. We did not fully understand to what degree that puts you in a straightjacket or that you needed not only the know-how that we brought, but a good deal more.

I draw the contrast with Venezuela where we were clearly owners but not managers. Our partners down there were very much in the know and very much in the power structure. All that still gets managed within whatever the political/economic framework is in those countries and you can't get very far outside of that framework. In many cases, our ability to improve the operations on a technical production basis made major improvements, but they also involved the buildup of capital. In competitive periods or periods when prices were strictly controlled in France by the government, that did not really allow good returns on the overall investment. I think finally you get to the point of view that when you're only supplying ten percent of the board or something like that into an operation, it's insufficient reason to be there if in fact the operation itself can't earn a good return. That's not to say nobody did, but there were difficulties in that. These were not periods of shortages and on balance there was an adequate supply of board. Each one of these operations in Europe, at various periods of time, did quite well, but on balance and over time, we finally arrived at the conclusion that it wasn't strategically important and not all that promising.

Partly, our competitive position in terms of exports was changing over a long period of time. We were selling board in Europe, in Germany, competitively and in quantity and in competition with Scandinavians and other Americans. We could continue to do so and did continue to do so, whether or not we owned any converting facilities. We thought a lot about going into Germany where the competition was much, much more wide open. There were modern facilities, larger scale, bigger users of board, generally a lower priced market that was not as controlled, but we never made that move. We never bought into a plant.

Edgerly

Was that not because of the lack of trying, but just not finding the right opportunity?

Weyerhaeuser

Partly that and the market. We never really were convinced we had a logical way where we could make a good shot. It was pretty tough, very competitive, much more modern. In many ways, it would have been better to be fully engaged in that battle, probably. But we couldn't convince ourselves that the investment and the effort involved was necessary or advisable. We chose, rather, to compete for the board orders of vigorous German competitors. We sold board. In France, you really couldn't do that. We thought we had to be a part of the action in order to be able to get board in there. That was not strictly true, because Scandinavians managed, one way or another, to sell board in there to French enterprises. The whole industry kind of went the same way. There was Container Corp. and Union Camp was in there competing with French companies and other foreign companies. We went through an era there where everybody was integrating forward and then we and others took a look at the results and said, "I don't know whether this is either necessary or warranted." It generally has been rationalizing the other way in the last 15 years or so.

Edgerly

To what degree would you say the decision to move out of Europe was affected by the development of markets in the Far East? Was the promise of that developing market in the Pacific Basin also an element?

Weyerhaeuser

I don't know that I'd limit it to the Pacific Basin. I think the Caribbean played a role, the reason being that the large users of shipping containers, volume users, in many cases tended to be concentrated in the agricultural products. Big volumes and high-speed machinery and high-grade linerboard fit that pattern better than it fit the European smaller scale industrial packaging. We tended to move, even within Europe, to southern Europe, Italy, Spain, Greece, Canary Islands, those areas, because they were big packagers of bananas and oranges. Whereas northern Europe was much more a multifaceted industrial packaging set of markets. Those kinds of packages could be made out of a lot of various different materials, including straw, going into medium and recycled waste was used more and more. There were five or six different levels of quality, all of which were cheaper, generally underpriced, and less rigorous in terms of their specifications, than virgin kraft linerboard. Further than that, we were not disadvantaged in the southern tier against the Scandinavian linerboard on a freight basis. They treated southern Europe and the Mediterranean as an in-and-out market,

much more than they did northern Europe. Because of competition, because of the quality of the board and the skill of the operations and the usages, we tended to move into Spain, thinking that the growth was going to be much, much higher. It turned out to be higher. In oranges and bananas I think we were relatively more successful. The same thing happened, of course, with banana boxes that were the big, international commodity users of linerboard. United Fruit, Standard Fruit, Dole were the buyers. So we moved out toward those areas, supplying the people who were in the banana business. We entered into contracts with them, and we helped them design plants. That's sort of what we were doing in working toward the big volume European trade and essentially the same elsewhere.

We have followed the high growth outside the United States in consumption of high-grade linerboard and moved out of the smaller industrial markets within the European market.

The evolution was toward those areas that used a higher percentage of high-quality board and who could afford to pay the U.S. price and needed a better board and where there was no indigenous supply. That does not fit the description of France and Belgium where there's a lot more local production from local waste.

Let me go a step further. You asked about Southeast Asia. I think yes, the growth rate. I guess my answer should have been yes, that's right, the growth trended that way and then the quality led us that way also. Of course, we do export off the west coast, so we were in a relatively more advantageous freight position, too, with freight and service looking toward the West. There were a whole series of things: rate of growth, quality and then the European way of doing business, in a sense, was an inhibitor, which we didn't solve by having Americans try to run things. I don't mean the plants were manned by foreigners; they weren't extensively. We didn't have a lot of Americans in these operations. We still had to guide them to varying degrees, couldn't turn them loose entirely on their own. Excuse me, you were going to go on to something else.

Edgerly

No, I'm glad you interrupted. That's a good way to synthesize your answer to the question. I was curious to what degree the markets in the Far East had changed the orientation or might have influenced the change. It's clear that there were some other things that intervened as well, in an equally powerful way.

Weyerhaeuser

Yes, because the markets didn't disappear in Europe. We're still shipping board into Europe. It certainly is less volume, less important to us and we are now, as the dollar gets stronger and stronger, less competitive in Europe. Asia is growing and the U.S. is growing, so we're on the shift back. But in these product lines, back in history, the first series of events that sort of started them was the geographic and integration changes in the United States, which led us offshore. Our offshore position, then, developed relationships where we went further than just exporting. Then those positions have changed. We no longer found them to be strategically critical and then when you begin to examine them on a strictly monetary basis, not strategic, we don't belong there. You don't belong there unless you're in a sector that is growth or offers high returns or reasonable returns. That isn't the situation where you get into low growth and carved-up markets and in a sense, a static condition. That isn't to say there isn't any growth; it's just that a long-distance exporter is at the end of the service line and the end of the competitive line. If it's something that's needed, that's growing and reaching the far corners of the earth and you have a strong business relationship there, it probably makes good sense. These international commodities do change in their relative competitiveness and the structure of these markets changes and we're changing with them.

Edgerly

What initiated the connection with Barlow in South Africa?

Weyerhaeuser

I can't do it. They were very fine people. We got to know them, and I don't know whether that was through Howard Morgan or Ivan Wood. I don't think we were selling much there. I saw a good strong economy growing down there. The box business looked good, it was rationalizing. We went in 50-50 with them; they were partners in a lot of other enterprises and a very successful company. We knew something about how to make boxes. We got together with them. We could generate business and we had the know-how. I think it was sound, well done. I left South Africa quite reluctantly, in terms of the business relationship and also of the success of the joint enterprise. That was an isolated market, in a cold market sense, not very many players. There was only one other, one or maybe two, board suppliers in South Africa, so we saw opportunity to import some board in there. We never had any managers there. We may have had one or two people there on exchange working with them. They were first-class people and good management. Basically we felt we had good sound business partners and a good climate

where the box business would grow and generate some imports. It's a long, long way away freightwise. They were importing some board in there, but the box business itself and the economy was sound and grew. We sold our interest back to our partners who are now the largest South African company. They're in gold mining and everything else. We left primarily on the basis that we felt over the long pull we didn't bring enough to the situation because the imported board was not all that important. They could continue to run and expand the business. We thought, from time to time, about going in to board manufacture and forestry. There were some very good forestry results in South Africa where we would grow trees to make pulp and paper and lumber and integrate back toward the forest there. It could have been logical to take a position in a South African paper company or build our own. We did not feel comfortable enough with the situation to put major, long-term capital in South Africa because of the political, racial risk involved there. It's quite a different scale and time commitment to build primary mill capacity. We could have stayed there as a box maker, but we felt the next logical step was much larger and involved longer-term capital and we did not choose to take that step. So we decided we'd better let our partners do what needed to be done.

Edgerly

To what degree do you think the concern of shareholders of Weyerhaeuser with regard to the political situation and the institutionalized apartheid affected Weyerhaeuser's position and decisions relative to Barlow Weyerhaeuser?

Weyerhaeuser

First of all, I guess, we felt we were dealing with one of the most progressive, best-managed management groups in South Africa. I differentiate between that and a lot of companies in South Africa that would have made us both party to and concerned about the social/political situation down there. We were comfortable with our position and our partners and what we were doing down there in terms of employment, training and pay. We could rely on our partners being at the front and not at the rear in terms of change. They were the English progressive kind of management there. That doesn't mean that they controlled the government. The Dutch South African element was in control and reactionary. They are the problem. I would say that that whole racial situation and the government situation with the Dutch in control certainly had a significant amount to do with our decision to leave, or decision not to put long-term capital in there. The risk of really reactionary, repressive government combined with the racial balances there raised the overall risk profile to the point that we didn't want to be party to it.

That's quite a different statement than to say that we were sufficiently under pressure from our shareholders or American public opinion, or felt sufficiently defensive about our being in South Africa to warrant leaving. I don't know that we would have made the decision to leave just on the merits from whatever those pressures were, at the scale we were engaged in business and with the partners we were with. But if you raise the scale of risk irrespective of the partners or change the partners and the raise of scale... I was convinced and all the people that were involved in the company, I believe, were convinced that we were not on the defensive in terms of our own practices, our own partners, or the role they or we were playing as a part of building plants and generating employment. To the degree that we could, within the legal framework there, we were attempting to do the training, education, equal pay for equal work, etc. I don't want to overstate it because it was an evolutionary matter, not revolutionary. Certainly that situation was not well understood in this country. Differentiating what you were doing from what the political and legal realities were down there is difficult. Why go through it? Why expose yourself to that kind of criticism, even if you feel it's unfounded? That certainly had something to do with our degree of disease or discomfort with expansion and long-term involvement. I'd have to say that as far as I was concerned, the amount of pressure and the kinds of people we ran into from the church groups were unbelievable in this country. My own reaction would have been to say, "To hell with them." There wasn't anything they were going to take in the way of progress reports or anything else. They were on a cause and don't confuse them with the facts. Very unsavory behavior, as far as I was concerned. We made genuine efforts to ascertain on our own what our businesses were doing down there. It wasn't just a matter of partners giving a blanket approval. It wasn't as though they weren't concerned. Whether there are going to be enough people like them and others to change that situation, I don't know. Obviously, they're much bigger. I haven't talked to them for several years. They were mildly optimistic about being able to make change. But they're in the minority, maybe 30 percent of the voting population. They're making noises about getting mixed races into the Parliament this week, I guess, for the first time. What does that mean? They're still a minority. The English are a minority and the mixed races are a minority much smaller than that and the blacks are nothing and I don't think there's anybody that...

Edgerly

The voter turnout for the mixed races was very poor.

Weyerhaeuser

I don't think they have any solution. I don't know what the merits are concerning geographic segregation. I think there might be considerable argument for having the black homelands and political units, etc. physically separated. It's not all that illogical. Self-government, if you will. That doesn't answer the interracial interchange within the main cities and all that. How do you handle that? How do you get some evolution in terms of education, training, employment so that 100 years from now or 50 or 20 or something, there is a reality in terms of equal opportunity and a chance for evolution in terms of economic status and educational status. I'd like to see, somehow or other, that come about. I don't know that we've solved the problem so well, and theirs is ten times ours. How do you bring about change? I don't know how to answer the bottom line question.

Edgerly

I think you've answered it.

Weyerhaeuser

What is your sense of social responsibility? If I were the largest company in South Africa, Barlow Rand itself, we'd have a very heavy, heavy burden because they have a lot of capability, a lot of good people. What kind of a force can they be in that situation? As a half-owner of four box shops, those kinds of large and weighty questions didn't play much of a role, either going in or going out. We didn't go there because we thought we were going to take advantage of the racial situation; we didn't leave because we thought we were taking advantage of it.

Edgerly

That answers the question. In terms of other areas of international expansion, of course, one of the obvious ones that we haven't talked much about is Southeast Asia. I didn't develop many questions about it because of the fact that we have the oral history on Southeast Asia and you were interviewed for that. However, I would like to get a little bit of your sense of the overall perspective with regard to Southeast Asia, primarily because the decision to take the company out of Indonesia was made after that oral history series was completed. And now, with a few years between that decision and the present, I thought maybe your perspective on it could be useful, both in terms of what the company learned, what some of the overall patterns of decision-making were, how you view the problems from this position today. Do you have any thoughts on that you feel you would like to express?

Weyerhaeuser

I suppose the fundamental issue in developing countries in a resource base enterprise is, to what degree one is aiming at short-term versus longer-term business and base-building versus opportunistic activity. The timber industry differs in a major degree from an agricultural one, which produces an annual crop and allows investments that can be productive without addressing the 20-year, 30-year, 40-year time frames. When you talk about business conducted around the world, let's say, in a capital-short world where time is critical, where compound interest is an important consideration, where capital is scarce and expensive, particularly for capital intensive kinds of businesses, time is the essence of the thing.

You take a company like ours and you say, "What is it we do well and what is it that we like to do?" You would like to build a long-term base which is productive rather than temporal and extractive. All of the forces seem to be against that in that most governments aren't around for extended lengths of time. Their priorities are taking care of short-term needs, whether that be food or energy or jobs, none of which are represented by growing forests.

END OF TAPE VIII; The interview continues on Tape IX.

Tape IX, side one.

Edgerly

Tell me about Daniel Ludwig's Amazon venture.

Weyerhaeuser

He [Ludwig] has a pulp mill and six or seven hundred million dollars invested. We were thinking about going into plywood and lumber, but in order to do that... The trees are 12 or 14 years old now and you'd swear they were 60-year-old trees. They're gigantic, but they're very poor form. He didn't prune them. He should have pruned them more or less continuously if you were going to make veneer or plywood out of them. But he didn't make that investment, so the trees are largely pulpwood. That's going into the pulp mill now and they are replanting it now. He's out of it. The government came in. Antunes (Augusto Trajano de Azevedo Antunes) came in and a group of Brazilians bought the whole thing with a \$30 million of equity infusion. The government holds a lot of the debt plus guarantees and probably isn't getting any interest on it. So, he's out essentially.

But his dream... He had a big cattle operation with a new genetic strain. He had a big sugar operation. He had a clay mine and processing unit and he built a railroad out into the timber. All this time, of course, money's going in like mad; that's all right, but once you've got it up... He had 6,000 people there living around the area. He was trying to be self-sufficient in food. It was just the remoteness, the scale, the world markets didn't develop and he didn't get the wood products in shape. What always attracted me and others too was fee land, stable government, large scale enterprise, export-oriented, you could do all the things that you knew how to do. It still takes people and in remote areas, you have to provide all of the infrastructure, police, civil government, everything. It brought with it finally too much extra load.

Ludwig doesn't like the U.S. as a place to do business - the government interference. He thought he'd found paradise in terms of a place in which to develop resources. Conceptually, it was a terrific idea and he had the means to do it. Wonderful guy. He did most everything himself. Ludwig was not an organization man, so he didn't build up the staff. It just makes you cry to see the result. It's a disaster in terms of economics. He didn't care short term. He did care that it make sense eventually. Eventually. But in the process he probably plowed six or seven hundred million dollars into it and by the time you paid interest on it... He came out of it with little or nothing.

Edgerly

There was evidence in the files that connections, however, between Weyerhaeuser and Ludwig continued for some time.

Weyerhaeuser

I think Bill Franklin's one of his friends, still. I like to think maybe I am. Right up to the time the government pulled the trigger on him, and even then, we thought, "Well, is there a way we can get in there?" What happened was the Brazilian government turned to Antunes, with whom we were also working on a partnership project raising shrimp. He also was interested in Amapá. Antunes had a manganese line and shipping operation and a whole town. Amapá is a grassland, more flat country. He's raising palm plantations, pine plantations. They've created a tremendous base. We'd like to get in on growing those trees and being able to go the next step, putting in the converting. He had more of a center there of people and better access, right close to the mouth of the Amazon, right across from Belem and much more civilized, so he had a better shot at it. So he's got Amapá there and he continues to buy land and develop plantations and it's very impressive. I don't know whether he will be able to go the next step without getting into difficulty. I think he will. I think they're well managed, well run.

I went down to that mill at Jari; I walked into the pulp mill in Brazil and a guy came up, looked me in the eye and said, "How the hell are you, George?" It was a guy I worked with in the bleach plant at the Longview kraft mill in 1949. I was a shift foreman and he was a bleacherman. He's been the pulp mill superintendent at Jari. I just happened to think of it. We've consulted with them on the forestry side of it, mainly, and tried to help. You wouldn't believe it. The pulp mill works. It's down there; they floated it in and sank it on a permanent set of pilings, the only one in the world.

At Antunes' plantation now they've got palm oil and palm oil processing facilities. They have an agricultural enterprise going, they have a mine going, which he's phasing down. Eventually I think they'll put in wood conversion and pulp and paper at Amapá. As I said, here's a number one Brazilian industrialist. He's not a foreigner. He's got good people; they know what they're doing. Yes. He has an organization. He's in partnership with Bethlehem in the manganese mining and processing. I don't mean they own half of him, but they have a joint venture. So they have an industrial enterprise and infrastructure that will survive. He's very well connected, obviously, in the Brazilian government. Brazil may elect a wildman as president. His name is Maluf (Paulo Salim Maluf). He's a

friend of mine. He's kind of a little Napoleon. I don't know whether he's going to get elected or not. I see that it's a January election. He's Lebanese and a wheeler-dealer if you ever saw one. The generals, I guess, decided, for whatever reason, to go with him. He's the government candidate. I guess the opponent has also been head of one of the state governments and also was prime minister of Brazil. We asked, when we were down there, "What about Paulo Maluf?" Because I refused to believe that it was serious. I know what he wanted to do, but he was head of the Sao Paulo government, which is kind of an independent kingdom itself. People would say, "Yes, he's serious" and then they'd kind of snicker a little bit. I'm sure he'll be wheeling and dealing every way he knows how. I guess I have trouble seeing it. I thought Brazil was farther along than that. I know they aren't democratic, but I thought at least they'd select some...I don't think he's plausible, I really don't. But who's to say? Brazil has lots of problems. The thing I like about Brazil is they have enough reasonably educated people, a reasonably honest civil structure that, even though it's militarily controlled, but they have something to phase over to. I think it has the possibility of evolving. I really hope Paulo doesn't become the next president.

I guess I have to go talk to Mr. Howe.

Edgerly

Unfortunately. I didn't realize until I noticed your watch a few moments ago that we had gone so much over. I'm sorry.

The end of the interview with Mr. Weyerhaeuser recorded on Tuesday, September 18, 1984. This tape continues with an interview recorded on Wednesday, September 19, 1984.

(INCIDENTAL COMMENTS ON ELECTION RESULTS)

Edgerly

I want to talk a little more today about the joint venture concept, perhaps looking at the agreement with Mitsui and Jujo for the construction and operation of NORPAC. I guess, first of all I need the story behind that, which we don't have a lot of information about in the Archives yet. Secondly, I wondered how it would compare, given the fact the agreement was signed in 1973, with some of the earlier joint venture arrangements that had been made.

Weyerhaeuser

I don't know how to get at the latter, but let's just talk a little bit about it.

Edgerly

Can you recall for me how that project got a start? Who gave it a boost?

Weyerhaeuser

That has a long development path and the history goes clear back with Howard Morgan and me. It all has to do with our entry into the newsprint business. The business has certain characteristics that attracted us to it and certain characteristics that kept us out of it. We looked at going into newsprint in the South, thinking about establishing a marketing base with principal newspapers. It's kind of a closed business, a limited number of major users and big players on both sides working in a contract environment, rather than a spot market. We were reluctant to try to crack into that game, because it's hard to establish a base. A lot of the newspapers owned interest in newsprint manufacturers, so the industry was not only characterized by big players but a lot of stability and various types of relationships between buyers and sellers, different than any other paper product, or pulp and paper product. We studied different sites in the South, we had one or two people that were very familiar with newsprint markets contact publishers and try to structure a degree of interest in signing contracts for a new entry in the Southeast. You don't go into the newsprint market, cut the price \$15 and hope to move everybody over. I think we made two or three passes at publishers over a fairly long period of time, but without enough success to warrant going further.

The West Coast had been dominated by a few players, mainly Canadian, for a long time, with a poor reputation generally in terms of their arbitrariness and capriciousness as viewed by the newspapers. Pricing moves were dominated by Canadians like McMillan Bloedel and Crown Zellerbach. There was a kind of a semi-closed shop here on the West Coast. I don't remember exactly when I accelerated my interest. It was a period in which we and MacMillan were thinking about using recycled waste. We were interested in deinking news waste way back in history and knew the first people in it, and considered acquiring them. They were engaged in the recycle deinking of used newsprint, Garden State Paper Company. I remember calling on them and talking to them about what they were doing and trying to see whether we could enter that way. We didn't. I can't remember exactly why; it probably had something to do with price. I can't remember,

but we did look at it. We spent some time looking at modern machines in Scandinavia. I'm talking about over a 20-year period.

I suppose the diversification, if that's the way to describe it, was driven by "What do you need?" Obviously, you need wood, power and capital. There is a great price and market stability for a commodity with limited numbers of suppliers and buyers. We felt we could certainly, from both a resource point of view and management point of view, enter the field and do it successfully. We didn't see any particular inhibitors in that, except in the market situation. We were trying to find solutions for market entry, really.

This is a long prelude to get you into the international aspects, but the story is how we got into newsprint, not how we got into Japan, really. The Japanese came into a West Coast market dominated by a few players on both sides. One way to ensure a safety factor in market entry was to get an assured volume, and one way to get an assured volume, we felt, was to get outside of that West Coast framework and have an export market which would take a significant volume out of an initial mill. We began also to think in terms of Europe and we did look at various possibilities in terms of exporting to Europe. There was quite a bit of expansion going on, MacMillan and others, Feldmuhle and others in eastern Canada. They had, obviously, lower freight and low hydroelectric power costs. Europe did not look to be a big import market and we weren't as competitive there.

The Japanese market structure was dominated by three producers and three newspapers. Several of the Japanese companies appeared to be interested in coming this way and felt limited in terms of their ability to expand with the market in Japan, from production in Japan. Oji studied it for many years and finally entered after us with IP in a mill in Canada, I believe. Japan was even more of a closed market, of course, with the various newspapers very tightly tied to principal Japanese newsprint producers. They had a controlled contract structure. They had, and have, a very complicated discount structure in the pricing. The last guys in, whether or not they're Japanese, the last machines, have to come in against, in effect, a grandfather base structure of supply that gave both volume preference and price preference to the old mills. So in a sense there's a discount and a hurdle to get over as Japanese incremental capacity came on. As new capacity came on it received a significantly lower price. I'm not talking just about tonnage, I'm talking about the structure within which the newsprint goes to market, then and now. Now that's not prevalent anywhere else that I know of in the world, but that is

the way there. The Japanese system is both, according to good Japanese custom, controlled and it employs a pricing structure which makes it very difficult for a new entry. It makes new capacity less interesting for a Japanese producer and almost impossible for a foreign entrant.

That's a long-winded way of saying there's no way to get there; you can't come at them, you have to go with them. It was obvious it had to be Jujo or Oji. Daishowa (Paper Manufacturing) was in there, but as a minor, and there are several other smaller ones. If we were going to go, we were going to go with one of the principals. So the question became, how do you interest them in an external supply, which was without precedent. They had to be convinced that importing was the best possible way for them to go, number one. Secondly, they had to convince the government that importing was the best possible way for them. They had to convince the newspapers that the quality and the surety of supply was above doubt or question; obviously they don't want to depend on an overseas source that had a significant degree of uncertainty in it. To run a 13-million-copy newspaper operation on that from afar is not something that they wanted to do.

So we were searching for a way into that market to give us a counterfoil to whatever pressures we faced as a new entry in the West Coast. We didn't want all the tonnage to be dependent on the West Coast U.S. situation. We worked at that for three, four or five years, probably that long, with Jujo from the initial talks. We knew the Mitsui people. I think they were aware of the situation, the possibility that imported newsprint was going to come into the situation. They were the trading company that Jujo was working with. As time went along, we were not impressed with the necessity (of including Mitsui). We'd looked at it a long time, and Mitsui was offered the possibility of coming into the thing, as an equity position early on. As it evolved, we didn't see, and I don't think Jujo did, any particular need. We weren't willing to give them (Mitsui) a preferential position and we didn't want an intermediary particularly. Jujo did not eventually require it. It gets all tied up in financing and everything else, so we could have gotten into a position where Mitsui, the trading company was going to be involved, period, from their point. That did not turn out to be the case.

The joint venture was a vehicle that assured Jujo and the Japanese newspapers that they had a secure long-term supply. You could construct that in a contract form. However, that's different, it feels different, looks different, smells different to the Japanese. They're used to overseas sourcing, but not long term and large scale unless they have

pretty good ties with it. Of course, their system is one that uses a lot of debt and a lot of leverage. If they can service a debt, that's the principle economic hurdle. I won't say that's all they care about, but the structure is one in which the bankers, the trading company and the consortium in which the Japanese company operates are debt dominated. So they're not looking, necessarily, for high returns on equity, but they are looking for a structure in which they have control. They are more concerned about whether or not the overall thing gives them assurance and stability than we more typically would be, than whether it offered them a very high rate of return. Once you get over the ability to carry the capital structure and all that, they're not as concerned.

They're a big newsprint producer themselves. That's not only a big part of what they do, but it's the most profitable part of what they do. The same thing could be said of Oji, only not quite to the same degree. Oji is somewhat bigger, somewhat broader and somewhat more successful in other lines. So we're dealing with a main event. We spent a lot of time, then, jointly studying the situation. We studied Jujo's position in the market, the growth in the market, and we tried to get a look at the economics. They were interested in expanding their biggest mill at Kushiro on Hokkaido. They had a number of machines there. We were interested in "What are the economics now and what do they look like they're going to be for the basic supply that Jujo had available and incrementally could make available, versus Longview," to see whether we had an economic ability to produce and deliver over there.

Edgerly

Had Weyerhaeuser been supplying pulp or chips for their operation?

Weyerhaeuser

I'm not sure when that started but during the course of these discussions, certainly, we supplied - and do still - chips to Kushiro, from which they make newsprint. They also have a fair amount of recycled and mechanical fiber going in there. It's a mixture of pulp, chips and domestic fiber going into their newsprint.

Edgerly

So that part of the business developed during the time that you were exploring the options?

Weyerhaeuser

Part of the chip business was prior to that. So it wasn't as though we weren't doing any business with Jujo and I can't recall, they may have been buying some pulp newskraft from us but, as I say, at least chips. Of course, we got into the chip business back in the early '60s and then got big in it in the early '70s and Jujo was one of our biggest chip accounts by the '70s. I'm not sure about the timing, but, of course, we also became their principal supplier of bleached board. They're in the milk carton business over there. Japan doesn't make any solid bleached board. The economics of it are not favorable to its being made there. The milk cartons, machinery and all, require a strong, pure bleached product. We and IP and Potlatch had been supplying the board for milk cartons. Milk cartons were growing, replacing glass, 10, 15 or 20 years later than they did here. So there was a big growth rate going on there, and Jujo was one of the principal actors in that.

So we had that relationship. Through time in looking at this, I was interested in it. We were trying, as I said, to do two things: establish a foreign base to permit us a solid conviction that we could market half or a substantial portion (it turned out we said half) of one machine, with the prospect of being able, if that was successful and the Japanese market was growing - which it was - we thought it was, to grow with it. So Jujo was looking for "What do we do next?" - they had a 30 percent market share or whatever - "How do we keep up with the growth?" We were saying, "We don't know whether Kushiro or Longview is the best place to put the next machine, but let's look at that. From that, let's evolve a plan." We eventually said, the future growth we tend to think of as coming from Longview, which is what we wanted to get to eventually. We had a very low power cost. We did not foresee what was going to happen in terms of the Washington Public Power System that blew the Bonneville rates out of sight. We were paying historically one or two mils for power, and we're now paying 22 and probably going to 35 or 40. There wasn't anyplace in the world you had cheaper power than in the Northwest. It's the single largest cost constituent, other than wood. We certainly had a preferential wood cost over anyplace else, with the exception of British Columbia. So Longview looked like the logical, least cost place to produce newsprint for delivery to Japan.

Over a long period of time, they wanted market security, supply security; we wanted market security for the product. There was no place like Japan where we could find that assurance. The economics looked favorable to producing it here rather than in Japan. Jujo was looking for incremental supply. All that came together in a contract which, in

effect, melded us into Jujo's supply. They serviced the newspapers, took our newsprint in and we developed a shipping plan. The ownership is important in that if you examine their intent, it was really the best way that they could convince themselves and the newspapers and the government that you had a secure dedicated supply. Paralleling that was a contract which pledges half of the output and accommodates that on an increasing scale as the mills came up and then beyond that, because they wanted it this way, to escalate up to 50 percent. They weren't prepared to take it as fast as we were prepared to produce it. It made long-term provisions if the Japanese market became uneconomic or whatever, we could not withdraw it (all at once), we had to withdraw it very gradually over a long period of time. The contract, as well as the ownership, tended to give them assurance that they had first call on the supply.

Our contract is a further assurance, really, that they could look anybody in the eye, including their own management and their newspaper customers, and say, "This is just as though it were Jujo tonnage. We can count on it." We worked very hard at getting the quality in their terms, just as close as we could. I would say security is one way in the sense that when they can't take the tonnage for various reasons they defer, they don't take it. Yet, embedded is a call on the tons. So they really have the best of both worlds, in a sense.

Equity is relatively unimportant. We started out saying we have to have 80 percent for U.S. tax reasons, but 20 percent's available to Mitsui and Jujo. Then Mitsui went out of it, they took 10. I'm a little vague about this. They may have taken 20 in the first machine and then 10 in the overall when we got the two machines. I've forgotten, but anyway I think it was 10. It's not an immense amount of money on the equity side of it. They're not all that concerned about the returns on equity, but much more concerned about position in the market and ability to finance the overall facility. My view is that the equity is very strongly psychological and gives them a joint venture framework within which to think and act. The contract really makes us partners. If you forget the equity for the moment, it acts as though it's a partnership even though they only own 10 percent of it. The whole thing was constructed in such a way that they have assurance that they're integrated into the supply; that's what it amounts to. That's the only way I think we could have entered the Japanese market with major tonnage. We still are shipping 90 percent of all the newsprint that goes into Japan from the outside. We achieved our objective and put together our West Coast contracts for the other half, went ahead and put the second machine in very rapidly, got the costs down as fast as we could. It's been

very well done, in terms of the market, the quality, the acceptance and costs. Very superior. I think the strategy was good, I think the execution was good. Unfortunately, the newsprint market hasn't been a bonanza. Interestingly enough, we thought the yen was going to go to 360 in our projection which, if it had, would have been a disaster. Now we had other power costs and other things go up, but the yen has continued to be sufficiently strong, and stronger than we expected, to produce a preferential rate of return on the Japanese tonnage. Sometimes narrow, sometimes quite wide, but seldom negative. So the Japanese strategy has proven to be sound, not only in marketing terms, but in terms of economics.

Then we got our own ships and we had that whole thing. Mitsui and everybody else is involved in shipping. The Japanese are quite used to dominating that. We tried very hard not to get into that framework. We had a good setup on the shipping, good for NORPAC. I'd say that that's been a very successful long-term situation. We're in a position to let the Japanese tonnage grow. We're producing so much more newsprint than we expected to. I don't think maybe necessarily more than what we thought the ultimate capacity might be, but we've gotten the machines up to 4,000 feet a minute. We're producing 1,250 tons or something like that, and the Japanese are taking only 40 percent of that now. We've got quite a lot of growth. If the yen doesn't go completely ape on us, we should have a preferential situation with respect to Japan. Others are very much interested into getting into that market. (END OF FIRST SIDE)

Edgerly

This is an interview with George Weyerhaeuser, recorded on Wednesday, September 19, 1984. Tape IX.

Weyerhaeuser

There has to be 100-150,000 tons probably, maybe more through time, coming in through similar arrangement. I don't think there are significant tonnages coming in spot market, so that even though the newsprint market is bad in North America or somewhere, they can't cut the price \$30 a ton or something like that and make any kind of a dent. MacMillan and others can't, so it's an insulated market, and we have a very strong position.

Edgerly

I want to ask you another question about doing business with the Japanese and the element to which a personal connection, to which you referred earlier, is important in carrying off a deal like this.

Weyerhaeuser

It's very important. I talk about five, six, seven years. It's a first in a sense of offshore sourcing; it's a first in terms of ownership and partnership. There's a very strong sense of commitment. The contract negotiations, other people work on and they're interminable and they're very finely structured and all that. But Japanese, I don't know whether it's peculiar to them, but in spite of the fact that they're very thorough and very smart and very good negotiators, really don't rely as much on contracts as we do and they feel free to change contract provisions in their favor or ask for them. You don't just say, "That isn't what we agreed to." You address the new situation and modify the arrangement. They are used to relying on long-term relationships. They mean it. So when you say, "OK, we're going to commit our growth offshore to this kind of arrangement", that's a very important matter to that company. They're not big in our terms. Through the years there's been a team from Jujo led by Toyonaga, who became the chairman (he was at Kushiro, at their big mill, to start with when we first started this thing and gradually moved up to the top of the company and now he's retiring). He and I trust each other. He's interesting. He's an emotional guy. When we have problems, every once in awhile, I've gone to him or he comes to me. When that happens, you treat it with a great deal of care, because you want that relationship to be one of mutual support. We got into troubles on quality and everything else in terms of bleached board and on several occasions I've gone to him and asked him to do everything he can to support us, to continue to take the volume or to do something else, help us get through the problems. That hasn't been easy or smooth. In the Jujo organization, that produces stresses, because they have other suppliers and they have their own production in newsprint. When we push volume and say, "You're not taking enough newsprint according to our intentions and our contract", they say the market hasn't grown enough and we can't back Kushiro down or we don't choose to and it's important that they not accept all their obligations to us because, obviously, they have much more at stake in economic terms in their own operations. There are people in their organization that are inclined to work with us and others.

The character of the thing is that Toyonaga himself and the key people around him were years and years in negotiations and the planning. They worked with us. They have access, they feel, on quality. He gave watches to all the workers down there. They want to feel an affiliation and not just in form, in substance, with the people that are not only at the top but all the way down. That's been an important ingredient.

[Interruption]

Edgerly

The last question I had asked was about the personal relationships and their importance to this kind of deal. You commented on how close the communication has had to be at times.

Weyerhaeuser

It's an interesting question because, when you're dealing in an Oriental frame of mind, to understand each other, you can't answer the question, "Do you always have complete understanding of what is meant and felt, as opposed to how it's said?" So I don't want to overstate the case, because I'm no student of Oriental communications. Then you have the problem of interpreters. Toyonaga understands some English. You're trying to judge facial expression and emotion. He gets very enthusiastic and he cries. He conveys commitment and interest in nonlanguage. Not always; sometimes he's just as blank as a sheet of paper, by the hour. But not always. Once in a while, you get a glimpse of him in an emotional frame of mind. He's unusual in that he does display emotions in ways that I'm convinced I understand where he's coming from. I don't feel that with his successor; that's a problem. It isn't just me, of course. John Shethar and others have been dealing with them, and I think they have a lot of confidence and understand quite a bit about us. They have a confidence level. It's difficult when you have a change in leadership. I'm glad that this change didn't occur five years ago or three years ago because we've been with the same guys up to now all the way, but now it's changing.

Edgerly

His successor will be who?

Weyerhaeuser

Ishigami, who's been in the mill and understands the business, but what forces within Jujo are working on him as the new CEO? He and Toyonaga have that delicate relationship of the guy who's the father of the thing versus somebody who's under pressure and looking at different sets of circumstances and different people probably that he's close to. So it isn't easy.

Edgerly

Weyerhaeuser's method of doing business domestically over the years has relied a lot on this kind of personal interaction. A lot of faith and trust being exchanged. When you commented on the fact that the Japanese seem to be less reliant on contract and more reliant on some intangible, or at least initially intangible, factors, I found myself thinking that doesn't sound all that different from some of Weyerhaeuser's own values.

Weyerhaeuser

No, but our commitment, when I say we enter into a contract with the Los Angeles Times or somebody, I have no hesitancy at all to say we will commit ourselves in writing, we will reduce our understanding to writing and we will live by that agreement. That's a very different statement than saying, "We're in this thing together and we'll negotiate to beat hell on the form of the agreement and then we also understand that the agreement does not stand under evolutionary conditions of either party." That's the difference between English heritage and law and contract and lawyers and the Japanese. I'm not aware that they've ever had a lawyer involved. No doubt they do. With Americans, when we get around to this, we would be working with the lawyers and constructing something. Obviously, lawyers draw the contracts and all that, but it's very different.

Edgerly

Have you found that there is a level of social interaction as well as business interaction with the people in Japan whom you've come to know?

Weyerhaeuser

I think at various levels. There are people that are very close to our people that do communicate on a man-to-man level. Let's say we were selling linerboard to a box plant in the United States, which we do, or paper to a paper merchant or to a merchant chain. There, at certain levels, those guys are interacting and fishing together, drinking together and going to sporting events and they establish an element of shared

experiences outside of the direct business framework. I don't think we work those personal, social contacts nearly as much as a lot of people do. More marketing oriented organizations, I think, have more people that are tuned that way and work that than Weyerhaeuser. We'll do what we say we'll do and we'll try to understand what your requirements are and we'll work like hell to meet them, but we're not going to oversocialize with you. We're much more impersonal than most of our competitors, certainly the smaller ones. We don't encourage lavish entertainment and gifts and hunting lodges and a lot of other things through which a lot of this is done. It's different. Nor do we have, however, in the United States, nearly the percentage of long-term relationships and large scale commitment that we have involved in this. Which is to say that we have a lot of customers that are being serviced and sold on a competitive price basis continuously, but those are not long-term contract supply to nearly the same degree. There are exceptions to that with very large customers. The partnership, not in terms of the equity, but in contract and the relationship, is different in kind to 98 percent of what we do in the United States. And in a sense, if we weren't of different cultures, you would be working a lot harder to socialize. You don't go into their homes. When you're working through interpreters, you don't have the same opportunity to horse around and gain understanding through informal conversation. It's much more formal. So where we have the greatest need, we have a significant inhibition.

I'll draw another contrast. In Indonesia, try as we would, we could never establish a degree of understanding and trust with our codirectors representing Tri Usaha Bhakti, our partners. With the Indonesians, I shouldn't generalize, but there is a big cultural split there in terms of how they communicate and work, the degree of frankness that comes into anything. I don't say that it's impossible for Americans to establish a level of trust, but it's so much a smell, feel and touch kind of a thing. With Indonesians, at least in our relationships, there is a degree of deviousness and lot of things don't come up on the table. I think the same thing is true for them. They look at us, big and operating from a distance, by the numbers, within a framework they neither can control nor react to very well. We simply were not ideal in our rigidity. They'd be much more inclined to wheel and deal at all government levels. I don't mean just in the bribery sense. It's just a much more loose, a looseness in the moral sense, looseness in the way they deal from business to business and from business to government. You're kind of in constant jeopardy in the sense that nothing ever stands still. They're maneuvering around. This was our experience. If you were dealing, I'm sure, in Singapore, Taiwan or somewhere else, you could have a very different experience. They're much more businesslike. That isn't to say there aren't major differences there, too.

Edgerly

To what degree did or has the element of not having a native agent, if I can use that term, affected Weyerhaeuser in its dealings with people in, for example, Japan or Indonesia, perhaps less so in a place like South Africa, more so maybe in Latin America?

Weyerhaeuser

Quite a bit. Of course, it differs as we always had a strong Japanese content in the contacts in Tokyo office, staffed by native Japanese. We had a lot of professional people doing a job, advising us, trying to understand and interpret for us what our customers were doing, saying as a group and individually. We've had a much better (connection there). In a sense we did have native agents, not partners. We would have been better off if we had Japanese partners, I think, but we're not doing business in Japan per se as we were in Indonesia. We're selling and servicing. We've used a law firm to advise us over there, with Arthur Mori, who interpreted for us, and quite ably, I think, what the hell was going on in the government and what we needed to be concerned with when we dealt with various aspects and also with the trading companies. In other words, we were getting from outside, but continuously affiliated over 25 years, American-educated Japanese and we have much better stability and continuity and advice coming. And we try a lot harder to understand what's going on in Japan than we were ever able to in Indonesia.

Edgerly

Was an attempt made to find a native Indonesian who could act as an interpreter in more than a linguistic sense?

Weyerhaeuser

I don't think you can say it was very thorough. It was hard to do. At the very beginning in Indonesia, I went to Julius Tahia, who had been the top Indonesian in Cal-Tech's largest foreign enterprise in Indonesia, whom I got to know through SoCal and through the contacts we had with the industrial conference. Julius was a leader. He was over here on a regular basis. So I had an advisor in a sense, not advising us necessarily on transactions, but on our government relations and on our subcontractor relations, etc. We had somebody to talk to, but that's very different than having somebody on the ground and in the company. We had hired people who were experienced in Indonesia, Americans, to work with us in our Indonesian operations in some cases. Indonesia, even

for Standard Oil, is a tremendous puzzle. They take forever to settle things. Everything tends to stay fluid. Here's the biggest company and very important to the country and they're dealing right up to the prime minister. In our case, in our industry, the prime minister himself, Suharto, plays golf with a key guy that Georgia-Pacific worked with who was a partner. Georgia-Pacific wound up in the same place we did, all the way out eventually. But I would say they were much better connected, and I often regretted we didn't have that kind of ownership advice and better connected with the government.

But even if you get well connected with the government, it is a many-splendored thing, because high government officials there do their own thing in their own agencies, and many of them or most of them have their own side deals that they're working on. When you come to concessions and contracts and relationships with the government, there's more wheeling and dealing; it's just unbelievable. Generally nobody's paid very much and they're all maneuvering around one way or another. Then you have the Chinese and the other foreign elements doing business there, doing most of the business there, and a lot of it behind the scenes. It isn't as though you could deal with the agency of forestry or finance. We worked hard and we had some pretty good relationships with the foreign development people there. They were able people and American-educated. There were some people we could deal with, but it was a rare occasion when you got a clear answer as to what the government's position was on issues. They'd keep changing boundaries on you and you'd say to the forestry agency, "At least you ought to be able to define where your concession began and ended," but it was in their interest not to define it. It was just very difficult.

I think the answer would be, like anywhere else, if the native agent or partner is honest, very well respected and a solid business person to associate with it would be ideal. But to find those qualities in someone who is also in a position to talk to the people in the government and advise you is difficult. You can't do it by reading the presidential decrees when they come out, Levy X or Y or Z tax right out of the blue on this or that or the other thing, to dredge the Mahakam River or to do this or to do that. They'd come popping out, right out of the president's office, and you'd wonder, "Where did that come from?" We'd talk to our other compatriots and say, "That's arbitrary, capricious," and try to get it modified on an individual company basis, or as a group, and nothing ever stood still. One thing after another would come up year after year after year.

Edgerly

You mentioned the Chinese doing business in Indonesia. It reminds me that I want to ask what impact your visit to China has had in terms of the company's planning for the opportunities that exist in dealing with China? Have you found over the years since your visit, that the results have begun to come to fruition or do you see results coming to fruition?

Weyerhaeuser

China is another matter. Incidentally, you understand that when we talk Chinese in Southeast Asia, we're talking about a different Chinese.

Edgerly

Yes, you're talking about the expatriate Chinese.

Weyerhaeuser

Yes. And they're very, very prevalent all through Southeast Asia, and they are the business. That's where a lot of the business is done and they run small scale and they handle whatever has to be handled. They're very shrewd, well connected. They're feared and respected. They are the dealers in Asia.

The Chinese, the People's Republic, are still kind of feeling their way. They're centrally controlled, bureaucratically staffed, but increasingly, as time went along over the last decade or so, well informed about what's going on in the outside world. They're very shrewd in terms of negotiation and information. They're absolutely in contrast to the Indonesians; they're reliable in terms of their doing what they say they'll do. Tough traders. Of course, there we're in a seller relationship, mainly. We've worked hard right from the time when China allowed us to work directly with them, following a period of working through the Canadians, back at the beginning, selling linerboard. That was largely at my instigation. But at least we tried to get started. We were doing business shipping linerboard. I can't put a date on it, but this was before our government moved to the point where it was possible to have direct relations. We certainly were not only not encouraged to and had no mechanism through which we could communicate. We started to ship linerboard and they sent a ship or two in to pick up linerboard from Portland from us. We made the mistake of selling it to them stored onboard ship. A Chinese ship or a foreign ship, a 50-year-old tramp, came in with no loading capability and it took four weeks to load the thing in Portland or some ridiculously long and

expensive stint. We learned pretty quickly we had better sell it free alongside or on our own ships or something else.

We started doing some business in linerboard and then we had our regular people going to the Canton trade fair. That's where we got in and worked with the central Chinese purchasing agency, China Light Industry, to sell them pulp and sell them linerboard. We started on the fiber products. I can't recall the timing in logs. It would be more recent. They used to import materials, wood products. They had a need for softwood. We began to develop some log business and we had a great deal of difficulty because they had no port facilities. The ships would stand by for long unloading delays. The cost of trying to get products delivered to them was horrendous. We worked with them to try to improve the handling through the docks, etc. They had no rail facilities that were adequate, or cars and it was very expensive to transport from the port. That's been evolving and now the volumes are large. They've gone up to something close to maybe 30 percent of the volume or 25-33 percent of what is going into Japan. Over a relatively short period, it's been an absolutely explosive growth as they've escalated their construction programs with inadequate supplies domestically. They didn't have the raw materials as it escalated, so that's been a very successful buildup. We've been the leader, and we are doing over half the total volume. We were doing probably maybe 100 percent to start with. Now, of course, with the U.S. oversupply situation, everybody and his brother is trying to get offshore and the Chinese are playing very cagily, broadening their sources of supply. Now they have a lot of different people to negotiate with and they've been very successful with keeping the price down at very low levels. It's still sufficiently above domestic alternatives, so that an awful lot of movement's going that way. We were meeting their import requirements in the linerboard situation initially where they needed high quality for packaging export products which couldn't be met by material produced domestically. The import of linerboard became important. I don't want to overstate it, because the tonnages are not overwhelming in these products. We're dealing in 20,000 tons or something like that of board and a similar amount of pulp.

It took a long time to develop a little bit of business there. Bill Franklin and our sales guys in the initial stages did business by going over to the trade fairs. They all stayed in one place in Canton. They'd sit in a room with no furniture for six days and wait to be called to come to talk. You'd wonder if our people were going to be able to survive and be patient enough to worm their way through. The answer is, we managed to. Increasingly, they got more and more exposure with people that were doing more and

more business. Then the government allowed much more freedom of action in purchasing to go to Shanghai and some of the city states so, instead of everything going through the central agencies. We did a significant amount of business with different entities on logs. That got out of hand, from their point of view. Then they recentralized it. They pulled it back into Beijing. We've been trying for three years to get an office in there. Finally, just before our President arrived for a visit, they allowed us to do it. I think it tied in with that, finally. It's very slow-moving in change and bureaucratic.

We haven't been allowed, historically, to go where our pulp was being used. And the central buying agency didn't know how the stuff was used even. They'd gather with us centrally for all purchasing negotiations. It's illogical. But we've been able to get to some mills now, and also the same thing with wood products. "What are you using this stuff for and where?", so we could try to influence, I guess is the right word, our product mix in the direction of their need. But we are still dealing with a fair degree of bureaucracy at the center of the thing.

I don't know what effect, if any, our relationship with the vice premier has had. I met him when he was here and he was interested in and aware of our forestry background. They have a gigantic reforestation problem and program. We have been consulting with them on growing trees and nursery practices. We've been allowed to send people in to look at a few of the timbered areas. So we probably know more about what's going on there than most and we have conducted seminars on computer analysis of forests with a very sophisticated group in the central government. We've been interchanging with those people on a technical basis and also on a practical basis, giving advice as to where they might buy completed greenhouse facilities and technology, what they ought to have and where they can find it. They say, "Can you supply it?" "No, we're not in the business of making greenhouses" and that kind of thing. We've been giving them technical help in forestry side. We've conducted seminars for groups in sawmilling, plywood, particleboard. We're trying to teach them a little bit about things, our technology, and materials that are available, in the interest of cementing our relationship and trying to find ways and means to enhance the direct selling that we're doing.

Edgerly

When you say "give", do you literally mean give, or is there an exchange?

Weyerhaeuser

No, we donate our time. They'll pay for transportation in China. They don't want to use their foreign exchange. Yes, it's give. We're not making any fee income from it. They're paying part of it - they want it and they're paying for their part of it. They send their people here. We're not paying to have their people come here and that kind of thing. I'd say it was a technical exchange, albeit mostly one way, each party carrying his own costs in the exchange. And I think we're recognized not only as a primary supplier of their imported needs, but as somebody who has a continuing commitment to trying to assist and aid. But that doesn't give us any price preference or anything else. All that does is help them find the ways to enlarge their forest products efforts and to supply some of their needs as they open up. All that is dependent on their generating enough foreign exchange. They have either increased or decreased these programs as the foreign exchange availability comes in and we've gotten tied up with the problems in textiles. Our government, for political reasons, has reacted. That isn't solved. There have been (ups and downs) both in their overall trade balance and the degree to which they've expanded and then chopped back on their programs and therefore, either allowed more materials in or imported less. All of this is in the framework of their government plan and the move back into central agency purchasing.

Of course, now they're also investing outside of China. Now you have another government agency which just bought timber from St. Regis over here and has an investment type of objective strategically, which is new the last couple of years. There are a number of agencies involved in different aspects of this. China Light Industry is the main purchaser of forest products. There's a lot of different bureaucracy you have to deal with there, with different missions and not, seemingly, in very good communications. It's interesting and complicated.

We were early, consistent and thorough in our efforts to develop volume and support them in their evolution with some advice. I don't want to overstate the technology. We are one source of information and help for them to get the machinery and process stuff. They're getting increasingly extensive contacts in this country and elsewhere. They're going to modernize and build. What forms the forest products that are imported are going to take is still very much an issue. We'd like to ship more lumber. They want to minimize their foreign exchange needs and are very much more inclined to import raw materials than they are finished products, which we're willing to do and are doing. We'd like to ship more finished product in there. If they can apply domestic labor on imported raw materials, of course, that helps them.

Edgerly

I'm reluctant to stop here. I know there's probably a little more that could be said. Maybe we could pick it up a bit when we meet the next time.

Weyerhaeuser

I think we have it pretty much up to the present. There probably isn't a single bigger movement or change in international trade than in forest products in China in the last five years. And we've been at the front of it.

Edgerly

I'm really intrigued by the information exchange and the direction that that takes the company. Maybe we can talk a little more about that when we get together the next time.

This is the end of the interview recorded with George Weyerhaeuser on Wednesday, September 19, 1984.

Edgerly

This is an interview with George H. Weyerhaeuser recorded on Wednesday, December 12, 1984. This is Tape X, side one.

Edgerly

The last time that we met, we talked some about the international projects and the company's contacts with China, the joint venture projects, and primarily concentrated on the international picture. That last tape is not completely transcribed, so I haven't been able to go back over the questions in detail, but that was the range of subjects. What I thought we might try doing today is start to talk about domestic growth and some of the diversified business. Rather than breaking that subject into chronologically grouped questions, I've tried to combine them somewhat to cover the 1960s through the 1980s.

One of the ones that stands out in the group of companies that was acquired, of course, was the Dierks acquisition. It certainly was one of the most substantial in the Company's history, and I wonder if you can give me some background on that. The merger took place in '69 which was three years after you became CEO and, therefore, obviously you were involved in making the decisions relative to that move into a different part of the country.

Weyerhaeuser

I don't think of it as diversification so much. It's not in the sense that we talk about diversification these days - involving a change in the character of the businesses that you are going into. Dierks was an extension of our move toward the South and East - South for resource base and East for markets. We felt that a lot of changes had been going on that pointed to the need for us to establish a stronger timberlands base in the South. And, of course, we started down that route in the late '50s in Mississippi. So largely, I think it came as a result of the forestry considerations and was associated with the desire to get a pulp and paper base down there as well. We pursued relatively low-cost, surplus land which, in that period of time, was to some extent an outturn of the marginal farming - cotton, corn, etc. - small-scale farming that was no longer economic. The lands were woodlands combined with marginal farmland. When we went down there, you could essentially buy the land for whatever timber values there were on it. In other words, there was practically no land value in northern Mississippi and Alabama and other areas in the South, marginal areas away from the Gulf. So we were looking for a way to build a base down there, from which later to build facilities. We had been learning

something about hardwood control and conversion costs and management costs, and we'd convinced ourselves that we had pretty good site land and we knew how to manage and convert it. There was a good deal of doubt in the early days about how you got control of the hardwoods in an economic fashion. You could buy cheap land or land at practically no cost, yes, but you didn't necessarily have either the quality of site or means that were economical of getting the site reforested.

All this is by way of introduction. That's the preceding 10 or 12 years in front of Dierks. But, at the same time, of course, we were also gaining experience and knowledge and some degree of conviction about practicing forestry in North Carolina. We had been experimenting increasingly with various kinds of reforestation techniques, and we thought we were getting pretty good results there, too. So we were looking at a number of properties and decided we'd like to make a major entry down there. The Dierks properties were large-scale, independently owned, family owned, and we thought about them for some time. I talked on one or two occasions to DeVere Dierks, who was somewhat younger than I, or maybe was in my age bracket - I've forgotten. He was kind of the guiding light - young but in charge.

Edgerly

Was he the man who died in the accident?

Weyerhaeuser

Yes, he was killed in a head-on auto collision coming home from something with his daughter. I think his death took the heart out of the matter there in terms of the primary guy that was then leading it and the next generation. I think that then served to accelerate whatever thinking process the family might have otherwise been going through. I think probably eventually they would have found that the capital requirements and other things to manage that large an enterprise or property were larger than they wanted to undertake and could undertake. It's one thing to manage 2 million acres of land, and another thing to integrate it with all the facilities, which we wanted to do and were prepared to do. So while we had the objective of building a southern base, they had the objective of generating income and managing a property. They had been logging it on a selective basis, as was customary in most of the South. We saw an opportunity to turn the property into a large-scale plantation and we analyzed it that way. We negotiated on and off with Peter Joers and other family members. Two or three others got involved along the way, and they eventually had a lot of advisors in the thing. Eventually we put

together a transaction which was essentially cash. The most difficulty we had in the negotiations had to do with the mineral rights, and nobody knew how to put a value on the mineral rights.

Edgerly

Who was following that piece?

Weyerhaeuser

Oh, I don't know. We finally just arbitrarily offered a number and increased the price. I think we arrived at \$7-1/2 million or something like that, out of a \$325 million purchase price. I don't know to this day whether that was overvalued or undervalued. They're drilling one well on us now.

Edgerly

You may not know for a while.

Weyerhaeuser

I think we will have received \$7 million in value direct cash back just in lease fees irrespective of whether there is any oil or gas on it. But it is 12 or 14 years later. It was a part of an evolving strategy, of course, and then we applied very radical changes in their forestry practices that were not without controversy. We've basically gone into a selectively logged mid-South forest and converted it at the rate of 100,000 plus acres a year into plantations. I think we were aware at the time we went in there that some of those lands, particularly in Oklahoma, were probably light on rainfall and depth of soil and quality of site. It had a lot of shortleaf pine on it that wasn't doing anything, and some of it is rocky and sufficiently marginal that we still will probably manage it with a light degree of intensity, meaning we can't afford to go in and hand-plant it; you'd have to seed it. It really is almost non-forest type in terms of its growth and potential. I'm talking about 200,000-300,000 acres maybe out of a million eight or a million nine. We bought a lot of timber - there was a lot of timber on that 1,900,000 acres, even though the stand per acre was relatively light. It was about 10 cunits per acre and of that 75 percent was softwood. So we went through and, in a sense, put it on about a 20-year cycle, upgraded the lumber facilities to let them handle smaller logs in a better fashion, and put in a southern plywood base along with it at every one of the locations, and roundwood handling basically to take the small wood out and provide, along with the sawmill residuals, the chip base for a big linerboard mill. We'd been studying for years

the possibility, starting down in Mississippi, of establishing a southern linerboard location, because we obviously had midwestern and eastern shipping container plants. We wanted to grow that business and really make it a nationwide supply base. So with Plymouth in the East and Springfield in the West and Valliant in Oklahoma, we could pretty much cover the country in terms of transportation, a geographically balanced system. We were, of course, busy building a nationwide shipping container converting business. So, with all those, the business of brownboard and shipping container business were logically integrated there, although we could have gone in Mississippi with a linerboard mill. We had a timber base which would provide wood for modernized and expanded wood products facilities for the reasonable life of those assets. It all tied together into a good, solid geographical base for us from which, then, to grow an awful lot of wood in the future, which we certainly will do. That land alone will probably grow in excess of 2 million cunits a year in plantation form, and that's just at the rate of a cunit per acre per year or a cunit and a quarter. So it's going to be a gigantic resource base over time, and I think we did it at the right time, both from a marketing and product point of view and from a land and timber acquisition point of view, in the sense that values escalated serially after that. While we had some run-up in values before we bought it, I think we got a very, very favorable acquisition price for that kind of integrated, immense land base. So it turned out to be a very good, I believe, move for us. That whole thing, if you put all the values just on the land and timber, on an acreage basis, you're talking about something like \$175, ignoring all the other assets. They had a sack kraft mill, gypsum plant, treating plant, three sawmills and a few other things that, in that kind of calculation, I ignored, but they were a pretty good starting point, with the organization, from which to build. So we got a very good, solid move. I certainly would do it there or elsewhere again. It wasn't the only property - we looked at many of the major properties that we either thought were going to be for sale or were actually for sale, negotiated for some of them, including the old Pomeroy-McGowan lands in Alabama, which later went to Union, and Crossett, which later went to Georgia-Pacific, and probably 10 or 12 other major properties that we have at one time or another competed for down there.

Edgerly

Was this by far the largest of them?

Weyerhaeuser

Certainly it was in acreage and it was in dollar amount at the time, too, although subsequently, of course, we got into the bidding match on Bodeaw's 350,000 acres plus a linerboard mill with IP that went to \$700 million or so 12 years later. Of course, the dollar wasn't the same dollar and it was for 350,000 acres, not a million nine. So I think in real values it is probably the biggest, and may be the biggest timber and land property that we ever traded.

Edgerly

How favorable is the tax structure in that area relative to a large ownership of this sort, and to what degree did that figure into your calculations?

Weyerhaeuser

Oh, I don't know if that had much to do with our sense of wanting to be there. I think that the values, the property tax loads, generally across the South are orders of magnitude lower than in the West, but as between the various states, there are significant variations. I guess the fact that I don't know tells you something about the relative importance of that. That's not to say that the land valuation and land tax is not an important element of forestry economics, because it certainly is, and they are favorable in most states. We built a big linerboard mill there, and we were very much concerned because it was in a very small taxing district. We were able to put into the Oklahoma property tax in the way of... I can't tell you the mechanics except that we made payments in lieu of local property taxes and then were able to allocate those payments in lieu out to the various entities that needed them, and many of them were at the time outside of the geographic boundary that would have received the property taxes. I guess that's been found unconstitutional. I think it was either legislated differently or something. Anyway, I think they're back onto a property tax system that concentrates those receipts into a narrow geography right around the mill, which is too bad, because there are a lot of schools and hospitals and everything else that needed our revenue base to help, because the people live all over the place. They don't live in Valliant. That was not a major tax break, it was just a partial solution not to the rate of tax, but it was a vehicle which did set your property tax so it wasn't going up and down or subject to reassessment and all that within a little, tiny taxing district where you could have some problems. So I'd say that we felt very comfortable in terms of the tax and other aspects of the local and state environment in which we could expect to manage a large property over a long period of time and put big capital improvements in on it. I think that's proven to be sound and it's a good place to do business.

Edgerly

Was integration of the Dierks people any more difficult than with any other acquisition? Was their way of doing business and their way of looking at their resource base enough different that Weyerhaeuser had problems with that?

Weyerhaeuser

We had lots of problems. I don't think we've ever done anything on that kind of a scale before, that involved that many people and that many rural communities. Well, you start out with the resource management side - they had a lot of district foresters scattered around and they had had a history of tree selection logging, which is a polite way of describing high-grading. They'd put contractors in over the years and logged out the valuable hardwoods a tree at a time, so what was left was the low end in terms of quality and rot and tree form and everything else. The growth rates were poor, values were low in terms of conversion in hardwoods particularly. The softwoods were logged and they were reforesting on a natural basis largely, and you get very uneven distribution of trees and growth rates very much below, like half or less - probably less than half - of the growth rates you can get in a plantation where you've got the site fully occupied with good trees on it. But both in the area and among the people that worked for Dierks - well, clearcutting was radical, different and associated probably in some people's minds with liquidate, "cut, get out and leave it." So I think it took quite a bit of time - and I don't know that they all stayed around for the change. We had to get forestry people who knew what they were doing and blend them in there and change the whole program and make it work with people who knew something about it and were committed to it. We established, of course, nurseries and the whole works. So it was quite a job, and it wasn't as though we had practiced it on a gigantic scale in the South, although we did have the experience in Mississippi and North Carolina to bring to bear. They had all the same kinds of problems in the sawmills. There were three old sawmills where they were used to doing business on larger material and we wanted (1) to increase the volume cut from the forest, (2) to process a wider range of log diameters, (3) to do it at high speed. This wasn't new. You have the struggle of quantity vs. quality, automation vs. careful cutting and selection in the sawmill, a myriad of grades and a lot of handling, so their cost structure was way out of line, and yet the variety of product and the yields, of course, were different and higher than what we would get from going in and adding a new set of log handling and the smaller log sawing equipment. We had different ideas about how to engineer it, and we brought in outside construction and engineering people. We had a

terrible time with our ideas of what to do, melding it. We didn't go in there and fire everybody and we wanted to build off what was there. We didn't want to be viewed as northern carpetbaggers, and wanted to establish a very solid base with the people that were already there. So we had to make it work together, and that took quite a bit of time. That went for the mills as well as the woods. The plywood plants we built from scratch, so we had a construction problem and we sent our own people in. We had housing problems. We tried to get our real estate people to build subdivisions because there wasn't a lot of appropriate housing in the area, not a lot in surplus either. We sent them (the real estate people) in there with a mission to do it to make money, not just to subsidize housing. They had great struggles with Joe Brown and others as to what is the mission, and they wound up doing a poor job, I would say. They didn't make money. We probably lost money trying to build houses, and I don't think we did a very good job for the people either. We built some in Idabel and Mt. Pine and around Hot Springs, too, DeQueen maybe. Here's another cast of characters from the West trying to do a job down there.

Edgerly

The name Dierks stuck with it. As a matter of fact, I think it was called the Dierks Division until Joe went down there, was it not? That would have been at least four or five years after the acquisition.

Weyerhaeuser

Sure. We were trying to run it with their people. Bob Malcolm was production general manager, I think, down there. He was one of the key guys at Dierks and we had their mill managers; we didn't change a lot of that. We did a lot of the engineering and then I think Howard Hunt worked hard to try to make that all make sense.

Edgerly

Does the relationship with Peter Joers remain good despite these changes which philosophically had flown in the face of what he had been doing?

Weyerhaeuser

Yes, I think so. I think Peter first of all was the key negotiator, the leader after DeVere. Peter stayed on and took a positive position, helped us in the community and with the Arkansas and Oklahoma political dimensions, which were important. Dierks is a big outfit down there and we were coming in from the outside. I think Peter helped in

many, many ways. Of course, when Joe came in, he was really the first Weyerhaeuser top guy. He worked with Peter and Peter continued to help us on a consulting basis for a good many years. Now, I don't think that meant he agreed with everything we were trying to do or did, but he was a key and positive force in our gaining acceptance. I always, personally, from the negotiations on, turned to him when we had problems or anything else. He continued to help in any way he was asked to help, which I think is rather remarkable. He certainly didn't need to from any economic point of view or anything else. I think he was genuinely interested, from a family point of view, in having it go as well as it could possibly go. I think it was a stewardship kind of thing, even though they'd sold it, and he helped a great deal. We had a number of key people, still do, that were pretty key when we arrived and that are still there running things. So it was a mixed marriage and it worked, but not always smoothly. I don't know that I'd do it any differently, though, if we had it to do over again. You can think of things we would have done differently, but in terms of the leadership and organization, I think we were remarkably successful in hanging in there and doing a good job. But certainly there was a lot of putting out of fires. There were a lot of stresses and strains in that. They had had, and we had, significant union problems. They had very bitter relationships and a couple of major strikes, union shop, decertification, and some violence - down in that part of the world they tend to take things into their own hands and burn and blow up things. So there's a labor history that was difficult.

Edgerly

Joe refers to that in his interview. What primarily did you find had to be done to improve relationships with the unions?

Weyerhaeuser

I don't know that I'd say that we found any real solution. I think there's still a certain degree of do-it-yourself militancy in the Oklahoma side particularly. I think that's partly the character of the people that are there. I think Dierks worked pretty hard at managing their own affairs without too much help from the union, and I think when Weyerhaeuser arrived, the international union saw an opportunity to follow us in there and strengthen their position. I think that's part of what happened. I don't think that I ought to overstate it. I think we've been reasonably successful in getting productivity and we haven't had a lot of major strikes. But it's not a typical southern labor history. It's much more union, much more militant than certainly other parts of the South, more so than we've run into in North Carolina.

Edgerly

When I mentioned the Dierks acquisition under the general heading of domestic growth and diversification, you said, "Well, it really isn't diversification." That was a good point, it really isn't.

Weyerhaeuser

It was really our growth scenario, go in debt to expand and through expansion to get on a new, longer-term geography - which would help balance us geographically - closer to market and all of that is very valid. I'm very glad we've got as strong a position as we have in the South. Looking at it from today's vantage point, most of the pulp and paper companies are getting out of the wood business, or at least they're getting out of the West Coast wood business. What we were trying to do was balance up. We didn't have any intention of withdrawing from the West Coast, but we certainly had every intention of getting to be nationally more competitive as freight rates became more and more pertinent. I don't say we foresaw deregulation and a terrific runup in transportation costs, but they certainly have tended to validate our earlier concerns that we were too remote from market to do a good job or do an ideal job anyway. So, to the degree that we've been able to, we've been building southern bases for fine paper, linerboard, pulp. And we're still at it, of course. That's not the end of it.

Edgerly

Another acquisition that took place that same year was the acquisition of Quadrant and Par-West Financial Corporation, I guess is what it was known as at that time, which in a way took Weyerhaeuser back into the real estate marketplace, one that the Company in fact had abandoned with the disincorporation of the Logged-off Land Company, I believe.

Weyerhaeuser

I smile because you show your historian tendencies. There aren't two people around here who would know very much about Weyerhaeuser in the real estate business back in history. There are a few maybe that could remember. And, of course, if you want to carry it further - I thought maybe you were going to go a little further than that to what F.K., John Musser and others would say is the first when we were in something called Allied Building Credits. Now that was the real estate business. Quadrant might have been the son, in a very limited sense, of the Logged-off Land mentality which said that we have had and continue to have a lot of lands in the Northwest which are within

reasonable proximity to the metropolitan areas so that the population pressure translates into recreational properties or second homes or even subdivisions. The areas east of Seattle, which is where we did sell a lot of logged-off land, also turned out to be part of Quadrant's territory. Quadrant's activities were both land development and some home building. So the land development arm, we did then and still think about as having know-how and expertise which we could apply to some land that is in higher-value categories than can be supported by forestry. The land, at least theoretically, may have a higher use in economic terms than forestry management can generate. Well, we haven't done a great deal. The fact of the matter is that we have the dichotomy that we don't want a lot of development to impinge on our main forest areas. If the valuation of those lands were to be translated to all forest land, we would be in real trouble. They take transaction evidence and then say, "Well, this is what this kind of land is worth; therefore, we apply it to all your holdings." So there's a problem in terms of present use as opposed to highest and best use in a tax sense. And we've been very concerned about that. So we don't want to, in one sense, mix a lot of land disposition in amongst our main areas where we want to grow trees. The other side of that coin is that, even though we have a lot of lands in the adjacent areas to the suburban areas (they are potentially kind of farm/wood lot, second home), they are not the kind we use normally in terms of developing subdivisions. They're too far out for that. But we did put Quadrant to work on Hartstene Island and other areas where we had water or where we had something that was a unique feature which could draw people there, and we made those kinds of developments. Quadrant, of course, has become our arm for development, commercial properties, light industrial and continues to hold a lot of land and develop a fair number of business park type of sites. But they are not really chewing up a lot of forest land or the fringe lands that we from time to time wonder why we can't find something higher value than growing trees on.

Tape X, side two

Edgerly

At the time of acquisition, was the idea to provide another fallback position in terms of dealing with the cycles of wood products and pulp?

Weyerhaeuser

Oh, yes, I think there was some element of cycle diversification in the sense of a business which had its own characteristics and helped us in terms of cyclicalities. Although I think, if one were to look carefully at the real estate business and the wood products business, they're not that far out of sync. They're a little out, but not all that far out. Of course, when you get over to commercial and industrial building, that can be fairly far out of sync with the wood products building cycle. No, we felt that there were attractive opportunities there. We weren't alone. A lot of other people at the time in the wood products business and others were going down the route of getting into some degree or another of development and home-building, and I think we felt that we could acquire first-rate operators in this area and, in effect, acquire the expertise and the position in that process through which we could channel our materials and get closer to one of our main markets. But I don't think we looked at it as primarily an integration. We have never managed it as integrated. We felt that each one of these had to be a business on its own, a business we were prepared to get into so long as we could find companies with a good track record and a price we felt didn't mortgage the future too far out. We acquired over a period of time eight or nine of these companies, starting with Pardee. They were also, of course, in the mortgage banking business and knowledgeable on the financing side, and that was of interest to us. We wanted a good, strong entry and we found one. So it was a very, I'd say, successful and timely acquisition. I wish they were all that good. On balance, I think most of the building companies we acquired were soundly run and soundly acquired. With a couple or three, for reasons of their own weaknesses and/or our direction of them after they were acquired, we lost money and their management (by pushing them into different product areas or too much growth). So we've made some mistakes in the process. But we've built an enterprise that we felt would provide diversification, know-how related to where our products were going. Then the financial management capability that Pardee brought was also interesting and we felt we could build off it, which has proven to be the case a long time later. We felt it was an area that was related where we would have a degree of know-how and comfort and interchange capability, both financial and product.

Edgerly

Was the acquisition of Jay Peak as experimental as it looks to me? That's too personal a way to really phrase the question, I guess. But it is so different in that it represents a recreational facility, and yet, of course, it dealt with an activity that was land based.

Weyerhaeuser

Well, not only land based, but we had a lot of land right there, which was acquired from Roddis. So we had the rationale at least of creating value supported with real estate development which, together with what was represented to be an outstanding ski mountain, by putting in resort development we felt we could make a go of a good mountain with the right kind of facilities on it and then move forward into the real estate development, which is kind of the way Sun Valley and some other places have evolved. I think that to the degree to which they have been successful, they've been successful economically by virtue of land development. But the ski resort has to provide the thrust. If people aren't there, you're not going to sell land and develop. We knew we had a very cold mountain, the highest mountain in the Northeast - you wouldn't even call it a mountain out here, but it gets mighty cold there, so it took a very big investment in the enclosed lift to get it off the ground. Then we put in a bar and eating and then some sleeping facilities, then we developed a little land around there. They had water problems and volume problems. It's easy with the benefit of hindsight to say, "What did we know about all that?"

Edgerly

Well, you worked at it for about 13 years or so before you sold it.

Weyerhaeuser

Right. In the latter stages of that, we didn't know how to let go. We were trying to see if we could get the real estate development up without putting great big dollars of infrastructure in there. You're constrained environmentally. You can only go so far on condominiums and that kind of thing without all the massive sewage treatment, road systems and all that. So we started all right. We thought we could pull it out that way. We made a little progress, but finally disposed of it. I don't know whether I'm going to let you leave this in the transcript or not, but it was not a unanimous decision to go in there. It was the one time that I can remember distinctly that, as a Board member and also a member of management, I had a conflict of interest in the sense that management does not vote against the chief executive when they sit on a Board. I would have voted against it if I had not been a Senior VP, or whatever I was, Executive VP. Norton recommended it and wanted to go ahead on it and the Board, by some majority, approved it. It had either my silence or vote for, I'm not sure which, but not my conviction about it. But that's hindsight. It might have been possible to make it work. I do think the land development logic was correct. If we hadn't had that as part of the package, I don't think

we would have built a gondola up to the top of Jay Peak. We took it from a day ski area, a pretty light investment kind of a deal, then escalated it up to try to raise the quality of the thing. We got too much money in it and there was no way we could make enough. All the Canadians were coming across and bringing their lunches in a paper sack and buying their lift ticket. There was no way that that would justify the investment base that we had in there. It was too remote, not enough being spent per day, and then we couldn't make the land development thing take off.

Edgerly

So an interesting undertaking and it stands out, as I said. It's kind of unique.

Weyerhaeuser

Well, it's a perfect example of why a big company shouldn't fool around with small things that they don't have any background in. Then we had a lot of people that owned stock in the darn thing, you know, not big investments, but a lot of people. We had some obligations to to keep it running. It was just a sort of a disaster from beginning to end and we couldn't find out how to give it a decent burial. We had at the time some theoreticians on the Board. It didn't have much to do with anything else.

Edgerly

Well, as I said, it's interesting because it is a little unique. Whether it was experimental or not, it represents a corporate try at dealing with a different marketplace, one that deals more with people than the Company does in any other circumstance.

Weyerhaeuser

Well, that's what it was. Yes. And we didn't have any people to bring to that, so we hired people. Some were skiers or people who were running a ski school. We had some crazy guy running the ski school. But who's in a position to judge whether he knows what he's doing, and who's giving the business management on the thing? I tell you, it's hard. You don't send a forester. I think you learn that if you're going into that business, you'd better have some pretty able people at the front end of it making the judgments. It's a hard way to learn. Whether or not it could have been done in that location, I don't know. The history of ski resorts is not particularly encouraging, even with dedicated people who are interested in skiing to run the darn things. It doesn't necessarily mean they're running a business. I think the ski resorts that make money are the great exception, like 20 percent or something like that. And I think they're only the ones that

generally are able to put in enough infrastructure and they've got enough land and can make something much more than just a ski hill.

Edgerly

You mentioned the interest of the Company in acquiring mortgage banking capability through Par-West Financial and certainly the acquisition of GNA moves Weyerhaeuser even more into the world of financial instruments. Yet this is also one of the most competitive segments of the U.S. economy and also still is fairly highly regulated. Can you go over for me the evolution of the Company's philosophy in expanding into the world of mortgage finance and financial instruments, beginning with that period of the late '60s and going up to the present?

Weyerhaeuser

I don't know whether I can or not. I suppose that there are lots of ways to run the mortgage banking business. I think the fact that we got in with a very well-run, conservatively run financial services business, in a sense, bearing some relationship to the construction company that spawned it down there, gave them and us a degree of synergy, if you will. They were originating their own mortgages and then they started originating mortgages for others. In that process, servicing got involved. They did it with minimum capital and risk. You're dealing with financial assets that have relatively low-risk, high-liquidity characteristics. Translated another way: You can manage a pretty big business on a fairly small capital base and do so with a high degree of security. They stayed, in the early days and still preponderantly, in the arena where they were not required to take major financial risks, either in terms of the quality of the securities that they had in portfolio nor in terms of the interest rate futures. They dealt largely in government-insured mortgages and secondary markets and insurance characteristics that placed it in contrast to many financial businesses. The money they made was operational in a sense. They knew what they were doing, knew what their costs were, they didn't expose themselves to undue risk. And then as it grew bigger and stronger and the servicing business itself became of real value, we could and did build a large business. I think we have somewhere between a 10 and 20 times debt to capital ratio and built a pretty big business with a very fine return on equity without undue risk. Now as that's going along, we've expanded into the related activities of venture capital, so we in effect became limited partners and lenders of capital. We had the building expertise tied with the financial expertise so we could work with third parties rather than going into the construction business all over the place ourselves. That's a

spinoff of what they've been doing. We got into the insurance business a little bit, again with a big portfolio of customers out there, selling insurance from that customer base. Expanding a little bit in that field has proved successful. So we've kind of taken little offshoots out of a central business which is pretty well built, pretty well integrated. I think the farther Pardee got into that, the more they began to realize that that helped their basic business and perhaps on its own merits, was a better returning, less risky business than the primary business they were in. And I think we feel the same way. Being a financial intermediary in certain ways is steadier and sounder and less capital-intensive and a higher return business than trying to buy land and wait for 10 years to get through the environmental permit process and then go into the building cycle and then worry about whether you can get enough money out to pay for all that.

Edgerly

So GNA really fits as a successor to that?

Weyerhaeuser

Yes. Now, the next question is where the hell does GNA fit into that or whatever else we might do. Before GNA we looked at the mortgage insurance business and we thought about going into it in different ways. Maybe we'd have gotten a little more interested but Baldwin United stepped in when we'd been working with MGIC, Mortgage Guarantee Insurance Co., for a long time, and took MGIC over. Baldwin had been on a tremendous growth curve - not only they, but the whole industry has gone from nothing to gigantic dimension. Tax-favored; yes, regulated; not regulated enough, I guess, if you'd looked at what some of the SPDAs were doing. You're working with somebody else's money paid in advance, lump sums managed over a fair period of time. Basically the business is can you do a decent job of managing your costs and your communications and generate an investment spread higher than these individuals who are putting them into these tax-favored accounts, can achieve in other ways. So we looked at that and I guess our conclusion was yes, we thought there was a model. You don't have to go the route of a gigantic high growth rate to tap into that flow of funds and manage those assets in such a way that you can generate a spread business reinvesting in sound and secure financial assets on the other side of the deposit base and do so without an immense amount of capital. It is certainly a higher risk in a different kind of business. The way GNA have run it, and I guess that was attractive to us, they were working largely with S&Ls. You don't have to go out and create a great big branch system. There were not a lot of bricks and mortar capital. So what you're talking about is know-how, marketing and investment

managing. I suppose the fact that we didn't have to either buy or build an immense fixed system attracted us. It is not without regulation and not without risk, however. Whether we prove to be highly successful... The field could be absolutely killed by tax legislation and Treasury's provisions would largely do that, I think. We thought we could build a business of reasonable proportions with capital in the size that we really kind of wanted. We said we didn't want to do things that are de minimus around here, that scale is important, so we ought to be building businesses that are capable of getting up into the level of \$50-\$100 million over the startup period. Over a six- or seven-year period, you get to a point where they are significant in what we're doing or else we're not likely to put the management into it. So we don't want to be too small.

That doesn't answer why that business, but we've looked at a whole myriad of so-called financial services type of businesses and there are certain characteristics of risk and competition and growth that we look at. We're interested in expanding on some of those if we can find the right vehicles. But basically it is some combination of not gigantic capital and of some area that seems to be growing where you find a company or a function that has a niche that we think we can manage without having to build a whole new set of skills. In this case, I think there's synergy in the sense that we've got some pretty knowledgeable guys in the money market situation that are either borrowing or lending. In due course, I think we'll bring some of all that to bear in the GNA combination with the mortgage company and our Treasurer's Department. I think we come now from a position of what we feel is pretty good strength in the various aspects of the construction and mortgage business and we've got a very strong borrower's know-how in our Treasurer's Department, so we're coming off a fair amount of skill. There's no way we would have gone into GNA 10 years ago. Now what we might add to that, I don't know. It's building. Of course, we're acquiring more mortgage offices, and we'll have a pretty big enterprise. By pretty big, I mean we'll have enterprises that will probably be managing maybe \$2-\$3 billion of assets. So there's an element of scale and can you afford to and will you make an important commitment to the business? That's people and capital and everything else. So that's part of it. I don't what else I could tell you.

Edgerly

That helps explain the background of that acquisition.

Weyerhaeuser

You know, we've gone into Cornerstone and we've gone into construction lending and, as I said, venture capital in the real estate area. Between the funds gatherers and the funds users, there's some synergy in that you can be generating business opportunities that need funds which can be funded from one or more of these sources. For instance, GNA wants to get variable rate investments so that they can match it with their variable rate in terms of competing for the annuity money. If they can do that, as the money market goes up or down, they could stay competitive on both sides of it and not have a big risk of being committed to long-term investments that are too low if we get inflation and the rates get high. And, on the other side of it, we're trying to use the good offices of the building company and the mortgage company to help generate some variable rate commercial loans and that kind of thing so that they could resell in effect to GNA. So there's some synergy there, even at that level.

Edgerly

It's almost 4:45. I have more questions about that, but I don't know what your schedule is.

Weyerhaeuser

You can go on longer if you want to.

Edgerly

I've talked to some people about the aquaculture program. The way it's been explained to me is that the Company has developed over many years an expertise in monitoring water quality and taking care of water, knowing what it can sustain, what it cannot sustain, and that it was really an attempt to utilize that knowledge that resulted in the aquaculture program. To some degree this even went back to the work with the oysters down in Twin Harbors, I think.

Weyerhaeuser

I think that was the first area in which we began to generate some know-how and experience. We saw the problem coming and decided we'd better know something about it, and so we got some people and studies, and I think we did learn something about it that was helpful.

Edgerly

Do you see the aquaculture program being something that the Company will be interested in in the long term?

Weyerhaeuser

Well, my answer would depend largely on when you asked me the question. If you'd asked me when we started talking, early in 1984, I would have said maybe yes, and as of this juncture, I'd say probably not. We've had all kinds of ideas and ambitions, starting with the basic idea that seafood is gaining in preference and consumption and that the natural sources are getting scarcer and, if not scarcer in general, harder to find, which means more expensive. At some point those curves get to the point where raising in captivity for some portion of their lives or all of it makes sense. We had some conviction on that. I guess the genesis is out of people that were working for us in the water quality area, etc. Then we were aware that Professor Donaldson had done some remarkable things over at the University of Washington and, of course, they were in a little business down in Oregon before we acquired it. Other people, other corporations have gotten interested and have come and gone. We interjected ourselves in that, as I say, on the premise that there were some people that had a jump on technology, spent years at it, that knew in effect how to raise and have return pretty superior fish. We had a certain amount of knowledge about the Japanese history and elsewhere where return rates have been way, way above what one might think would be a reasonable breakeven point for ocean ranching. Now we've looked at raising fish completely in captivity for the pan. It would make a trout-like animal which, when you look at the feeding costs and space costs and all, we haven't found that to be an attractive alternative yet. We thought about pen raising, and that has various drawbacks. We've looked at, worked at, and spent money on prawns. They're very big. They can be raised in fair density. We looked at Brazil, and we were all ready to go. We ran that operation experimentally down in Florida at Homestead for a long time. All of which traveled out of the general theory of there being a valuable product, which we were trying to find a way to make economic sense out of raising in captivity. When you get to the conclusion that you can't afford to feed them to maturity, then you begin to think, well, okay, what about the return rate on releasing to the sea, which would cut your costs way, way down. I think at return rates of 2 percent or thereabouts, you could make a reasonable business out of. We have yet to get over 8/10ths of 1 percent, and we put the investment in the hatchery and the release points, and I think about this year, we're going to write the investment off. We sold part of one of the release sites to BP and we're raising fry or smolt for them. I don't know

how long they're going to stay in it. They're losing money, too, down there. So we've learned an expensive lesson, I guess, that with the best of theories, we haven't been able to make it happen. There are too many variables out there at sea that we can't understand or control. We changed the size of fish release, the time of the fish release, we've done various things on disease, and we made progress, but the progress has not had results. Every time we make a step forward, something else happens, which is El Niño. Or the state can change the fishing pressure, so we get five times as many back and four-fifths of them get caught, and I think the combination of the politics in the thing, which is basically that fish are considered to be a public resource whether you raise them or not - not true in Iceland, not true in Japan (they found ways to make it work there) - but we can't get the permits in Washington and California or Alaska to ocean ranch. That's a political matter. And in Oregon where it is permitted, it's under severe pressure, and I think we kind of throw up our hands and say if we were able to solve the return problem, they'd probably find a way to catch them before we got them. Then we thought well, maybe we could run an efficient hatchery on a large scale for the state. The state doesn't have any money, and it probably would make sense for an enhancement program - forget about who catches them - to raise them for the public for fishing either sport or commercial. I don't know what the physical answer is. Maybe we'll find a way to run a hatchery at a lower level or something. I think we're probably out of the business. We did give up on the prawn, and there were different considerations there. We found that there were things that didn't work that we thought would and got fairly far along. We were ready to go on Brazil on a major scale. We used to think about catfish in the South. But it all emanated, as you said, from water to some perception of technology to some perception in the new business arena that supply and demand curves were going in the right direction at some point, and that point is farther off than we divined, I guess. There weren't the economics that would permit a good return, never have been.

Edgerly

Who was the prime mover in translating the knowledge about water and water resources into aquaculture? Who was the corporate sponsor of that move?

Weyerhaeuser

I ought to be able to recall, but I really can't, which tells you that I don't bear any grudges, anyway. But I've been supporting it all along. We reviewed it regularly over the years, and I don't know how many years we've been at it, but we've put in an awful lot of money. I think by the time we get done, we will have invested \$20-\$25 million in the

combination of losses and facility writeoffs. There are a lot of things we could have done that would have paid off better than that. I don't really know who was carrying the torch in the early days.

Edgerly

I like the idea philosophically. It's a wonderful concept.

Weyerhaeuser

So do I. I just don't want to explain to shareholders what I did with their money. Incidentally, you can have the same kind of level of skepticism about some of the other things, some of the other new ventures, as we strike out into hydroponics. There are a lot of people with good advice around that would say there are an awful lot of people that have fiddled around in that to no avail. I think you could raise questions about the risk/return relationship in tissue culture. I've believed in pushing down a few of these avenues to see if we can develop major businesses out of them. They certainly have not proven successful to date. I guess that hasn't completely changed my mind about supporting a level of activity along these lines. So we're pushing along. I'm still hopeful that we can take the hydroponic thing up to a reasonable scale, and also we're expanding the tissue culture materially. They may be successful small businesses. That's not what we ought to be doing, I mean, if they were only going to remain small, but I guess if we can make them successful on a small scale, at least the possibility exists of expanding them geographically or making something significant out of them. I certainly won't hesitate to do so if we can get reasonable experience under our belts.

Edgerly

To what degree, in your mind, is it feasible for the Company to pay for that kind of experimental knowledge, assuming that eventually the right combination may come along? Is there a point at which you see yourself saying, "Well, finally the shareholders' interest must over a period of years take precedence"?

Weyerhaeuser

I don't think any flash of brilliance comes. I think that, like anything else, has got to be looked at periodically, I won't say continuously in a sense of life or death at any moment. But we are investing a percentage of our technical effort in long-lead developmental kinds of things. It's not a big percentage, but it's significant money. And the percentage of commercial success that emerges out of that kind of effort is low, and

you've got to create some pretty good business opportunities in order to make sense out of it. And a few companies in the United States have done that - not too many. It isn't only a question of how sound are you technically, but it's got a fair degree of risk involved in how you take it to market. That again is people and know-how and persistence and organization. So it's pretty coarse money in a sense that it's high risk and a long way away from the priorities of the present businesses and hard money to come by. I think that it will necessarily be a relatively small percentage of what we're doing. As we shrink our total technical effort back and try to get overhead costs down, why, these kinds of things come under even more scrutiny and pressure. So I don't know where that leads us in terms of the amount of effort, but we're investing several million dollars a year in various forms of long-lead. Maybe 10-15 percent of our budget is out there in time and exploratory kinds of things. It isn't on a hydroponic/aquaculture/tissue culture front but, in a sense, it is related. We're putting a fair amount of basic money into genetic research, and hoping to find the answer or set of answers in terms of a different set of purified products and much lower energy costs using enzymes and letting the bacteria do the work. We don't know whether we'll be able to find the right combination, number one, or even if we do, you have marketing questions.

End of Tape X, side two

Edgerly

This is a continuation of the interview with George Weyerhaeuser, recorded on Wednesday, December 12, 1984. This is Tape XI, Side 1.

Weyerhaeuser

You'd have to label that as fairly far out in time and high risk and obviously, it comes out of the earnings. It gets expensed and is carried for a long time, and even if you're successful, you've got to be successful in a fairly major way in order to pay for all that time value and money over a long period of time. But we're doing some of that. You try to set up some checkpoints and say "This is the nature of what we're trying to do. At point A, I might have some compounds or processes that are capable of doing something, and if we can get into that zone, then we go to another checkpoint and try." But you're dealing with that old random prediction. You can't force it; you know these are scientists that are pretty good in their fields, but they're moving in uncharted waters. It's debatable whether a company like ours - should be doing that kind of research? A lot of people argue that the government should or that basic research ought to reside in universities and businesses basically shouldn't be doing it or can't afford it. I guess the more duress you get under in terms of overall earnings and performance over time, and as you push hard on your priorities, those kinds of things have to be looked at and looked at hard. We're doing the same thing on aquaculture and some of these other things. If we were going onward and upward, and I could devote 10 percent of an ever-growing budget or 5 percent or some other portion, we might not have to repriorize or at least not as often. I guess that the conventional wisdom would say that activities suffer when, like advertising and like archives and like a lot of other things, you cannot say "You must do them." When you cannot say "You must do it" and you're telling a lot of other parts of the business "You've got to do it better" and they say, "Okay, I can do it better, but I don't have the resources to do it better," that's where the crunch comes. I probably should run.

Edgerly

This was the conclusion of the interview conducted on Wednesday, December 12, 1984. The interview continues on Friday, December 14, 1984.

Weyerhaeuser

Let's talk about research.

Edgerly

Okay. From a broad perspective, taking harvesting, conversion, pulping and energy use, in what area would you say that the technology research that the Company has done over the last 15 years has been most beneficial to profits?

Weyerhaeuser

That will be very hard to answer. First of all, I think maybe you're asking it broader than this, but just keying on profit contribution, the nature of what we do in forests is that we are creating future values, and we're creating them with some substantial element of current expenses. Let's assume we're not even talking about the quality of the program at all. Let's say everything we undertook was successfully undertaken in terms of research in the forest management arena. The effect of that success would be reflected in increased current expenses. In a profit and loss sense, the better you did, the less you would see. It is very hard to set that kind of activity up against, let's say, energy, where the first order effect of energy investments and energy technology improvements is probably capital improvements and operating improvements. In the case of operating techniques and improvements flowing from technology, you have an almost immediate effect of reduction or of fuel consumption or fuel conservation, which immediately affects costs and immediately affects market. I think that the energy side has both retroactively and prospectively probably the largest single impact in a profit-affecting sense. I think as far as a longer-term, sustained, successful effort, the reforestation techniques have probably done more to enhance the future values than anything else we've done. And I can't balance those in a present value sense. In other words, I think that the fact that we are managing six million acres of land with such a tremendous asset base, and you apply the improvement in techniques against that and it works over such a long period of time, that it is a very significant contribution. I would say with some degree of confidence that it's been well done, has had a significant effect and has been well warranted in economic terms by the enhanced productivity and quality of the timber stands that we're creating. Those values are realized over a very long period of time, so it's difficult.

Edgerly

I see that my question....

Weyerhaeuser

Well, it's not only the way you phrased the question. It's also a difficult judgment, as is the decision to make investments and hold them in a forest base because they are so subject to the future vagaries of supply and demand and technological change in the utilization of. By their very nature they pose very, very imponderable questions about whether or not they are even sensible in economic terms, particularly with very high interest rates, which translate into very high premiums placed on something that produces early rather than late. So the nature of growing trees is such that it is seriously affected by the value of capital in alternate uses. When capital is very cheap; you can afford to employ it over long periods of time, obviously. You're in better shape growing trees then as opposed to when interest rates are 20 percent or 15 percent. When it's something you're going to realize 20 years later with those kinds of compounding interest rates implicit against the asset base, you have to get very, very high returns, you have to get very, very big improvements in terms of yield in order to really say that a major part of your resource ought to be tied up in those kinds of assets. So the pressures have been growing against us. Obviously, they ran with us for quite a while when the demand for the products were rising, supply was tending to fall and there was a very substantial rate of appreciation occurring in timber relative to other commodities or other types of businesses. That condition prevailed for quite a long time - really from the '40s; I don't mean every year, but on trend. If you had to pick the golden era of timber value appreciation in the United States, it would have been from 1940 to 1980. Within that period, there were cycles. I don't mean that it's over forever. I just mean that the rate of real appreciation in timber just had never gone through that kind of a long-term, sustained value relative to other things or relative to capital. With the very, very big change in monetary policy and inflation and hence in the real interest rates and the value of capital, we had a very, very big change in 1979, which shifted the balance towards financial assets and away from basic assets and commodities. Well, that isn't what we were starting to talk about. All that sort of sets timber and those activities in their special category, which is the nature of what they are. It's quite severable and different than anything else that I can think of, that I have become familiar with. I wouldn't know how to draw a parallel with anything else that has that kind of inherent characteristic of the time dimension being longer than anything else.

Edgerly

Would it be possible to look at it in smaller pieces. If you could identify a technological advance that's been based on research at Weyerhaeuser in the areas of harvesting, conversion, energy use, what would be the ones that you would say would be most important, whether we can say that affected profits in a direct way or ultimately had a payout of a longer term?

Weyerhaeuser

No, it's very hard for me to pick individual things. I think there isn't any question that some of the things that have been done in terms of harvesting mechanization and improvements that are being made in terms of utilization, for example the ability to go in and mechanically handle harvesting in the South, has been and will be one of the most important value determinants for the crops. We were, and the industry is going to be, facing very, very different kinds of handling problems as the forest character changes. We have been, I think, quite successful in developing new approaches and equipment to handle the very, very large piece counts and very small wood content per piece. That doesn't all come out of the lab by any means; it's a combination of field work and technology support, machinery design, field applications. The same thing is true, even though I set it aside in terms of the techniques associated with planting and bedding and drainage, the application of fertilizers - in all of these things we have made very significant strides and improvements, which have the effect of reducing the costs of either handling or, in the first instance, of getting in place and supporting a plantation forest. So there's been a lot of progress there, and there will be more. Of course, the handling of small stems in terms of separation of the wood from the bark and the tops and the limbs, and the development of fuel vs. chips and stems is progressing, and they have made great progress and we're going to make more in that arena.

Turning over to the energy side, now you've got a situation where energy became very, very much more expensive or valuable, depending on how you look at it. I think we've done a very good job of developing improved techniques of handling various fuels, of improving the efficiency with which they're processed and burned. Of course, there's a lot more to be done there: the replacement of petroleum fuels with wood and coal, improving the knowledge of how to handle and burn, increasing also our knowledge of how to modify the burning systems - the boilers - that is underway, and a lot of progress has been made there. We're probably half-way through it. So that using wood increasingly as a substitute for petroleum is an important set of economics, particularly for the fiber

units who are big energy consumers. It is not confined to that. I think that a lot of progress has been made and will be made on improved firing and in the recovery boilers in the pulp mills. Over in the pulp and paper area, I think we have learned a lot about how to instrument and control our process steps within very much improved limits so that the efficiency with which these processes are carried out have been coming up very markedly. We didn't invent it all - it's a combination of some technology knowledge, some pilot planning, and some engineering, and some operational improvements, and we're in the midst of - we and other industries - a revolution in the sense that the instrumentation, computing and control mechanisms available to us are very, very much improved. From somewhat crude control and very much hand/eye/operator dependency we're moving to a fair degree of instrumentation and computing control or, short of that, at least a great deal of information available, visibly displayed so that the operators are aided to the point where they essentially can monitor rather than have to walk around and discover and see by eye. So the response time is very much improved. So that's really sort of in the energy and pulp and paper process area.

We have not been particularly successful at or placing a very high priority on product development, as a general statement. Now there are notable exceptions to that. In history we had a fair amount more of product development. And, of course, we are trying hard now to increase that again. But in terms of looking over the past decade or so, there's no question that that's been a somewhat lower priority and there are no outstanding successes that I would be able to point to. I think that they've done a very good job in the development of Structurwood, but that's sort of the exceptional statement. I think we've been working on significant improvements in various parts of the lumber control, but again, that's more in the process of scanning, automation, uniformity of grading and better control over strength measurement. So we're getting more of an engineered product out there, but it's still more on the technical, stress, and grading control than it is the development of new products.

I think one of the primary areas, if you said ten years back/ten years forward, has got to be key, and it will affect and has affected short-term profits, is the whole process instrumentation and control and improvement area. There's a lot of technology change going on from outside, and what we're doing is trying to get up front in terms of having the technical know-how, being right there as these developments take place, and then upgrading our people with training. That's probably the primary area that our technical efforts have gone into. It's somewhat of a misnomer to characterize our program as

research. It is the application of technology, but that's largely applied rather than invented, and there's a fair element of technical service to the operations and a pretty strong element of technical support to change in our processes. That's after you've set aside the work on the forest side, the genetics. We, of course, have a fair amount of support going to our new businesses. There's a certain amount of technical effort directed to staying right up to snuff on disposable products and nursery operations have an element of tissue culture and supporting new businesses in the technical aspects. But, if you start trying to "bottom-line" those efforts, I think it would be fair to say that we have devoted an awful lot of resources to the technology side. We have probably done more than most, if not all, of our competition. I would be very hard-pressed to say that that was, looking across the last decade, fully justified in terms of the level of effort and the expenses that have been incurred. I feel that we should continue to be among the leaders in our field. I think we are, and we're going to do so with something less of a level of effort and level of money. I suppose I feel that way partly because I think the discussion we had about timber as an investment, a profit-contributor, as it's affected by interest rates and higher-value financial assets as a result, a change in the value of financial assets resulting from getting off of the inflationary kick and exercising some control over the printing of money in this country. You have a higher hurdle rate for things that take a long time and that applies to research. It's not as directly controllable and it's not as directly measurable, and it certainly has some of the characteristics of growing timber. You're growing either ideas or processes or products, and they both take a long time, they have a high incidence of failure in the new ideas area, and they are expensive to try to bring to fruition. With high money costs, high value of financial assets, it makes it much, much more competitive and more difficult to find the right priority for these kinds of efforts. So we have been scaling back our internal engineering and buying more it off the shelf - outside engineering - when we need it. I think the same thing is what we're tending towards in terms of our invent and/or develop vs. purchase in the product or process area. On the other hand, we have very large systems, and we want to be sure we're up to speed in terms of technology, so we have the scale and the need to do a good job internally as well. It's just a question of balance and relative size of the effort inside vs. procured.

Edgerly

Where does the development of the thermomechanical pulping process and the development of the TM mill fit into the picture of Weyerhaeuser's effort to develop a technology and apply it and, in the final analysis, find that it didn't produce as was anticipated?

Weyerhaeuser

You're thinking about Everett?

Edgerly

Yes. In other words, how do you class that in terms of this technological development effort? What did the company learn?

Weyerhaeuser

Oh, I don't know. There are a lot of aspects to that. I'm not sure if I can recall them. I'm not sure there's any global application of the lessons we learned. We started with a millsite, a people/equipment/sulfite problem in terms of water pollution, of air pollution next to a residential district. Environmental problems were coming to bear on a dissolving pulp mill whose product line was, as a generality, worldwide losing market share. It was a mill that had worked very well for us over many years, and we had good technical capabilities, and we were looking for an alternate use of the people, the facilities, etc. Obviously, thermomechanical pulp does not generate the waste streams either in the air or in the water. It's a much higher-yield product and we thought we could get it into diapers, and for some time we did. Trying to add facilities on an old site with a lot of obsolescence in the supporting structure may not have been wise. It was a very difficult thing to do. You can wind up spending an awful lot of money trying to operate on a site that's got new equipment scattered amongst old, and there are maintenance problems and infrastructure problems. With the benefit of hindsight, I don't think if you hadn't been there and you hadn't been imbedded there, you would not have done it in the way we did. We probably spent too much time and effort in an attempt to make something old renew itself. But, at the bottom line, we had hoped that we would be able to make that mill supply Procter & Gamble with an improved fiber over an extended length of time and relife it on a very solid marketing basis. I can't tell you the technical reasons, but I don't think that that TM pulp turned out to be as good a product as the chemical fluff pulps that have emerged. We were selling some of it in Europe and some to Procter & Gamble. I'm not sure which came first, the chicken or the egg, but I think we also were on a reduced cycle of supply to Procter & Gamble. Now whether that was partly because this fiber didn't really react quite as well as we expected it to, I don't know. With the benefit of hindsight, mechanical pulps have not turned out to be as cost-effective as we expected them to be in the Northwest, because the relative costs of chemicals have gone down and power has gone up. Now mechanical pulps consume a lot of power, produce a

higher yield and produce generally different fiber qualities - generally lower - and it's not as refined as chemical extraction. One of the drivers on the economics certainly was the power-chemical relationship, and that's changed. It's changed in the world; it's certainly changed in the Northwest. So that I think if we were to look today and say "What did we think we were going to be able to do?" We thought we were going to see a very strong trend towards mechanical fibers which has not occurred. That has some implications with respect to newsprint and other things as well. Peculiar to the Northwest, our power costs, of course, have trebled, oh probably more than that. I don't know what it would be, but I think we were paying something like three or four mills for power and we're now paying 24, so it's six to one over a 10-year, 15-year period, something like that. Somewhere in between there, and on the lower side of in between, is where we expected power rates to go before WWPS and all the problems with it. So, lessons learned? I don't know that the power-chemical thing will be repeated. It is a fact that that went unfavorably. The product quality made from TMP might have been acceptable at the time we did it, but other developments in fluff pulp, I think, obsoleted it. In other words, it went for a better product.

Now, we've done other things that were trying to advance technology in pulp and paper. We've tried very hard, for that matter we're still trying, to reduce the effluent impact of pulping, of different types of bleaching. We had the Everett kraft technology project which wound up putting a lot of equipment into Everett. We tried to advance a lot of things, several of which were not successful. We wound up with a lot of equipment on our hands in a small mill which I would say, with the benefit of hindsight, was a failure. We were, in that instance, trying to go to mill scale, with the pilot plant on a large scale, and bring in some things that could have been significant breakthroughs in kraft pulping. Now other things are being pursued in different locations, different ways, and certainly oxygen is increasingly being introduced into our mills and others', trying to get away from some of the old chlorine and caustic extraction effluents. Chlorination creates effluents that cannot be handled in recovery boilers and therefore winds up in the water streams and we're post-treating those effluent streams with aeration and settling. Chemicals are expensive, handling is expensive, the water consequences are difficult to handle. So the industry is capital-intensive, chemical-intensive, energy-intensive, and there are a lot of things that are worthy of quite a lot of technical effort. Now, who's going to invent the solutions - well, we're in Sweden and to some degree here, and we're trying to implement some things ourselves, lead some, apply others. Progress has been substantial. I think there will be a lot more in the next 10 or 15 years. To what degree

we can stay right up front on that or get right up front is differential by technology and by the sector that you're talking about. I think that we're, at the very least, going to be aware of what's going on all around the world and we're going to try to apply it rather rapidly. To what degree we may be able to develop it first - it isn't necessarily that we want to be a leader simply for the sake of being first. Sometimes the first people through incur all the headaches and you're better off to be a fast second. Either you learn from their errors or you license or whatever.

One of the most significant things that we did successfully lead in application was the extended nip press which we worked on with the Beloit very successfully, probably the most dramatic single improvement in our linerboard operations. It has proved to be a real winner in cost and quality and many of our competitors have followed us with installations.

Edgerly

The interview conducted with George Weyerhaeuser on Friday, December 14, 1984 continues on Tape XI, Side 2.

Edgerly

This is a continuation of the interview with George Weyerhaeuser recorded on Friday, December 14, 1984. This is Tape XI, Side 2.

Edgerly

I need a basic introduction to this subject.

Weyerhaeuser

Well, I don't know... I only mention it in that it is a way, working with the supplier of equipment, where we decided that we had something that was important. We encouraged them to go ahead. We worked over a period of years. We installed one, then we installed maybe four or five of them. They've turned around and licensed others in the industry. So that's an example of a development of a piece of a process, namely the drying of linerboard, that applied successfully to technology and engineering, and improved the product, improved the cost, it used mechanical energy in place of BTUs to press water out more effectively and did so in such a way that the capital required to install was relatively small in regard to the benefits that accrued. We got a very, very good combination of process economics and did so without degrading the product; in fact, we

upgraded the product. So we got both quality and cost in one move. Now, in contrast to Everett TMP, where we were trying to get cost and get a substitute product, the product was not good enough to keep up with what later evolved against it in terms of evolution in fluff pulps.

Edgerly

It's interesting that in the case of the TM mill, you were working with Procter & Gamble, I believe, to develop that. In this case, Weyerhaeuser was sort of in the other position, in a way.

Weyerhaeuser

Well, we were applying, but the basic thrust there was improved process itself, and obviously if you can change your process and not affect your marketing or your product, you have removed one risk. You know, you don't have the marketing innovation side of it; you don't have the technical effect on the product. In this case, the product turned out to be a little better, but essentially the thrust of it was from the equipment side, which is - some combination of innovation and process engineering. And in this industry's history, most of the developments have come from machinery suppliers. In this case, it was in concert with a primary machinery supplier. We're over on the technical rather than product and marketing side. Those things are easier in the sense that they don't bring as many variables as product development. You don't have to have the working relationship, the close understanding of the engineering of the product with your customer, or whoever's processing further your product. We and others, and I think certainly we, have been better at working on the production side and engineering side than in the marketing innovation. Of course, we're trying to change that. I mean, you wind up, when you say that, with an undifferentiated product, because you're not introducing product design into the question very often. So the flip side of that is, you're producing to standards that everybody else is producing to, so you're producing a commodity, and the only way you can differentiate yourself, then, and make a better living than anybody else, is to produce it cheaper or better - cheaper is the bottom line, I suppose. That's tentative, that's sort of a description of a commodity producer. It's your low unit cost and that's a combination of can you build the mills efficiently and can you operate them at low cost and have better controls? That's sort of been the nature of much of what this Company's done over history. We've got massive quantities of land and materials and producing them at big plants at high speeds. We are then marketing them broadly geographically in commodity segments and competing with world commodities

really. That all flows from being a very large-scale raw material producer processing large volumes. It isn't the only thing we can do or should do, but that's been it. That, being supported with a fairly strong process technology group and effort, is primarily what we're doing.

Edgerly

On the research side, in terms of product development, I guess the one that stands out in my mind was the cooperative effort to develop the beverage container, Project 714 as it was known around here, and one that was entered into with another company involved. That one was not successful in terms of final application. In Weyerhaeuser's terms, what are the potential benefits of working on a cooperative basis, in cooperative ventures of that sort, and what potential is there for selling to others the Company's research and development capabilities?

Weyerhaeuser

Oh, you threw a curve on that last part of that question. I don't know about the selling - that's quite different. There are a lot of things that we may know how to do or are in the process of developing, or solving some problems that we intend to apply or even working with somebody on a joint product development, as you suggest. Those are quite different than the last question, which is how about then broadening your base.

Edgerly

Let's break it in two, then. Let's look at the cooperative venture opportunities that have been successful, or one that you think would be a successful example.

Weyerhaeuser

I'm pretty hard-pressed to think of one, and that's probably completely unfair, but nothing comes leaping into my mind where we have been highly successful at development of a major product innovation with a customer that survived over an extended length of time. We certainly worked very hard and long with Procter & Gamble and it made a lot of sense. It was a very, very large customer, a field we were interested in. We felt it was a rapid growth field, and being hooked strong technically - not joint venturing, but getting strong technical support - with the leading factor in that industry, potentially carried with it major benefits. Now obviously, a leader in the field is interested in multiple sources of supply and he's looking at it from a different point of view. Joint venturing a technical development or whatever does not automatically

ensure that the business relationship and the growth are going to come naturally with it. But I think it does give you the strength of a strong market position and strong marketer with a strong technical effort. The producer can sometimes come up with major technological change which is applicable and you've hedged the market. Presumably the marketer brings with it enough knowledge so that you've much reduced anyway the marketing risk. At the same time, you worked the technical risk problem together.

Edgerly

Has Weyerhaeuser Company really been successful in doing that?

Weyerhaeuser

Well, of course, in the dissolving pulps, we worked for a long, long time, long and hard with DuPont and others to make sure that our pulps performed in their products and in their processes, whether it be viscose rayon or whatever. So where you've got something where you've got a big industrial customer, where his process is expensive and your product has to continuously qualify and make that it doesn't foul up, that your specifications and all are keyed very directly to his needs, there we have worked in the pulp area for many years, and quite successfully. That's where we had these industrially-oriented products. That's quite different. Now, the paper-making process is a much grosser process. You mix all this stuff together with water at high speed and other fibers, so that there are parallels there, understanding how your paper-making pulps perform. And we do work with our customers. We know how different specifications of our pulps perform under different conditions, and we try to understand and work with our customers. That's technical service back to basic product control technology. That's not joint venture. I suppose NORPAC is a combination that has successfully coped with the long-distance support to the newspapers in Japan, working with Jujo, where we very clearly had to make our product perform out of a different set of woods and a different set of machines than typically supply the Japanese newspapers. They're running very, very large operations at very high speeds. Their presses, and how that sheet performs, its fiber characteristics, its strength characteristics, the way those rolls are handled and arrive, the moisture content of them, everything.... It had to be moved across the ocean. So there we, working with Jujo, who in this case is not the consumer, it's in the business of supplying that consumer and staying coupled with them on quality questions, them working with us. We really worked in parallel to get to that same end point. Now that's a good illustration. Again, I'm talking about technical service, technical control, product specifications, more than I am the development of a product. But, in a sense, it

was the development. We knew where the paper was going to be used. We knew what the product had to do performance-wise, but we had to go from our woods and a different set of machines and be able to say, "Can we produce to that quality and specification?"

I think there are a lot of benefits associated with knowing how the product is to be used. We're a long, long way away from customers, in a sense, or from final users of many of our products, so to the degree that we can work with the people who are directly interfacing with the final customers or final use, it strengthens you. Oh, I can just go through time and time again. In the milk carton field, we were servicing dairies. From the very beginning, an awful lot of the marketing and the success of the product is tied into the machinery in the dairies. We literally had to know as much as we could about the machinery in those dairies - how our stock ran and whether the thing sealed or whether they produced leakers, and how it prints, and what temperature, what kinds of things do we need to do to make sure that that thing functions right. That was the same thing in Project 714. We working with a material, a new kind of material, and we were trying to fabricate it into cans and other things at very high speeds. Their economics would not allow anything different. And then you had to be sure that you had full consistency and product integrity when it got sealed - not a lot different than the milk carton problem. And the milk cartons still have problems. You can't open the damn things, or they leak, or they.... A certain amount of that and you're all done. That's not just a product design problem - it is a consistency problem, deliverability under control in final form. So if you're selling to somebody who's putting something in a final form, there are some real advantages of being very close. The same thing we're trying to do with the aseptic packaging now, where we're trying to see what is it they need in the way of different kinds of specifications for high-speed forming and heat application, and they don't need a fully bleached board. So we would like to become, if we could find the right kind of mix of fibers and processing to meet their specifications - meet or improve them - we could establish a large-scale enterprise dedicated to that effort and in a sense joint ventured. Whether we own it all or enter into a long-term contract or - it's quite a different thrust than making a standard product and trying to shop it around and compete with a whole lot of people.

Edgerly

With a project like 714, how does Weyerhaeuser represent its costs to the company that it's working with in that event? Or in the case of working with DuPont, does DuPont put in a certain amount of money to reach a certain point of research development?

Weyerhaeuser

No, I think maybe we have joint objectives and they carry a part of the project - their own part of it, and we carry our part. Generally, we're not selling the technology; we're selling the product, and we incur the costs of development. So we haven't had joint technology. Now down here, we've spent quite a little time with Cetus on biotechnology, and we spent a lot of time talking about who's going to do what, who's going to own what. That's a fair amount of money going into it. They're doing some of the research, we're doing some of the research, we're paying for some of what they're doing. This is an area where we really kind of have them carry the part where they're the leaders in the field because we're not. But certain parts of it - our materials and applications and all - are something we can do. Essentially, what we're doing is paying them to do a part of our research work. That's different. I can't think of any instances where we have put a project together with a customer where they've paid a part of our technology cost. (Off the top of my head.)

Edgerly

In the early '70s, there was clearly an effort to reevaluate the research and technology development functions in the Company, and that, then, began to evolve through the mid-'70s into the decision to unify the research, development, technology engineering here at **Corporate Headquarters**, with the exception probably of some of the forestry research.

Weyerhaeuser

Well, it wasn't an exception in the study. We at one point thought we would pull that in largely, too. Not obviously the field work in the sense of supporting seed orchards and that kind of thing. But we certainly did look at Centralia and the forestry research activities and thought about bringing them up here. I think wisely, and with their input, too, their initiation of raising a flag and saying, "Hey, does this make sense?," we took another look at that and decided that no, maybe they were right. There were enough advantages to being out in the midst of the western operations and out in the field that we didn't choose to pull that one in. But we had these various labs scattered around Longview and, oh, I guess, we had some work going on in Hot Springs, and then the Longview wood products and pulp got separated. We did decide we wanted to pull it together geographically and give it central support services and central scientific services. We thought we could get better scale and dimension out of the effort by doing it that way. While it is a big research and development effort, there is a matter of

scale. I mean, the other companies, textbooks, and others support the proposition that there are certain optimal levels below which you shouldn't go in terms of size of units trying to carry on research activity. We have some obvious commonality in terms of the technical aspects of various businesses we're in. Cutting across the pulp and paper lines, obviously some of the fundamentals on the energy side and the pulping and the bleaching have a good deal of commonality. So it doesn't make sense to have everything conducted on a business-by-business basis. Of course, we had Fitchburg back there doing some of its own paper research as well, sensibly so when we had a lot of technical papers and coatings and all that applied only to them. We tried to look at the research missions, not just the physical location, and the administration parts of how to conduct it when they pulled it together. I don't know what to conclude from all that except that even if you get people together in one location, you still have all of the various functions you're trying to carry out, some of which relate to mills, some which relate to businesses, the marketing, the product development side of it. And some relate to process issues, which are really manufacturing, production, basic kind of direction, which at various times has been resident up here in Tacoma and with different functions, either under the production management or under division management. So the organizational issues surrounding where do you conduct what are not uncomplicated, and unfortunately, there's no simple and universal solution to them. At least I don't think we've found it.

Edgerly

Was the basic evaluation of making a major investment in a central facility one that came from a variety of people in the Company, or was there one person who got the ball rolling in evaluating that?

Weyerhaeuser

Well, it was probably four or five of us. My memory isn't very good, but I'm pretty sure that Merrill Robison and I and Bob Pauley made the key decision on it. Now that isn't to say we didn't have a lot of work going on, a lot of effort being directed about studying the thing, but I think we would have been the primary pushers. It had to do some with how you wanted to direct the Company from where. I felt then - I still do, I guess - that I wanted the improvement of the proximity of the technical people and the business guys that were directing the strategy.

Edgerly

Was Bob Pauley sympathetic to that position?

Weyerhaeuser

I think so. I don't remember any great stress and strain arriving at this decision. That isn't to say that nobody questioned it. It wasn't a traumatic fight within the Company to get it done. We do have them occasionally, but that one I don't recall.

Edgerly

You mean you and Bob?

Weyerhaeuser

No, no.

Edgerly

Oh, amongst other people.

Weyerhaeuser

...people pro and con in major change.

Edgerly

Did you get to know Bob pretty well during the time he was working with the Company?

Weyerhaeuser

Oh, fairly well. I worked with him for a long time in various capacities.

Edgerly

How would you assess his impact on the Company's research and development efforts?

Weyerhaeuser

I don't know that I could characterize it. I think Bob gave it a considerable amount of direction, support, a lot of experience, a good deal of positive credibility to the effort, and a variety of experiences all the way from technical to business over a long period of time. I'm really talking about it from my vantage point more than I am looking from a research point. We worked with Stan Gregory for a long time, developing a research direction.

Edgerly

The three people who stand out, insofar as I can see, probably would be Bob Pauley and Stan Gregory and I guess George Staebler on the forestry side of it. In relative terms, was communication good amongst them?

Weyerhaeuser

I think so. These all grew up separately, as is our wont. Forestry had its own history, tied in with its own business in the early days, was completely separate and apart under Dave Weyerhaeuser's general direction, and operated as such. As we tied them into the High Yield Forest and all, got very much more integrated with the business guys. We were all working together. The Pulp Division went its own way, was set up in its own fashion at the beginning, and evolved its own technical effort completely separate. Pretty well done, I think. Didn't have any relationship with any other part of the corporation's technical efforts. That same thing would be true if you said it of the Pulp Division in general, of its top administration, of its marketing, of its technical effort, you name it, manufacturing. Then, as we got into the linerboard, boxes, those entities - the box-making side was independent, still is to some degree. So each one of these has evolved with a fair amount of autonomy by business. We, of course, were pulling that together and pulled the research physically together. Those two statements are not completely independent.

Edgerly

What was the magical element, or seemingly magical element, that brought those independent efforts together in such a unique way in the High Yield Forestry research and development, or so-called target forest, as it was known in its earliest stages?

Weyerhaeuser

Well, I don't think very many times in this Company and maybe in other companies, you find a combination of an important but isolatable part of your business where you span the full range of things with a new look where it doesn't have to come up against a whole lot of infrastructure and bureaucracy and set facilities. There's something different about forests and forest management that sets them apart for a lot of reasons. We talked about some ways to set it apart. But it is different - there's no equivalent. The time horizon is different; the whole set of objectives is associated in this Company with the whole - what are we trying to do, where are we trying to go? When we stood back to

look at that whole thing, it came all the way to me, and maybe the uniqueness is that we therefore were able to take a look at various options operationally and economically and financially. Those elements then involved us, the technicians and the operational people and the financial managerial ranks. I think when we got through looking at that, we decided we were going to go on a different course, we did it with a great deal more conviction and support from the top than is normally the case when you fractionate things out. In many cases, you've got marketing and sales over in one place and production somewhere else and corporate considerations somewhere else. In this case we had a central, integrated team that I think had a different clarity and different sense of mission and higher-level support than most of what we do. I've tried in other areas to do things like that, but generally they get bogged down in the organizational. They get watered down as you try to accommodate the various other pressures. I don't mean that the other pressures are invalid pressures. I don't mean it's entirely political. We developed a level of enthusiasm and excitement, and introduced major change and a new sense of mission in there, and mounted a lot of activities. We drew in people from a very good base in the technical area. There'd been an investment, and a successful one, in the forestry research area. A nice combination, but it was all supported by a growth objective and a set of financial objectives and a conviction that it that makes sense on all these fronts. So we energized a lot of people. It's a lot harder to do with something that's a scattered technical effort. As big as it is, it's fine to answer the telephone, take care of technical requirements at a whole lot of different mills working on a myriad of different projects, some of which have potential that affects the Company, some of which are of a nature that they might be of great significance to one unit or one place, but not broadly so, not integrative particularly. You've got a mixture of product and process. By the time you divide that, you're dealing with a lot of \$20,000 or \$30,000 projects, and that does not allow it to have a full court press by manufacturing, engineering, etc.. So it's fractionated. Some of it's long-time horizon and nobody knows what's going on there except the research director and the people who are working on it. Maybe once a year somebody will take a look at it - I do, or others do on a basic level. That doesn't mean a hoot to 98 percent of the people. How do you get some sense of urgency and mission and organizational involvement in that? I think it is a problem of scale and fractionation and divided responsibility, which incidentally is one of the problems of trying to introduce new products too. They need careful care and feeding, and it's hard in a big organization to get them that. Even if you get them that, it doesn't happen with the same kind of degree of awareness, feedback and support. So you go along underwriting a whole lot of this year by year, with various degrees of conviction at

different levels that the things they're working on make sense. It's a very difficult area to management, to set priorities, to evaluate.

Edgerly

The High Yield Forestry research effort strikes me as being unique in the Company for another reason, and I'm not sure whether this has any significance other than just as a historical point, but I've not been able to find any other example in which the Company made a strong communications and marketing effort relative to a research-based project. The communications effort extended from the employee level right through what finally would be a product and reaching the people who would be using products made from the forests that were going to be grown in this way, even though they might not see those products on the shelf for some years to come. Do you have any recollections about how the Company made the decision to utilize that opportunity as a corporate image builder, as part of its corporate image? Was that conscious?

Weyerhaeuser

Yes, certainly. The reason being, of course, that forestry and stewardship and continuity - all that was so much a part of our corporate image. We had a corporate image, a conscious corporate image, that started early, and we were furthering that. All that have had some responsibility in the general management of the Company, the history of the Company, and everything else, we're very much cognizant of the fact that our stewardship of those lands is pretty central to everything else we do, and we did not in any way, manner or shape want to be misread that we were (1) abandoning sustained yield forestry, (2) that we were cutting out and getting out. Just as I said with Dierks, the more aggressive posture we were taking could be misread, misconstrued as being negative. So, you bet, we were cognizant of it and, of course, all of our public affairs and our advertising, corporate image - it hadn't gone away, so we had to integrate and do a good job of it. And we wanted people inside the Company to understand and the foresters to understand, too. We felt they had good, sound both economic and technical foundations. But it was not obvious to the uninitiated and would not be if we didn't articulate what it was we were doing and why we were doing it, make it credible. And we were flying in the face of all the conventional wisdom in the Forest Service and everywhere else.

Tape XII, Side 1

Edgerly

This is a continuation of the interview recorded with George Weyerhaeuser on Friday, December 14, 1984. This is Tape XII, Side 1.

Weyerhaeuser

Parenthetically, we could have been aligned thereby with a hell of a lot of people who were doing nothing out there and rapidly cutting their stands and going on to something else. Meeting the state's forestry laws was somewhere between inadequate and nothing. And, of course, the implications of what we were doing then spread throughout the Company in terms of the downstream effect of higher harvest levels and higher cash generation, higher growth rates. In one sense, it was an extension of what we were doing, and in other, a fairly radical departure which was going to be affecting a lot of things beyond just the woods. We went at it pretty darn vigorously and thoroughly. And I think in that sense it was a pretty exciting time and engaged a lot of people successfully in the effort. I'm going to have to go over to a lunch at the Technical Center.

Edgerly

This is the end of the interview recorded with George Weyerhaeuser on Friday, December 14, 1984.

This is an interview with George H. Weyerhaeuser recorded on Tuesday, April 2, 1985.
This is Tape XIII, side one.

Edgerly

The last time we met, we were focusing on research and development and some technological advancements and research contributions to the company. We also talked a little bit about High Yield Forestry and its growth and development. I have one additional question about High Yield Forestry that I would like to ask, and it relates to opinions that I've heard voiced by people whom I guess one would consider doubting Thomases. Despite the acknowledged benefits of the program, some of the observations I've heard could best be summarized as being something like: Market prices were up and when High Yield Forestry was adopted, the predictions for prices were good; the company needed capital; High Yield Forestry provided a way for the company to harvest more timber than it ordinarily would have without seeming to step away from responsible forestry practices. Do you have any responses to that kind of observation?

Weyerhaeuser

Well, the implication sort of comes in backwards. High Yield Forestry after all is more intensive use of the land and more intensive use of the inventory that's on the land, but the implication is that we discovered a way to justify something we wanted to do anyway, and that's not accurate. I think the economics are an important element in it. Whether we would have arrived at the same conclusion under different scenarios of values in the timber and in the prospective value of the harvest under a different set of conditions - well, I think you can come to all kinds of different conclusions. But we did not manipulate or start with some kind of an objective which was then factored backwards. The relative economic efficiency associated with retaining timber over long periods of time is certainly affected by growth rates versus appreciation rates. And, in examining those factors carefully, there's no doubt that we arrived at a conclusion that husbanding the resource for future generations with relatively low physical volume growth rate and some deterioration going on in old-growth stands was not in the best interests of present or future shareholders. Now you would arrive at a different conclusion if you were to change the assumptions drastically. Let's say you assign an increasing scarcity value to old-growth timber for the kinds of products it would produce, and let's say very much lower value for cellulose per se grown in the form of young trees because they were going to be in relatively abundant supply. Reasonable people could disagree on what the rate of declination in supply was relative to consumption, and what

future investment levels and intensive plantation management might produce in the way of the volume of future forests relative to consumption. So I think there was plenty of opportunity in the analysis and in the way we went at it to test different assumptions and theories. Whether the ones that we selected and chose to believe at that time were substantially correct or substantially off the mark, I think we could, with the benefit of hindsight, go back and test the validity of them and see whether our conclusions were right. But we did not start out with a set of objectives which were then factored back into a model and then forced us to choose certain assumptions. I guess that's my long-winded way of answering, "No, it's not the case."

But I think that the factors that sort of urge you towards a higher level of harvest and management and investment on the plantation side were reasonably valid, with the benefit of hindsight. That is, we were getting a fair amount of deterioration and a fairly nominal net growth in mature stands. I think the presumed yields and investments on reforested acres and plantation acres were also reasonably valid. Now we've changed those upon further analysis South and West, subsequently, some up and some down. But I don't think any of those changes on net has invalidated what we said was likely to be the case in growth and yield.

The big imponderable, of course, that you can't answer yet, is what is the value stream that is likely to generate out of that second-growth forest? We aren't there yet. You look back at the old-growth forests and say, "What did we do? What was the result of all this?" I'd say perhaps to some degree, unfortunately, what we predicted was in a sense too optimistic about the sustaining of value in the old-growth forests in light of recent events. So, if anything, it would have underpinned our argument for a reason that we were not making; namely, that there would be a big falldown in values because of over-supply and under-consumption in a sense, but that's looking at it from one vantage point. We also had a very much larger runup in value during that period which, if it had been sustained over a long period of time, would have invalidated our argument. We would have had appreciation occurring even in spite of the fact that we had no growth, appreciation meaning that there was more demand for the material relative to supply than we had predicted. So, in that event, if you'd known those things, you would have drawn a different kind of a curve. We were kind of going along like this and it actually took off like this. So, depending on if you stopped up there, then you would have said, "You guys were expedient but wrong." And if we stopped down here, we were whatever we were and right. But, you know, you've got to take the ten-year or even the five-year

wiggles out of it and say what is the picture on trend. That's what we were trying to discern. I think that the target forest and the High Yield Forest were supported by reasonable assumptions, and the economics that came out of those assumptions were fairly compelling favorably toward what we did. They also supported a fairly strong rate of growth in earnings and cash flow from timber and a fairly strong growth reinvestment plan for the whole company, and also quite obviously resulted in a lower inventory of timber during the intermediate years, over a long period of years, than would otherwise have been the case, until we get to somewhat of a balanced condition. So, between the years of 1970 and the year 2000, we will be living with a much better balance of a higher rate of growth than would otherwise have been the case; a lower inventory, because of the accelerated harvest schedule, than we would have; and with the benefit of hindsight, I think, in economic terms, we produced a higher present value.

If we can presume that we did a decent job of reinvesting the dollars that were surplus as a result of that above and beyond what we put into timber, then you've got an even stronger case. The allegation really is that's all you were setting out to do. But I say it again - I think that the underpinnings of that were relatively sound and not jimmied to produce a particular result. On the other hand, I would say it did not come as a surprise that some of the factors that were working there had these results. We didn't put it all into the computer and then find out at the end that the effect was as it was. There was certainly understanding that one of the issues was the level of inventory that we would maintain and/or the rate of conversion of the old-growth into cash. It's not an immaterial matter. It was not totally unrelated, and they were looked at in total.

Weyerhaeuser

You've got to look at a resource base a number of different ways because obviously it is time-related. That's the critical dimension in this kind of 40-, 50-, 60-year asset base. In one sense, you could make the allegation another way - weren't we really engaged in disinvesting in the West and reinvesting not only in other assets but in other geographies? Is one better off to have twice as much growing on twice as many acres with one-half the inventory? By virtue of buying 3 million acres of land in the South, we will be growing 9 million cunits a year instead of what would have been more likely 2-1/2. All right. We would also be at this moment in time managing a much bigger inventory of timber upon which at this point you could liquidate or borrow money or do other things. So you really have to model the dynamics of that before you can.... What point in time do you want to optimize, and who's to say that a given amount of inventory

is, from a number of different points of view at a given point in time, optimal? Is it the local community, is it the shareholder, is it employees, is it support of plants? These kinds of arguments are what you get involved in in public policy discussions as to sustaining jobs, plants, communities. Of course, that again has a time dimension associated with it because, if you take a long enough period of time, there isn't any question that the more intensive management of more land produces a larger resource base. So if we said, "Okay, now let's take two cycles. It's perfectly obvious that we're generating more raw material base over two cycles by a very, very large order of magnitude than if we had stretched the resource over 80 years instead of 40." There's no doubt about that. Now, if you like big trees instead of small ones, that produces a different balance of game. You can define it a lot of different ways, and I would be the first to say we are a business enterprise and presumably one of our principal responsibilities is to try to optimize the values for the shareholder without doing inordinate damage to the interests of stability and employment.

Edgerly

It's a well-reasoned answer and it gives a lot of perspective upon the situation.

Weyerhaeuser

Well, all those factors are debatable depending on what point of view you want to take, but all I can say is that none of them was ignored or not thought of. But it is certainly inaccurate to say that the sole objective was to devise a rationale for what we'd already decided to do.

Now I go back to the folklore, family lore, and I don't know whether it's accurate or not, but I believe my great-grandfather has been quoted in the folklore as saying that no one can afford to - I shouldn't quote him; doesn't sound consistent with anything else for four generations - no one can afford to own more than 20 years of timber behind a given facility or, in other words, that the economic horizon is not forever. I noted in Chuck Twining's biography of my dad that there were fairly significant references to real doubts by various of the partners, etc. as to the amount of timber that could or should be acquired or retained. I'll admit we are talking about the pre-sustained yield or continuous management days where the techniques were not available or known. The economics were different and would not permit, with fairly abundant supplies of timber and a somewhat nomadic industry following timber supplies [as much timber being held]. I think those issues were rational in their time. So what we're talking about here is really

the next phase of that, which is now, with new evidence. Now the frontier isn't expanding. What are the factors which in a static land base that come to bear on what you can afford to grow and how much timber you can afford to retain in inventory and in what form? That equation will change again. It changes with a lot of factors one doesn't think about automatically. Certainly it changes with the transportation factors, the proximity to consumption centers, alternate availability and materials to those consumption centers. All of those things, strangely enough, have a bearing on what one can afford to do in developing a resource base. We're today doing a differential set of treatments on land depending on site, location, etc. I guess what I'm saying is, you could extend that further and say the degree of intensity with which you manage lands could and probably will be further differentiated in the future by factors that don't have a lot to do with the soil or the type of timber that you're growing. This is to say, competing pressures for land, the values associated with those competing uses, and the proximity to where the major consumption centers are, are going to greatly affect what is or is not done in forestry. And I think as we go along, we're going to have to get and will get much more explicit about what we do where than what we did with these back-in-time, rather broad generalities about Douglas fir timber in general, which is more of what we did in the first iteration of the target forest.

Edgerly

You've given some interesting insights on that. And I think the people who have voiced those views come to it with a certain predilection for looking at forests a certain way.

Weyerhaeuser

Well, yes, I think so, too. I think you'd come up with a different answer on the national forest too. Even if you took all the factors I set into account - economics and everything else - there are other factors to add in, or you weight them differently. What about the retention rate of the forest primeval? What are the values associated with old-growth forests and all the recreation associated with it and the visuals? How do you put values on those? You have to. If you're going to allow the premise that economics has something to do with it, then in order to balance economics against other things, you almost are forced to assign values to those. You can say it's wrong or it's right; these are moral values and, therefore we set aside wilderness or we do this or we do that. But at the point of issue, which is somewhere there is a fringe on the forest that is not a national monument - somewhere that forest runs into use. At that point, you have to begin to decide - whether or not we do it explicitly. We haven't done it very well. In the U.S. it's

been a continuous debate, man and the frontier, I guess. But we're talking about, or were at the time, 3 million acres or something like that, or 2.8, out of the 600 million or whatever it is. I guess we were not trying to solve society's balances, although as I said, we were not unconcerned with continuity and sustainability, nor are we now. I think there are people that would argue that we're wrong now on the side of over-conservative management of, retention of, forest inventory.

Edgerly

That's a different group that's talking now.

Weyerhaeuser

Yes, it is. Yes, I just changed the group. (Laughter)

Edgerly

You might be talking about some young turks there.

Weyerhaeuser

Well, or the financial world. (Laughter) It's a great satisfaction, as far as I'm concerned, that we have increased, not the potential, but certainly the productivity of these lands by several orders of magnitude and there are several orders still to be done. But it is certainly different looking at a southern plantation than at a mixed hardwood forest, and I can understand how people in Oklahoma and Arkansas see a big change with us, managing tens of thousands of acres and changing the nature of the forest. To some of us, it looks like it's very well managed and very efficient, and to some people it looks like we're a pretty heavy-handed agent of change in something that they consider to be, to a significant degree, in the public realm. There's lots of usage of those lands for other purposes. And loblolly pine doesn't grow very many acorns. (Laughter) It's interesting. I think there were plenty of questions at the time within the company, I mean the people who knew something about forestry and historical values. And, of course, we always did have a hell of a lot of interest and debate. I don't think the foresters won the day very often in the early days between the loggers and the foresters. This was not the Weyerhaeuser Forestry Company when it was founded, and it still wasn't the Weyerhaeuser Forestry Company in the 1920s either. I'm not arguing that it is now, but it's sure one whale of a lot closer.

Edgerly

I'm hoping we'll learn a little bit more about those internal views with the oral history project on High Yield Forestry that we're hoping to undertake. I think it might give us some interesting insights that we might not gain any other way.

Weyerhaeuser

It's interesting because this is right on the point. I think, depending on what your background, training and views were, there were very different inputs, whether they were people with pretty intimate knowledge of the growth problems or of the financial aspects of it. It was an interesting time.

Edgerly

What I'd really like to see come out of that project is some insight that can be used in the future in terms of how those decisions were made, what the elements were, what was taken into consideration and why, so that those same equations don't have to be figured out all over again. When that harvest is ready, what factors will need to be looked at again? I'm really hopeful that we'll get something out of it that's going to be beneficial in terms of where the company is going, partially because you do have to make an investment so long in advance.

Weyerhaeuser

It's unbelievable, different than anything I know of. It's interesting, too, that in part of that equation, you have to separate the land from what's on it, and that's a difficult thing to do conceptually. What I'm saying is, how do you think about land? Is it of no value and permanently set aside for a use? Or do you think about land as though it were a transferrable asset with a value at any point in time apart from the timber now? This is like some of the real estate problems. If you have, which we do, land right in the center of Los Angeles and on it sits a distribution center. Their land value clearly is relevant to the overall value that you've got there. You're running a business on it and you ignore the land value; you've got a very real economic asset sitting idle. It's relevant if you're going to put the economic model together to ask yourself, are they necessarily tied together? Do I have to be on this location, and if I am on it and the land is appreciating at 15 percent a year, do I afford myself in trying to assess what kinds of returns I have in the entire occupancy of that distribution center the appreciation rate that's occurring in the land? We have something of that same kind of a question in land that is adjacent to population centers. If you ignore it, you may be paying taxes to some degree on

appreciating values, even though you're not realizing the value which, in the short run, makes you appear as though you're taking a lower rate of return. The only reason I mention it is because of the different characteristics of land than anything else, both in terms of "they aren't making much more of it these days" and therefore, there is a legitimate question as to whether with increasing population and inherent appreciation rate in owning land, if you don't afford an appreciation rate, you pretty quickly arrive at the conclusion in most instances that you shouldn't be holding onto it.

Edgerly

Okay, this leads into something that I wasn't necessarily going to include today, but it fits so we'll talk about it. So here's Weyerhaeuser holding land adjacent to population centers, some of them new population centers or fast-growing population centers. At the same time, the company's buying timberland and timber cutting rights in Oregon at a noticeable clip. Is it one of the goals to leave the company with a greater flexibility to make decisions relative to alternate uses for the land near population centers?

Weyerhaeuser

Yes. I wouldn't want to overstate it because the percentage of the land that has significantly different values deriving from uses other than growing trees is low - 10 percent or something like that. That's not insignificant, but the percentage of that land that is appreciating at a very high rate or has achieved a very high value because of water or proximity to lakes or streams, topography that generates views, or is close enough to commuting distances is small. But those kinds of lands on the one hand pose a problem and, as I say, they can get in effect taken away from you by economics. They can get taken away from you by virtue of sensitivity to public view. So they can get too valuable to grow trees on or they can get too restricted to use. Now if you want to take a fairly long span of time and say, "What are the consequences of that?" Obviously, if you want to grow a given amount of timber or you're trying to manage lands economically efficiently with good growth potential and not carrying values that are too high and buried underneath there and not earning anything, you have to address the problem of don't I have to be nomadic to some significant percentage? Just extend the time period and the answer is, "You bet."

Edgerly

It's interesting. That goes back, in a way, to the industry as it has been.

Weyerhaeuser

Of course. I mean, farming is a higher value in the South. It hasn't always been. It went the other way in cotton. If the product that you can produce on forest land in farming use has low yields and the quality or competition for that crop is too great - let's say if you can produce it on 10,000-acre flatlands somewhere else at one-third the cost or something - okay, cotton isn't going to be grown on forest lands, and so they go idle. So when we go to Mississippi, what do we do? We converted an awful lot of old cotton and corn and small plots of land that have been managed first for timber, second for farming, and went right back. The other thing that is also going on, which is in the Mississippi delta lands, many of them, where soybeans became very, very manageable with good yields and values.... And that's not limited. There are other crops, too. An awful lot of those lands with good, rich soils and farmable have been going right out of forestry now. If we happen to be in those kinds of lands, you don't sit there and say, "I dedicated this land to this use irrespective of all that goes on around me." So you, in a sense, need to be prepared to grow your crops in geographies and on soils and locations that are economic to do so. So that's what we're always searching for. I don't think that's going to stop. I think if you wanted to say, "Well, let's take another 80-year crack and see what our 6 million acres look like. Where will they be and how many of the lands that we own today will still be in Weyerhaeuser's possession and growing timber?" I can't even answer it on the first 900,000 acres. I know for sure one thing - a good deal of lands on the east side of Seattle were ours at one time and even if we'd held them as long as, with the benefit of hindsight, as we could have or should have, we would have been holding them for a different use and we would have disposed of them by now. So it got to be a question of not whether but when. You can resist the flow of population, but you're not going to stop it and you shouldn't. Highest and best use. It isn't accidental that the Forest Service is all up on the top of the hills. (Laughter) Just lengthen the time horizon and all kinds of different questions come to bear. It's only when you put it in your own immediate time frame or experience that you tend to think things are as they are and ought to stay that way. Well, that's just a short time horizon of man, I guess.

The interview recorded with George Weyerhaeuser on Tuesday, April 2, 1985 continues on Tape XIII, side two.

Edgerly

Does it ever bother you to try to manage something that is so long term, something you will not be able to directly see the results of or get the returns on psychologically?

Weyerhaeuser

Quite the contrary. I think once you get over the economic burden of putting money into the ground every year.... That's a burden that we carry and we think it makes sense over long periods of time, but it is clearly a burden that others are not necessarily carrying. But the flip side of the coin is that we were and are given that opportunity by virtue of acquisition and management that went before. So I think of it in a sense as the seed corn that comes out of the previous harvest. Now in an economic sense, the negative in the economic sense, is the problem that the oil companies have and we have and other resource companies have. They (the oil companies) chose to intervene in that process through liquidation to generate more immediate values. Therefore, you have a degree of jeopardy that says you're in a sense economically vulnerable because you are managing for the longer term. Now we're benefiting from the previous and we're putting some substantial amount of sustenance back in. So long as the underlying economics, however vague.... They are vague; they were when we did the High Yield Forest, they are still vague, and they always will be. When you try to push out 40 years or 25 or 30, what are the techniques going to be? What are the costs of harvest? What are the utility values of the material going to be? On the one hand, you say I can't predict that, it doesn't match up with anything else we do, but we do try, well, it's a matter of degree, I guess. You would like to be more certain that you're making sense over time, even if you can't defend it at a moment in time and you don't have the comfort of that. You're traveling on faith is the long and short of it. Now I would like to be more certain about that, but after all, don't we all live with a certain amount of uncertainty, and in this business more so perhaps than others. But it isn't the last decision you ever made to put those trees in the ground and to keep it in perspective, their value does appreciate through time. You are not the only one that could liquidate those values, so they are, to use a financial term, fungible in some degree. So that if there's a point in time ten years from now or five or 15 where we have to withdraw some of those values by sale, we can do so. Now I didn't say the timing will be perfect or that the return will be. So in one sense it's way out there and it's improbable that you can ascertain any range of values.

On the other hand, we have a long, long history of multiple uses of the products from the forest and improving utilization and technology, and I have no doubt that that's going to

continue. So to try to divine precisely what the value of 2x4s is going to be 40 years from now is almost immaterial because I think they're going to take it all apart and take the chemicals and the fibers, and there we know there are a lot of techniques that can be applied. So I don't spend a lot of time worrying about it. I worry more about being able to generate, over a reasonable length of time, values from the entire process, which is what we do largely downstream from the resource base.

I said, "Quite the contrary." It gives you some sense of stewardship and security for the enterprise to be working on a resource base which is, through time, getting larger. I say that in spite of the fact that we're making it smaller through 1990 or 1995 or whatever it is. That doesn't bother me. We know whether we've got 500 trees per acre or 400 or whatever that the occupancy of that land with what we're putting on it, barring disaster, is generating a terrific raw material base. And two or three iterations can take place in conversion and markets and so the pillar you're building on has got multiple possibilities and we've got a pretty high degree of assurance that it's a sound pillar.

I guess my answer is sort of nine pluses and one minus, and the pluses are all in the direction of soundness and versatility and stewardship, and the minuses are in the sense that if few others are doing it, you're bearing a burden that can result in poorer intermediate-term performance and lower values for shareholders and some risk of somebody shorter term interfering in that process which, as I say, is happening at some of the other resource companies and some of our industry, too. Not many of them are spending a lot of their development dollars in forestry anyway, not enough of them. Certainly not many, not many companies and not very extensively, and there's a reason. With interest rates at 11, 12, 13 percent, something that you do and retain for 30 or 40 years has to have very, very high utility values out there in terms of combination of growth and usefulness. It's tough. This was a much sounder business when interest rates were at four percent. But the other side of the coin is as the company grows and grows down the stream from a resource base, its percentage of investments and assets are shifting ever farther away from the forest in the sense of percentages. So you become less and less a forestry company, even while you're enhancing the size of the resource base, or even the size of the resource base relative to primary conversion facilities that use the trees. You're further and further into conversion and refinement, and if those are well managed they become more and more the dictators of financial performance. But it's a positive thing to be working with. It's positive for employees, and I think the satisfaction, perception of the company and what it's about by the general public - it's a wonderful image to be working within.

Edgerly

When you refer to image, you're talking about the tree growing image?

Weyerhaeuser

Yes. We're a resource manager, we're not just a miner. If I were a copper miner, I think I'd feel quite differently. I think the people that work for the company, I think their communities would feel differently. I think how you feel about what you're doing has something to do with its continuity and perpetuity and replenishment, which has to do with the trees, not the fact that we're loggers or make lumber. It's interesting how positive people around are. We had a retirement party for three cruisers, 100 years of service last week.

Edgerly

Who were they?

Weyerhaeuser

Art Maki, who was one of our top cruisers and the head of our evaluation group; Tunny McCullum, who was the number one Indonesian, New Guinea, Southeast Asian cruiser; and Dave Lyons, who was evaluation cruiser. They've all been on acquisition crews and assignments. But it was interesting; there were a lot of people there and we had just announced that we were buying 135,000 acres down in Eugene. It was interesting how many people, in spite of the fact that we don't have enough capital to go in a lot of other directions and there's a fortress mentality because of the general market and earnings and a few other things, were positive about what it said about our faith in the business. This struck me as damn interesting. Shouldn't have surprised me, but it did a little bit. But I've had a heck of a time trying to decide whether we really ought to - we're not exactly land poor. (Laughter) Everybody else is selling. I mean literally, all the major companies in the West, I would say, the big integrated companies, are pulling out. A slight exaggeration, but not really. IP. G-P. ITT would like to, but can't figure out how to. Champion. None of them is going to be playing a significant role in western forestland management, which is astounding. If somebody had told me that five years ago, I'd have said, "You're out of your mind." So we're running against the tide, but it's fun to see what the morale effect is, will be.

Some of our people were concerned that it was going to transmit the wrong message; namely, we've got a lot of other priorities that ought to be occupying us. I don't think we would have done it except, I guess, the thing that brings it to mind is that.... I'm probably bragging because I consider myself to be, to some degree, the steward of the longer-range interests of the shareholders, and therefore I'm a step back away from the pressures of the moment relative to most of the guys that work for me. I do it with some trepidation, but we'll see. And, of course, part of this, what we were talking about earlier, our acquisition down there and elsewhere, is a refinement of the process or an extension of the process that you're talking about. We're trying to position ourselves on better lands. These are low elevation, close proximity and in a permanent Weyerhaeuser area. We're committed in a lot of ways to that whole integrated resource base and the conversion facilities and people. And at the same time, we're also on all the perimeters trying to divine where we can sell, trade, get out of, so that we're not just trying to get bigger in land. We're trying to get better, and this is part of that. We will be disposing of some. We find it very hard to dispose. (Laughter) Other people are selling and moving on, and we should be more than we are.

Edgerly

Is the difficulty with disposing, as you refer to it, a reflection of an emotional commitment?

Weyerhaeuser

Sure, sure. Yes. I use the broader "we". I think we believe our own propaganda. (Laughter) We're not nomads, you know. I can't even get our timber people.... While others are busy trying to figure out how to redeploy assets, I think 90 percent of what we've been doing is repositioning. We're trading with the Forest Service, we're trading with the state of Washington. When we get something that we see that we want to buy, like this thing, we're trading St. Helens' liquidation lands and dollars into Oregon, and we're trading southern, to some degree, lands on the perimeters of our southern holdings, and we're trying to find buyers for those lands, and then we say, okay, you go to G-P and we will trade lands with G-P and you buy the lands that we trade. Now that's tax efficient, but the net of that is that we wind up being traders, not disposers, in that framework. Now if you were trying to optimize the short term what we should be doing probably is selling those lands that we were identifying out there, we're identifying buyers, and taking cash for them and reporting the profits and redeploying the money into higher return assets and current businesses.

Edgerly

My only question about this way of approaching the land base is does it leave the company vulnerable vis-a-vis the shareholders who may feel that they can't leave their assets in the company's pocket?

Weyerhaeuser

Precisely. That's what I meant by the intermediate-term effects of somebody coming in and saying, "Hey, what have you done for me lately?" Because one of the things that our shareholder does not see an increase in earnings, an increase in dividends as a result of that transaction that I just described. Whereas he would otherwise.

Edgerly

So how do you assess the relative risk of that? I'm not talking about small shareholders; I'm talking about large institutional shareholders who can change your situation in a day's trading - how do you see that risk right now?

Weyerhaeuser

It's significant. The general market every year is becoming more institutional so the percentage of institutional effect in the stock values is higher and higher. They're traders; they're not long-term investors. A long-term company managing, even if you had it perfect over the long cycle, might be significantly disadvantaged if everybody else is, in effect, managing in the shorter time frame and showing better values; they're going to buy them and sell us; our stock value is down. So is our shareholder's. Even a long-term shareholder gets affected. He isn't getting the same flow of dividends and doesn't see the stock values going up. And then you're more subject to vulnerability in terms of raiders, if somebody comes in and wants to force liquidation. This is why the resource companies are somewhat more vulnerable.

Edgerly

So that also means managing the psychology of the investment community out there.

Weyerhaeuser

Sure. We've been accused, in various times past and I'm sure we are now to some degree, of sitting on our assets, and it's true. And if they aren't realized over long periods of time, then you can legitimately question, is that the highest and best use of the stockholders' money? It's a tough question.

Edgerly

Has the company been successful in managing its position vis-a-vis the investment community?

Weyerhaeuser

Oh, I'd answer that differently at different periods of time, and I certainly wouldn't be quite as confident in the "yes" answer today as I have been most of the time I've been around. I think that we have suffered performance-wise, partially but not only because of what I'm talking about, which has always been to some degree a part of what we've been doing, which is to say the expense portion that goes into land management, whether that be property taxes or reforestation expenses that come out of your income flow, we've always differentially carried a hunk of that. But now that's further compounded by our being involved in a lot of high-volume commodities in the forest products field. By virtue of our size and our tie to the forest, we're much more primary than secondary conversion or refinement of the products. We're much more commodity than specialty, we're much more international than domestic, in relationship to the rest of the industry. All of which is in a downward trend. Now we rode the tide upward in '72-'73; '77, '78, '79. So we go like this, and we aren't on the cycles necessarily that the industry is, so we suffer in comparison. I think the relations with the financial community have been managed reasonably well. We've a very sound, solid credit rating all the time. We've worked at that. But when you finally come down to talking about what you mean by the financial community, I think the most compelling thing is have people made money investing in your stock, and the answer is "no" over ten years, and that's a very long, long period of time. That affects the institution, it affects everybody. I think we would certainly not be ranked up in performance in the forest products group, which does bother me, and I don't mean just in the short run. We used to be. That's partly because we were riding the curve up on exports and timber appreciation, so that the wood products part of our business - timber, logs, lumber and plywood - have gone from generating \$700-800 million a year to \$300 million. That's a tremendous swing in a relatively short number of years. And we haven't been able to offset that with performance in the other smaller parts of the company by any stretch of the imagination. I think we are legitimately being downgraded in relationship to some of the other investments in forest products companies. We have always, within the range of my memory, and still command a much higher price earnings ratio than darn near any other company. I mean on average we've been way above any other company, but not every

year above every other company. But that's eroded some - the spread between us and the industry. That's a proper spread in my sense, because we got it through absolutely tremendous financial underpinning and resource underpinning, which says that we ought to be worth more in relationship to every dollar of earnings than somebody who hasn't got that. The flip side of that is, somebody can ask the question, you've got all those resources, why aren't you earning a higher rate of return on the resources? Because our rate of return on that base is grossly inadequate in this time period.

Edgerly

So what's the strategy to counteract this?

Weyerhaeuser

We have to concentrate on improving our short-term productivity and product yield and do a better job of getting the lineup between what we can produce and where we're delivering the product. Both the costs and quality of the service we're providing have got to be improved, and we've got to direct our attention to that. You can't earn the right to investing somebody's money for 40 years. There is no way to do that that I know of. I mean our old-time shareholders, some will retain. It's great to talk about the satisfactions of being in a long-term business, but in capital markets of today and with the institutions' time horizon being three months, maybe they're 35 percent of our stock quoting and maybe they're 60 percent of the general market, and it's going up. How are people saving, you know? They're saving through life insurance, pension funds, and so the financial intermediaries are the ones that are making the decisions, so-called institutions, and if they're like most of us, I'm willing to take a long time on Weyerhaeuser stock, but I'm completely unwilling when I turn my money over to somebody to have them underperform on a one-year basis or six months or two years. That's the way most people are. If you're going to do that, why don't you hire somebody just to buy the averages or something? In the last analysis, this is a capitalist society and you have to compete for capital, even if it's historical capital. It won't stay there forever.

Edgerly

Presumably marketing efforts such as the First Choice effort and trying to address the so-called remodeling market, the recycling of housing market, would be part of that. Has that been successful to any noticeable degree in supporting your strategy?

Weyerhaeuser

Well, I'd hedge that again by saying Rome wasn't built in a day. I think that the initiation of that and the emphasis on that is both timely, appropriate and being reasonably well done. But you build that relationship over time. What we're trying to do is understand our customers' needs better. We're trying to package our product better, and we're trying to deliver it to them in a form and with timeliness and also, in a sense, in places where we are logistically able to do a very good job - very good meaning good service and economic. So if we're trying to deliver stuff down in Savannah, Georgia that's originating in Longview, Washington, we may be trying to do the wrong thing. You can be doing everything right out here and still be wrong. So we've got a logistical problem on our hands, which is to say, where are we trying to service people? Are we in the right places? We've got a reconfiguration job to do, which is another dimension to being darn sure that when we've got industrial customers or we've got people that are relying on us, are we understanding what their needs are and do we understand our economics in serving their needs? And in some cases, that latter one will say we don't belong there even though we may out at the point of marketing be doing a good job. In the latter one, we are not anywhere near finished with it; we're going to have to rationalize our situation. That's because freight has run amok in terms of its relative portion of the total sales price. Freight factors have changed the regional competitiveness, and we've got to get our system turned around. Or, where we're serving a customer out there in the wrong geography from our production system, we're going to have to do it on purchased materials, and that's the other thing we're trying to free them up to do. So we could have a free-standing service unit out there that's perfectly able to do the job and earn a decent return on its assets largely through supplies coming from its own region and substantially from outsiders. This is to say we're trying to free the distribution system to some degree, too.

Trying to understand the customers' needs and what we're capable of doing and optimizing there is a very important part of what we're doing. That's packaged, of course. The First Choice program is to try to tell customers that we are concerned with quality and service and we'll remain competitive in price, and they can count on us. I think that's been, as I said, reasonably well handled, but I would characterize it in startup rather than bottom line. Champion is evidently going to sell all of its distribution centers, and G-P is shrinking its system some - I don't know about dollar-wise, but location-wise. We are going to be shrinking, shrinking geographically where we are not in a position to do a good job. So we're seeing a realignment.

Of course, there's a whole new sector developing in the warehouse selling, the home depot, do-it-yourself kinds of thing - Pay 'n Pak and Payless and all of them - where there's very high turnover, low markup kinds of retail outlets. They are beginning to dominate some of these markets. They need a particular kind of replenishment service, which we're trying to also understand and accommodate to, which is different than the old-line retailer or even competing with the stores that are retail-oriented hardware-type stores now. So the distribution patterns are changing. At the same time, our raw material base is getting narrower and narrower in the sense that younger trees don't produce the same spectrum of products that older trees do, and there isn't anything we're going to do to reverse that tide in the West. We're producing less clear and less shop and fewer timbers. So, we are going to have to package smaller and smaller pieces more effectively or remanufacture them into different sizes, and that's where Structurwood and some of these other new panel products are going to come into play. They're going to be substituting for the older, larger trees with an engineered set of properties, which you can machine or configure. If you were to go out another 15 years or whatever, the products are going to be quite different and they're going to be manufactured out of what we would call composite panels, and they're going to be manufactured into engineered systems for structural purposes and for industrial uses, cabinet work and all. They're going to be multiplied or multi-characteristic boards that are tailor-made with particular finishes and machinable. So it's going to be a different world. The big tree is clear lumber and the big trees are going to disappear.

That's not to say there isn't going to be any wood. There are some amazing successes in terms of improved finishes in hardwoods and grain printing is moving along. You'd swear it, if we can't do it, the Japanese can. So it's going to be interesting. But in the meantime, we're making an awful lot of 2x4s and 2x6s out of small trees that are not exactly in short supply, so that the economics of converting our small timber a long, long ways from market are darn marginal. I'd characterize what we've been trying to do at Raymond with an average diameter of 7 inches or something like that, as producing a commodity product to compete with the Canadians coming out of eastern Canada or out of small timber, with half the freight costs. Between labor and freight, we aren't competitive. We can't go that far with it, until the Canadians run out of timber, which may be quite a ways downstream. (Laughter) Have you ever spent any time up there? They talk in cases of thousand square miles instead of acres. Now it's an exaggeration to say theirs is all sweetness and light, because as you get up into the Canadian, more

remote timber as they harvest that which is closer in, they're into marshlands, they're into long-distance hauls, they're into small timber that doesn't grow fast. So they've got a lot of logging costs. It isn't all just a matter of cheap trees and going forever up there.

Edgerly

They might be able to put out enough to compete for quite some time, though.

Weyerhaeuser

Well, that's the point. We've got a couple of operations up there that aren't all in the remote north that are paying essentially nothing to the B.C. government for stumpage, and with reasonably efficient mills, we're just barely covering costs. We couldn't go another 50 or 100 miles north. The quality of their natural stands is a variable. There's a lot of rot in hemlock and white fir, and you're talking about lodgepole pine, which is pretty darn small - you've got to handle a lot of pieces. Nothing is limitless. Economic timber availability has always been part of the issue and, with the exchange rates where they've been, 27 or 28 percent under par with the U.S. dollar, you've effectively lowered Canadian costs by that amount, including stumpage and everything else. If the Canadian dollar deteriorates further, which it might, that could push that frontier further north all the time. That is to say with our costs in U.S. dollars, whether they be labor or freight or whatever, we're losing some competitive ground just on the exchange rate. The same thing is absolutely true in Europe versus the Scandinavians, who have never, never had it so good, since maybe World War II or something like that. They've got margins. The Swedish crown went from 4 to the dollar to 9-1/2. Why, there's an unbelievable difference in the economics that the pulp and paper businesses have to face on those international commodities anyway that can go across the ocean, which certainly includes the two or three that we're in.

So, if I had it to do differently, what would I do? I guess in this decade, I would be closer to the U.S. population centers. I would be producing more fine paper in the Southeast closer to market. And I would not have bet as much money on the international market being served from the West Coast. I remember the days when I would have said that in reverse.

Edgerly

Not very long ago, either.

Weyerhaeuser

No. (Laughter) It still hurts. Maybe it hurts more for the memory.

Edgerly

It's after 5; I didn't realize the time. If you have time to continue....

Weyerhaeuser

I have time. I was an hour late getting to you, so whatever you want to do.

Edgerly

That's great. Let me put in a blank tape.

This is the end of Tape XIII, side two. The interview continues on Tape XIV, side one.

This is a continuation of the interview with George Weyerhaeuser recorded Tuesday, April 2, 1985. Tape XIV, side one.

Edgerly

If we could go back to R&D for one more question. It relates essentially to a change in condition and is primarily centered around the Technology Center, which was, I think, a \$40 million facility consisting of 450,000 sq. ft. or something like that, designed to bring together in one place, and therefore facilitate communication, the scientists and engineers of this company. That obviously has not been without its problems and, in point of fact, the company has to a substantial degree begun to reverse that, mainly returning some of those people to the mill sites, taking them closer to where the technology and sciences apply. Could you give me some insight relative to the elements that have led to that change in policy?

Weyerhaeuser

I don't know whether it's policy or emphasis at a point in time. I don't think we arrived at a moment in time when a new truth was thrust upon us; I think it has been more of a question of evolution which is not unassociated with the economic conditions around us. I don't mean solely the availability of money to invest in research over a long period of time. I think, consistent with what we've been talking about in terms of a much higher degree of need and emphasis on short- and intermediate-term performance, we have looked much more carefully at our competitive situation vs. other pulp and paper mills and producers. Now some of these things we've been talking about, we can't change - our posture, our exposure to international markets, our commitments to those markets in terms of shipping and our unfavorable logistics vis-a-vis U.S. markets from the West Coast. All of those have produced a more competitive set of conditions and we have had to look pretty carefully at our individual units. We've done much more of that in the last four or five years. We said, "What does it take to bring them down the cost curves?" We can't dictate market conditions; we rarely exceed six or seven percent of any market, so we're in commodities and we're on these kinds of transportation lines, and we have to understand where we are vs. the competitor in terms of the costs we can manage. I'm talking now primarily about the pulp and paper mills, but it would apply elsewhere as well. I was just going to the point of how we're now thinking about the technical resources of the company.

We did conclude, some time back, and we still believe, that we have a lot to do in our mills within the framework of known technology. This is largely process I'm talking about now, making very substantial commitments to upgrading our productivity, in the largest sense of the word, which includes the concept certainly of yield of quality materials out over yield of materials coming in. We are talking about volume and quality, control of the process, consistency of the product whether it be moisture content or basis weight or yield out of digesters or whatever. There are all kinds of things that can be done and in order to implement that, we have concluded that we were significantly short of the application capability at the mills. We'd fallen behind in that regard and felt it was not an appropriate thing to try to center at the Technology Center. So we then asked ourselves, "Where do we turn for technical resources?" Obviously a good part of that, a significant portion of it, rests in the technical training, the backgrounds of people that are in our technical center. So we were meeting a need, a different kind of a need. It's a long-winded way of saying we didn't decide we were going to scrap research; we decided we needed to divert a resource to a different set of priorities - shorter term.

That's only a portion of the answer, because that deals with one area, namely process control. But it's true in energy. We've got a very good energy group over there, but we wanted to apply their talents instead of trying to invent the next generation of wood gasifier, which I say reluctantly because I think we still have some technology leapfrogging to do that the industry isn't doing and that isn't going to be done for us. We, Weyerhaeuser, have quite an economic carrot out there if we could solve some of these.

But in any event we've got these big mills that are under competitive pressure and we'd better get them straightened around as best we can with people that we have, which meant directing some of them out into the field, which we've been trying to do, which resulted in shrinking some of the personnel in R&D. Now the other part of it is, of course, that we have a portion of the budget in the technology area directed to a long-term, call it more basic if you will, and which is not directly relevant to what any of the businesses is doing at a moment in time. We have pulled back on that to some degree. I'm not sure that the percentage of it has dropped all that much, but it's dropped some in relation to the overall picture, that's against a smaller base. We've really been holding the total dollars about constant over there, but that's a decline in real expenditure. I would say we're guilty of what companies are often accused of being guilty of: "What goes first under pressure?" What goes first under pressure is you try to improve your

performance in the short run, and so you direct more of your efforts at short-term improvements, and we've been doing some of that. At the same time, of course, we maintain, versus other companies, a higher total amount of dollars and percentage going in, not than all of them, but I think maybe most of them, if not all. We're certainly higher than the industry by far, because we are still supporting everything associated with forestry at a much higher level than anybody else. I don't blame that on the technical side; I think we're doing that in the field as well as a certain amount of work in tissue culture and genetic work and the whole tree improvement program. Even there we're trying to make sure that we're looking over those programs carefully and determining those that have either a high probability or a short-term payback, so that in a sense we're subtracting some of the pioneering effort and trying to increase the percentage of applied work going on. We're still supporting some long-range work in genetics, and we're still supporting and think there's potential in creating other forms of cellulose with the help of bugs and enzymes. So it isn't absolute, this focus on the shorter term. I think what's happening in the research budget is consistent with what we're doing across the company, which is trying to focus more on the operating efficiency and effectiveness of the individual units. And we're trying to do that organizationally, too. We're trying to de-layer the organization and decentralize, in a sense, and focus the technical resources and other resources on the operational parts of the enterprise rather than on the, call it, planning and strategy and long-term planning.

Edgerly

I can understand that that's true except that probably it is of a higher profile at the Technology Center, because you've got a huge investment in a building, in a facility, and therefore changes that relate to that facility are more easily seen by people like me.

Weyerhaeuser

Probably. I think about the buildings about the same way I do about land. However, once done, I would not then worry about whether I fully occupy it. But the occupancy of it is more visible, there's no question, because of the centralization of it.

Edgerly

The philosophy behind WTC was communicated quite broadly, partially to justify the move of those people away from the communities in which they'd been located, for one thing, and also because it was important for the shareholders and the other employees to understand why that investment was being made.

Weyerhaeuser

It's interesting, I guess I am somewhat insensitive to images and I like the idea of tomorrow's technology and us leading, in a sense, towards new products. We don't do it very well. I don't know anybody in this industry that does it very well - we don't, certainly. We've had a much higher degree of emphasis in the last 10 or 15 years, all during the existence of the Technology Center and before, on process than we have of product, which is a disappointment and a failure, and it speaks somewhat to our inability to bring identified needs back into the technology arena and direct the technology toward needs, which says we're not a good marketing company. We're much more comfortable coming from the tree forward through the process. We are high-volume-producing kinds of people and not very dedicated to, have not historically been dedicated to, market development. Therefore, product development becomes awkward at best. And when, under the press of time, we direct ourselves to efficiency, we revert to form, which is process. We're still at it. If we had a stronger capability of understanding uses and requirements out there, I think we could do a better job of guiding product development - I don't know what percentage of our effort has been on it, but not high and not very effectively done, not consistent, and partly because our marketing is not that strong and our business managers are managing commodity businesses. By definition, almost, commodity businesses do not form as strong a relationship with their end users. There are so many of them. They are diverse, they are changing, and therefore, one does not organize in such a way that they have both people and communications in the tie-together. So it's a difficult role for us to play.

It's kind of interesting, as we work with the composite panels; coming off a relatively big platform like a 16x24 or a 12x24 of varying thickness and densities. The process now gives you a wide range of things that you might produce with relative efficiency as a starting point. It opens up the opportunity to develop from that specific fabricated products, designed products, which we have to get better at. Now that may allow us to concentrate some on process and improving the control of that fiber mat and all that. Add a dimension, instead of having to go back and find out whether White River can make a 12-inch board so I can sell it, I know what my engineering limitations are and they're much broader. Maybe I can get to market then with fabrication off that kind of platform without having to change the whole production system back here and back to the forest, which is a long way away and supplied by a lot of different people, which makes it very difficult to make it adaptable to sell and service, we traditionally make it first and inventory it and sell it.

We were much better at technical service when we had specialty pulp plants where we had a relatively small number of people servicing a relatively small number of customers and we could put in the technical people, and did, quite effectively, into service for Eastman's and Kodak's and the others. There I think we did a reasonable job of lab work and support work and technical work with mill support. But that's the exception to the rule. How the hell did we get off on that anyway?

Edgerly

Well, because we were talking deployment of technical resources, which is in essence symbolized, however one might think of it, by that building over there.

Weyerhaeuser

(Laughter) Ah, you heard me.

Edgerly

Whether it's full or empty, or half full.

Weyerhaeuser

(Laughter) Well, is it half full or half empty? I think that we still have very much before us the issue of how many resources to put into differentiation of the product and into long-term basic work, changing the nature of either the tree or, say, of cellulose. Those are and will remain primarily corporate strategy questions which we're going to have to manage with a combination of the technical leadership and the business leadership on a corporate basis. How big that might get and whether we fill that Center up with that or not... I already told you I'm not worried about images, so if it's half full or half empty doesn't bother me. I'm more concerned about whether the programs are getting the right kind of direction, and that's to say, is there an appropriate time dimension on what we're trying to do? There is an issue about everything becoming coupled with a short-term focus, and when you get it that way, you might well ask the question, "Well, shouldn't it be done in the field?" This is part of the question we have asked and are answering. And the answer is, "Yes, to some degree." So the total amount of technical effort may not be as subtracted as is implied by looking at a half empty building or one three quarters full or whatever at this moment. And the growth may take somewhere else, too. That still may be 75 percent and the expansion largely in the field with a few people here working with more people in the field. That's on the applied side. Now, we still have a fair

amount of pioneering going on in the energy field - in the field - and a damn good energy group here. But if we expand it, we may just expand the amount of activity at Plymouth or somewhere else where we've got pilot plants or full-scale development activities going on in terms of the big boilers that we're running. They're at Cosmopolis. This has to do with improved ways of burning particulates, being able to control the fire, being able to mix it with other fuels, being able, where we have to, to gasify it maybe. So there's still a lot for us to do, and I think that could be both big payoff and reasonably accommodated in a time frame that is not ten years plus out there. I don't think we're going to be doing a high percentage of stuff that gets way out into the time horizon. I haven't changed my mind about the desirability of doing some of that; I've only changed my mind about how much I'm prepared to pay for in the short run. (Laughter) Which is back to our institutional investor again.

Edgerly

Right. We talked a lot about the natural resource base, and this question regarding the use of the building and the deployment of the Company's technological resources which can be defined in human expertise as well as in other ways. This leads me into the subject that I'd like to work on next and that is the human resource related questions that I think we should try to look at. Certainly the policies relative to the company's human resources have gotten a lot of attention over the years, not as much as its approach to its natural resource base, but certainly a lot. In going back through the files, I came across a quote which was reported in the New York Times. You were quoted as saying, "Business should be conducted within the framework of human relations rather than at their expense." Last year the company was identified as one of the ten best companies for which any employee could hope to work. Having said that, nevertheless, there have been some really painful contractions of the company's work force during the last 20 years. The most visible of them would be the so-called PIP, the Profit Improvement Program, in the late '60s, and of those that relate to the reductions in the last few years. Looking at that and perhaps especially with reference to those two reductions as examples, how do you see the company using its human resources, both historically and projecting that into the future as human resource policy is concerned?

Weyerhaeuser

Well, let's separate a couple of things here first. There are periods of growth, there are periods of rapid growth, there are periods of shrinking. I don't know whether I'd say unfortunately, but we're not a technology-driven company where products and markets

seem to grow in endless chains. We are cyclical, and we are in the middle of a cycle now that is long and downward, and the company is going to be driven, if not later, sooner depending on how fast we respond to the conditions around us, to employ less people in certain functions and in certain geographies. No matter what our human relations objectives are or policies, it is not a static world and it is not an always growing environment. Now, it's a lot easier to manage recruiting, training, organization building, career planning in a growth environment; I won't say high growth, but let's say growth environment. If one could dictate what kind of a business you would like to be in, you'd like to be in one that grows at seven percent a year or eight or something like that, or even five every year. Then you, in fact, can match up the resources that you have with the opportunities that you can count on. You can anticipate so that the training and development of individuals collectively matches the opportunity. The fact of the matter is that we're not very good forecasters and that we are both cyclical and severely so in parts of the business surely, if not in the aggregate. Now part of what we're trying to do, of course, is have a reasonable amount of growth at all times and an average amount of growth which is conducive to mobility and opportunity. But that's been the farthest thing from the case in terms of several of our major product lines in recent times. I would say whether it's PIP or whether it's been several other iterations of reorganization, when we have gone from relatively fast growth to more moderate or little growth, we have certainly not anticipated the human resource requirements and opportunities in those periods, and therefore we have accelerated retirements and have employed policies, I think, way over on the liberal side in terms of severance; we tried to work hard and, I think, somewhat effectively at times, in outplacement. So the benefits and the framework within which reductions have taken place, I think, have been reasonably well handled, which is consistent with our objective of trying to create the minimum amount of disadvantage for the human resource while we're trying to get the company to its appropriate growth pattern and competitiveness.

Now, just as we've talked about in research, the same thing's true in engineering - we went from a \$750 million a year budget to \$300 million. It's pretty obvious that requires a different amount of engineering. In hindsight, you know, you can say you wish you could anticipate these things, and the next time you always tell yourself, and everybody would like to say, "Let's staff up at the level that you can sustain." That presupposes an ability to understand where you're going to be over a fairly longer period of time and in periods of very high need and high growth you contract for services or whatever. Well, we've talked about that and tried to do it in terms of, let's say, our technical effort.

Maybe we got up to the grand total of 5 percent or something like that. We never have been a contracting company, we've been way too far over. Well, I can say the same thing in engineering vs. our competition. We tended to want to build internally and we did build and overbuilt staff in a lot of different areas, not just technical, but all kinds of things. Then I guess the other thing is, we're growing fairly fast, we've got a lot of planning, a lot of activities going on at the corporate level, which, in a low-growth period, are not needed and inappropriate, and we've tried to shift more of the emphasis out to the localities. So we've had not only a difference in the overall need, not only in technology, but in other areas there's been a geographic dislocation.

Now, let's go back to the statement and the philosophy. It sounded good to me, and it still does. What, of course, you're trying to do is reach a given level of employment. Setting aside for the moment the disemployment problems which you try to handle in the most humane way possible. And it's not only the people are going, it's the people that are left that you're concerned with, too, which is to say you certainly don't want an atmosphere in which people are forever fearing whether or not they're going to have a job or not have a job or that the size and objectives of the unit they're associated with are forever changing. There is a stability and a continuity and opportunity aspect to the whole thing. But I think we feel that we're making some progress on trying to identify training opportunities, career objectives of people so we at least have some communication and understanding between the individual and whoever he's working with. Lots of times you find out they don't have the faintest idea (what an employee wants). I mean, we have found out that somebody's boss has never entered into that kind of a conversation, that somebody has ambitions along lines that we're unaware of. So we're trying to, on the one hand, treat the individual with more communication and planning. It's quite an assignment, but nevertheless, I think some progress has been made in that regard. And obviously we're trying to think through more effectively what services really ought to be placed where so that in a geographical sense, we have a sounder base to start from rather than building up the, let's say, the corporate staff, trying to make sure that we have the support services supporting the operations closely where they can.

Now there's an efficiency question here, because obviously we can't afford to have 100 law departments or lawyers scattered all over the country, or the treasurer's and credit functions. There is a question about efficiency of systems and direction of systems. There's a central element in most of these questions, but we're trying to understand what

really needs to be done with the efficiency of centrality and the control, let's say, of services as close to the users as we can get them. Now that's an organizational issue rather than one directed at how we manage individuals.

If you want to look at overall levels of employment in the company or hourly or salaried and overall growth rate, there are very different-looking numbers in the last five years. Even if the business is not shrinking, certainly the numbers of people supporting the businesses are and will continue to. As we tie these things down closer to the essentials and we tie them closer to the operations, there is a relatively lower level of support from corporate, salaried side. That effect, just as you described the building over there (WTC), produces a very different set of conditions in corporate staff, which also tends to be much more highly visible to us here, and is a negative, and a major one. It's interesting to see the difference. The morale and everything else seems to be very much better in the field, in spite of the competitive conditions, etc.. They're sort of at the locus of the action and we are in the process of trying to restructure downward.

All that is by way of saying I wouldn't change my definition of what we ought to be trying to do. I think we're making some real and continuing and conscious effort to understand better what individuals would like to do. We're trying to improve the training available to them, and we're trying to improve the process of job identification so that we avoid the pitfalls that are associated with promoting somebody who's in close proximity and give better job visibility, if that's the right word, or opportunities, which are fewer in number, to a broader range of people. But that does not produce the same result as a 7 percent growth rate and more people and, therefore, a much higher rate of turnover, particularly for the younger people, I think. It's sort of like the society. I think in a sense there are more resources available, they're brighter, they're abler, there are more women available, they're capable, and there are less opportunities. So we're going through more like the good old days. When you ask me about people that are willing to go out there and spend six or seven years to learn something on the ground, in the last 10 or 15 years, you might say, "Damn near nobody." I think that's changing. I think the rate of movement is going to change. That's a negative. But I think willingness and attitudes are going to have to change, too.

Edgerly

Just because of the pressures of the environment.

Weyerhaeuser

Yeah, and it isn't fun. I mean, I'd rather be in the other environment, but realistically, as I guess I started by saying, as harsh as it may sound, I think that all starts from the point of view of the needed resources in a period when resources can't be wasted, and that's people. Staffing levels are going to start from that point of departure, which says we've got good people that opportunities are not coming fast enough for, so we'll lose some. Are we meeting our hoped-for human resources climate? No, because the opportunities are not as great as we certainly anticipated or expected. Now, on the other hand, I hope and think we're making progress in getting people better prepared and selecting on a broader, and not so narrow or personalized basis of selection, for promotion. That's easier said than done, but since that declaration, I think we've made a lot of progress. But it's a tough one. I guess we've gone from 13,000 down to 10,000 of salaried people, and we're going to go further because we're going to be shrinking some of the parts of the business radically in terms of the operations, and the support services absolutely have to come off with it.

It's interesting. I don't know if it has anything to do with this, but if you want to see some curves that would scare you if you were in my job, you can look at the cost element curves and revenue curves and stockholder earnings, either defined in terms of value per share or dividend. Chart some 10 or 15 years, and the dramatic thing that has happened over that period of time is that the human resource, namely employees, is the only curve that's moving up. It has been moving up in spite of all the, let's say, reductions, whether they be PIP or whatever. And the wages and fringes and total costs of compensation or per capita costs - those curves are just going (up steadily). I don't know if we're all that different than a lot of other enterprises, but it is absolutely dramatic. Now, you can chart that against inflation or you can chart it any way. What we're doing is that we're keeping people more than whole in terms of inflation and benefits. Whatever reductions in force have occurred have, in the aggregate, been absolutely swallowed up in both the nominal and real increase, when you look at compensation in its totality.

Continuation of the interview with George Weyerhaeuser, April 2, 1985. Tape XIV, side two.

Weyerhaeuser

Retirement and health (insurance) and workmen's compensation and everything else, all those fringes that you sort of forget about when you look at your paycheck, is 33 percent of the total or something like that.

Edgerly

Ultimately, do you see that as a negative impact on the company?

Weyerhaeuser

Oh, I would phrase it this way, that anytime you have a major cost element rising faster than sales... and this is partly the world competition in our situation. If you look at what the Swedes or the Finns or anybody else, they look different because you translate them into dollars. The competition is in a sense not being forced with these kinds of costs. These are significantly people costs. Now, petroleum's another one, and you can find some others in there, but the thing you worry about is you are less and less competitive. It's coming out of margins is what I'm saying, and that can't go on forever. So what we're facing, let's say, taking a narrow illustration in the West Coast labor situation is that we not only are not competitive with the Canadians, we are not competitive with what's going on in either the South or what's going on in the West Coast, and I'm talking about on trend, not just level. Now there's the very, very significant element of people buying a shutdown plant or whatever and start it up by posting a new wage scale and it's non-union and it's 30 percent under ours. Then we find out how in the world people can be producing at these rates with these prices. That's part of the answer. That places a level or a lid on what we can charge our customers for the same product delivered to the same place. Now that's more dramatic, and I'm taking the worst illustration of that because there we are clearly non-competitive. Now we are paying a lot of attention to what competitive compensation is in different skills and in different areas. We're trying to, and we have through all time tried to, treat our people fairly in the sense of what's going on outside. We believe from all the evidence we've got that we are in the upper quartiles in most regards, in the fringes for sure and in total compensation at least consistently in the upper half. So we are compensating more than fairly and competitively, and that's a stated intent. But the bottom line on that is in order to do that, we have to develop a high degree of efficiency, which means that we have to do better with less people, which is in a sense saying, we have to earn it in order to pay it.

So does it worry me? Yes, it worries me in a sense that it puts a higher degree of necessity and premium on finding the right way to do things and not doing things we don't need to do. Now that's a management problem, it's not just people working longer hours. We're talking about the degree to which we are appropriately applying systems and also we have to look carefully at the activities we're engaged in, whether that be technical or human resource or other areas. It's interesting because I think there is a difference in perception now because we are not moving as fast, neither is society. We see the competitive environment; we're trying to study it, not perfectly. But there's a big discrepancy, I think, between what our employees see or feel, which is the lack of rate of progress in competition, as opposed to what we see in terms of levels thereof. I'm always amazed when people say, "You know, you're not doing what you set out to do." There is a fair gap between the perceptions and the facts, and we're trying to communicate a lot more, to have managers have a lot more information about the companies and the skills in their areas so that we at least get reasonable credit for what's going on around us. Now when inflation goes down to 3 percent or 3-1/2 percent, and thank God it has, and people have been getting 9 percent or 10 percent raises, they tend to forget that there is a difference between 10 percent inflation and 10 percent wage increases and 3 percent inflation and 7 percent wage increases. What they remember is the 10, not the 3. But, in any event, I guess that's a long-winded way of saying the needs have changed, the necessity for efficiency is way up, and we're trying to meet that with a lower level of work force, and trying to do it in a framework that capable people are being fairly compensated. But that environment is a hell of a lot different than a 15 percent growth rate. A lot of the compensation has to do with mobility and "I've been promoted." That's a different statement than "I'm in the same job and I've been asked to do more because there are fewer people around me, and by the way, my wages are rising at 5 percent instead of 10."

Edgerly

That's a little like your own situation - "I'm in the same job; I'm being asked to do more." You must feel like that sometimes.

How do you explain a situation like NORPAC - a non-union facility in the midst of one of the biggest union facilities in this industry? What's the future of that kind of situation vis-a-vis unions?

Weyerhaeuser

I think the future of it is quite bright. Why do I say so? If you look at what happened: we had excellent jobs; we selected the people carefully; we had a broad base of people to choose from; we set up a fully competitive situation. It isn't a matter of going non-union and posting a wage base that's half the going rate. Here we've got a very, very high degree of capital intensity; we need a very, very high performance level and we've got good people. They're well trained and I think they've been well treated. We have what is in effect almost a guaranteed annual wage. There's a high degree of security. There is opportunity to learn and get training on the job, so I think it's a good place both to work and learn. Now all that presupposes that the work force has a voice in what's going on and that they are not being ushered around by a lot of heavy-handed foremen. They're running that place. I think that the way in which the management team works and interfaces is critical. They have absolutely no need for a union to solve, if we work it right, either grievances or pay levels. So they've got the best of both worlds, it seems to me. Will the biggest union in town, other than Raymond, in the Northwest be able to sign them up? No.

Now, what's the future, let's say in other locations? We're not the only ones that ever have done this. Others have done it - Procter & Gamble has. Others have done it in the pulp and paper industry. Prior to that time I don't think there was a major unit in the United States that wasn't unionized. I'm not sure of that, but I don't know where it would have been. Of course, we've done the same thing with an awful lot of training, and we've spent an awful lot of money hiring and training people in Mississippi. Now obviously that's a different situation because that's not highly unionized. It isn't just a union issue, of course. If you approach it that way, and all you're doing is trying to organize so that you keep the union out and you don't pay attention to what people want and need in the way of a working climate and relationship with their supervisor and with their work, then you may win the short-term battle, but you're certainly not going to keep them, what should I say, feeling like they're a part of the action and that their needs are being met and understood. It's a different kind of a contract in a sense. It's not a union contract, it's a work contract, and what we obligated ourselves for was an open atmosphere, training and, as I say, continuity of employment. We shut the mill down, they can take vacations, but we keep on the job. They in effect have very close to a guaranteed annual wage without quite saying that. So they're in effect salaried people with a pretty high degree of security. At Grayling, or our new plants, where we understand the process and we've got good people to head up the plant - which is to say they're reasonably good

communicators - and we know what we're doing in terms of training, I think you can take a relatively unskilled work force that's reasonably well motivated and led (and be successful). I think that is probably indicative of the way we and others are going to be building plants and managing them.

Edgerly

Given that kind of pressure on the unions placed partially by the company but also by circumstances, by the industry and the economy, how would you characterize the evolution of the company's relationship to unions over the last ten years? And projecting into the future and what appears to be a move away from union plants, what will happen?

Weyerhaeuser

I kind of differentiate between different levels in the union. I think we are going to continue to work hard to involve the hourly work force in the problems of the unit, which means quality, consistency, continuity of supply, which means no strikes and walkouts and all that monkey business, an understanding that we're in business to serve customers. To have that understanding, the managers at those production units have to have some knowledge of it. So exposure to the customer is part of what we're going to be increasing, and decentralization helps that. We have a need for different kinds of attitudes on the part of supervisors, different kinds of supervisors, which is to say, the old practice of taking the better workers and promoting them to foremen and assuming that they're going to be supervisors is going to change. So will the selection of supervisors, the way they work with their crews. In turn the relationship with the local union, I think, becomes different. If you do that first job better, there's less persistent problem in terms of grievances, there's less need for union backup of the individual and his problems if we respond better and communicate better. I think that is happening, even in places like Longview and the old pulp mills. Those are tough guys down there and they've been union all the way. But do they understand more of the problems that we're facing in that unit in terms of cost and competitiveness? I think so. I think that's because our management team down there understands it a hell of a lot better and they're trying to work the problems.

Now then, we're working at removing some of the rigidity of work rules, which is a craft kind of orientation - "I only do this and I don't do another damn thing because that's what my trade calls for." There are too many people standing around, there's too much transit time. We've got to couple those maintenance and operating people together more. So we're changing the work rules and hopefully building up more of a team working together.

That leaves the union more in the role of negotiating for wages, if you will, or benefits than it does in making sure that the company's honest in terms of its relationship with you. In other words, we're trying to and going to achieve something significant in the way of taking some of the wedge out between the guy on the job and the company and the foreman, at least to the extent that they've got some common purposes and are working them. The unions over time have played on that grievance thing. That's part of their role is to make damn sure that the companies and the foremen are not arbitrary, and they're there to protect. That's old-line unions; you're flying in the face of what they consider part of their primary job to be, and the degree of alignment and affinity of the workers to the union as opposed to a worker to his job, we're trying to shift, and I think it will shift. I think the union function becomes, if that's worked right, significantly less. And then as the union segment lessens. Whether it's in construction or whether it's in the South or whether it's seven other ways, as they lose their dominance, they lose their power to dictate settlements, the power of shutting everything down, and that's happening. That's partly economics. I'd say at this point, certainly in the western unions, they don't have, I think, the faintest glimmer of how severe the economics are and what the direction is. So far, they have chosen largely to ignore it and say, "We never gave on wages in our entire existence and we're not going to start now." Well, what's happening is in effect they're choosing the economic route which is less and less employment and less and less union content, and at some point they become, in a given sector, irrelevant. I mean, they can't dictate it.

Edgerly

They're creating their own minority status.

Weyerhaeuser

If we can't survive, they can't dictate wage levels to us. You know, I'm not setting out to bust the union, but what's going to happen is, we're not going to let them bust us, so our alternatives are either shrink it, which we're doing, or negotiate and shrink, negotiate for competitiveness. At the bottom line, if there is a lot of available labor and a different rate structure and a different productivity structure, that will dictate our price for the product. If we lose money at that price, somebody else is going to be in the business. That's what's happening in plywood in the West. The industry, I would say, is over the hump. But it's either going to be non-union or very, very efficient union plants - very efficient, or co-ops, which are non-union.

Edgerly

Would you characterize the relationship between Weyerhaeuser Company and the unions until the last few years as being substantially rancorous?

Weyerhaeuser

Sure. Well, I wouldn't generalize all over the country, but I certainly would say so in the West and with IWA and certainly the AWPPW, that whole union, even though it's strongly democratic and it's a local to regional union. But they were split off from the Papermakers' Union because the Papermakers were considered to be a company union. So they're militant, have been, the leadership has been all along, and anything that's been done in the way of progress has had to be done by brute force, in terms of strikes. The only way we really turned that around some is by demonstrating that we can run the plants without them, which was a first time in this industry in this area anyway. So rancorous, yes; at least adversarial, if not rancorous. Now that's changing some, you know. Now we've got mills in trouble, and we're making some progress in acquainting our own people, meaning supervisory, with that and they're sharing that with crews. I think we have some different attitudes emerging in the pulp union, even with the leadership they've got. Now they'd better change, because they're getting on the fringe of competitiveness, which is to say, we've got to get the productivity up - that's what they're working on. We're not talking about wage cuts in that case, but we sure as hell are talking about some mills in some considerable competitive jeopardy.

Edgerly

Among the people who are in the union movement in this part of the country, are there any whom you would identify as individuals deserving of respect in particular?

Weyerhaeuser

Now you recognize that I've been around a long time, but I think we had a great deal of respect for, and I think he deserved it, Harvey Nelson, who headed the IWA - in his time frame. He was doing a very good job for the union, intelligent, able. He played on the strings that were playable, with a lot of work rules and other things. We created a lot of bad habits. I don't think that's appropriate anymore, but maybe it was in their day. I would draw the distinction from what union leadership I know now. First of all there is not much leadership and it is sort of hanging on and/or combative. I think they may win a few more battles, but they're going to lose the war in the sense of their own unions.

Jim Bledsoe is, I think, a very capable, intelligent guy, and I'm not sure, from his vantage point or his union's... I think he's made a wrong decision in the sense that, if I understand it, he thinks his union is finished and he's going to hang in there against concessions come hell or high water. Then they're probably going to merge that union into the Carpenters and Joiners. He's the closest thing to intelligence in leadership that I've run into.

IWA leadership is sort of unbelievable, and it's not really strong either. But unfortunately, they're very big in our picture and I guess we represent 50 percent of this whole region now, and they've lost half of their membership. Unfortunately, part of that is shrinkage in the industry. It's interesting and painful that the level of production isn't going down all that much, which tells you something about what's happening. There are fewer units, there are fewer union units, and production's staying up pretty well. So productivity's coming up and union membership, percentage-wise, is going down. Weyerhaeuser, unfortunately, sits here in the Northwest totally union in the mills, except for NORPAC. Not in the woods, we're contracting some in the woods and we're going to be more. God, I don't take any great delight in watching the unions go down the tube because I'm going with them. To the extent that we're slower because of our size and because of their position with us, we can't accommodate to the competitive economics. What we wind up doing is shrinking. Then finally, we'll have to do what the others do some way or another, either somebody else will be operating on our materials or with our mills, for that matter. I suppose at the bottom line, we will have to become reasonably competitive. If it takes us five years to get there, we're going to be a lot smaller in conversion and therefore our employment level and their union membership are going to be. That's what we believe and that's what we're telling them. But you've got a guy a couple years from retirement, he's not about to stick his neck into any noose that says, "I'm going to preside over the first wage decrease that ever occurred in this industry in this union." It's a tough one. I don't know - we're it. The rest of the industry is going to love it.

It's interesting, you know - here we've gone all the way through the era, 50 years, and I'd say add 10 and in maybe 60 years we will have gone from a whole bunch of rugged individuals and no unions all the way through the era of build-up, and I think we're going to go back down through a period. I wouldn't forecast that there aren't going to be any unions, but I would forecast that their role's going to be different, and they're not going to be in a position to dictate broad-scale industry wage and benefit conditions. On the other hand, when and if that condition prevails, I don't think the companies are going to

be taking undue advantage of them in the sense that I think we're going to be interested in retaining our people and I think we're going to be interested, as we are with our salaried people, maintaining competitive wages. Meaning now, in this case, if inflation or other things are taking place, we'll be compensating in proportion. I don't think that non-union means arbitrary and go back to the good old days where you do whatever you darn well please.

Edgerly

On average, how much time - if you can take it over a period of almost 20 years - how much of your time, or what percentage of your time, would you say has been devoted to human resource, union, labor relations issues?

Weyerhaeuser

Oh, you've got to be careful mixing those together because the union part of it is a very small part of it. We got into, with the AWPPW, a couple of contract periods. Five or six of us CEO's sat down opposite Ferris Bryson, and we thought it was important that he hear us directly. I spent some time on those occasions. But that's the only direct union time, other than informal conversations here and there. I've spent some time with the other CEO's talking about bargaining positions and I then spent some time with our labor relations people certainly. But that wouldn't be 2 percent.

Now when you start going over into people-related things, whether that be benefits or compensation... I include what we're trying to do in career planning or training or reorganization, whether it be many different forms. Or, then, if you go up one more step and say, "Really, what are you doing?", a fair percentage of your time is dealing with people. That can be senior management people, too. That's not in the narrow definition of human resource areas. Boy, I don't know. It would be a significant portion of my time, maybe a third or something like that.

Edgerly

What was the occasion when there were five CEO's who sat down? What was that about?

Weyerhaeuser

That was bargaining with the pulp union. We decided that we had better get our heads together because the union had developed, after it split off from the Papermakers, a very pronounced strategy of ratcheting the individual companies. We split out of our joint

bargaining and now we were facing a militant, independent union who, in bargaining, always stepped up one at a time, took the weak link, made a deal, then imposed some more, more and more. So we arrived at the conclusion that, even though we were not bound together in bargaining, we must necessarily decide together what we were willing to do and not willing to do. And then we also decided, in order to stop the unions and change that pattern, they had to understand that they were hearing from the guy who was running the company what we were going to be willing to do. We were trying to make them believe us. The first time, I would say, they did not and we stood together and took a four-month strike or whatever.

Edgerly

What year was that, do you remember?

Weyerhaeuser

Oh, I can't remember dates. The next time by, I think they began to believe us a little bit, and we ran the mills. So, in a sense, we felt, even though we weren't bound in bargaining together, we had to break that pattern of them dictating to us one at a time, which we did. But normally, if you send your labor relations guys in there to tell the union that, they didn't have that much believability or credibility. Neither did we when we started, but I think once the CEO tells them six at a time, or one at a time, "Hear me now," that's a different matter than negotiating in the smoke-filled rooms. All of the area reps were there so we were in effect either going to mean what we say or forget it. There's an element of, in a sense, saying you'd better stop kidding one another; we'd better decide what we're going to do and we'd better let them know what we're going to do and we'd better mean what we're going to do, and we did. That changed the pattern. We had strike insurance and other things when we entered into the thing to try to weld some kind of unit. You can't do it all by yourself. We're not talking about operations that are at the margin on whether they shut down or not. We're talking about pulp mills with a tremendous amount of capital in there that have to run. They had us right by the neck, so to speak, because no one of us was going to shut down for extended lengths of time when they had a pattern established of getting around us.

With the IWA, Weyerhaeuser was in a different position. First of all, they've got all our units and second of all, I think they have an understandable attitude that those trees are out there and they're of value and we're going to have to take them to market. In order to take them to market, they were going to have to log them. Now, we're going to break

that pattern by contracting. They're in a sense saying they still feel whether we're making money or losing money in the mills is irrelevant. They're one union and they represent the woods workers as well. So we negotiated a contract which said in effect, during the period of this contract and ending in 1986, we are going to measure the cost of our logging against competitors and against contract loggers, etc. or trucking. And if we are not competitive, we're going to get competitive and we're going to pay you on a per thousand basis or whatever or a minimum pay. And they had two different choices - I've forgotten how it works, but they could either take a very high guaranteed pay, not 100 percent, or a relatively lower one with a much higher payback if they got the productivity up and our costs down, then their wages came up. In any event, they're compared during this period and at the end of the period, providing they are not competitive, we are going to be free to contract where they are not competitive. So we're gradually going to free ourselves from company logging and presumably from the IWA's perceived and perhaps real stranglehold. Of course, it is not a complete stranglehold because there's nothing to prevent us from selling the timber, which we do do in certain locations from time to time. And in that case, whoever buys the timber can certainly put a contractor in there to get it to market. So, in a sense, these big pulp mills and big capital-intensive units in the pulp and paper side make you somewhat of a captive because the labor factor is not that compelling, 10 percent or something of the cost. The only way we're going to be able to combat that is to try to work together and not let them ratchet us and secondly, run the mills anyway. Nobody knew whether we could do that, but we brought people out of R&D and everywhere else. Then in the wood products side, it's the bigness and the profitability of the company, the knowledge that the timber's out there and we are different than anybody else in that regard. Everybody else, almost everybody else, contracts. So the IWA and we are locked together in a fashion that we may have to unlock. You are learning more about labor than anybody reasonably needs to know.

Edgerly

I know it is much later than probably you ever anticipated sticking with this, and I apologize.

Weyerhaeuser

Well, I think I at least owed you a couple of hours. We did get that.

Edgerly

You're going to be sick of me by the end of tomorrow. We have got some time scheduled tomorrow afternoon if your calendar remains intact.

Weyerhaeuser

I don't know that Barb's going to do anything to me on that. What is tomorrow, Wednesday? Should be all right, but it never is completely guaranteeable.

Edgerly

Well, again, thank you.

Weyerhaeuser

Well, I've enjoyed it.

Edgerly

So have I.

This was the end of the recorded portion of the interview made on Tuesday, April 2, 1985 with George H. Weyerhaeuser. This is the end of Tape XIV, side two.

This is an interview with George H. Weyerhaeuser recorded on Wednesday, April 3, 1985. The interview took place on the 5th floor of Corporate Headquarters, and this is Tape XV, side one.

Edgerly

It's interesting that, given the topic of part of our conversation yesterday concerning the labor union situation, more came out today in the press on the IWA strike in Arkansas/Oklahoma. Since we had talked a little about the labor situation in the South, I thought maybe we might take a look at that particular circumstance and the strike as it has developed there. Can you put the strike in Arkansas and Oklahoma in the perspective of the generally non-union situation in much of the South, as compared with here in the Pacific Northwest?

Weyerhaeuser

Oh, I don't know. I think I said yesterday down there, we don't have the disparity between union and non-union that exists in the West. The South never got those highly elevated rates. It's a fractionated industry with bargaining having taken place generally against lower living costs, conditions, and lower expectations, lower income levels, and available labor. So whether a predominant difference, union vs. non-union, is questionable. It has more to do with the fact that the portion of the South that is unionized, some portion of it is represented by big companies, G-P and ourselves and others. We have and they have, against the pattern I've described, not in history been forced to elevate wages above prevailing conditions. We certainly have regionally and to some extent nationally led the wage patterns in the West because there were big operations, large-scale and successful, and economic times were such that we bought labor peace most of the time instead of going the route of trying to manage labor costs related to inflation. So in the South there is less discrepancy between the wage structures in our industry or unionized plants vs. general area rates. We are represented, again, by the IWA, which in modern history has a fair Canadian element in the leadership, which is militant. I'd say if you wanted to find the locus of the poorest work practices and the most rigid rules and labor laws, and the resulting rigidity, non-productivity and adversarial situation, Canada, B.C. has got to be the epitome of that. The leadership of the IWA, the president of the IWA - I believe that's the correct term - over all the regionals, is a Canadian, and maybe his cohorts have a fair amount of that in them. They have taken that down South and tried to help their southern regions bargain with us and G-P. So part of the disease, if that's the right characterization, has been transmitted

into our negotiations down there in the recent past. Of course, Dierks had a non-union history and a very, very fair degree of blowing up of bridges and burning stuff and a long strike, and the union got in down there. Then when we came in, I'm a little bit vague on all this, but I'm not sure the IWA didn't follow us down there and then unionize the part of the Dierks operation that was not immediately previously unionized. So all that by way of background. Now, not having wage patterns which are way out of whack with the competition and the surrounding regions and all, we have been in recent negotiations not tried to roll back wages. We've been willing to put some increases into effect, and we, in this particular case, tried to make it plain to the union leadership that our final offer was, in fact, a final offer. It wasn't a roll-back. We were improving both fringes and wages over a three-year period. Rather than build an increase in the wage base, we were going to pay the equivalent of a first-year increase in cash, but it's still an increase in cost any way you look at it. Then a 4-1/2 percent increase the second year, etc., and some improvement in pensions and other things. This is in contrast, of course, to the West, where we're way out of line and have serious competitive problems where we've got to do something about rolling them back. So in that context we said to the union, "All right, here's what we think we are willing and able to do." In previous history there's always been a pattern in the South, in our negotiations, where they go to an offer and vote it down and then finally we come up with our final offer of some kind and they would approve it. In this case we said, "No, this is what we mean," and the union leadership did not believe that, went out and worked to get it defeated, got it defeated by a 60-40 vote, and then took us out on strike because we meant what we said. So it's an entirely different situation working out a very different package. The whole structure is different now. And then, of course, the benefits up to and including pensions are roughly a third less. Yet they are good jobs in the South and they're competitive down there. So it's a different situation. There's a difference, area by area down there, and we're bargaining all over.

Edgerly

Do you see the union being any more successful there in the years ahead than they probably will be here in the Pacific Northwest? In other words, is it as much a suicide mission there as it seems to be here?

Weyerhaeuser

Maybe not. I don't know. I think there's going to be further erosion down there. Of course, they start from a very much lesser percentage representation of the industry and they may well have as low a position or profile down there in the next five years as is true in the West. But, of course, they're not faced with the fact that non-union plants are paying half the wage rate or 60 percent or whatever it is. I suspect if they don't push too hard in trying to differentiate themselves from the general pattern of compensation that they may be able to stay in the role they are in. It remains to be seen. If they push us too hard in this one, we will be forced to open up the plants and implement whatever final position we can. If the union doesn't agree to that, wants to stay on strike, we may thereby increase the percentage of our units down there that are operating non-union, or, in any event, at a lower wage structure than we offered. I think the economics do not warrant increases down there, well, more than they do out here, but declination is warranted out here.

So it's a different mix of things and, of course, we have a different mix of plants. Some of ours in Mississippi and Alabama are largely non-union. The woods operations are largely contracted, so it's a very different situation. Each of the plants is different. This bargaining unit in this region encompasses a plant in North Carolina, one in Georgia, and the woods products plants in Oklahoma and Arkansas. There are all different kinds of problems, the offers are somewhat different, and in some we have a different local climate and some are very productive and some aren't. So it's a funny mix of things. But I'd be very surprised if the end result down there is radically different than the patterns around us, or it may take some time before we get them all straightened around. I don't like it, but it's silly because our offer is both competitive going in and competitive with what's going on. It isn't as though it were a poor offer, and I think it's just a failure in communications and strategy. You don't like to have those kinds of situations. Out here, it's all the history plus some very, very compelling economics. Sometimes the only way to resolve them is really to work the economics, and that's some combination of shutdowns and reductions in operations and compensation levels. Conditions are not all that good and rosy because of the marketplace, and margins aren't any good, but they're not one-third under water either.

Now this is all wood products we were talking about. Pulp and paper is a very different set of combinations.

Edgerly

All right, let's talk about that. You mean, the pulp and paper unions in the South.

Weyerhaeuser

Different union. The militant West Coast split-off union has been much harder to communicate with, deal with in the past, and the economics are very greatly different. Those southern mills are in better shape generally economically. The industry patterns aren't the same. Everybody bargains by themselves and the pulp and paper industry's continuing to implement some level of wage increases. We've been successful in our main plants at New Bern and Valliant negotiating new contracts. That union is not affiliated in any sense of the word with the IWA. Those are separate and distinct. The other thing is that the wage structure in pulp and paper mills in the South and the benefits structure is not different than it is out here. So there's a very big difference between the woods, which have been dominated by seven-, eight-, nine-man contracting crews with low wage rates and non-union, entrepreneurial operations, if you will, and small logging. They didn't need gigantic equipment. So that is much more like a typical southern agricultural kind of an enterprise. And parenthetically - I don't have any numbers to substantiate this - but a much heavier percentage of blacks that are relatively unskilled and out of a rural setting. So the whole structure is different.

Now as you get over into pulp and paper, then, it's much more of a high wage scale relative to what else is there in the South, much more training, seniority-oriented and therefore the black population historically did not have the seniority. As we've put more blacks into the pulp and paper operations, they, by virtue of the union contracts, start in the starting jobs, so it takes a long time for them to work up. So there's a different labor pool, there's a different training and a different wage scale and everything else. The pulp and paper jobs, of course, are super jobs compared in pay level and any way you want to look at it.

Edgerly

But that has been traditionally true in pulp and paper overall. They tend to employ a slightly more educated worker, a more sophisticated worker.

Weyerhaeuser

Yes, and they hire from one another's mills so there's a progression of job skills that you accumulate as you move up. There's a lot more seniority and experience as opposed to a plywood plant or certainly the logging operations are at the low end because that's hand work largely, or now it's small equipment. Then when you get over into plywood, starting a new operation and all, you didn't have seniority and all that, so we hired out of the labor pool. Again, the jobs were not as well paid or attractive, we did much more training on the job.

Generally, of course, the relative degree of labor peace has been higher in the South, even in pulp mills. These are primary operations for the big pulp and paper companies, and they work very hard at keeping them running, and they've kept the wages and benefits at a different scale. Whereas the small wood products operations or the woods operations are fragmented. I suppose the translation of that is that the competitive world prevails and there isn't any real combined force that the unions can mount to either command representation or deliver greatly improved wage conditions above those which prevail locally. I presume it's true in textiles and a lot of other industries in the South. The South's coming but it's sure a different atmosphere.

Edgerly

Among the more noticeable changes in terms of labor which have come during the time that you've been CEO, is that of the entry into the market of a more assertive, better-educated pool of women, many of them probably more ambitious than they had been in the past. Can you assess the company's success in integrating these people into the company's work force and giving them job opportunities? The fact is that we're still dealing with a pool that at tops is about 18 or 19 percent of the total employment at Weyerhaeuser overall, and of the 18 or 19 percent, still many of them are clerical.

Weyerhaeuser

I don't know what's happened to that. Certainly the percentage has been rising, as has the minority percentage, but that's around 9 or 10 or something like that. As you say, if you go up a pyramid of the levels of responsibility and construct the female or minority percentages, they go down as is the case in most industry, I think. We haven't been able to make any gigantic steps. I think we've been able to recruit and bring in a higher level of education and skill. I think the female capabilities are substantially higher, whether defined by education or ambition or the percentage that are career-oriented as opposed

to temporaries working until they get married or until they have children. So there are more career women and they're more capable. I'd have to say it this way - I think we search very hard for outstanding and promotable females, and it's much easier to find them than it is to find minorities, although I would say that we shouldn't really generalize about that because we have Oriental and Spanish-speaking minorities. But I think when you get to the black side, the educational level, even the kinds of people that we have been able to get into managerial or supervisory jobs are more limited in number and potential. You almost have to, it seems, go out and work very hard in the competitive recruiting environment to get high-potential blacks, and you have to pay a premium for them, which is kind of interesting. In other words, the ones that are good command a higher price because they're scarce. Companies reach out, partly because of the EEO requirements or exposure, depending on how you want to state it, and the job market is more competitive.

The progress over time is apparent and, of course, I see some of the outstanding ones coming up in the middle management ranks. There are a lot more there in that pool that in the next ten years we're going to do a lot better with. Now there are areas that we really haven't had women in - not by any plan, but by fact - that increasingly we break through and get a capable female in there and that opens the door, and then somebody else can come into that job. It's a sort of a one-step-at-a-time proposition. It's too slow, but it's interesting to see when we go over high-potential people, the incidence now where outstanding performers are female. I'd say that's a lot of progress, not in massive numbers, but in the upper ranks and in the quality of the women that are in them is visible to me. But statistically we're talking about they're probably a couple of decades behind, and it'll probably be another decade before there's full representation statistically. As long as you're working with 20 percent of the employee base... 50 percent are female now in the working population. There are almost as many working women as there are men.

Edgerly

Oh yes, in the society at large.

Weyerhaeuser

So obviously they're not working in the woods in any great proportions. We have whole segments of our work force in which there are no women. And then, as you say, they are, certainly in numbers, concentrated in the clerical kinds of jobs. There's no particular

reason for that, other than historical. Well, I suppose there's a reason for it, too. We do find, with the education base, a few in engineering and forestry, so there's a penetration level from the training in the more professional kinds of work here. But typically they're not going down and starting to work in the labor pool in the sawmills. That I don't think anymore is because it's back-breaking. It's still considered to be harder work and more exposed. I don't know how much of that is at work. We're not hiring a lot of people either, I guess. We're shrinking to some degree now in those entry-level jobs. Maybe I'm wrong about my decade statement. Maybe they'll still be concentrated in certain sectors, but I don't think that in the sectors that they are they're going to be inhibited in promotions. But you do tend to promote from within, so with the experience quotient, it still takes time to get them up through the ranks. We're trying to recognize those that want to and make sure that they're getting moved, so that the mobility isn't being impeded by lack of visibility. And I think we're making a lot of progress on that. But it still is, in the upper middle management ranks, working off a relatively small percentage pool of a 20 percent base.

Edgerly

When Harry Morgan and I talked about this, he expressed some frustration about the fact that Weyerhaeuser had not been too successful in keeping more professional women, and cited some statistics which I did not have access to, but apparently he had during the time that he was handling the human resources area. Those statistics seemed to indicate that while some of the recruiting had been successful, the women had not stayed at Weyerhaeuser, had gone elsewhere. He speculated about why that might be the case. Do you have any thoughts on what he perceived as being a tendency?

Weyerhaeuser

I don't know what that would be. My only level of awareness is that there's a certain amount of frustration in some of the corporate functions about mobility and opportunity. I don't think I've ever seen turnover figures - I couldn't negate it either. I see the aggregate numbers and they indicate a sloping increase. For the last seven or eight years we've been conscious of and trying to measure our progress both in terms of vertical positioning and in terms of penetration. We're gaining, but so is the percentage of the women in the population that want jobs and so are the education levels and the relevant pool around us, and we're not really gaining on that. In other words, we're still behind. My impression is that we're developing a fair number of role models that are successful and that are playing quite an important role. There's nothing that encourages

one like obvious success, and a few of them are so outstanding and in pretty important jobs that I think it encourages managers to take chances with the lower levels of experience. I think some of that's going on. But I don't know whether in that total process we still have a lot of women trapped in relatively slow or non-moving situations that have abilities that are marketable elsewhere and say, "Enough's enough." I wouldn't have said that, but he's much better at statistics than I am.

Edgerly

It could be that those women who chose to leave were more visible to him and those statistics therefore stood out in his mind.

Weyerhaeuser

Well, one stands out in my mind - Shirley Durgan's over there running the personnel department or human resources at Rainier Bank, and she was doing quite a job for us, too. No question, she's an outstanding person. And I think we got into personality problems with her, with or without merit. That's one - she was up as high as anybody. So that's a setback any way you want to look at it, but I'm sure there are a number of other occasions. I'm also aware that we have some really outstanding performers that have big responsibilities now, so we're gaining ground in one direction anyway.

Edgerly

History's a hard thing to push against.

Weyerhaeuser

You don't change habits very quickly. What we've tried to do is get more and more visibility on it requiring people, when positions open up, to demonstrate that they have looked at the relative people that are available, and we have tried very hard to recognize the good performers in the female ranks and make sure we reach out and put them in a more responsible job. I think it's happening slowly. We certainly have not required that quotas be established and people have to select a, b, c out of applicant pools. I think we would do so reluctantly, but we will do so if we can't continue to get a reasonable degree of movement. Now what's reasonable? I guess I'm somewhat frustrated by the pace, too, but I feel quite differently about the female side of the equation, because I think a reasonable review of the facts on performance and education and work accomplishments would support the proposition that we have a good pool. So it isn't a matter of having to go out and try to comb the streets.

Edgerly

An issue that is somewhat related to this, and probably a knotty problem for almost any industry at this juncture, is the issue of equal pay for comparable work. That is, of course, less troublesome in a situation where the percentage of women is lower. Nevertheless, it is an issue that's pressing in on business. Has Weyerhaeuser addressed itself at all to the issue of comparable worth?

Weyerhaeuser

Oh, we've got it in a number of different ways. In the state of Washington where Judge Tanner made it the law of the land in this state anyway. We have used a form of job analysis which tries to dissect job elements and assign weights to them, upon which a fragile base of comparability is constructed. We tried to do it for internal equity; it didn't have anything to do with sex. In recent years we've had occasion to look at that carefully and we feel that it is arbitrary. We now use it as one indication, but we used to be married to it, in salary, in setting salary grades and assigning jobs to grades. I'd say we moved from that system, which was partly constructed by the same outfit which did it for the state of Washington....

Edgerly

It's a descendant of the Hay system. I'm not sure what the name is here, but it's a descendant of the Hay system.

Weyerhaeuser

Yes, and there are two or three systems. I think we used a combination of systems, but my point was that we went through a fairly rigorous process of trying to slot everything. And we have come to the conclusion that that's not all that reliable - that there's a heck of a lot more to it than that, and that no matter how hard you work at that, trying to evaluate the weight of X vs. Y vs. Z in terms of its profit impact or the number of people reporting to you or the training required - there are a whole series of factors to think about. And they are indicators. Those can include manual factors and safety factors and everything else. You can describe jobs by difficulty of learning or by exposure or by foot pounds of effort or by numbers of people supervised. How do you weight them? How do you weight those factors? The answer is in the last analysis, arbitrarily. We had a whole committee here, and the managers would come in to me and recommend that so and so be moved up a grade or two or three or whatever, and I'd say,

"On what basis and what did our system say? Pretty soon you begin to slot people because they're hard to get, which has something to do with supply and demand, the system which prevails. This is a laissez-faire kind of a world rather than a highly ordered world. I guess it's a long-winded way of saying that we were quite rigid in trying to work the system and we, after years and years, have concluded that it is not a sensible way to do it, that you should in fact bring judgment to bear and that we want to pay and should pay a lot of attention to the competition. In other words, what are good people paid to do a job in Seattle? Or in Tacoma? Or in Little Rock, Arkansas? Or somewhere else? So we are trying to balance now, in some very real sense, the realities of what it does take to recruit good people and retain them and compensate them competitively and fairly in relationship to other people - which says, if there are a whole lot of people that want to be nurses or want to be truck drivers, it affects that balance. That is not the theory upon which comparable worth is based.

Dan Evans is a pretty strong supporter of comparable worth, and our people tried to educate him on its weaknesses, not its fallacy, but its weaknesses. I think it's going to be an issue in the United States for some time. My guess is that it isn't going to go away in a hurry, and my guess is also that it will not become the law of the land, a la Judge Tanner. I think it's worth trying to do. I don't think they're going to be able to find a way to establish comparability and defend it in the courts. I'm skeptical.

So, what have we done? We have rather broad salary ranges, which means pay grades overlap widely, and that even though you're slotted in one or another, you may be paid more or less depending upon how long you have been in that job. You build up not just seniority, but what's your experience quotient? It isn't just what you are being asked to do, but presumably there's some learning curve there and we pay in some proportion on how long you've been on the job. I mean, most companies do. There's a progression. It doesn't have much to do with comparable worth if you just analyze the job on its own merits. So there's a seniority factor and there's an overlap factor and by the time you get through with that, what you have is a number of different tests by which you judge where to slot somebody. Then how you treat them within that salary framework is some function of performance and seniority and, if the job content changes materially, then maybe you've got more leeway in the compensation, which would be to say you establish a job at a little higher worth and there's more pay progression in it. I know it's kind of a pragmatic answer. I don't think personally that it's a matter of moral rights or wrongs, nor do I think it is a solution to pay inequities between the sexes. I guess we've said we

don't think it's a solution as a way to establish pay differentials between widely divergent categories of jobs either. We're relying much more, trying to, and we intend to more in the future, on an awareness of what people of similar education and bent, etc. are in fact being paid in the geography in question. And that produces all kinds of pain and strain in a big company because if they're paying \$7,000 in North Carolina and \$10,000 in Chicago and \$15,000 in Seattle, and you transfer somebody to do the same job, now there's a different kind of an element of fairness. Companies establish differentials by geography based on cost of living. What we're saying is, failing all else, what we think we ought to be is trying to understand what the environment is in terms of alternative pay in similar type work in the areas in which we're working and make sure that we know where we are so we're not underpaying people. I suppose the bottom line on that is we're defining comparable worth for ourselves.

Tape XV, Side two

Weyerhaeuser

We should be able to do this if for no other reason than that we can recruit and retain capable people, which is to say, willing buyer/willing seller sets the price if you had a perfect world. That would be consistent with our President's view of the world, too, probably. As a practical matter, we're going very much more to decentralized systems, and to do so, we sacrifice uniformity and we sacrifice comparability in a sense, and we introduce increased problems of mobility. One is a career question. I expect to be treated like an individual by this company, and if I'm asked to transfer - now I think I could understand if I were paid less because it cost me less to live, but I couldn't understand very well taking a pay cut to go to a different piece of geography. I would expect the fact that I'm doing comparable work and I've got another year of experience or whatever to mean something. I'd expect to have my personnel file go with me. That's not an easy thing to do.

Edgerly

It is especially puzzling in a company in which one of the hallmarks of career development is moving from one piece of geography to another and being willing to take an assignment in one of the so-called outposts with the eventual promise of being brought back to Headquarters or a region headquarters.

Weyerhaeuser

And what that does is produce distortions because we will not be cutting people's pay to go out into the field where we need them. Of course, one of the things that we try to do that's also very expensive and difficult for people, this movement, is we come to realize that you pay a penalty in terms of their affiliation with the area in which they work, which means they're less effective in community and public affairs. It's not unimportant. Number two, there are tremendously escalating relocation costs, and I'd say those are also personal. I think there's a disinclination, and people in modern times say, "I don't want it; who needs that? I don't want to move, number one, I don't want to move long distances, I don't want to uproot my family." Those have always been considerations, but in the modern age, I think people are disinclined to disrupt their families for what they're doing, less inclined to stay with it come hell or high water, so the "Now Society" is not accustomed to sacrificing very much in the interest of career mobility within a big company. One of the consequences is we are moving less people. So you develop a local and regional pool. Generally, I suppose what's happening is that you tend to force the moves down into younger age classes. It's very hard to move people with school children. So before they have children, or the younger men, say, that have a profession and are more mobile. But the trend is away from it, and that's economic and it's social and it's everything else. But, you're right, we still, in a big multi-unit company, have a need that is higher. The oil companies are the same way. There are a lot of big enterprises that cover a lot of the globe that have the same or a greater problem than we do. I think we're going to have a high percentage of the work force that stay in the locales that they're in.

Edgerly

Does that necessarily mean, then, that personnel policy relative to promotion will change radically. In other words, perhaps it will not be necessary for one of the great labors to be going off to Hot Springs. What do you do then in a situation in which you have someone at a more senior position who doesn't have the experience in Hot Springs or Twin Harbors or Plymouth? How do you deal with that?

Weyerhaeuser

I think that's a problem, but I'd say it even differently, I'd put a different flavor on it than geography. You can ask the same question on the mobility side as between functions. We have historically had relatively minor movements across product lines and across parts of the business, and we have built up an engineering progression ladder, and

we have a lot of possible movement, not necessarily geographically or into production or in other phases of the business. What we've generated is a fairly gigantic problem in that the big enterprise becomes a whole series of pockets of expertise in relatively narrow fields with narrow business background. To some extent, we're finding we've got to move against that trend because we're not generating enough generalists. People do much better coming out of a small business that has all aspects of it. We're trying to build the entities around smaller units, smaller businesses that have more direct contact with marketing, more direct contact with customers, and credit and financing, and you can see the differences. There are gigantic differences in the kinds of people, both in the satisfactions they get of seeing a bigger part of the picture and in the training it presents for the guys up in the roles that have some exposure to the four or five different facets of the business, because they're just in close proximity working together. As opposed to a credit function in Chicago and doing it for all the Midwest, and then a marketing group sitting out in a CSC somewhere and a manufacturing unit supplying it from Longview.

The trouble is, we aren't going to change completely the nature of our business, which is a long-distance business between markets and manufacturing. We have the problem of professional capabilities, sophistication, training and experience of the efficiency associated with centralizing that often dictate that you establish it on a functional basis instead of in a complete business unit. So we've got the counterthrusts of trying to make things smaller where we can and get a broader set of business responsibilities centered in a small group as opposed to the law department or economic research or something where you need highly skilled people. You can't afford to have them all over the place. We're struggling with that mix of centralization and decentralization. But the way it's happened in Weyerhaeuser has been largely too highly specialized engineering in one place and research in another and production in another and marketing in another and the parts don't communicate very well with the whole and you don't produce general managers. When you finally come down the line and relatively high in the company, you've either got a marketer or you've got somebody out of an engineering or technical background. Now not all of those will make business managers anyway, but we don't even find out until they're way up in the structure. Mobility, meaning that you get exposed to more things earlier in your career in smaller units, is a problem for us, and it's a direction we're trying to go in. I'd say that starts from a pretty narrow experience, generally, in this company.

Edgerly

To some degree, from my perception, Organization Redesign does make an attempt to address that issue. Has Organization Redesign been successful?

Weyerhaeuser

Well, it depends on your vantage point, like so many other things.

Edgerly

Well, I'm asking about your vantage point.

Weyerhaeuser

I've been kind of astounded at the success, but I'd hedge that by saying that it's very differential if one had become, which sometimes I do, highly optimistic about the rate at which you change and said, "Okay, the concept we're talking about is very sound and we ought to be able to implement it in a reasonable period of time." I would say I think there was plenty of room to be disappointed in the sense that not everybody understood it, not everybody pursued it, and not everybody who pursued it was successful. But in unit after unit after unit, the change has been dramatic, both in terms of broadened responsibility, better feel for what they're doing, more independence and bottom line results. So where it has been effective, it's been highly effective. And I don't know where we are in the spectrum - I'd say I'd be surprised if we were more than halfway there, and that's after several years of effort. It went from a good idea to a really dramatic process of narration and enthusiasm, so we took the heavy hand of centralization and layering and, to some degree, the bureaucracy, off a lot of units. That's why I say I think it's been sensational because that doesn't happen often in companies, and my frustration is if it's that sound, why is it so slow?

Edgerly

Has it been in your estimation equally successful in the manufacturing situations and in the staff areas?

Weyerhaeuser

You have to be a little selective in defining staff, because I think the successes are more dramatic in the geographically dispersed areas and units that are production largely, or conversion. No, I shouldn't say that. There have been dramatic changes in the distribution chain, too. But they are geographically dispersed and where freedom and

initiative and purpose are visible as the teamwork comes together, they have gotten a better sense of mission and teamwork. In a sense, the field units have gotten more freedom of action and taken hold of it more than have the centralized functions. In the central staff area in one sense, they've lost part of their mission and authority and so it's not too surprising that the answer is differential between those. Now there's a lot of staff out in the field that I'm not sure I'd make that distinction about, because where it is attached to a going concern they're going with it. I think it's been a very, very healthy direction to go into and it's been reasonably well executed from what might have been. Some of the changes we've made which we thought were correctional and traumatic and all that have been much, much less effectiveness and have not been lasting. I think this is fundamental and sound, is working well, and will be permanent. Not overnight in the sense of uniformity or as readily grasped and worked in some units as others.

Edgerly

I'd like to change the topic to that of the company's corporate responsibility and its relationship to society, I guess one could say, in a number of different forms. Probably the first years in which people were more aware of social unrest and the need for change came in the '60s when, as a result of a number of political confrontations as well as other things, the corporation found itself as an adversary in a role that it probably had not been in before vis-a-vis society. Some corporations were accused of not being responsible citizens. Some corporate executives did take steps to try to participate a little bit more in communicating with society at large. You were one of the people who did do some of that. The first example I could find was in 1973 in which you participated in teaching a course at the University of California at Berkeley, which was entitled "Public Policy in Industrial Forest Management." There were several other situations in those years of the early '70s in which you were either part of panels or you went on to campus as a representative of the business community. Can you recall for me as you as a CEO felt about the anti-business sentiment of those years and the challenges that presented for you?

Weyerhaeuser

I don't know whether I can or not. I suppose the clearest part of recollections are those campus things when we organized or tried to spend some time describing what we were doing as a resource manager. Of course, we were imbued with the idea that we knew what we were doing and it was responsible and certainly if the people understood it, they would agree with us. We were well aware that there were all kinds of anti-business and

anti-big business in connection with a lot of environmental concerns - local, regional, global. We spent time, largely led by Charley and organized by him, I think, at Yale, Colorado State, Michigan, Cal, Idaho. That's a small part of the total confrontation scenario, but at least I think we felt that to the combination of forestry and business students and faculty at some of the leading universities we had something to say and that we would be credible. We were not concerned that we were going to be faced with a lot of difficult situations. In any event, we approached it, I think, with a challenge. I remember the days at Berkeley and at the University of Washington and other places where, hell, the facts didn't have anything to do with it. The climate was one of confrontation all the way. There was a high degree of skepticism in the general student population. As I say, we didn't think we were going to change the world; we thought we had a good, sound set of answers for what we were doing technically, economically, in the public interest, and I think we got a lot out of that. We had, of course, everybody including George Staebler. We gave them our best shots in terms of trying to explain what we were about and how we saw it. I think we got our eyes opened somewhat by some of the radicals, some of the smartest students, some of the most challenging. Some of the wildest ideas came out of some pretty bright students. It was an interesting, two-way, open atmosphere, which is not the usual that you're involved in in corporate life. But I wouldn't want to overstate that. I think the experience was a very, very solid one. I think some of our assumptions and convictions certainly got challenged.

What kind of a dent did we and others make in that process? Not much, probably. You can't reach very many people no matter how hard you try, and when you've got 500 people sitting around, you don't get the same depth of discourse or it becomes a show rather than an exchange. You got down to the smaller groups, and our people did, though I didn't often, and got a chance to visit with them and socialize with them and really talk about the various things, not just present them. Out of the classroom, I think it was very interesting. I would say that we went away from those campuses thinking that if we hadn't changed minds, we had established credibility that we knew what we were doing even if they disagreed with us.

There was a whole great battle going on - I don't care whether you were talking about clean air or clean water - and we were involved at various levels. I'm off campus now, but there was some of that. We've come a long way since then. We've certainly had a tremendous change in the attitudes about a lot of things in that time period. I'm not so sure that the attitudes about the environment have changed all that much. Here we are

15 years later still battling over secondary treatment out of Seattle and it's just as illogical now as it was then, and we still haven't done it in terms of spending several billion dollars to implement a technology which is not really directed to the primary problems. It was straightforward and simple. Then Senator Muskie got himself married to a popular concept, zero discharge, and off we went. I think in a sense society may not realize it has paid a tremendous bill and we now come to find that there are an awful lot of toxic substances around in different concentrations, different situations, that we should have been addressing and should be addressing. At the same time, we've still got something in excess of \$120 billion to spend in this country to effect secondary treatment of all sewage. Still have, which is an outfall from that battle over what to do about water. I guess I'd say an awful lot of water's gone over the dam and an awful lot has been accomplished and at terrible expense. And we still don't know how to go after finding needs much better than we did clear back then. I just picked that as one illustration because it seems to me it's one where I think we would agree with now much more than we did going in, that there's a real priority need. But I don't feel any better about our process by which we get at the problem than I did then. Unless you can capture the public with a grand theme and then propose some kind of a dramatic solution.

Edgerly

Well, the environmentalists captured the grand theme.

Weyerhaeuser

Yes, they certainly did. And you mobilize the political and you mobilize the legislative and you do not solve the regulatory or the technical. So you are, in a very real sense, putting a terrific load on the economy which impacts all kinds of things. All of which, in retrospect, makes us say, "Well, should we have done what we did or should we have spent the money we did?" I'm kind of inclined to say yes, but I'm still left with the dilemma that we shouldn't have spent it on the things we did, and the things we spent it on were dictated by some people that didn't know what they were talking about who were supported by a public which was aroused and legislators who responded. You dump it over into a regulatory environment without the technical background or the differentiation capability, and everybody plays the game. Now it's done; we passed the legislation and we're still mired in that. So putting the economic side to it, the society's paid a fairly terrific price and hasn't solved some of the priority problems because of that failure. Okay, who's paid the price? Well, our standard of living has paid it. You say in one sense we've got cleaner water. Okay, but we've got cleaner water with the

toxics still largely in it because we directed our attention to a technology standard which emanated from a concept which was in itself attractive but unachievable. We aren't 10 percent to zero discharge; that didn't have anything to do with it. So they sold a bill of goods at tremendous cost. Once you get that thing started down the track, then we don't seem to have the mechanisms to turn the solution to where the technology is. Nobody ever wants to back up one inch on the concept and once it's into the regulatory framework the regulators are protecting themselves by doing precisely what the legislation says, and they're given not enough direction and not enough leeway to alter course.

We're still there and here, and we'll be there in acid rain and we'll be there in a whole lot of other places there are problems. We're back on it again with this acid rain thing. People keep asking me, "Aren't you concerned about the growth rate of trees?" Everything I can learn from the work we've done and others have done is that that's an absolutely false, overblown, overstated dramatization of a problem which occurs in about 100th of 1 percent of our land area as far as trees are concerned. It's affecting some trees down in the San Bernardino mountains and it's affecting some in the higher elevations in Appalachia, but I see the train coming down the track. Let's get all this SO₂ out of the air and out of the coal-burning plants, and it isn't even an SO₂ problem. It's an ozone problem, which comes from nitrous oxide - if it is a problem - and it's related to about one half of one percent of the land area in the United States. So what we're going to do is throw X many billions of dollars down the tube and we're going to tax one way or another the American population, either on its energy bill or general fund or somehow or another. There are all different ways of impacting a tax. And we will do so because there is a dramatization of a problem. There are high-elevation lakes where acid conditions prevail with perhaps 10 percent of the problem contributed to by SO₂.

Edgerly

You seem mildly amused, if I can put it that way, about the prospect of yet another train, as you say, coming down the tracks. Is it just because you see the problem as being so intractable?

Weyerhaeuser

Yes, intractable in a supposedly reasonably well-educated, free society that presumably ought to be able to adapt itself in some fashion to solving problems that present themselves. I guess I am resigned in a certain sense and defeated in a certain sense

because I think that the priorities of the country are being misdirected because we are keyed around dramatizations of situations captured by our media. I'm not a media-hater - I think it's the process. I don't think it's malicious. I just think the whole process of sitting in front of our tubes and looking at the blowup of isolated situations and problems mobilizes us politically and regulatory-wise. The side effects of that are never addressed, the consequences. We never make a conscious prioritization of effort as between creating a better environment in X situation or taking care of health problems or of providing employment or of remaining competitive so that we can in fact have some growth in terms of our overall earning base and standard of living. It doesn't even come into play. I don't know why I should smile.

What's astounding to me is that when we started into this battle I talked to Muskie and I talked to the National Commission on Water Quality. I know that we lost that battle, but they set it up the wrong way and they persist in it, and they can still get that kind of a sufficient public and political support to continue to misdirect. There's something wrong with that whole system that is highly disturbing to me. I don't know what to do about it. Some of us have tried from time to time and still do.

Edgerly

Over the years Weyerhaeuser has spent probably a great deal more money than many companies in communicating with the public and environmentalists on issues related to those about which you're speaking. In fact Audubon gave Weyerhaeuser the classic name "the best of the SOB's." Still, the company maintains contacts with people in Audubon, in the Sierra Club, in the circles in which water quality is being monitored. Do you see that relationship as antagonistic and with no or few redeeming results, especially given the money that Weyerhaeuser's invested in it?

Weyerhaeuser

No, I wouldn't say that. I think that we've had reasonably good relationships, and just as I said about the campus situation, I think with everything except the fringe elements in the environmental movement, we have some degree of credibility. I think that partly is because of what we do and partly is because of what we communicate. I don't think we wear the blackest of black hats. I don't think we deserve it and I think to some degree the communications and relationships have something to do with that. That does not stop the Audubon people or anybody else from joining in the forces on a wonderful issue like the Nisqually Delta, which I would say after seven years and 700 pounds of environmental

impact analysis was almost totally without merit. I'd say, okay, I don't look at that as an anti-Weyerhaeuser; I look at it as they grabbed hold of a pretty sexy issue and were able to dramatize it and keep people sending in money to pay their legal bills. But at the bottom line, it was highly obstructionist from our point of view, it probably stopped us, at least delayed us a monumental amount of time to the point where economic conditions have changed. Maybe they will have succeeded for the longer pull in eliminating a few Washington State investments and jobs. I'd say, from our point of view, that I think it helps their cause and helps their membership, and you've got something that all the groups could kind of rally around.

Being on the other end of that, I don't take it personally, I don't take it as anti-Weyerhaeuser, I just think it's unfortunate that those talents rally around that kind of a cause. Seemingly, there ought to be some problems that can be addressed and solved, if that's what your objective is anyway, that could command their attention. I think it's an illustration of the tolerance in our political system, legislative system, for endless impediments and delay in the process, irrespective of the merits. I don't think there's another society in the world that would tolerate that kind of monkey business, without penalty. I used to talk to Dan Evans and others about all I would really like to ask for in this state. That is, lay out a process, and whatever it costs to execute that process. If it takes 12 months or 16 or 18 or whatever, every relevant consideration should come in there. And then put somebody in charge of that process that knows that the decision comes out the end. But that's not our system. It's a multi-splintered monster that depends on a multitude of agencies and the courts to get anything approved. Change is imperceptible.

Continued on Tape XVI, side one.

This is a continuation of the interview with George H. Weyerhaeuser recorded on Wednesday, April 3, 1985. Tape XVI, side one.

Weyerhaeuser

But we went ahead and we put in the water facilities, we've been improving the particulate air emissions. A lot of things have happened around our facilities that make sense that others have also done. So there's a substantial amount of good that has come from all this. But it's the waste that bothers when you realize you've really tried to address that which appears to be wasteful, and been frustrated by the process, because it's arbitrary and bureaucratic. On the one hand you have the kind of uniform standards that ignore the conditions around you, which is wrong. That's technology based as opposed to air quality or water quality based. A lot of the standards are technology based. It's simpler. They can pass a law, best available technology - that's it.

My favorite comparison is that beautiful little river down there called the McKenzie River that we sit on in Springfield vs. West Point on Puget Sound or on ocean outfall. Without the legislation saying anything about it, or initially saying anything about it, they have found a way to delay the implementation in the public sector of the ocean outfalls as opposed to those in the rivers. Through process of delays and waivers and ignoring the deadlines and extending the deadlines, they did not force all of the public money into the less-justifiable projects. However, they are still \$120 billion away from completion 15 years later. You see, with that kind of money, if you were running this country and didn't have to answer to anybody and were trying to do what is very best for human health and recreation, I think you would find a very different way of setting up the schedule of priorities. But once you say that, then you introduce the question of even-handedness. On the other hand, if everybody's required to do the same thing, it presents an apparently fair solution.

Edgerly

Of course, the environmentalist would ask you whether you would have taken action without the pressure of political action, legislative push, and so on.

Weyerhaeuser

No, but what I'm saying is that if I were the czar, I'd make that push and then I would say, "Now, wouldn't it be relevant to try to understand? In a given time period we only have so much, whether public resources or private, and we're going to order these things

on a schedule which says I'm going to take the most cost-effective things or the most environmentally sensitive or the biggest problems and solve them first." Instead of saying, "I'm going to do something similar to everybody because I don't know how to differentiate and I don't choose to. Therefore, I legislate simplicity, direct technology-based answers." So the argument isn't that they would have had the same degree of effort or change from us or anybody else without legislation, because in one sense you can say, "I don't want to, I won't, I can't afford to do it if nobody else does it." So there is that; I'm very cognizant of that. And you can find arguments that say, if your competitor has to do A, you have to do A, irrespective of whether you're sitting on a body of water that's a thousand times as big and with more flushing capability, etc. So there's a philosophical problem. I've got my economist's hat on when I say I think there should have been some differentiation process. It's not easy; it never will be easy. We've still got the problem. What do we do about various degrees of toxic concentrations? I'm not sure where they're coming from and I'm not sure of the assimilative capacity or the retention capacity of a landfill or an estuary, so we're probably going to hope the secondary treatment does something. It's complicated, difficult when you're trying to balance, what shall I say, political, which is public awareness, with economic, with hopefully some element of technology which says this is an efficient way to get at the problem. But the problem is not defined to the public in technical terms, and the solutions don't come out in a technical/economic balance. I can understand how we got there. I just say that there's got to be a better way.

Edgerly

You're talking about an enlightened czar, of which there have been very few in history, and there certainly aren't many now.

To move across the spectrum of corporate responsibility a little bit, the Weyerhaeuser Company Foundation, the most visible arm of corporate philanthropy for the company, has changed markedly since you became CEO, probably most notably at the time that it was what I would call professionalized in the mid-'70s. Can you enlighten me as to what factors moved it in that direction and currently what philosophy is behind the Foundation's giving?

Weyerhaeuser

Same answer, I guess. I don't know if I can or not.

Edgerly

You always say that, but you come up with some very good answers.

Weyerhaeuser

We might be hitting around the fringes.

Edgerly

Perhaps professionalization is not, then, really the key. It is, however, the most apparent element of a change of some sort.

Weyerhaeuser

Well, it's been through a series of changes, I suppose partly driven off of growth. The size of our giving program kept on getting larger over a period of time and the percentage of funds that were available to go outside the traditional "community chest" approach, UGN (United Good Neighbor), and/or education, scholarships, for the traditional, either local or company, charitable trusts, grew beyond that in size. We were giving money to a broader set of things, including, to some degree, larger national kinds of things. I think as we grew in the Seattle/Tacoma headquarters, we've gotten into more things in this region, in Seattle. I think we began then to look at and think about, within that larger framework, what should the priorities be? At one point in time - I can't put a date on it - we were concerned with how proactive we were. Shouldn't we be trying to do more than parcel out our funds to the traditional agencies because the needs were changing in society? And what about the agencies that had not reached a point of development or seniority where maybe we could make a bigger difference supporting agencies and people addressing some of the new problems? That hasn't been answered yet, but I think at that time that came into it. Then we began to ask ourselves, "Well, shouldn't we be paying some attention to, let's say, issues that are related to our own industry and society's concerns as related to the types of things that we were involved, in land and other matters?"

So we've been through several stages of trying to think it through. I guess, as I said, first we thought to change elements in the community involvement and then change elements in the company's sphere of activities as opposed to joining in various broader, national

charitable things. It's easy to ask the questions and hard to administer. We decided we should look harder at what we're doing and certainly that gave rise to some level of staff activity. You get people working at it so you can get to that stage. We had a sufficiently large program and sufficient uncertainty as to what directions to go.

There was an administrative element and a mission element that had to change, and then a financial. Then we said to ourselves, "We really think we're a lot more effective and our dollars would be more effective where we got people personally involved." So we tended towards setting up the regional committees and tried to establish a better process of screening and follow-up by letting the local committees have much more leeway and a responsibility, personal and collective, for administering and allocating those dollars. So we sort of first built the giving program and then built the staff and tried to improve the administration and then tried to improve the local content, if you will. I know you know better than to ask. I couldn't even tell you in precisely what sequence this happens, let alone what dates. Certainly Bill (Ruckelshaus) worked hard at it in the mid-'70s or late '70s, but it was an evolutionary process. Way back in the inception of the thing, we tried to involve some owners and directors and outsiders in the scholarship part of the thing. That survived on through to the present. Then on to the period when we tried to encourage more employee giving by having company funds build up in these local areas as the local drives were more effective. So we tried to work at the organization of raising money for UGN (United Good Neighbor) and others at these various places and then putting more company money in there. We've tried to build up our allocation system by having some people who are willing and interested work hard at looking at some of the requests in areas that we might fund. We've been in a hold period in the last couple or three years on the size of the thing and trying to evolve better ways of getting at some of these national issue things.

We also at one point got into matching gifts and, in the interests of economy, we cut that out. I don't know that I think of anything with a flash of brilliance along the line. It certainly has been a significant improvement. The improvement in the administration has been dramatic. They handle things very effectively in communications. But we haven't come to the final solution on what's the proper mission and balance in all this. I think that's an evolving thing.

Edgerly

It will change probably as much as society changes, I expect.

Part of, from my point of view, corporate responsibility is the idea of having some kind of code of ethics. In the case of Weyerhaeuser, it's called the Code of Business Conduct. For many years, that was never written down, and then following some litigation concerning price fixing on the part of some Weyerhaeuser employees, the code was published and distributed to all employees. Do you feel that that has been effective in its purpose beyond the obvious protection that it provides the company by having stated that unethical practices are not condoned?

Weyerhaeuser

I don't know. I had the feeling that people that worked for this company would have learned through association and time what kind of a set of rules (there were) and what ethics we expected. I guess I would list myself back in history as being of the opinion that actions speak louder than words. I think we were surprised in several instances, not just the most dramatic one, which was the shipping container situation. I guess I would characterize it, to some degree, as in acquired businesses and acquired people and acquired geography and remote geography, it was probably an unrealistic assumption to feel that they would assimilate what we felt we had. I think that had something to do with it. It wasn't just for legal protection reasons. We went through a fairly rigorous legal review, first of all of the communications process, trying to dramatize to people - even up to and including mock trials and other things - that the laws meant what they said and that there was a very, very tremendous jeopardy personally and to the company in practices which historically may have been accepted as the norm in different parts of the business, which was true in the shipping container business to some degree. So I think that played some role in this, but our response to the legal exposure was much different, much more directed to the people who sell and the people who are in contact with competitors in the various businesses. First, the exposure for just the antitrust aspects of this were dealt with and we thought we had to be very, very rigorous, and we had every reason to be. There's nothing that gets people's attention like something that has happened as opposed to something that theoretically might happen. So we did work hard at that.

But then it's broader than that. There's some concern with new people and a bigger company and changing environment that there was exposure to a lot of new situations

and people. Also there was a sense that there was a good deal of laxness in a lot of companies and we were sure we had a fair amount of use of company property and stealing, though not considered the same thing: "I'm just borrowing the thing." That doesn't confine to any particular level, and it goes on. It's the same thing, in some cases, the government faces if your people are offered various forms of incentives - free this and free that and entertainment. It goes on. I think it's an awareness that we ought to try to think through those different kinds of situations. We ought to try to address them, to articulate them and caution and communicate about them. We ought to provide an avenue where people can blow the whistle, which is the ethics kind of committee which doesn't carry the jeopardy of having to go to your supervisor if he happens to be involved or whatever. We wanted to have an open system. I think we've achieved some of that. I think it's been a plus.

We go further in trying to say, "What kind of a company is this; how do we want to treat our people?" I was a little bit reluctant to try to set these things all down in black and white and pronounce them. We debated a long time about various pros and cons, the different ways of doing it. I guess my sense was that, as I said, you don't do these things by proclamation. Are they believable? We went back and looked at the various things that the company had said and what we thought they stood for and articulated, and I guess they made me feel better. I would have said, "There's nothing new in this," and there wasn't anything new in it. When we really went back, the things that we're dealing with had been dealt with before. It was one thing to have said, "There's nothing new in this." I didn't feel very comfortable trying to say, "Hey, we discovered morality here and therefore we're going to issue new proclamations and we're going to do this and that." So we kind of picked up on the company background and history and reaffirmed it. I guess in a sense it made me feel better that I was not quite willing to accept the fact that we didn't have it, or that we hadn't had it, or that there was something new here.

Clearly we had a bigger company and all kinds of points of exposure, increased exposure and different kinds of people, it was not something that we could or should ignore. You can take the antitrust things and put them on one side and say there are certain kinds of things, which certainly was a concern, but there were a lot of others, too. We tried to lay out also sort of a declaration of what an individual might reasonably expect of the company as well. What's the effect of all that? It's been well-conceived, certainly the antitrust thoroughly pursued, and it doesn't stop there. You don't do it one time and forget it. We're going to have to continue to reaffirm it. I think we set into process a way to have people explore their concerns.

I still see cases coming through the security people and others where there's plenty of continuing cause for concern. Other people characterize it more strongly than I. Some consider the company's property to be their own, and I don't care whether that's very sloppy administration or usage of company cars or whether it's borrowing things out of storerooms and not returning them and packing off materials. There's a certain level of that going on. I think it's way too high and general in society and also in this company, there are plenty of instances of it. And in dealing with suppliers or in sales, people are people and there's a certain percentage that will use, either for their own benefit or in trying to buy or sell, employ tactics that we would not authorize or condone. You can't spell out every single instance. We tried to set up a mechanism where, when in doubt, we have avenues for you to ask your supervisor or, if you're uncomfortable in that relationship, then we do have an ethics committee and we will work at responding to that. We're concerned about it. I think it's not overloaded - there aren't thousands of inquiries being made, but I think it was a sound and useful set of steps to take.

Edgerly

You've also known the frustration of trying to deal with an international situation in which the standard of business conduct is quite different from the standard which Weyerhaeuser itself may wish to follow or, for that matter, which is required of a U.S. company under certain legislation that's been passed. How do you feel about the kind of circumstance in which one is faced, as the company was in Southeast Asia, for example, with that kind of circumstance?

Weyerhaeuser

It's very difficult. Now you're going to get me over on my environmental message again. The U.S. in its wisdom tries to handle these things universally and globally and on our standards in circumstances and situations that are completely inappropriate. When we went into this very elaborate system of reporting and approval and auditing, you put a whole lot of process into place. I understand the motive - it's a moral objective - but it's two things: onerous and process-oriented and, in many degrees, will not direct itself towards the substantive problems out there. In Indonesia we were dealing with literally thousands of transactions by civil servants who were underpaid, grossly underpaid, who expected to earn their living out of very modest payments, in the individual instance. But in the aggregate, this was the way they in effect made most of their pay, which was not very grand, at the lower levels. Now, it's very frustrating to have to take that kind

of thing and record every transaction and bring it up to the level of your Board of Directors and report it to the SEC. You had to set up elaborate procedures to ensure that you in fact knew what was going on.

We didn't change the government's practices in Indonesia one iota as a result of that. They may have made some pronouncements, but the honest truth of the matter is that in that society, the level of exchanging government permits up to and including forest concessions and everything else by some degree of quid pro quo, whether it be money or whatever, extended way up to the top of the government. The bureaucratic and the small we could deal with, I mean the customs thing. Just as a matter of business principle, we would not entertain bribing. You could call the customs agent payment the same thing. It's a question of how customary is it and how small is it? Now it wasn't small to them in the aggregate, because in a sense nothing happened out there unless you got your civil service permits of every different kind and they could take literally years on a small transaction. So I set that over to one side and say, "I don't consider that to be a bribe." You could if you were a purist - that's a bribe, but that's usual and customary in our sense of an allowable expense deduction in this country or whatever.

Now where do you depart? It's a pertinent question because the Japanese, Chinese loggers, Chinese businessmen, they are fully practiced in and have no moral or legal scruples about doing whatever has to be done to move government actions, at any level. So we found ourselves out there in situations where we just literally couldn't get anything done on boundary disputes. Every time you would go through the process, and months and months later solve one, another one shows up. Nothing is spelled out. You can't go and have it engineered and take it to court. There's no process of either survey or jurisprudence or courts. You are at the mercy of administrative decisions made by many, many levels of government, in which there are many people who make them on the basis of who's going to favor them with whatever consideration they want. So it is a very, very difficult problem. We just suffered with that. We didn't do it and we didn't report it, but we did report all the stuff we were doing.

It's like so many other problems - I don't have a solution. I know this: when in Rome, you do as the Romans do; and when in Italy, you go to another place. It's almost impossible to conduct a business in Italy by the books; they don't do it. They've got double and triple books, and they don't pay taxes. We've done business in Italy. Do I have our people go over there and keep dual books? No. And we didn't do very well in Italy. What do other

people do? They have Italians running Italian companies, even if you own half of it or whatever. They keep their own books, and they have problems. Okay, we send our auditors in there, and what's going on? And if they're keeping dual books and all and if you are the majority owner of that business, we would do that. So you have the choice of being a minority partner and letting Italians run an Italian business in which you own a share, or you have to face up to the issue, which is what we had to do in Indonesia. Finally, at the bottom line, it's impossible to be an American-owned large business and conduct your business the way you would in the United States according to our rules. Do I quarrel over the rules? No, because I'd turn the situation right around and say, "In the shipping container business that these are our rules. I don't care what the rest of your competitors are doing or have done in history. We are going to live by the law of the land, antitrust law." There are always grey zones. Can you sit down in a bar with a competitor's salesman and talk about price? Well, there are certain rules. You can talk about what prices were or you clearly can't agree on prices or you can't agree on a lot of things. Do you think for a minute that we can control with an auditor what our salesmen are going to do with his competitors on Friday night? Probably not. So then you're over to matters of degree, and you hope to influence that degree by how you conduct yourself and I suppose partly, to some degree, by what you say your intent is. So publishing has some role to play here. Probably more importantly the way the managerial ranks treat the matters and the grey zones when they come up is more to the point. So you'd better have your managerial people believe what your intent is in terms of your own practices.

All that's a passing parade. People will be people. I was shocked, and I know others were, when we found the degree to which the carton businesses in the country, ours included, really were busy communicating with one another on prices and volumes and everything else. I think we learned a lesson. It sure hurt. Because no matter what I might feel about it or how I might have felt about the fact that we were a very ethical company and it was understood and all that, it is eroded significantly by an incident of that kind, or a series of incidents of that kind, where you're so far over the bounds that the U.S. government is taking you on. It was painful, I'll tell you. We tried very hard to turn around and use that occasion and other occasions to reinforce what we meant. But I wouldn't be able to answer... I see some of the business practices around us in various kinds of businesses, and I continue to be horrified.

This is a continuation of the interview with George Weyerhaeuser recorded Wednesday, April 3, 1985. Tape XVI, side two.

Weyerhaeuser

I guess I'm naive in a sense. I believe people are fundamentally good and honest and would prefer to be. So I think if we encourage that kind of behavior, we're going to get 98 percent of the way there - we're not going to get a hundred. I sure felt badly about the ground we lost reputation-wise. It probably hurt me more than anybody else.

Edgerly

After all, your name is the same.

Weyerhaeuser

It does make a difference. Yes, I'd hate to try to explain to my family. I don't know that I did try to explain it.

Edgerly

I never thought about trying to explain it to one's family, but obviously that would be part of it in your situation.

Weyerhaeuser

I don't mean my immediate family; I mean the large family. I felt a certain amount of personal responsibility for that.

Edgerly

I have identified a couple of other issues, or subject areas, with which to deal. I don't know if you can give me some guidance as to how much more time you'd like to spend, we will either embark on another or not.

Weyerhaeuser

What do you think? How about half an hour?

Edgerly

It's fine with me. Whatever you're willing to spend. We haven't talked much about something that probably was very critical to company policy in the '70s, and that is energy. The oil embargo of 1973 probably influenced more major business decisions by corporations of all kinds during the early '70s than anything else. I'm sure it influenced everything from capital expenditure decisions to what the temperature was going to be in

the office. Now oil, of course, is again more available. During the interim, the company has made a lot of steps toward greater self-sufficiency. But I'd like to know a little bit more about how prepared the company was to deal with the shortages that came about in the early '70s, first of all, and what kinds of planning efforts came out of that pressure.

Weyerhaeuser

There were a lot of dimensions to that. The one that I have the most fun thinking about and talking about, of course, is the focus on increased energy efficiency and reduction of consumption of petroleum-based fuels. We're still at it. It's a decade-long effort. You get so many ramifications in a business like ours because, first of all, we're gigantic users of transportation fuels, boiler fuels, and electricity. The power costs and petroleum costs in our products probably rank third behind wood and, depending on what the operation is, maybe labor or chemicals. But it's right up there. Then we transport the raw material all over the place, and we're affected by long-distance transportation on the outbound side, in economic terms, even if we aren't transporting it ourselves. So it's had a profound effect on the transportation side of things and on the sense of geographic competitiveness. Ramifications are still changing market destinations for many of our products. But at the heart of it is a great big energy-using pulp and paper process, and facility. We engaged in, and are still for that matter, an extensive effort to examine the options of decreased consumption, which range across a whole lot of process control technology and equipment changes, against a whole spectrum of, in steam generation, of its being a very crude process with a very low efficiency level, from theoretical Btu values in fuel and the realized Btu's, whether it be in steam or in the conversion to electricity. Big capital requirements, very expensive equipment, changing technology and changing instrumentation. As I say, we're still at it. We probably will be for the next ten years. So it's commanded a lot of engineering, a lot of analysis, and a fair hunk of the capital. Probably followed behind the environmental surge and then the energy part of it came banging in behind that.

Edgerly

Did it really catch the company, and the industry for that matter, by surprise?

Weyerhaeuser

Sure. Petroleum values had been low for years and years and years, and you never worried much about the inflationary effects - out of sight, out of mind - so we were very casual in our practices. So we had inadequate procedures and controls and equipment,

and any time you treble the relative cost of something, all kinds of things happen. It had quite a little effect on the relative competitiveness of different parts of the world in terms of pulp and paper, and still is having quite an effect.

Edgerly

But in that regard, did it not leave the United States in a better relative position?

Weyerhaeuser

I suppose in a sense. You almost have to talk about the difference between electrical and steam in different regions, because in a certain sense, the countries that had a whole lot of hydroelectric like eastern Canada and Scandinavia relatively benefited because they had less petroleum in the generation of their product. The price effects were felt worldwide. I mean, the transport costs involved were not large in relationship to the well-head costs. So what happened when they slammed the brakes on the supply side and jacked the prices was that world prices came up, more or less simultaneously. Except where governments interfered and, of course, Canada interfered and it affected different regions differently. The other aspect of the petroleum thing, of course, was that it made us look very hard at alternate fuels and, of course, we have alternate fuels, so long as you've got the capital to burn wood or coal, which is what we've been busy converting to. There's a technology and energy consumption side which is modernization and improved utilization, then there's a fair amount of real progress made on the generation side, and at the bottom line was coal. Our industry and we have been moving towards to taking petroleum out of the mix. We've still got some further to go, but mixing wood and coal or burning each one separately is progress. I think in another ten years, we're going to make another big step to get the rest of the oil out of there, out of lime kilns, where wood will be gasified or burned in suspension. There'll be much improvement in the utilization of existing boilers through better monitoring and control techniques and getting better distribution of fuel and air. Combustion controls will save heat, get fuels burned more efficiently and get the Btu's out of it. So there's a lot yet to be done. That takes a lot of capital, a lot of effort. And that's true, that's been going on since 1973. A lot of progress has been made and that's why, in an industrial sense, the burning of oil and gas is heading towards zero. To some extent, the increase in price in transportation fuels shortens the distance which you can afford to haul, and even in a marketing sense, tends to shorten the lines and cut the consumption. Well, there was a dramatic degree of emphasis. I think we did a pretty good job of looking at our facilities, and upgrading energy generation and use in installations that we were modernizing. It also tended to obsolete older facilities that weren't fuel-efficient, as has environmental regulation.

All that has driven the capital allocation and the technical allocation in a new set of directions. When they go in that direction, they're working at efficiency, not capacity. And they are generally not creating jobs except in the sense that the production of the machinery and the controls do. The capital expenditures create jobs, but they don't create permanent jobs. So you shift capital away from growth. Now I'm generalizing, but certainly that's happened in our case. The proportion of capital, growth generating, has been dramatically reduced.

You asked how well prepared were we. We certainly didn't forecast it, and we had quite extensive plans, directed around the shortages. That's a different question, one we were all worried about, either not being to get it or the interruption of it. We had a lot of planning and action and purchasing changes and storage plans. That was in a relatively short period and temporary in nature. And, of course, we went through the carpooling and vanpooling, and we made a big reduction in the energy consumption by lighting and heating and ventilating office buildings. It absorbed a fair amount of human energy and capital, but it had the interesting effect of tangible results. In contrast to a lot of things we do, there was an obvious need and we respond well to those situations. I feel pretty good about where we find ourselves. Where we haven't made the great big capital expenditures, we are in economic trouble in Rothschild and Everett Kraft mill, and where we've got a relatively written-down plant, by the time you go in there and try to solve the energy efficiency equation, you more than double the capital investment base on a marginal plan. So it's hard in those cases to come by. We poured an awful lot into other installations. Now we're pretty well along. We got Plymouth over that hump and very efficient, it's burning very little petroleum.

Edgerly

It's interesting that even now some 12 years later, decisions are still being made based upon that event.

Weyerhaeuser

Oh, yes. Of course, you know, energy prices took another big hump in 1979, but that's six years later still. I would say a decade from a major change, you will still be affecting things that are of long life. That's the capital-intensive, long-life assets. They don't obsolete easily or in a hurry, and you'll run them down to a marginal level and do something that either creates more product or a superior product in preference to

throwing a lot of money on top of an older facility. Now, the returns are more certain. Okay, they cut the price of oil in half, and now they're not quite so certain. I made some very grand pronouncements to our guys that the price of oil was going somewhere and that I didn't care what anybody else said, they were to plan on \$30 oil. I never was going to second-guess what we did, but I wanted to be damned sure that what we did was aimed at freedom, in economic terms, from \$30 oil. So we're pretty far along. Now, I think there's a pretty fair prospect that that \$30 may become \$23 or \$22 or something, but once having made the conversion, you never go back, because of the capability of burning wood or coal, the fuel cost, once the installation is made. I don't know how low oil would have to get. I would guess it would have to get down around \$15 before you'd begin to switch fuels. You can burn oil in these things, but you can't burn coal or wood in an oil or gas boiler.

It's had effects all the way through, but I tend to focus on the big energy generators. Depending on how you get your electricity, whether it's hydro or whether it's co-generation, and what your balance of steam and electrical needs are, you can get very different solutions to what process you ought to have, both in the generation and perhaps, to some degree, in whether or not you're making chemical or mechanical pulps. I think that, there again, the company's done a pretty fair job of adaptation, and we've got some out there that are still in front of us, where we're burning quite a lot of gas. We will continue to until it takes another big jump, unless and until. In the case of gas in this country, it's not obvious to me that it's going to.

Edgerly

So, in other words, things like Weyerhaeuser's projected fines burner, those kinds of technologies which are still not on line, will not necessarily go into the closet simply because the price of fossil fuel goes down.

Weyerhaeuser

That's exactly right. We've been in effect paying the development money. In a sense, we would subsidize the conversion, to some degree, because if the fuel is available internally, we have an insurance policy that's worth something, insurance against inflation in your basic fuel cost. Or an alternative. In the best of all worlds, like Columbus, if we can get to the point where we can burn pulverized coal, and we have a floor then under massive supply in the sense of cost, then maybe we can mix wood into that equation when it's economical, or you can burn oil or gas if it becomes competitive

with the fuel cost of coal. So energy independence is something that's not just independence from oil. It's more than that.

Edgerly

It's really energy flexibility, fuel flexibility.

Weyerhaeuser

Yes. It is important. In the pulp and paper business, it is an important element of cost. Therefore, your regional competitiveness or your mill competitiveness is affected dramatically by how you solve that. What goes up sometimes comes down, as the Middle East is finding out. And where there is enough incentive, there is a way to get it, whether that's out of Indonesia or Mexico or Canada. It's interesting to see how all these countries that didn't want to export too much or get too dependent or this or that, when their needs get there, the difference between \$28 and \$26 is not half as significant as another 10 percent in volume. It's interesting how many holes spring up. That's what's happening. I think the Middle East is down to half or less of its current capacity, and maybe of its sustainable capacity. Unfortunately, we're going through some of the same thing in pulp mills and paperboard mills and most of the metals. What's happening, of course, is that a fair amount of the sources around the world that were not economic now are economic and once they get started they need the foreign exchange. Whether they're fully economic or not is immaterial. If they can generate more than their out-of-pocket costs, they're going to be moving goods around the world. So when you look at the difference between what's happening in terms of price trends, almost without exception, the world commodities are going down. They're certainly going down in real terms, and they're certainly going down relative to services with a high labor content. That's because wherever these commodities can be produced, they become important in foreign exchange. And commodities move across the borders without a lot of, or not anything like, the political interference that comes when you get labor added. If there is 5 percent more capacity in the world than we're consuming, those prices tend to get forced down to the marginal cost of producing. Economics does work sometimes, eventually.

Edgerly

Well, the pendulum keeps swinging.

Weyerhaeuser

Well, what do you think?

Edgerly

You sound like maybe you're ready to sign off. Are you?

Weyerhaeuser

No. Well, I'm just looking at my watch. Did you finish the question?

Edgerly

I still have a few more, but we're getting towards the end, believe it or not. You probably are so tired of seeing these meetings on your calendar. But we're getting down to the bottom of those that I have. You mentioned DuPont earlier as being one of the situations in which the environmentalists may have in the final analysis, maybe not even in accord with their own plan, succeeded in putting off long enough the export facility there.

Weyerhaeuser

It's kind of ironic that after all this time, we might wind up getting a General Motors assembly plant out there. If we were to, and if they needed to import materials, we would then be started through another environmental impact process in order to delineate what the impact might be of a different vessel size or frequency in carrying whatever's coming in.

Edgerly

Do you see Weyerhaeuser's use of these very arduously attained and expensively attained permits as being unlikely?

Weyerhaeuser

Oh, I wouldn't say unlikely, but I see a different sequence of events being possible out there where, under the guise of the impact on the Nisqually Delta, the heart of the concerns that came out were really the development of the upland. What I'm saying is, here's this great big area which probably can and will accommodate multiple uses - residential, commercial, light industrial, heavy industrial. If we get the whole master plan of DuPont approved, we may well see a number of upland developments emerge that will, in point of time, maybe even impact on the area, taking precedence over the use of

the export facility in volume. It's obvious, from the time we started to now, the relative attractiveness and the volumes associated with the export market have followed the dollar in a reverse direction, I guess, so that new installations and new volumes concentrating on export were really integral to this thing. I don't know whether we are going to be able to generate those volumes overseas or not. Now that's a short-term answer, but certainly if we were to lay out today what we would expect to happen in the next four or five years, moving in larger ships for export would be radically different than what it was when we started. The economics and the timing are certainly shifted outward and downward. They, in a sense, in final permitting, lost all the way and in the sense of delay, have won all the way. So here we are at the end of the line, and I'm not sure if anybody won. They spent whatever and maybe they accomplished something in the process. We didn't.

Edgerly

Like a lot of people who were working for Weyerhaeuser in May of 1980, I remember exactly what I was doing the morning of May 18. I remember where I ran that morning up on the Burke-Gilman Trail, and how far. Do you recall where you were, what your thoughts were, what it felt like during that day and the days succeeding the eruption of Mount St. Helens to try to cope with a disaster of that magnitude?

Weyerhaeuser

Oh, some parts of it. I don't think we had any idea what the significance of it was. Certainly, I remember seeing the plume. By the time I saw it, I think Wendy had seen it on the TV. I was out in the garden. By the time I got there, it was way up in the sky, clearly visible from my yard. The events that followed are kind of a maze of problems and plans and organization. I give our people in the area an awful lot of credit for coming out of the chaos with a very solid recovery plan and being able to implement it, many, many aspects of which we hadn't ever had to cope with before. It was interesting to watch. I say that advisedly. I think we were kind of a corporate policy group, trying to give some guidance. The team down there really did some miraculous things in terms of speed and sensible ways to get back into operations and the way they handled the planning, focused all the efforts in that area and dropped everything else they were doing. It was an astounding thing. We were certainly concerned about what else might happen down there afterwards. An awful lot of time and effort and thought was given to the communication linkages, control of access, the tie-in with the Geological Service, and the handling of scheduling of crews and establishing movement of crews out of the rest of the tree farm in there. They had a monumental set of logistical problems.

I remember going down there in the early stages of that. We had got back in there and were doing some logging and I spent a little time with the buckers, watched a little of the tree planting later on. You had to look at all that to see how they got it all done and what it looks like now. I was shaking my head at the time. It would be very hard to say that I thought we had much of a chance of being able to rehabilitate very much of that area, and yet they're going to get a very high percentage of it done successfully.

You wonder about what happens in the logging and what happens in the utilization of all that material. That's after we get over the shock of recognizing we just lost one of the most beautiful areas of second growth plantations, and one of the prettiest areas in the state, for that matter. But from a forestry point of view, it was just appalling, and from a human point of view, it was an appalling problem, not only the risk, but the exposure that nobody could answer. We were preoccupied with the kinds of questions of quantifying the risks, trying to understand them and getting the most professional advice we could, evaluating and trying to set up plans around what we could reasonably do, and what steps we could take to minimize the exposure. Primarily the problem was one of defining what kinds of events that mountain might trigger and most of it was related to elevation and evacuation to high ground. They were mostly concerned about mudflows, and that was true both before the eruption and after. Unfortunately, they were wrong about the eruption, but the afterwards (involved) still trying to define escape routes in the event of a large movement of material blocking the road systems. That was interesting to talk to some of those loggers and watch them go about it.

Edgerly

What did they have to say about it? What did they feel important to tell you about what they were doing?

Weyerhaeuser

I think that the primary thing you got was that they were going to do that job and it was dirty and difficult, but they did not convey any great concern about personal safety. They had confidence in what was going on. I don't think it was misplaced. Of course, we were trying very hard to say we were doing everything that we knew how to do in terms of early warning systems and evacuation planning. In the early stages, that was of great concern and then, of course, as time went along, we were still trying to work out techniques of how the devil you keep the power saw sharp and how do you get a seedling

that isn't going to get buried under ash the first time it rains. So they were experimenting around with various forms of ash scarification. The first systems they tried weren't worth a damn. They'd clear out a little hole around the thing and the stuff would come right back into the hole. But not everybody wanted to work under those conditions, so it wasn't as if we got 100 percent of the crews in there. I wasn't surprised, particularly. They are pretty independent, self-dependent and confident kinds of guys, didn't spend a lot of time worrying about things. They did a very impressive job of organization and communication. We felt pretty good about it all the way, after we got over the first shock. Certainly, it could have been a different answer if that had happened on a work day and we'd have lost a whole raft of people. Thank God it was Sunday. But you'd have to be impressed and proud of the way it was handled after the event. Boy, was it a terrible-looking mess, though, in terms of the second growth. No salvage of some stuff 20, 25, 30 years old. I haven't been down there for quite awhile now. I've got to get down as soon as the weather gets half decent and see what's going on. I think this is the last planting season - maybe there's a little bit next year.

Edgerly

Weyerhaeuser's mostly out of it now?

Weyerhaeuser

Yes, but we've still got a little planting left to do, though. Coming into this planting season, we had quite a bit to do and I don't know whether it's fully completed now or not, or whether we've got some next winter. I keep forgetting it's April. Maybe up at that elevation you can plant in April.

Well, I'll tell you what we could do. We could put in a bid for Crown Zellerbach at a billion dollars and we could buy two million acres of land. We lost 65,000 acres or something like that and the value of that timber at the time was probably 35 or 40 percent of the total value of Crown Zellerbach, if the billion dollars is the right number.

Edgerly

That's incredible.

Weyerhaeuser

Of course, they aren't paying Crown very much at that price for land and timber, either. Nor is there in our stock, for that matter.

Edgerly

You really would turn the heads of the people down in IED.

Weyerhaeuser

Had enough trouble with Georgia-Pacific. You don't get to billion-dollar deals by asking the guys in IED. At least I don't get to the point of conviction that way. I might get to the conviction and then ask them to tell me what they think, but I wouldn't tell them about that (laughter).

Edgerly

We may actually get to the end in another session or two, if you think you can bear it for that much longer.

Weyerhaeuser

Sure. Well, you've got me down to some reasonable range of memory anyway.

This is the end of the interview.

This is an interview recorded with George H. Weyerhaeuser, on Friday, June 28, 1985. The interview was conducted on the fifth floor of Corporate Headquarters. Tape XVII - Side 1.

Eggerly

Actually we're beginning to get towards the end of this project, believe it or not. I'm down to the category called Miscellaneous Questions which I couldn't seem to fit in anywhere else. We had talked about the environmental issues and the period of time in which the greater awareness of environment came with some of the social upheaval of the late 60's and the early 70's. Since that time, which was a time of relative prosperity, we've seen quite a modulation in the stridency with which such matters have been addressed, at least on the part of some members of the public. The Reagan administration too, at least in the eyes of some, has been less strong in the enforcement of environmental protection regulation. How do you see that from a current industry standpoint?

Weyerhaeuser

Well. The agenda keeps changing. I don't think that the public's interest in or concern about the environment has perhaps changed all that much since the movement got well underway. I think the momentum of public awareness, public concern, has been pretty well, first of all generated and then sustained. All that interest and enthusiasm, however generated, resulted in the champions in Congress being successful in writing environmental laws that are very very broad and the country has spent over a decade trying to comply with those laws and define what they mean at the same time. You know the clean air and clean water acts were so broad in their implications. Technical solutions were needed but not available and the economics and economic impacts that were implied in meeting very broad objectives were overwhelming. We have not found either the means technically nor the economics to achieve many of the objectives. The clean water act I think of as being the one I know a little bit more about. It called for technology solutions and it was written in such a way that it didn't differentiate between local conditions. This approach made easily enactable legislation, was politically attractive and was undoubtedly easier to regulate. It did not contain the provisions which allowed for intelligent application of differential technical applications applied in different ambient conditions. You know, I'm still in the old-fashioned class that says that while we might all agree on the environmental objectives, I don't think that argues that they ought to be blindly and uniformly applied and ignoring the consequences of

doing so. The consequences go something like this: you can't do it all at once, there must be some set of priorities in there that's different than uniform technology applied uniformly across all different situations and instantaneously. There is no priority - there's no economics - and so here we are 10 or 12 years downstream and as I understand it, we still have to expend more money in achieving secondary treatment of the municipal waste than we have yet spent. So, I suppose you look at that and say, "Well, we hit it with a broad scale, blunt instrument." We're busy still a decade later; it's kind of a two-decade problem with a tremendous impact and from many points of view, I think, is poorly managed, both in the legislation and then in the prioritizing of projects.

Edgerly

Has the Reagan administration been easier to deal with on enforcement than previous administrations, or is that an illusion on my part?

Weyerhaeuser

I think that there is certainly a different point of view. When you say, "Has it been easier to deal with?" I think you'd have to go on and look at the particulars. Generally, I don't think so. I think we're a long ways downstream and an awful lot has been done. The standards have been pretty well worked out and from an industrial point of view we've been busy implementing. I don't see any difference in the regional regulatory process as a result of changes of changes of administration or through time. The issues are changing, though, and the concern with toxic waste has risen. This is in the public's view and is being translated into different priorities legislatively and otherwise. Various kinds of activities have gained public attention, like Bhopal, and there is concern about groundwater quality and contamination, toxic problems and waste disposal problems. Certainly the focus legislatively and otherwise has turned from the large scale, shall we call it, quality of life toward health issues because, you know, fishable and swimmable waters didn't necessarily have much to do with health. We are concerned about smog and air pollution in general, but maybe we're more concerned about health hazards now. So, I see the movement going forward kind of in waves as public concerns shift and legislators respond to them. The problems that are out in front are still immense. What do we do with our solid wastes; and I'm not just talking about industry, I'm talking about everybody and it's a municipal waste disposal, hazardous waste disposal, nuclear waste disposal set of issues.

Edgerly

By comparison, Weyerhaeuser's waste disposal problem is very small.

Weyerhaeuser

Well, you know, industry got in way up front in this and was required to clean up its effluents much earlier than public entities waiting for government financing which came slowly, in the water clean up area. We had to go and make the changes that were necessary. So, in a sense, the curve hit industry early and then the interest curve shifted away, and I don't mean the standards were lax, but the concerns shifted and, perhaps, appropriately so. We got 90 percent of the organic demand for oxygen out of the waste stream of industry. Well it's not perfect, you've solved 9/10 of it, maybe, and we're on to the next set of priorities. But, most of these big ones (including municipal wastes) are still out there whether they be broad scale air pollution, acid rain issues, or ground-water contamination issues. The nation, as you look at it, still has needs to grow and develop. There are more people around, there are more jobs, you're generating more waste and we're finding out more and more about the consequences of not treating all of it properly in the past. If you're going to do something different, what is involved? That something different includes imposing significant economic burdens on municipalities, industry, people, user fees, all of which is taking place. Maybe, as that happens with a heck of lot more concern about standards of living, jobs, income, with the whole system under more duress and restraint, we are forced to think somewhat more about priorities. I think this is happening, not just in the administration, out in the state, local areas, etc.. I didn't say there's any less concern, because I don't think there is any less concern, I think there's more. People do get concerned about or scared about contaminants and hazards. There are a lot of buried problems and a lot of those buried problems are undefinable. You can worry about them. The trouble is, getting the facts and developing a plan of attack takes a lot of time and a lot of effort. I don't care whether you're talking about acid rain or whether you're talking about studying various waste sites. There are literally tens and tens of thousands of them and many reasonably stable and, therefore, not urgent or no problem. We don't know how to evaluate all the different conditions and there isn't any way to go in there a write a national standard any more than we had a way of approaching, let's say, pipeline technology on disposals into the water under the clean water act. I think these problems are going to be with us in large degrees and for a long period ahead.

To the extent that we are big processors of material, they will affect us and our industry differentially as time goes on. Fortunately, we're not as some industries, heavily into the use of toxic materials, but we still have an awful lot of waste to dispose of, either in the water or on the ground or in the air and it doesn't just disappear. They talk about more efficient ways of incinerating and doing other things, but it takes energy, it takes capital, it takes transportation. It's awfully easy to go out in the back 40 and dig a hole and that's exactly what we've been doing in this country and being a big disbursed country, we have more capability of doing that than a lot of others. I think we're going to have to find better ways. I think legislatively, reflecting public opinion, the country's been more or less at a balance point. I won't call it an impasse, but I think there's recognition that we can't throw immense amounts of money at everything that comes down the pike environmentally. There have been attempts more or less continuously to refine and amend the base laws to make them more economically sensitive and practical in a sense, but those changes have not been major. I would say there's a balanced political or balanced legislative position where not much has happened, either more stringently or to amend and correct the basic laws. They're just on the books and going along. It looks like super fund might be funded at \$10 billion, again in a difficult economic environment. It isn't as though it's going to go away. \$10 billion is a great big assignment of priority and that may be just the tip of the iceberg in terms of what one might eventually determine the full scope of the problem is. But I think they're going to get at it, selectively and you just wish we had a better means of identification, analysis and planning. We should recognize this as a 50-year problem and take the time to identify and prioritize. I don't have sense that that's going to happen. Lawsuits somewhere will trigger actions. That is a grossly inadequate approach to prevention, let alone solution. There have been diminishing problems for us and our industry and the amount of resources that have had to go into pollution control are now much less as a percentage of total capital being spent. It isn't that the problems are all gone by any matter of means.

Edgerly

We talked some about domestic acquisitions and about the company's energy policies, but one acquisition that I didn't ask you about and should have was that of Combustion Power Company which was a developer of manufactured products that dealt with both energy and I guess environmental protection as well. I must say that I have never been quite sure of what role Combustion Power played in the company's work on these issues. And I wondered if you could enlighten me about Combustion Power and what it actually did lend to the company's work at the time.

Weyerhaeuser

Well, let me see if I can do a little bit. It was a pretty good think tank working on various combustion technologies and doing so, partly under government contracts. I think they had a number of areas that they were working on that we felt were of interest and attractive in themselves as fields where there was going to be a good deal of development and where we wanted to do two things: (1) Be upfront on the technology, perhaps in finding things that could be applied by us in our processes and sold to others, where we had internal applications, a set of possibilities in various of these things, and (2) a desire to recognize that energy and handling of these materials were pretty important areas of technology for us. We felt this was a good small company and we thought we could run it and do development work, get paid under contract to do some of the development work, and then work on some applications that either they might develop improved equipment or sell the technology. We weren't trying to go into the equipment business really. We did, however, wind up going into the equipment business to some degree, to quite a degree. There were, as I recall, three areas that they were working on and we continue to work on and some evolved into other things. One was fluid bed technology. They'd gotten into inburning coal and other solids in an air suspension in contrast to the ways historically most solid fuels have been fired. They tend to have the boiler acting partly as a dryer and partly as a generator of steam, partly as a waste disposal unit. All of this is to save you efficiency, utilizing more of the BTUs that are in the material being burned and extracting out more in the way of steam. Well, fluid bed was kind of a way of introducing a heat sink in the form of incombustible inorganic material being suspended by airlift, by injecting hot air underneath it. It was a bed of sand, more or less, which retained heat, so when you introduced the fuel into it, it didn't depress the temperature so far. It held a more uniform temperature, did a better and more uniform job of drying. You got better combustion, more thorough combustion in the lower parts of the boiler and, therefore, a higher heat recovery. So, let's just talk about it as the efficiency with which one can burn variable fuels which God knows we have. We didn't have to buy that company to get that technology. They were working on that and we were trying to apply it to different kinds of fuels we had to see how they worked. Our objective was to advance our rate of progress toward efficient energy with our fuels. We have all kinds of bark from our log yards, which has sand, dirt, and moisture and non-combustibles, all of which don't make a very good fuel. So to have a better combustor really had potential application and we're still working on some of those things and various spinoffs from that technology.

Now that's one whole area burning low grade. I'm not sure how far they were ahead on these various things but the second thing they'd worked on, on a contract basis for the government and others, was on gas turbines. Gas turbines should burn clean fuel, natural gas, or something without contaminants in it. They're one thing that you can get a lot more efficiency out of with a combined cycle of hot gas going through a turbine and then taking your waste heat out in the form of steam later on as opposed to what we normally do which is burn the fuel and generate the steam and then run the steam through a steam turbine and take the low end of that steam out and use it for process steam. So this is sort of a reverse cycle turbine technology. Now one of the problems is that turbines operate at high temperatures, you've got hot gas going through it and there's a lot of corrosion. So one of the problems is, how do you keep a turbine running when you've got various kinds of materials going through in the hot gas stream. The fluid bed burner combined with a gas turbine offered a potentially efficient system with cleaner gas.

That had various applications and potentials, but we finally decided, I think, that the General Electrics of the world, the big guys, were way ahead in terms of the stake they had and the commitment they had to solving a lot of these problems which would be in turbine design, etc. I think Combustion Power was doing some work for them, testing the fuels or whatever. But, anyway, we thought we were too small a runner and this was not something that appeared to be terribly applicable to what we were going to be doing - the gas turbine part of it. So, that was sort of contract research and could have had a spinoff and something we might have been interested in - small turbine, gas turbine, wood gas, but we never did much with it.

The third area was the removal of particulate material by dry scrubbing. We saw the environmental requirements going up and were very well aware that in the pulp and paper industry electrical precipitators were very expensive to build and also had relatively short lives with corrosion problems. They did a poor job, were hard to maintain, expensive, so the idea was a dry scrubber which used an inert, gravel, granular material through which the hot gas was passed. Then you circulated the granular material outside of the airstream and dropped it or rapped it to remove the accumulated dust particles and and collected the material and then recycled it. So that the idea was you had a relatively cheap material and a simple mechanical process. It was lower capital cost, didn't have the maintenance requirement, at least theoretically, that the electrical precipitator did. Now there are other ways of collecting dust: there are bag systems

which are explosive, hard to operate and not all that adequate. They're used with coal dust and a lot of different kinds of materials. As the particulate waste regulations and requirements got tighter and tighter and tighter for all kinds of industries, we saw this dry scrubber technology having potentially wide application. We had a lot of installations around of different types that were going to need improved particulate control, and we subsequently put in quite a few of their scrubbers. We modified their basic scrubber and put a little electrical charge on it. So, instead of just a dry scrubber, we made an electrically charged scrubber. Not these great big, high voltage rods that electrical precipitators require. So, it was low cost, hopefully low maintenance, low installation, efficient means of removing particulate material. I suppose we got four or five of them in and then they went into the business. When we put a couple of them in, other people began to see that they might make some sense. Although ours didn't work perfectly, we sold quite a few in our industry and quite a few outside the industry. So they got eventually over to the business of bidding for and installing scrubbers which became the business they survived on as time went along. That's what they're going to be doing, or that and variations of it, I guess, in the future. So, it turned out to be a small, after the design stages and all, sort of metal bending kind of a operation. We'd contract fabrication. You get into all of the usual problems of contracting equipment, erected and guaranteed. If you run into problems, you've got quite a lot of exposure out there if it isn't properly fabricated and installed and maintained.

We knew we had a lot of materials and a lot of burning problems and potentials. We were generating a lot of particulate waste that needed better control and, obviously, the whole area of technology was going to be getting larger and growing and we thought we could steal a march by having a good little technology company lead us through that. And, I think in retrospect, conceptually this was reasonably sound. You do get into the question of what are the skills that you need to run a little company like this effectively and I don't think we ever solved that problem. It was operating out on its own and I think we did a pretty good job of development and selling the scrubber. But, at some point you ask, "Where is it going?" and it got to a stage of maturity. Somebody who's in the business of contracting and installing things probably ought to be running it rather than somebody who's going to be using one occasionally. So, we decided we better cut and run on it.

Edgerly

It sounds as if it sort of appealed to you.

Weyerhaeuser

It still does. I think there's a lot more to be done yet. The frustration is knowing how to do it and how to manage it. I think we're only half way there, or less, even though we've made tremendous strides in energy efficiency. We've a long, long ways to go to what is theoretical high efficiency. And not entirely theoretical, because there are other parts of the world, Sweden certainly, in our industry that because of higher energy costs, earlier, are way ahead in terms of the applications in both combustion, use, and conservation within the pulp and paper process.

Edgerly

Is any of those scrubbers still operating?

Weyerhaeuser

Yes.

Edgerly

Can you tell me where?

Weyerhaeuser

Well, I think we have one in New Bern, a big one, maybe two, a great big installation back there. We have one at Snoqualmie, one of the early ones. There are three or four others of ours, I think, and there are probably a dozen others outside. Some of the later installations are much bigger and more sophisticated. The City of Los Angeles has a great big one burning sludge, I think. It is very large and not fully operational yet. So the scrubber went from an idea to a full scale, reasonable successful technology. Now the spinoff from that at Weyerhaeuser, we kept right on going. We still have a lot of things that we're going to be doing. Instead of having to gather up and haul off and sanitary land fill a lot of these materials, we will apply the various techniques of fluid bed to handle very low grade materials such as wet mixed bark and dirt - clarifier mud and sledge, etc. - clearly, its day is coming. Having gotten involved in this, having gotten to pilot scale and then gotten an installation or two, we're farther along in terms of solving some of those problems, though we haven't installed a lot of these units all over the company. And, we have put an awful lot more emphasis on combustion

efficiency. We've learned an awful lot more about boiler efficiencies. Now, that's not all CPC. I mean a lot of that activity is going on within the company as well. But, the right hand did know something about what the left was doing in the sense that Merrill Robison and Alec Fischen and these guys were, in terms of engineering and mill applications, cognizant of it. So we took them into account when did some of the things at the mills and are still doing them. I think in the next ten years, there's going to be a lot more of that. But, I don't think we need the CPC anymore to do it.

Edgerly

As I said, I'm really dealing with miscellaneous questions in that I'm jumping around a bit. I hope that doesn't make this more difficult.

Weyerhaeuser

Well, as long as you ask me something I know something about.

Edgerly

Well, this one I hope you do because it's another area that I'm confused about. I know that there was a dispute between the SEC and the company in 1978 and as a result of that, the company agreed to repurchase some 3.5 million shares of stock and the employee stock purchase plan was changed in some aspect and then resumed. Do you recall any of the circumstances that surrounded that dispute and exactly what the issues were?

Weyerhaeuser

You amaze me. I don't have any recollection of that. You know, I'm sure you're talking about something and I ought to be able to recall.

Edgerly

Well, maybe I haven't made the right connections. If I could give you more information, I'm sure you'd know what it's about. I'll try to do that, to find out something more about it.

Weyerhaeuser

Bob Schuyler probably will be able to make the connection. I can't. I'm a blank.

Edgerly

Well, we'll come back to that when I've got more to go on.

Weyerhaeuser

Yes. Well, let's just set it aside. It's not going to come to me.

Edgerly

Merrill Robison, following what by his own admission, was a very difficult time in his own life, undertook a new project in 1978 which was a productivity study. His recommendations included a lot of policies and actions which, as far as I have been able to research it, appear not to have been applied at the time. They later resurfaced in some of the work that was done relative to Organization Redesign. Was that study sort of put on the shelf at the time and, if so, why? If the ideas he had developed did become more applicable in '82, what was the different set of circumstances?

Weyerhaeuser

I can't do it, Linda. The things that stick in my mind are more of the technology projects.

Tape XVII, Side 2

Weyerhaeuser

I was, we were, very much interested in trying to step forward and get up at the front edge in some of these pulping and bleaching technologies. We were aware that work was going on in different areas of the world and we had ideas about the applicability of various technologies and the most obvious result of that was the attempt to go right to a mill scale installations at Everett called the Everett Technology Project. That is what comes to mind when I think of Merrill and me trying to do some pioneering. Most of that fell on its face for one reason or another. We added to facilities and duplicated them in a sense up there and tried to go to more continuous bleaching sequences and theoretically it could be more energy efficient. We were thinking about, in those days - I still dream about it and I guess it's going to happen - getting oxygen into the bleaching sequences in place of chlorine. One of the consequences could have been and may yet be, I guess, a more benign form of bleaching in the sense that the effluents, without the chlorinated products, are much less difficult to reprocess, to recycle. We used to talk about the closed mill where we wouldn't, in effect, have to be worried about water or at least large

amounts of water we could recycle and be much, much tighter in the sense of giving any load of contaminants to the effluent stream. Now, various kinds of oxygen stages are in place and are here and in Sweden. We haven't made the ultimate breakthrough yet. The other things that were contemplated then were moves toward so called dynamic bleaching where you don't have to stop after each bleaching stage and wash the product and then start over again. It takes a tremendous amount of water and there's contamination and use of machinery, capital, and there have been subsequent, ours and other's installations, more or less continuous bleaching plants, and continuous cooking as well where you're containing within one vessel the heat. There are reaction zones and dilution zones and you're drawing off materials more or less continuously and adding instead of going to batch systems. You didn't even want to get into the subject. But, at any rate, the evolution of some of these mechanization and different process changes which were trying to deal with capital intensity and energy intensity were a great deal of interest to us. We were trying to see if we couldn't get at least up in the forefront of one of these things. And, to some degree we were successful. We certainly weren't leap frogging the front edge of the industry or anything which I regret because I sort of felt with our scale and technical capability and growth rate that we could, in fact, go faster and we could introduce enough efficiency into the thing from a process point of view, widen our margins, and improve our competitiveness materially. New technologies take time, they take capital, and the traditional processes have been refined so that the new processes aren't necessarily that far ahead of the refined old. Even with a lot of continuous cooking in the industry (it has become the norm in some products) I think it's true today that the improvement in the control mechanisms makes batch systems sufficiently better that they're competitive with the best of the new continuous. So that, contrary to what we thought or what I thought, the great leaps forward in process were not necessarily going to be a breakthrough to the point of major changes in processing in the whole industry. We have been interested from a technical side. We had a pretty good sized technical effort, and we felt we had a big enough base and big enough stake in some of these processes that if we were successful that we could, in effect, apply things broadly to new and old installations and, in fact, take advantage of that technical superiority. I would have to say, frankly, I think it's helped us, but it certainly hasn't put us in a leadership position. We haven't been that good at it. I wouldn't say that has changed my interest any, I'd still like to do it and I think we're still spending quite a lot of time trying to think about and evaluate what competitors are doing and what's being done in the best of the art. Which is to say, we're trying to direct our mills in that direction and our technical effort that way still. There's a lot more to be done. I think,

perhaps, we're a little farther ahead in the combustion area now and that's very important. The whole energy balance thing is a very important part of the basic fiber mill economics. We're certainly not ahead of the leading, of the cutting edge mills in Scandinavia. I think we're ahead, or up to the front end, of in most areas of the world, I think. The Scandinavians are still significantly ahead in application.

Edgerly

Is that because of the pressures of their resource situation?

Weyerhaeuser

They started earlier and they've got a much stronger technical orientation and they do a lot more stuff collectively. The equipment people and the equipment users in some cases are one and the same; they're interrelated so they're in the business of inventing, designing and applying and selling technology which we're not. In this country those are different people. The machinery people are separate and they don't do the same amount of research and application that they're doing in Scandinavia. The industry is much more concentrated and cohesive and the covers these various sectors in both Finland and Sweden. I think they've done an effective job of integrating those various factors.

Edgerly

I could be wrong, but it seems to me that in connection with that productivity study that Merrill did, he did go to Sweden and looked at methods that he felt would improve productivity. One of the places that he looked was Sweden. I know he visited Procter and Gamble. I believe he even sailed around on one of these big ships for awhile, one of these huge tankers that runs with something like seven people and everyone is very productive.

Weyerhaeuser

Yes. I just can't tie it to Merrill. With Procter and Gamble you've triggered something.

Edgerly

It was an opportunity for him, probably, to do something for the company while evaluating where he wanted to go with his own career. Until the 80's, I never saw results of that study in any applicable form and I wondered if you had any recollection of it.

Weyerhaeuser

Not really. That's probably a problem with memory, but I'm much more aware of John Shethar picking up later on in terms of this. He pursued very vigorously and meticulously over time trying to direct us toward a greater awareness of competitive practices and get us back to the grass roots, mill by mill where they were working on a combination of productivity and technology and priorities in each installation. We're still busy at that. We're now in an organizational sense trying to get more of that in the rest of the business by decentralization. We did decentralize albeit after John's death, the mills and Dick Erickson's working hard with them. So, we're reverting a bit to history here. I think, one element of systems, which Procter and Gamble triggers, we have applied at NORPAC, Columbus, and Grayling, a system which places much, much greater emphasis on individual skills, skill development, pay for knowledge rather than seniority and that's being done in all those instances by carefully selecting and training. Training is not just for the job, it's not just what we traditionally have done, trained on a piece of equipment. It's training yourself to a set of skills including those which are not necessarily relevant to your current job. I would characterize Procter and Gamble as being the leader in this country and, I think, all of their's and all our new ones that I mentioned have been done non-union. That wasn't the main objective, but it has been done in the sense that we're going to hire the best people we can, we're going to promise them progression and we're going to work at it in terms of personal qualifications with a much, much stronger emphasis on people and training and work teams. I don't know to what extent Merrill affected this. My memory's blank - whether he started all of that back there... You know normally that's what I think of when I think of productivity in a non-technical sense. I know he was driving on the technical side of things to look at try to apply the new and the best practices we could. But, on the human resource side of it, if there was an element of that it would have been probably the fore runner of what we've been doing after his era of responsibility.

Merrill has always been interested in people, was always an interested observer and more than an observer, open to change and open to new things, but much more effective, perhaps, at the investigation, articulation and conception than we were prepared to carry out. I'm sure that's true, still true. I mean, in other words the difference being when you have to change the habits of an organization and get into application and change on a local level and make a lot of people do things differently, I don't think we ever did that very well. Although, I think we're gaining some momentum in that regard. Merrill always had a fairly broad set of eyeglasses on, kind of interested in different things. Still does, of course.

Edgerly

The way you're talking about him does bring up again the whole issue of the dynamics of a senior management group and how that works. One of my miscellaneous questions, in fact, deals with a specific year, so it might be a good time to talk about it. Certainly Merrill's role, to anyone who looks at the senior management team, was kind of an unusual one. He appeared from an outsider's standpoint to have been a person who both interjected both humor, as well as some push in areas where other people weren't willing to push. I don't know if that's true from your viewpoint or not. But, in looking at senior management here, one of the years of most dramatic change would have been the year in which Harry Morgan retired, John Shethar died and Bill Ruckelshaus went off to Washington D.C. Within a year's time senior management, in essence, changed radically, three members of a relatively small and very intimate group of people are taken out of the equation. What happened here?

Weyerhaeuser

I don't think it happened in that short of time span. I was amazed to... Now wait a minute, I guess you're right. I think it might have. It did.

Edgerly

It did. Yes. Now I know Harry Morgan's retirement was planned for, I realize that.

Weyerhaeuser

Yes. John's death was shocking beyond all. Well, I don't really know, but I don't think he knew that much about his exposure, although he was clearly having a terrible time in terms of smoking and whether that was contributory, it was just terrible. I mean, the only awareness I had was that he wasn't all that well in that dimension. Certainly, John was pulling a major part of the load in his sector and the way we have run this company, contrary to popular opinion, individual personalities have played a large role all the way through in their own sectors particularly. John was somewhat quiet in a way, but nevertheless very much giving the direction to his group. Certainly, Bill had constructed a team of people very broad in dimension, external, and has a wonderful mind and sense of humor and a lot of loyalty. I guess I describe the changes as individually important because all of the loyalties shift and the personal relationships are important in a sense of belonging, a sense of accomplishment. You do relate to one another and people that work together in these sectors, I think, get an important part of their satisfaction, or

lack of it, from those relationships. So when you pull that many relationships out at the top, it puts a lot of people afloat. Even though their responsibilities haven't changed, their relationship certainly has with whoever new is coming in there. You lose a sense of commitment, trust, irrespective of their loyalty to the company. Their working relationships, personal relationships are the way things really get done. So I would say certainly from my vantage point, Harry's departure was not unexpected so we were planning some of those things. But, even if you plan for them, I would still say the same thing that forging of the new sense of direction, sense of affiliation, and guidance systems change and I don't know any way to plan for that. It just does happen when you change leadership and having all of that in a reasonably short time span certainly leaves one in a transition period, I would have to say at the very least. You've got a period of redefinition, of realignment, of redirection, of strength of what you have been doing; some of those things are challenged and new points of priority and emphasis come to bear. You lose some sense of satisfaction, of completion.

There are some pluses. It's not all minus. You get some aeration in the sense that new directions, if you have good people coming in, can develop a sense of renewal or a new set of missions. But, that takes time. It doesn't happen overnight. It doesn't happen by just changing management. Of course, we are going through that all over again. Some people would say there's way too much of that. We seem to do it every three or four years. No matter whether it's new people or not we go through major changes. Whether that's because of external forces or just an inclination to shake up the tree a little bit and see whether there are some things we've been missing... We do get new ideas and pursue them through a new organizations, whether or not it's through retirement and death. The concentration of that I would not want to go through if I didn't have to. A lot of things go loose.

From a personal point of view, to the extent that you rely on those relationships and the informal, easy working relationship and knowledge of what one's thinking about without him saying it and without having to start from ground zero and talk out in detail (I personally am disinclined to do that), it took a lot away from me in the sense that I either have to become concerned with things I haven't been concerned with before or miss a lot. When somebody starts on his own new track, you discern that through time by a lot of different forms of communication. They are not as effective in the forging as they are in the mature stages. That's just the way it is. I think it works; it's not only me down, I'm sure it works the other way, because I've been at those lower levels and know

how I felt then. I think that the momentum you have and the confidence you have is built, to a fair degree, out of those internal relationships. And, if you've done some things right in the past, you build a sense of trust in judgment, even though mistakes are made.

I think back on Merrill. I always liked to kid Merrill and Erk Ingram were two of my good friends for a lot of years. I grew up with Erk and I worked with both of them for a long, long time. We built a monstrous failure (maybe we've talked about this before) of a little plant that sprayed ammonium waste out on the fields to get rid of it instead of burning it. We didn't want to put in a recovery system.

Edgerly

I didn't know about that. Wait a minute. Tell me about that.

Weyerhaeuser

Anyway, we wound up we were either going to get sued to death or...

Edgerly

Where was that?

Weyerhaeuser

Oh, back in Maryland, I think. It was a little medium plant or something. We were making corrugating medium from ammonia base, and it was cheap enough so you didn't have to recover chemicals. We bought and modified it or something. It was an absolute disaster, economically, environmentally. I used to jab those guys. I said, "Did you guys do that?" I was just as much in it as they were, but I always like to hang it on them.

Edgerly

No, I'd never heard about that.

Weyerhaeuser

I can't even name the location any more.

Edgerly

I'll see if I can track it down in the directory. Was that during 1960's?

Weyerhaeuser

Yes. I think we just shut it down. We made a few mistakes along the way, but you do learn from doing and you learn what people can do and you do forge confidence that way. There is no substitute for that that I know of. So, continuity and relationships are important in the leadership.

Edgerly

Since we've started talking about management, though I'm not quite prepared with this, I'm going to throw it out because it fits into the subject of management. One of the things that intrigues me is the choice that you have made relative to separating the solid wood business and the paper and diversified and corporate sides of the business, into parts, with Charley Bingham and Bob Schuyler and Jack Creighton doing sort of a tripartite arrangement. I found myself thinking back to Walter Wriston and what he did at Citibank. In essence he did a very similar thing; he divided the bank up at a time when it was under tremendous pressure. They had loans that had failed; their exposure internationally was a terrible risk for them; they had made some dreadful mistakes on the retail banking side; and again, they had had several failures in a couple of major loan portfolios. In doing this, Wriston threw out a challenge to the three men whom he chose. With the new arrangement, as you see it, are you in essence throwing out a challenge to see which parts of the business can bring change fastest?

Weyerhaeuser

Well, I don't know whether it's parallel or not. I can show you some of the difference between your age and mine. I can remember when we were wondering who was going to run Citibank before Walter was picked. We knew Walter when he was in the international side of Citibank and doing an outstanding job there. I remember more about that than your later example.

Splitting these responsibilities had a lot dimensions. It's not exactly new. They serve entirely different markets. The technological content is entirely different. The unit scale, in the case of the real estate company and the companies and the diversified businesses is greatly different. We have a sense that we need to get a much stronger emphasis against the current and future competition, which is changing, in that the need for getting emphasis closer to customers and individual plant customer relationships is great. If you are shipping products all over the world and you are going with large-scale investments, you've got a lot of engineering content and you are trying to manage mega

projects, there's a lot more to be said for central control and central service and central support. Now, what we are trying to do, of course, is manage the parts more effectively, much closer to the configuration that they are in now and to what the competition is, than we are to trying to build and grow. The conviction that I have, that in order to do that, performance is the key. Before, we had sufficient financial growth and margin and profit so that managing the mixed set of businesses and locations, first of all selecting those areas and then designing, building and managing them was a preoccupation. That would have been true in other eras of the company too, in high growth periods. I think the name of the game was to position yourself and do it well and get those operations up and running. So, the slower rate of growth, the premium on doing more with what you have and less with new capital and vying differentially with technology and marketing skills. I say that is very differential because it seems to require a concentration on those different elements.

Irrespective of the top three guys, we were talking about what should the various parts of the company be doing. I guess that's a way of saying, we've come to the conclusion that desegregation and decentralization and concentration of management teams on these sub parts is what we need to emphasize. Let's forget who's at the top, let's talk about what we will do. We are trying to make the tie between technology and these pulp mills much stronger. Have the pulp and paper mill managers, all the pulp and paper products, in effect be directing their own technical efforts and trying to bring Eric and our technology people and an awareness of what's available to that site, in other words, instead of trying to invent it or do something from a central platform here. So, we'd already decentralized in the sense of having the pulp and paper individual units, each of which is several hundred million dollars, practically all of them are - they would be if you went to build them today anyway. So, that's one set of problems. The smaller businesses, we felt, the independent businesses, had their own marketing. We'd been moving in that direction. Their own manufacturing and marketing tied together and did not interface significantly with either raw material sources or services. They're serving different markets and were not on common plant sites already. So, we think they take on the characteristics if they're best run by a much more of the independent, entrepreneurial kind of basis.

We looked at both the diversified business, which are not all that large in number and are intermediate in size, and said, "Well, maybe they fit that description and maybe the businesses we are running under the mantle of wood products, but do not fit the

integration model (going through a common sales force or to the same customers or sharing raw material, working on byproducts or utilities and services of a common, integrated mill site), in fact, those which could be separable, ought to be." So we went through them and it wasn't all that clean. There were shades of grey in there and we decided, because of somewhat closer proximity in the structurewood to plywood distribution and competition, and particleboard, which has some elements of integration on both sides, both marketing and raw material, that we would leave them under the marketing arm of the Wood Products group. They are kind of an exception. Those are the two that are exceptions. All the hardwood businesses have little or nothing to do with the softwood business, we took them all out _____ and, in effect, said to Jack, "Okay, you are the diversified, small business manager." That's how that logic comes together. Jack understands those kinds of businesses and knows how to run decentralized operations. That's where all his biases lie, so we kind of said, "We do a no-no and we won't change the intermediate supervision but we will put all of those under you." So he does have all of those kinds of businesses now, which encompasses Real Estate, the so-called Diversified and most of the independent wood products, independent as I defined it.

It's a combination of things. You say, "Okay, the pulp and paper businesses are a great big business with a high technical content. We want to run them much more efficiently and effectively and we want to upgrade them. We are stuck in these businesses on a world-wide commodity scale. We're so large and you can't take the mills apart and you can't change them completely. What we've got to do is fine tune those things with the best combination of instrumentation and computer control and new process systems." All of this I would characterize as more than fine tuning, but in the nature of effectiveness, rather than high growth, big capital users. Now, the other dimension that is missing in that is differentiation of product, not process, but of product. That is a job yet to be done and we think that having that headed up by a company, in a sense, separate top leadership, giving some guidance to the product development side of things, has been a missing link. So, we are trying to think about how we develop product specialties or niches off of the production platforms we've got and that's going to be something that's going to be driven by the marketing divisions and Bob Schuyler at the top of that organization coupled with the technical support from the R&D activities. I would say that's a recognized need. The other thing is that while these businesses serve very different customers, therefore their touch with the market is very different, their competitors are very different, there is common process technology. Completely

splintering them doesn't make sense. We really want to splinter them in the sense of relationships with their customers and support them with whatever technology changes and strengths we can bring to bear collectively. Obviously, a paper machine doesn't know what the hell kind of a bleaching system is in use.

Continued on Tape XVIII - Side 1

This is a continuation of the interview recorded on June 28, 1985 with George Weyerhaeuser. This is Tape XVIII - Side 1.

Weyerhaeuser

Most of the leadership that we have from the business divisions has been market-oriented, so we've got kind of a three-part problem: how to manage the changing technology across common systems and into the various groups of products. We want to apply differential emphasis on marketing and finding product changes that permit a better set of margins. All the commodity products we're in, driven largely by the international scene, are at depressed price levels and there's little to differentiate them from others. What we've got to find is the combination of efficiency in the mills and the ability to modify the product in various ways, whether that be further coating or development of different packaging systems so that the marketing type guys are supported by technology and in a group that's high enough up in the organization that that focuses at the full two billion dollar paper company level. How do you build new products in here? That's not something that's easily managed or delegated to either operations or to marketing groups that are dealing in hundreds of thousands of tons. You really have to work at that. We think we've got a set of problems that deserves separate attention. They're essentially different than anything else that the company's doing. So, it's a big enough company.

You know we were talking about wood products with the Wood Products Group yesterday. They're split into four geographical divisions. The thing that struck me about that is that they talk about how they look at their challenges in each one of those divisions. The thing that strikes you is that not that they're the same, but that they're different within those four, let alone in contrast to pulp and paper or real estate. So, I guess what I'm describing is a sense of diversity and a sense of truly different opportunities and certainly different perceptions for opportunity in the various sectors. To get at them, I think we felt that we needed to get more singular attention on them and less apex. Now the fact that we've cut a hell of lot of guys out of the apex, I'm not saying that has nothing to do with it. But I do think that of these three guys as giving particular direction to different problems, at the same time having exposure to the total corporation in the sense that we are going to be trying to guide some of these things in term of resource allocation, whether that be human organizational aspects or whether it be the technical aspects, or the financial. Overall they'll be getting general management and large corporate experience at the same time. So, I'm taking the best senior guys and

giving them both breadth and a particular assignment. Underneath them will be fully structured. If you look at how we run the Real Estate Company, there is no question about who is running it. But, if you ask, "How did you run it?" he would say, "These guys don't work for a boss, they never have." Which is true. I mean the guys that run not the whole Real Estate Company but some elements, they work as associates and that's the way they've built it. The same thing is true in Diversified Businesses. There's little corporate senior management or bureaucracy sitting on top of those guys. They're running their own businesses. Sure, we provide them capital and we permit them to utilize capital or not, I mean, it isn't an absolute. They don't go to capital markets, although the Real Estate Company does. It floats its own commercial paper, but it does it with a hell of lot of counsel and direction from corporate financial and legal. That's more in the nature of a holding company, which is what we're conceptually saying we're trying to do with these big sectors. My point is, I guess, underneath the big sectors there's an awful lot of differentiation in how they're going to be organized and to what degree they, in turn, ought to be centralized. There's a big variable: the greatest degree of decentralization being in the smaller businesses and the least in the Timber and Wood Products. And, yet as between the Timber and Wood Products divisions, geographical divisions, the Washington Division, for instance, will be very heavily export-oriented and log-oriented. The Canadian Division is just the reverse. There there is no resource base of ours and what we're doing there is trying to add value to what we have in the way of access to public timber. The whole thrust is efficiency and effectiveness in getting to domestic markets with low cost and reasonable margin on quality wood products, lumber and chips. Canada and Washington are quite different. Big asset values are sitting on 1,700,000 acres in Washington and we described their mission as the long-term management of the timber resource and the enhancement of its value. You can translate that through providing the best conversion alternatives that you can for it, either by third parties or ourselves. But that's a very different statement than what we think we're trying to do in Canada. In Oregon we think we can compete down there in the local markets for raw materials, buy, sell and trade and run a bunch of mills. Maybe we won't be able to, I don't know, but at least they're trying to do something quite differently, at least in terms of the priority.

So, Don's (Don Rush) has all the export stuff attached him, even though he's running a Washington operation. That's kind of a reflection of the difference in industries in the two states, of course. And, I think the degree of independence the geographical units in wood products have is substantially different than any other businesses. (That is) Partly

because they're going through largely a common sales organization, both direct and distribution center, and partly because they're sharing, well, they're working off of a great big corporate asset called the timber resource. That's not yet pertinent with respect to the pulp and paper business, but it may be some day. I can see the day way out there in the future where you're growing little tiny trees and in some geographies the whole flow will be going through to paper products. The values today are such in Washington that they're way over on the side of the timber and our job there is to make damn sure we get the values out of them, one way or another. This is to say, buy and sell timber or buy and sell land, or buy and sell logs. We don't think we're very competitive with labor costs and productivity in mills, so we may shrink it and grow some of the others.

Now, if you started out and said that your mission is X or Y and tried to apply that, as we have, sometimes uniformly across the product line, let's say lumber, you come up doing different things. We'd like to steer them off in a new direction. We'll see. I'm certain of this, we'll either be making very different contributions at some of those or they won't be running very long. We're not going to have anything to subsidize anything else if we can possibly help it. That's contrary to what we have in mind.

Well, you asked the question more in the vein of succession and leadership when you contrast it with Citibank and certainly, after I get through describing what we're trying to do in these sectors that are assigned to these three guys, there are certainly other dimensions. Let's talk about how the company is organized. We're going to try very hard to make these businesses make effective use of professional staff and staff services. We've been moving towards having various parts of the business pay for or charge out through accounting, budgeting and profit and loss over the last couple of years. We're moving another big step in that direction. To these companies we are saying, "You are going to be free to use what services you need and not use those that you don't need. You'll either have to provide them for yourself or you'll have to pay the full load if you're going to use corporate support. So, we're going to downsize the corporate staff in a major way, dependent on what they come up with in definition of their needs and we're going to define, as best we can, four or five needs at the top, what we consider to be necessary from a corporate point of view. So, we'll have a corporate staff of much smaller dimensions and then some element of supporting services going either directly to the various sub-parts of the business (directly meaning that they go to work for them) or, in some cases, we'll have shared services (take the computer or the Law Department). It

doesn't make sense to fractionate it. We will try to try to scale it to the service requirement plus what we think this corporation needs and maybe continue to provide it from a central point. But, with the responsibility for the use of the service, the payment for it, and the maintenance of it really determined by the needs of the businesses. And, of course, these guys are going to be engaged with me in directing that and how we go about that. They are getting an overview of what the corporation is, needs, and does. To that extent, I hope to get three guys that are more generalists. The leadership they can provide will certainly give some reading on their general management and leadership skills. So, and all that certainly will play a role in who's going to run the company next, but that's not the primary objective. I'll ask Walter why he did it. See if he gives me an answer like that.

Edgerly

I don't know, I'm sure the financial press liked the poker game quality of it. Unfortunately, we've reached 4:45 and regrettably, and I think this is a mistake on my part, I have a dinner engagement with some friends. So, I'm sorry I must go today.

Weyerhaeuser

I've got a son coming in who's getting married this summer. I've got to go over to the airport and pick him up in a while.

Edgerly

So you have things you need to do, too.

(This is the end of the interview recorded on Friday, June 28, 1985. The interview continued on Monday, July 1, 1985.)

Edgerly

I did a little investigating on the 1978 SEC dispute to see what else I could find out. As it turned out, the dispute, in essence, concerned the SEC's request that the company include and separate out in some particular way information in the 10K.

Weyerhaeuser

All right. Now is this on business segments?

Edgerly

Yes. It was in 1978 that the SEC finally hassled the company to the extent that they made these demands. The company was reticent to comply with them. As a result, the employees' stock purchase plan was suspended because the SEC would not permit the sale of the stock to employees without what they considered to be adequate information in the Form 10K. Apparently, the company finally complied.

Weyerhaeuser

No. I think we negotiated -- I don't know whether "negotiate" is the right word -- I think we did segment the report, but we combined the land and timber and wood products in one business segment, thereby avoiding the issue of trying to set market prices on logs as a separate interbusiness transfer. So, our land and timber, including all the harvesting and converting to wood products and exports all show as one business segment. Other companies have handled those differently. Most of the large paper companies that had the land and timber, I think, combined the land and timber with their paper business. Therefore, they have a different segment than we do and I think the SEC originally was trying to force on us their definitions of a segment. I can't remember whether land and timber and logging operations were a separate segment. They must have been. In any event, we wound up with something which was manageable, namely, setting the pulp and paper operations out as a separate segment and combined timberlands and wood products transfer prices on everything (logs, timber, etc.) thereby eliminating the need to get into... other than chip prices, which are pretty much definable and market driven. So, we got a clean segment we felt.

Edgerly

What was their reason?

Weyerhaeuser

They want to see all businesses out there on segments so that investors, in effect, can take each business and say, here's this business in Company A and this business in Company B - so we can look at the various segments of the business across industry. Our argument is that you can't do that. You have to introduce arbitrary rules for interbusiness transfers which are, essentially in the lumber business, tied. Timber is inseverable. You get into having to make arbitrary allocations of raw materials and overhead and a lot of things that we don't do internally. And if we were to do it, we'd have to write our own rules, therefore, you would be misleading anybody, if you thought

that looking at IP and looking at Weyerhaeuser, you would see the same thing even the titles were identical. So, we said it would not only not be informative, but would be misleading. They couldn't write the rules and neither could we. That may not be true when you're in a retail drug business or something else when you're buying materials and selling your product and without all integration issues. We have integration issues up to here. Shared costs at every major site. Shared costs on the raw material side. Shared costs at the overhead level. It sounds fine theoretically until you start looking behind it. First of all, it's an awful lot of work and recordkeeping if you have to change the whole thing. And, second, if you're looking for comparability, you can't get it unless you write rules. Those would have to be arbitrary and not necessarily then reflect comparability between businesses.

The thing I've forgotten and still can't recall exactly is that pending that we had to stop the stock plan because we were, in effect, offering stock to our employees.

Edgerly

Yes. That's right. Until there was a settlement I guess.

Weyerhaeuser

Yes. I had forgotten that. That was just a temporary suspension.

Edgerly

It was a matter of a couple of months' time.

Weyerhaeuser

What got you started on that? I forgot what brought the subject up.

Edgerly

It was something I had seen in an annual report and I didn't understand why that had happened.

There's some admittedly confidential correspondence in your files for the years 1979-1980 which are closed to research in which there are your notes on exit interviews with Merrill Robison and Ted VanDyke. One of the things that you had written down in each case was their comment that the environment at Weyerhaeuser did not provide for risk taking, that there was a lack of reward for risk taking. Did you feel when you wrote that down that they were correct in their opinions?

Weyerhaeuser

Well, I think as a generality and a matter of degree, yes. I am not sure that I would agree, particularly with Ted's views, on what might constitute good balance in that arena. But I think certainly then and now one of the things you worry about are the pressures and forces in a large organization towards safety and conformity. The forces all work against people who want to do things differently and I think that results in a lack of innovation because the rewards are not all that great and the forces aligned against change are pretty strong. There are usually penalties associated with trying to rock the boat too far in one direction or another. I think the successes that we have had in the smaller businesses that have been pretty decentralized, to some significant degree, arise out of the fact that they're not caught up in the central culture and a lot of problems that we deal with in Corporate Headquarters. We tend to, I think understandably, view things on a broader, more uniform basis so corporate actions and policies and procedures tend to form a web around behavior, which is maybe necessary, but certainly not conducive to a high rate of innovation or change. You have to say, you know, that's a matter of degree. It's a matter of balance and weight in the scale. I think Merrill and I did not disagree in the sense that we wanted to do things differently in certain ways. He more than I. A good many of the things that we tried to do, with the benefit of hindsight, as many new things do, failed and not simply because of the corporate culture. I mean, they just don't prove to be sound in a technical or cost sense. But, would you conclude from that that you shouldn't try new things so that we shouldn't have a higher degree of technical innovation, for instance, or new product innovation? Quite the contrary, we still have the problem. So, I would say it then, and say it now. It's one thing to recognize it and another to know how to do very much about it.

On the flip side of risk-taking, of course, is the ability to carry forward when you have something - a kernel of an idea, or a new business or whatever, a product - to give it the full time and attention it needs to get it through its baby stages. That is hard to do in a big organization. There's much more stigma attached to failure in a big, conservative organization. The penalties aren't as great as when starting your own business. Obviously, if you fail there, you fail, but in a big business you get off into a by-line and it doesn't work, and people will avoid it like the plague and you kind of get bogged down and trapped in that environment. Maybe you don't lose the business and maybe you don't lose your job, but it certainly carries with it major negative consequences. The reward side of things, we are not all that good at. In a smaller environment, or small business, I

think, the rewards are both personal and monetary. When somebody does something very, very well he doesn't get personally rewarded in the same degree that he would if he were in an organization that sort of celebrated in every sense the differentiation and successful innovation. So, it's a problem. It's a problem that comes along with the big long-term-oriented organization where affiliation and security are at a much higher level than in a lot of companies. In a lot of companies, one of the consequences is that the rewards for aberrant behavior, even with a company with success, are not nearly as strong as they should be.

So, we do not tolerate very well either change or different styles. I say with Ted it was a style matter to quite a degree. Bill (Ruckelshaus) recognized it when he brought him here. Ted was a wild man on many subjects, but very, very good at certain things, too. So, you had a lot of talent, a lot of ideas come crashing in. He is anything but a conformist. The organization found ways and means of slowing him down, but I don't think it was as rewarding to him and I don't think he was nearly as effective as he could have been. So, this is different. I think the criticism, to go to the generality, I guess, in this case, you could say, doesn't necessarily fit the character of risk-taking as much as coming at things from an entirely different point of view and being frustrated when he couldn't get a lot of acceptance or get a lot of change here. But if you have the kind of a culture we do, you tend also to both attract and retain people that are more comfortable in that setting. I mean, it's a self-perpetuating kind of a thing. So, we don't have a lot of people with very high degrees of artistic and writing skills.

Let's go back to 15 or 20 years ago, you know, we were emphasizing improvement in planning and analysis and to some degree engineering. So, you become an organization which is cool, calm, analytical and logical and, even though I draw a contrast with Ted, I think those would probably all be valid. I don't think it is a matter of all one or all the other or right or wrong, but it certainly does produce different kinds of results and encourages different kinds of people. Encourages or discourages. If I were to try and change it, what I'd like to do is try to find a way to have somewhat higher proportion of inventors and innovators working in certain sectors, but that's much easier to say than to do. I think in certain areas you need that, certainly, the ability to come from an idea to a new product or a new business. In that arena we could use a lot more motivated people and move the organization faster. But, it's hard to find a guidance system within which to make that happen and to insulate it in a sense from the mainstream of our businesses. I think the relatively low degree of spawning of new businesses and of new

products is partly the function of lack of commitment to change and in tolerance for risk-taking that we have built up.

Edgerly

Has that frustrated you?

Weyerhaeuser

Well, it has in the sense that I've seen the need for a fairly long period of time to make some of those things grow faster and get them implemented faster. It certainly continues to frustrate me that we have a few people, too few people, and quite a number of ideas in areas that have high potential, but nothing comes out the end of the tube. I think we're going to do something different about that, particularly, concentrated on the technical side of the Fiber Businesses. We're awfully internally oriented and insular. We've been changing it slowly, though, and Merrill had quite a good deal to do with it and John Shethar and others. Now Dick Erickson's the new one at it. For that matter, some of the companies are differentiating themselves by a commitment to both process and product. There are some significant process changes going on. We were talking earlier about the technology project and that was an attempt to get a broader view, of what was going on in Australia and Scandinavia and so on. It was a big disappointment that we couldn't come out with enough solid ideas to implement. We didn't get the mills involved or get the company more in the mainstream. We had ideas. We didn't get beyond, with some of them, pilot plant stage. If we had been more successful at carrying them on through, I think we would have generated a climate where more people were thinking about change and we would be farther ahead in terms of implementing process changes. Some have been smashingly successful, like extended nip presses, and we were out front. We put the development money up with Beloit and worked with Beloit. It was a very big step forward in energy efficiency, productivity. We've applied it in four or five, whatever places it made sense. We had a Beloit blocked out from selling them, as long as we purchased them, selling them to the industry. We finally waived that after we had a number in. But that's the kind of thing that could have been multiplied 10 or 20 times in different areas, if we'd been as up front in other ways. You can't lead everything, you know. There's a strategy that says you're a fast follower, much cheaper and let the first guys take the hit and risks on misengineering and misapplication and buy in later on the technology. That's not necessarily poor strategy. I'd rather do the other or some of each. I'd rather be up front some. But, realistically, we've been a hell of a lot better at being in second or third or fourth position on those than we have at inventing them. I

would like it to be different, but that's a long ways away from saying I think we ought to be forcing ourselves to get up front. I think it can be expensive and the cost-benefit relationship may be way out of whack with the kinds of people and the kind of company of we are. So, I think that's something I've learned along the way. My grey hair shows you don't always find things the way they ought to be.

Edgerly

You don't think they would have fit your grey hair anyway? (Laughter)

Weyerhaeuser

Probably would have, but I'm saying that concurrent with the grey hair came some of those realizations. I think everybody would like to be a leader and then coupled with that, of course, is sort of a feeling I have that we have built a very big system, enterprise, and that we're up in the top two or three in most of our product segments in size. Then if you look at that, there are certain penalties associated with size, they're not all benefits. I would have said, "No, I think scale is terribly important." But, I think that to whatever degree scale was the driver in years past, the conditions have changed and there are additional penalties associated with size. I have a different view today. I'd rather find us at medium scale and be able to move faster and work on optimal lines of transportation and maybe at an optimal rate somewhat below the front in terms of technical innovation, etc. There are a number of areas that are not any longer offset by the fact that you can buy something 40 percent cheaper on a per unit basis because it's 100 percent bigger. We drove beyond the limits of our capabilities and perhaps, in some cases, the industry's scale. And, we wound up with great big businesses that have to reach very long distances for their market and very big mills.

SIDE 2

They have to reach farther for their markets and that means they have to pay additional transportation costs. They're bigger and they have to draw their raw material from longer distances so they're paying more for their material transportation and being the scale they are they have to kind of take on all comers in terms of customers so that they have the ability with a very, very broad customer base to move the volumes that you're dealing with and I think you could afford to be more selective if you're not quite so big in a marketing sense. Then what happened was you lost a fair amount of the advantages of upscale. The curve used to like this, and now, you know, it may even go somewhat down

in terms of just the capital cost per unit of capacity. That's a function of a mature industry, or of maturing technologies in one sense. So, along with a lot of other things in our society, bigness is not necessarily the best route to go. And, once you've built a big system, then everybody is geared to the structure you've set up and they're harder to change and move because anything you do at the margin is small relatively and a nuisance. Whereas if you come from a smaller entity, you're used to coupling with customers and suppliers and you're growing off of that kind of a base. You've got people that are used to working in close couple and can build on that somewhat differently than these great big interrelated things. The same thing's true of integrated mill sites. I think there's a scale problem there. This is probably heresy, you know, since this is my father and me and everybody else. Seeing the advantages of integrated support systems around multiple units, you come to realize that our biggest problems are centered in our bigger, older facilities. Well, maybe older's part of it, but bigger's part of it, too. Whether that's a function of the impersonality of it, I don't know. Maybe too many people crowded into too much of a mill site sharing too many things not under their control and then maybe you go to the lowest common denominator in terms of the bad habits of parts of the organization or people. You find it difficult to separate out in terms of the way you run things differently, small businesses from large, if they're all on one mill site. So, I think if we were to do it over we would look at it differently and very carefully. We don't automatically jam a structure-wood plant onto the Plymouth Mill site with different unions drawing on the same raw material from a longer distance. Now on particleboard, we have had a long debate; we are going to go ahead and put a particleboard plant alongside of the medium density plant in Moncure. We thought about procurements and we're going to set that up separately. I don't know whether we're right or not. There's some real advantages on paper to shared facilities. Same thing as back in the 'forties. I mean, you can find good reason. Sometimes the qualitative differences you don't see. They're down scale. But, the little plants that we have set up on their own merit, trained people for, have generally been successful and I think that's the way we will probably go. You know, Procter and Gamble, I guess, tries never to put more than 300 people on one plant site or whatever. There are arguments, good ones, for that.

Edgerly

Just like the Hutterites, they sent out a new colony once they got to 100 or something like that.

Weyerhaeuser

Yes. Well, there's the management theory about that and I think it's valid, you know. But, it's certainly in direct contrast to what we've been doing for years and years. It certainly seemed attractive to be able to feed all of the waste streams into a power house and to be able to interrelate the materials flowing from our log center in different directions. I'm not saying it wasn't right, I'm just saying, there's some other factors working there that we're more aware of that mitigate those economic benefits and lead us to different conclusions. I haven't changed my mind completely, but I think it's open a little wider.

Edgerly

Yes. Some analysts and people inside the company are expressing feelings that in the long and short-term for that matter, the answer for Weyerhaeuser is diversification on a much broader scale probably than anything that the company has considered in the past. This would take it away from the more traditional areas of forests, land management, use. Do you agree with that? If not, why not. Or, if you do, what kinds of businesses would you anticipate the company might successfully pursue? Or, which ones would be most attractive to you?

Weyerhaeuser

Oh, a host of of things come to mind, but the way you phrase it, away from the forest or traditional businesses or away from integration, my first reaction to that is, I don't agree. I don't think it's necessarily advisable and it certainly is not required to find growth when we're enjoying market positions of 3-4-5 percent and not to exceed 10 and, well, 15 maybe in diapers. Even though we're in many relatively mature industry segments in the industry, you do not have to have the vigorous industry growth rate in order to grow either vigorously or certainly within the constraints that we have in capital or any other dimension. You could grow at a 15 percent to 20 percent growth rate for a long time and not hit constraints in our main segments, if you're smart enough. This is to say, we're not a General Motors, IBM isn't a good choice but they don't seem to let market share bother them any.

Edgerly

Yes.

Weyerhaeuser

So, I think that the relative attractiveness of growing in our segments will depend on our ability to find different ways of presenting our forest materials in new forms. I don't mean that we necessarily have to invent new forms, but to the extent that they are invented and that we get up in front, whether it be in structural or non-structural form, communications materials, packaging. I think that there's plenty of room. None of them is growing at high rates. Most are growing some and most on big bases so that there's increased consumption going on. And, a lot of that consumption increase is going on outside the U.S. so certainly one consideration is whether this country is going to get its fiscal and monetary affairs in order to permit access to foreign markets. I don't know the answer to that question. I would have said any time up until the last couple of years that I would bet pretty heavily on our industry and even more so on our geography in that industry being situated so that we could, in a practical matter, be competitive in part of the growing markets, certainly including Asia, which we see as a continuing high growth area of the world. It is becoming the high growth area, the aggregate, much more so than Europe or Africa or Latin America or the U.S. So, I think the key, in a sense, to which way we ought to go is going to be segment by segment, whether we're smart enough to be reasonably well up in the pack in terms of being able to engineer and produce the new products. If we can't, we're just talking about commodities and staying even. If the country, in a sense that it is now doing, forces itself increasingly to deal within its own borders, I think that says something very different about what happens in the West and whether we have to move further to the South and East. I would see a differential growth rate for us within the forest products businesses and for that matter, some of our other businesses nearer the population centers. This big Western base is the one that has the largest set of questions around it from a proximity to market view (meaning economic proximity), which is radically affected by how we conduct our capital markets and exchange rates. If you were just going to freeze them in the present position and say they stay where they are forever, which they won't, or, if they were to move disadvantageously, the dollar gets stronger over a long period of time, the Northwest, I think, will shrink down to serving as a regional supplier to the Western States (which don't go very far East). You become a California and West Coast supplier. That would mean that we probably would not have a very high growth rate, even though the timber growth rate is not bad, I think that the ability to compete in these markets against a lot of small operators and Canadian competition will restrict to what degree we convert and refine the products we're making out of the timber harvest. So, I would say, you could see a reasonably stable, at the best, moderate, rate of growth

in that part of our business and much stronger emphasis on a geographical dispersion. I would think that to the extent that we get into businesses, whether it be the nursery business, diapers, or anything else that serves the U.S. market nationally, they'll follow the pattern that we've been following which is 75-80 percent will be disbursed central to eastern U.S. Now, that's not to say that we're not experiencing growth in the South, but a lot of that growth will be served out of non-northwestern locations.

Diversification always looks, sounds and smells good until you get 5-6-7 years down behind some acquisitions and begin to understand the problems that they face and the warts that they bring to the party. I've never thought that acquiring your way into things per se is preferential to internal growth. I think that where there's a certain amount of real synergy, not just theoretical, where you can build something in addition to what you have by some degree of good reason, that's the route we'll be continuing to look at. But, I don't think that necessarily means taking us into other commodity forest products that we're not in simply to get bigger or to broaden the pipeline. I think we'll be trying to upgrade both the paper and the wood products technically which will take us into specialty smaller, higher growth product areas. I've looked at that over a 10 or 15 year period. I think we'll make a whole range of products that are not now being made. I think we'll learn how to do a lot of things about laying down different kinds of fibers differently. And, some of that technology is going to come out of Germany and Sweden and other areas and I don't think we necessarily are going to invent a lot of it. But, I can see all kinds of mixtures of these materials with other materials as is happening in the composites where, you know, somebody says, "You're going to make airplanes out of the mixture of graphite and fiberglass and organic chemicals binding and make it strong, resilient, resistant, lightweight." It's obvious there's a revolution going on there and I don't see any reason in the world why our fibers are not, in due course, going to get introduced into different product form. Maybe, if some of those areas were to take off on the growth curves, we would buy companies or try to accelerate our rate of growth into those rather than build one from scratch. That's sort of what we're looking at in a couple of areas. You could find other areas that are of interest, specialty chemicals, that stay in the industrial marketing. I don't think we're going to be industrial intermediates. I don't think we've got a lot of skills in this outfit in terms of consumer marketing even though a lot of the consumer products are showing better stability or higher rates of growth than ours. We'd have to have a different kind of organization of people, and I don't really see that being our cup of tea. You could change that, but you'd have to change it through acquisition and I don't think you're going to convert a lot of the

people that are from the kind of businesses we're into those kinds of activities. We're certainly, I think, going to be growing in the financial services area which is a tremendous big field, but let's say spinning off from the combination of mortgage banking and insurance, real estate marketing, and the securities associated with those. I think that it's a gigantic field and is one to which we bring some experience and skills. It's one that generally doesn't require vast amounts of capital. Everybody is in it, it isn't as though it's going to be non-competitive in any sense of the word, but I think that there's a mixture of things there that we could grow into and will.

Now, you always like to think that coming out of the labs we're going to find a lot of miracle materials, but wood is such complicated chemistry, it's not the easiest material in the world to understand and modify, that the route is much more likely to be dealing with upgrading of the physical and chemical properties that are inherent in some pretty gross mixtures of these things, as opposed to highly specialized. It will be in the marriage of our materials with others that most of the progress is going to come. When you look at the specialty side of it, it might be a plant here or a plant there that might make some very high value products, extracted, but it's hard for me to see those avenues becoming primary large building blocks.

Edgerly

How do you react to the idea of the company selling its expertise in such things as information processing, personnel training programs, corporate conferencing, those sorts of areas?

Weyerhaeuser

I think it's probably a plus to get your professional and technical people interfacing with the outside world as opposed to totally internally oriented. So, I think first of all as a good, solid way of making sure you're staying up to speed and you're linking to people who don't have to buy your product is a good way of keeping you vital and up-to-date. I think it's a good idea, but, I've looked at enough companies doing this that I think it gives them scale, it gives them movement and they build their capabilities that way so they've got first rate service themselves. Those things have generally been, where they're well done, really positive moves for the company. But my impression is that it is a very great exception that those become major profit contributors per se. In other words, I don't look at it as a way out of our earnings problem or into broad scale diversification. I look at Boeing over here in the computer business, and I think they've done a darn good job,

but it's a gigantic operation. Ten or 15 years downstream they've sold their services all over the country. From what I know of it, it's done a lot in the vitality area and darn little in the income producing area. I shouldn't judge just by that, but I'd say that looking at companies trying to do these kinds of things, large companies carry with them certain drawbacks in the capabilities. If you're in a service business, again, I think it's probably a truism that those businesses that succeed there are pretty closely coupled with their customers. They move fast and they provide for needs efficiently and the big companies are better off when they come to something that a big company needs, which is efficiency and effectiveness at scale and somebody who can design and implement big systems. If somebody's got that big of need, often they'll do it for themselves eventually or whatever. I'm not describing the IBM's of the world, but I am describing the big industrial companies, I think, and the difficulty of doing a good job of service on a small scale to multiple customers. It isn't accidental that Boeing is pretty good at managing gigantic systems. They have to manage their own and the people they have, the skills they have tend to read more closely on the top hundred companies or 50 than they do on the tens of thousands of small ones.

Edgerly

I keep hearing people talk about a mythological company that will represent the so-called "soft fit" with Weyerhaeuser. It's almost like the mythological, mellow woman that people talk about. (Laughter) I can't help but question or wonder what people are thinking of, what they have in mind when they talk about that company, that other business, that's the so-called "soft fit". What do you think of when you think of that?

Weyerhaeuser

First of all, I think different people think different things. I'm sure you'd get a very different answer.

Edgerly

I thought maybe these other things might provide opportunity for young Turks who don't have enough to do. They give them chances to get out of the hot house environment of Corporate Headquarters perhaps. But, by your own admission, they're not intended to change the profit situation.

Weyerhaeuser

That's my sense now, not everybody's. But, of course, you have to allow time for change. Nothing changes much in the time horizon that we're working on, normally. Take a three-year, four-year, five-year set of plans. You look at, let's say, 6 billion dollars of sales and assets all embedded. Go ahead and extend that by three years just in a mathematical sense. Let's say, for instance, you added a billion dollars in three years. Well, if everything came on line instantaneously or if you acquired, you've only made a 16 percent change. And, that's assuming that everything went in the new direction, not any increment in the old, which is not the case. You almost always continue to feed the businesses you're in with a certain amount of training, people, capital, product addition, even at a slow rate of growth.

So, I'm saying that it's like trying to turn a battleship. If somebody falls overboard, you better launch a life boat, which is to say the small ones are going to do their own thing and the big guy isn't going to change momentum very far. So, then I get out into a ten-year time frame, or fifteen. In order to make the move, I've obviously got to change the course heading. And, you can say, "Well, okay, what about over time?" The reverse cycle than that I've been describing is if you did nothing in the existing businesses and you turned the entire commodity businesses into cash generators instead of cash consumers. The only business we have that fits that description is timber that is not a cash consumer. Let's say that they're only very limited. If we turned off the investment going into pulp and paper, composite panel and said, "Okay, now we're truly going to change the course heading." You then begin to disinvest in the present businesses, invest in the new, and you can write a scenario there that in 10 to 12 years, you've got an entirely different company. That's not my vision of we're going to be. I think we're going to be changing. If you were to describe the new businesses only, you will be changing direction there and the rate of new business development will be such that over ten to fifteen years you'll change dramatically the mix, but you'll still have the very large portion of the base businesses which, after all, is dictated by your planting the tree. Unless they change the tax laws the way they're proposing to, you have cast the die. If you don't dispose of the land underneath it for 25 to 40 years, you build a pulp mill, a paper mill. Again, if you don't dispose of the underlying business, you imbed 20 years of cash recovery, that investment stays in there, maybe you can get it back in seven or eight, but it's still there with a usable life, another 10 - 15 years. So every time you do that, you are doing something about the year 2000, which is the nature of our business.

Edgerly

So, in other words, what you're saying is, there is no such thing as the "soft fit"?

Weyerhaeuser

We can and will buy some pretty good size businesses which will change that equation. Obviously, to the degree that you use stock, you aren't constrained to change the cash flows within the existing businesses. In other words, you can do just what I'm talking about, and, as we did in the real estate business, you can launch some pretty good size diversions. And, in the aggregate, they can, in a ten-year period, in themselves become substantial in size and change the mix. But, it's bracketed between those two statements, I think, as I see it. So, yes, if you look at it from a 1995 point of view, you stick to a ten-year time frame, you and I would, I know I would, be surprised at the degree of difference and change. That will be affected by how successful you are in what you buy and launch in the way of expansion off of your base.

I can see three or four areas that, you know, fit that description. Take something like, which we shouldn't but I will, Thousand Trails and it sounds like it's compatible in the sense of land, but that's about where the comparisons stop. Things it takes to be successful in a business, the financial characteristics, the actual people that you have to have, the way you market, all were about as different as night and day. I would not characterize that business, if I understand what "soft fit" means, as soft at all. But, we got pretty close to getting serious about that primarily because we thought we could do something for them and because we thought they were absolutely leaders and if we were going to go in that business we thought we were going with a Cadillac and we're prepared to take on that management assignment because they had such a good track record and we thought we could reinforce it. Now you get a high rate of growth, a high rate of return if you're successful. But, if you looked at it and said, "Okay, what do we with that business in 1995?" You'd have a growth spurt, you'd have major amounts of assets generating and certainly taking capital, too. Those things usually go together. Then if you turned around and looked at yourself five, six, or seven years later, you'd have a pretty mature business, drawing off cash. It would no longer be the shining star in the heavens. But, it could produce a lot of earnings and make a lot of sense, if well managed. It's not at all obvious to me how you anticipate perfect marriage and the good fit and maintenance of the culture in the business to be acquired which is important if it's a successful, leading business. I don't know how to sit down and write out a

prescription that would say, "Here are the characteristics that we would describe that would be sufficient to define one, two, or three different sectors that we could or ought to be in. So, now there are a lot of people around here who would like to have that definition. They'd like to have it about our business, too.

Edgerly

They're waiting for you.

INTERVIEW CONTINUES ON TAPE XIX, SIDE 1.

This is a continuation of the interview with George Weyerhaeuser recorded on Monday, July 1, 1985 - Tape XIX Side 1.

Weyerhaeuser

That is not to say that there aren't people around here that would have an answer if they were allowed to pursue it.

Edgerly

You mentioned that there were three or four areas that you think might be good possible matches, and I'm not referring here to specific companies so much as areas of interest. What would they be if you were to name three or four?

Weyerhaeuser

The way I tend to think about it is where we have a certain amount of either technical parallel or fit or they would be in a field that is somewhat similar in business characteristics so that we would have a core of people that after acquisition can work with the new business. Following that kind of logic, some chemicals businesses could, from a technical point of view and a marketing point of view, because of industrial selling, industrial distribution on the marketing side and a core technical capability on the chemistry side, give us two cuts, other than financial. Any business that we acquire, we are going to understand a hell of a lot going in about the financial characteristics and we are going to continue to stay closely coupled as we have with the real estate or others on the financial management. Moving over into wood products area, as I said, toward mixtures of our products which could lead you to various kinds of composite materials other than wood or in combination with wood. There are companies in this field in the formulation and fabrication, again, generally industrial marketing.

Edgerly

So those companies are out there, that's not something brand new.

Weyerhaeuser

It is an evolving field. Yes, there are companies in various segments. Those could be either chemical or structural or nonstructural and one of the key things is whether we think there is a prospect, not only of going with that business, but of the amalgamation of that business, drawing on our materials and our technology where it might reinforce what they are doing or lead us into, in a sense, further vertical integration - taking our

product into specialized industrial use, or paper, or packaging. Those all would be steps toward the marketplace where I think we need to go - we would be looking for acceleration of our involvement and therefore, progress towards specialties and towards specialized marketing. That is not vertical integration in the sense that it has to use an immense amount of our product. I mean, it is not the shipping container/linerboard, just convert one step. It's trying to get companies with the market presence and the capability and the technical capability that we can work together to carve a product and service niche. I think that's where we ought to be going.

We have looked at various of the financial services. I think we will go into some of them probably further, but it's a very broad set of activities contained within that general nomenclature. Some of them seem to fit closer and go further, much further, like insurance, which brings with it money management. Our little annuity business, GNA, is essentially two-part, one of which is money management, of course. I see all that fitting in with our doing more and more managing our own pension funds and I think we're going to build continuing strength in that area where we have some pretty good people. I don't think that it is necessarily going to take an immense amount of capital at any one move, but over time could build some pretty good size businesses, each of which probably brings with it a fair amount of leverage. So the business could become a lot bigger than just the initial capital. That is part of the attractiveness of financial services, you are managing someone else's money, if you do it well . . .

Edgerly

Looking again at something like Thousand Trails -- you said you get to a certain point and it seems as if there is no longer a very good correlation. But the company knows a tremendous amount about public sensitivities regarding environmental issues; the company owns land which could easily be converted to recreational purposes; the forestry skills are there; the land management skills and know-how are there. In a case like that, what causes you to draw back.

Weyerhaeuser

So much marketing and such a different kind of marketing that you are dealing with an awful lot of development of customer lists, a fair element of high pressure selling. Thousand Trails, I would say, is a leader in its field, but it still skirts the line fairly closely on ethics. I am sure they do everything legally, but an awful lot of the success of the thing is being able to convince people they are really buying a place in heaven and

they have to share it with at least ten other people. Selling each plot of land ten times is part of their success. They take on an awful lot of consumer paper. I am sure that understanding the market and being able to locate is a critical part of it. They have to be able to get in the right places. But, the things that are key to that, we don't bring an awful lot to it. We bring some of the things you mentioned and certainly affiliating Weyerhaeuser with Thousand Trails would produce some good and some unwanted side effects, looking at it from their point of view of the market. I think we would be reluctant to push as hard as they do on signing people up, getting them out, promises of this, that, and the other thing, which they deliver on in a legal sense, but it is a lot of image building. It's a lot like selling something that you can't quite put your finger on, life time use, and you go out and sell nine other people the same thing and if all ten of you buy it, it may be that statistics will say that if ten people own a plot of ground they all aren't going to get there at the same time. On the other hand, if they truly have sold to all ten of them and people want to spend the Fourth of July week there all at once, they will find they won't be able to reserve it. I don't know what happens when they get filled up. The models all say it will work.

Edgerly

What you really are describing is a psychological difference then that is the real sticky point perhaps more than anything else?

Weyerhaeuser

Well, yes. I would say that we probably came apart on financial reasoning, but they believe so strongly in what they are doing that they extrapolate it out to infinity. Basically I am the problem in that I am willing to grant them a large measure of success, but I am not sure how long they can sustain it. If we are going to pay for seven years of futures and the curve turns from this to this [up to down], you get a very different present value. They have a very inflated idea about what they are doing. But, we came very close. We might have bought it notwithstanding. My concerns finally get translated into will I or won't I pay a given price, but without any of those concerns I would have paid very much closer attention to their ideas. I know that I don't want Weyerhaeuser Company to get in a position where we have unhappy people out there because we have oversold. The minute we put our name on the door we are going to be there for a long time. That is not to say that Thousand Trails doesn't expect to be too, but I think they hold themselves and I think they are held, to a lesser standard. They probably wouldn't agree with that.

There is more than an economic fit question. If I understand what "soft" means, I think it's compatibility through time with the activity and the type of people. Our people were terribly impressed with enthusiasm and the culture [at Thousand Trails]. I mean they have a bunch of young people charging over there. They really believe in what they are doing and they are having a lot of fun doing it. It is a very open style of management and you can't help but feel the enthusiasm. It wasn't all done with mirrors, by any matter of means. So, we got relatively comfortable with who was doing it and the way they were doing it internally. They also have been the pioneer and they have very major tax risks, which we would not undertake. They are, through interpretation and a lot of other things, way out there on the tax front and Weyerhaeuser Company couldn't do that. First of all, we wouldn't, and second of all, we wouldn't be allowed to. So, now you've got a gap between what comes down to the bottom line, even in the intermediate term which was a part of the problem. But with every one of these, you know, we have the same problem as in the real estate business. You take on some guys and how do they run their business? What are they doing when they meet the customer? You know, it is a little bit like the used car business. You have effective people selling the real estate, they know how to push pretty damn hard and sign people up. They may not know exactly what the laws are and they're getting stricter and stricter. Our companies are. . . I'm confident now. We've had them for ten years, too. That doesn't mean we changed them, but we know we haven't got a bunch of swingers out there. It is part of the big company versus entrepreneur versus little guy. It is industrial selling, as I say. We aren't used to high-powered advertising, promotion and personal solicitation. You don't turn the same people loose doing that. That is not to say we couldn't acquire them, but then if you do that you had better be prepared to let them run their own business. I've been burned doing that on the antitrust laws and a few other things where people, in fact, that we assumed knew what the laws were and believed us when we said, "We obey them." It was not the practice in their industry, so because we didn't yank them in close, we paid a real penalty.

Edgerly

Are you talking about the box incident.

Weyerhaeuser

Yeah. It's a tough business and particularly the folding carton business. I don't think any of the big companies, almost without exception, has been able to do well or stay in it. That is a slight exaggeration. All the deals behind the scenes, some illegal and some not, were really the nature of the business in the marketing of folding cartons. We inherited a certain amount of that and let them run it the way they were. They didn't say they wrote in asking for company policy endorsing A, B, C, D, E; they just went on doing business as they were doing it. And when you had seen what they were doing you wouldn't have allowed it.

Edgerly

Some people have said the same thing about Roddis.

Weyerhaeuser

Yes.

Edgerly

A lot of people have said that Roddis was real tough because they had a whole different idea about how to do business.

Weyerhaeuser

That is a good illustration. Certainly we had a culture shock between Roddis and Weyerhaeuser.

Edgerly

They were operating in a different environment and perhaps things were not quite so strictly watched.

I thought I would ask you about the company's price to earnings ratio which has had a couple of ups and downs. Since my own ability to see these things is better helped by putting it on paper, I took the quarterly ratio and plotted it so I could see what it looked like. Then I went back to the annual reports and the explanations that you had given in the annual meetings for some of these ratios. Of course, this is the most extraordinary one right here, that 1983 first quarter upturn. You addressed that at the April meeting with some cautious, but nevertheless optimistic remarks and then we very quickly headed back down the curve again. What do you see happening to this line, given the climate that you yourself are projecting?

Weyerhaeuser

Well, there are a lot of theories about price-earnings ratios, you know. I don't presume that I have any great insight in it, but let's start out by saying that price-earnings ratios are the functions of at least two variables, one of which is earnings in the short range. When you plot something quarterly, if the earnings drop by 80 percent in a quarter (which they do) there's a big change. This company is owned by a lot of people who have owned it for a long time and are not buying and selling quarter-to-quarter. It is obvious that the price of the stock has ranged between \$25 and \$40, so in a sense if you want to drive your price-earnings ratio down, drive your earnings up, which is the inverse of what might be implied if you just look at this.

Edgerly

So what you are saying is that this really is . . .

Weyerhaeuser

A function of low earnings, well, in a very short term. If you took a twelve-month or twenty-month rolling average, you then begin to see trends. Now if we are talking about trying to draw it out, I know I can't draw quarterly earnings beyond about three or four quarters, even if I can get them in a zone of ± 40 percent. Price-earnings ratio has much more to do at any given point in time, with a perception. You have to start with the perception of level, which means if earnings have been depressed, and they are looking back at earnings levels that have been much higher, they are discounting the present level of earnings. This means that price-earnings ratio will tend to be high on that count and if it is cyclical, which we have been in history, they will be looking forward as well, to the next up cycle. A combination of those two things has produced in history, very high PE ratios for Weyerhaeuser at these points where we have low earnings, and we have had a reasonably good history - 2 to 3 years or whatever - and maybe the industry cyclically is up. The industry PE ratios for all industry, to complicate matters just a little bit, the price-earnings ratios in one calculation translate into rate of return. Rate of return on equities is related to the rate of return on bonds. So, one of the variables is, are we in a high interest environment, or a low interest rate environment. Of course, we have been in a very high interest rate environment. We were up in this range in the 70's, but interest rates were low and obviously as the price goes up, the rate of return goes down so when you had low interest rates you could have a high price on the stock and you were still earning - in relationship to bonds - maybe 4 or 5 points under bonds. When

bonds were 14 percent and they expected the equivalent, you would have to drive the stock price down to yield the combination of dividends and expected appreciation in the stock at least 9 or 10 percent. So, in effect, you go back a year and say we were at 13 percent or 14 percent, now its at 10. It is tending to force the PE up, not because of earnings obviously; we don't have good earnings and haven't had good earnings. So you have the general PE level that is moving with interest rates and then you have the industry cycle, as perceived by the analysts and others, and Weyerhaeuser gets into that. Then they superimpose on that our international exposure and particular commodity mix versus the industry. Well, on the export exposure and the commodity exposure, we are suffering in comparison with our industry so our PE ratio is tending to be depressed relative to our own industry.

So my answer on where is it going to go goes back to four our five fundamentals: Where are interest rates going to go? Where is the perception of Weyerhaeuser, which includes its foreign trade exposure? We keep talking about it so I tend to reinforce it in a sense by what I say because we are super sensitive. We are sensitive to the exchange value of the dollar and we are in these international commodities, more so than most of our competitors. Not only are we internationally oriented in terms of the export proportion, but affected domestically by the product mix that we have as a result of the foreign overcapacity. So, in a sense, now we are in the wrong sectors at this moment in time and in the wrong commodities. The direction of this is influenced certainly by the number of guys back in here saying, "Well, the next thing that's going to take off is linerboard and shipping container." The conventional wisdom was that we were running up at 95 percent of capacity and there is going to be a certain amount of growth up there. But we all missed on the international front with two or three million tons moving internationally, and moving in the wrong direction, collapsing back into the United States because of the strong dollar. So, the expectation was much better in that sector than has turned out to be the case and I don't think there's anybody forecasting a big recovery at this moment. So in order to construct this, you should draw an interest rate curve and then we should draw commodity curves on Weyerhaeuser and what the market is saying, the analysts and the people who are buying and selling the institution stocks, and what the cyclical timing is. I can't even get any agreement from anybody around here with me. Well, that's not quite right, but the conventional, economic advice on interest rates I've been getting is counter to my own thinking. I've been right so far, but I think interest rates are still headed down and I think the dollar is going to strengthen somewhat. We are going to have a two-year pull through some of these commodities on the paper side to get a strong

response in terms of margins. But we are starting at a PE ratio of 20, which is double the market. I would not be surprised to see that PE ratio hang in there and if we got very good increases in earnings, I would expect it to fall. Which is to say, I would expect the stock to go from 28 to 35 if our earnings went up 50 percent and instead of the 35, it should go to 56, but I don't see that.

Edgerly

What's interesting to me, and I'm sure that this is partially because my knowledge is very unsophisticated, is that we are still within a relatively small range there, with the exception of this.

Weyerhaeuser

Yes.

Edgerly

This begins in '77, so right there is eight years and it's still within a few points.

Weyerhaeuser

That surprises me too. I haven't looked at this. You know, we had a pretty earnings surge in here. It didn't move the PE, that meant the stock was moving, at least from let's say '77 to '79. If you held PE ratio and our earnings went up quite a bit, our stock went to 40 or something like that. It was following earnings is what you're seeing when you see something flat. If you drew a straight line across there, of course, it would be a perfect correlation with earnings. But we have had gigantic interest rate changes from 1979, as I say, and unfortunately, in the early part of the curve in the wrong direction. Interest rates took off when Volker changed the monetary policy and we drove interest rates way the hell and gone up. You would have expected it to force the yield on stocks up and stock prices down. It would have been kind of the reverse of what's happening. There are a lot of factors at work there, because the stock market typically is given credit for looking forward and I think they do anticipate cyclical shifts much better than anything else, but maybe that's a six- to twelve-month phenomenon. I think interest rates are probably going to stabilize and not move in as violent a fashion. We've got inflation down. We are properly viewed as something of an inflationary hedge security, and we had a high PE ratio partly because of that. Now that they are not so concerned about inflation again, you would expect not the paper stocks but the forest stocks to come down relative to the market. We get an industry comparison and a Weyerhaeuser

comparison and, of course, you can get the S&P or whatever PE ratios. What's happened is that some of the premium has come out of that. Certainly some of the premium that we've had versus our industry has come out, even though we are still on the high end.

Edgerly

You mentioned earlier the impact of the strong dollar. I do want to ask what Weyerhaeuser and representatives from other industries are doing concerning this issue in lobbying with the Reagan Administration and the Fed.

Weyerhaeuser

Are you talking about the deficit or tax bill?

Edgerly

Well, the strong dollar is really a function of both actually.

Weyerhaeuser

Yes. And you can find experts that will argue on either side of the relevance of interest rates to the strength of the dollar. Some say it has something to do with it.

Edgerly

Well, let's say you could make monetary policy at this point that would benefit Weyerhaeuser and other companies that are in a similar position. In view of the fact that you are on the board of a Fed bank, you obviously have some ability to express your opinion about that in a forum that supposedly has an impact.

Weyerhaeuser

I would say it the same way, "supposedly". Somebody wrote a poem, one of the guys that's on the Seattle Fed Board or that comes to some of the meetings. It goes something to the effect that the bankers (three out of nine of us are bankers) wish that Weyerhaeuser would disappear. They've got all kinds of logic and are generally sympathetic with higher rates and something to the effect that I sit over there and vote for lower discount rates. There's a lot of technical argument about what affects interest rates and it is pretty clear that long rates are affected differently than short rates. It is not obvious to the technicians, at least, and a lot of other people as well, that lowering the discount rate or having the Federal Reserve Open Market Committee purchase government securities and thereby inject reserves into the banking system, necessarily

will lower interest rates over time. This is the first order effect, one would think: if you make money more available it will be cheaper.

There is certainly, in the long market, a second order effect, which is to say that if the money supply continues to be fed over any length of time, you have an inflationary effect of more dollars chasing the same amount of goods and the inflationary expectation goes up. There is clearly an inflationary expectation or a view about inflation incorporated into the willingness of people to lend money over long periods of time or borrow it over long periods of time. So, you could have the combination of forcing down rates in the short run by increasing the money supply and the outfeed effect of that being a higher long-term interest rate, which is of great consequence to home builders and to us. For that matter, it also affects the foreign exchange picture. One of the reasons foreigners are pouring money into this economy is because it is stable and not inflationary. You could have the interesting phenomenon of increasing the money supply and having foreigners less willing to lend into it and having the net effect be an increase in the money supply with less money available, long money, by virtue of the foreigners anticipating inflation and not being willing to put the capital into the United States, I'm just giving you all the exotic arguments now. It is not how you vote on the discount rate or how you feel about the rate of increase in the money supply. You come out with different actions than might be implied if your objective is to get stable and lower interest rates over time, which is what mine would be.

How do you get stable and lower interest rates over time? It's pretty obvious to me, even though you can find technical arguments about this, that if our savings rate is as it is only 5 or 6 percent, a low savings rate, and that savings rate has to accommodate new investments, growth, and has to finance whatever difference there is between income, revenues, Federal Government, and expenditures, and if we allow the Federal Government to be in there to the degree that they are, which is 5 or 6 percent of gross national product, then they are, in effect, taking all of the savings. If we cannot in a major degree reduce the draw of the Federal Government on the savings pool by cutting the deficit, we are not going to get interest rates down. It is also a fact that \$200 billion worth of deficits, no matter how much the economists argue or anybody else does, that it is relatively unimportant, we can accommodate it, etc., it tends to confirm in people's minds the fact that we have a runaway government. The Treasury comes to market every couple of weeks in gigantic amounts and people put those two things together and say, "Boy, we are not able to control spending, therefore, I anticipate further inflation."

If you anticipate further inflation, you are not about to lend your money for 20 years or 15 years on the long market. Long bond rates will tend to go up. It's just that simple. I say we have to make a large, incredible move on the deficit. The Fed can't do it. The only thing they can do is pump the money supply to accommodate it. Then you've got long-term inflation and you've got high interest rates in time, in the long-term market. So they can't do it, literally cannot do it over any length of time. So, it isn't the Federal Reserve as I see it. I'm in Volker's camp on that. I think we must bring better balance to the budget, the fiscal deficit. So long as we don't, the best they can do at the Fed is to maintain a reasonably steady rate of infusion of money into the economy related to anticipated growth.

Side 2

Weyerhaeuser

The Fed is trying to, and I think appropriately, keep the money growth related to the physical growth in the economy. So if the economy is growing at 3 or 4 percent and their money target rates are in the 7 percent range, in a sense they are increasing money supply to keep that growth rate going and they are feeding inflation to the extent of 3 or 3 1/2 percent on top. There is a phenomenon called velocity which gets in there because we find more efficient ways to build the economy with the faster turnover of money. That's the electronic transfer of funds and all of that. It's not quite as simple as those two numbers, but normal velocity increase might be 2 or 3 percent. With let's say a 3 or 4 percent money growth and a 2 or 3 percent velocity growth, you could theoretically handle 6 or 7 percent growth without inflation. The Fed is going to bring that rate down slowly over time. We were at much higher growth rates for awhile. I think they are doing what they can, reasonably. I'm no expert, but of course the supply and demand for money in the United States does not stop at the border. We are in an international set of capital markets and trade markets and it is theoretically possible for the United States to continue to borrow money from overseas capital markets for five, six, seven, eight years. There are arguments that say you are not even talking about the appropriate subject when you contain your argument within the money supply in the United States and the growth rate in the economy here. We are, in fact, being allowed to continue to do what we are doing because we are politically stable. We have relatively high interest rates and we have a low rate of inflation so people with money place it here for safety reasons, for yield reasons, and they are not worried about the exchange rate because we've got a low rate of inflation. But we are siphoning money out of South America and out of places that need it. To handle this, the biggest economy in the world, we have big net borrowers. Down the line, somebody is going to suffer and suffer a lot. I think it's not going to be sustainable over an extended length of time. If we were able to make progress along that line, reducing it each year toward some better balance. . . I'm not a dyed in the wool budget balancer, I don't think it has to be perfectly balanced, but we are so far out of whack now that we are putting all these stresses on. We are having to hold our interest rates up in a sense to pull in this foreign capital and that's not sustainable, in my opinion, over an extended length of time and it is something that ought to be at the top of the priorities of things to do.

Then you get over into the arguments about, well how to you control the budget deficit? A lot of people, and knowledgeable ones, say that the problem is not revenues. We are taxing ourselves at the rate of 19 percent of the GNP, not very far out of whack of what it's been over the last seven or eight years. The problem is that we've got runaway spending. So, therefore, concentrate everything on the spending side. I think that's got a lot of validity. There's a lot of room in there, defense and domestic. Also, there are a lot of political constituencies. The political realities are that we are not going to get it all out of the spending side and, I believe, contrary to some of my very best advisors, that we need to find something in the way of a revenue enhancement. I think it ought to be a consumption-based tax. It's not going to come in this round of so-called reform or deficit reduction, but I believe it's the soundest way to go.

What are we doing? We are trying to argue very strongly against the reform proposals because they impact very heavily on heavy industry, on capital intensive industries. Right when they are in the worst trouble. They are being killed by the dollar and we are busy de-industrializing the country from a heavy industry point of view. Even if we are right over the longer pull, the proposals would make capital investment costs substantially less competitive with all of the other developed countries at a time when they (industries) are already in great trouble. We just don't think it makes any sense. They of course also have provisions in there which require the capitalization of all the costs of acquiring and maintaining timber until harvested. Not only that, they go to a punitive position, which says we also impute interest preferentially to timber, so that if you have any debt, you are assumed to have borrowed the money which you are using to establish the timber stands, therefore, we disallow all the interest preferentially that you have assignable. They are saying in effect that since it takes so long to grow timber and you are not generating revenues, you are in fact tax sheltering all that. Therefore, you ought to be forced, if you are borrowing any money, to have the interest disallowed, which would absolutely put the reforestation out of business. Whether that's worse than - of course it is for us - the capital allowance provisions of tax reform, is debatable. Extending the depreciable lives, removing the investment tax credit, there are three or four major provisions in there that are very bad, so we are going to do everything we can to work against that.

Edgerly

Does the industry already have in place organizations that are equipped to handle these things? Is Weyerhaeuser finding that the need to address itself very strongly to this issue requires another kind of approach, a new association, or different leadership position?

Weyerhaeuser

Industry has the Business Roundtable and the Chamber of Commerce and others which have been focal points for previous tax fights or reforms, but the Administration drew this proposal together in such a manner that it split the industries in the United States significantly. For one reason, the relative attractiveness of lower corporate rates and individuals, but let's say corporate, from 46 percent to 33 percent, is very attractive to less capital-intensive industries. It's all beneficial to them and they don't lose a great deal of benefit by having to have depreciation reduced and the investment tax credit in a non-capital intensive industry is not as important relative to their income. You see, retailers are relatively happy about it. I think that in addition to the retailers, for whatever reasons, General Motors, IBM, there are seventeen or eighteen companies that have signed on with the Administration to promote it. They also vote within the Roundtable and the Chamber. There are enough companies in there so that, to avoid splitting those organizations permanently they backed down. In effect, a minority can and has neutralized the position of those organizations. Therefore, on the general issues of investment tax credit and accelerated depreciation, ACRS, we are forming a new group to try to work those. Capital gains is kind of left out of the thing too except that the small businesses and venture capital have been very active, were the last time, and are on the capital gains side for individuals. They still are in the Administration's bill proposing to phase the capital gains out. They take it up to the effective rate that is equivalent to the 33 percent rate on all corporation income. We are trying to defend that, but then these expensing rules, of course, are just like a rifle shot right at us, our industry and we have the organizations that are working on that within this bill too. I don't think much of that is going to come to pass, but it is terribly risky and very, very important to us, particularly on the timber side. The other provisions are every bit as important to us in the dollar sense as we are capital intensive. We invest \$300 or 400 million a year and they extend these lives and knock out the investment tax credit and all. The consequences are large. It's all very important.

The other part of the coin is that I'm still just as concerned as I was. They have done nothing to eliminate the deficit. The tax reform proposal is, whatever was motivating

the Administration, has been a diversion so far on the budget deficit cutting. So is the Middle East and a few other things, but they have made very little progress to date in reaching any kind of accommodation between the House and the Senate, even to get a \$50 billion down payment on what will be an escalating deficit in the absence of major moves to cut spending. Of course, there they can't agree on impacting the Social Security and Medicaid and military pensions and on the balance between military spending cuts and domestic. That I'm terribly concerned about because even if none of tax reform went through, we're still left with, what I would characterize as incompatible policy between budget and fiscal and monetary. It's mainly the mix of those things. Most other countries are maintaining fiscal discipline and monetary ease. That produces this high dollar which means lower interest rates in foreign countries. So, they are nailing us up on the wall, us in this case being the exporters. The budget thing is a very real, long-term, very major impediment to getting down to sustainable growth and non-inflationary, with any kind of reasonable interest rates and trade picture. It is now seriously impeding our trade and our growth because of the trade picture. It promises to get bigger because the growth rate is a good deal lower than the Administration thought it was going to be, or at least said they thought it was going to be, and I think most people would agree that it may only be in the 2 percent range next year. That's a long ways away from 5 percent and their revenue base is not growing and, of course, whatever job implications and unemployment and all the other things that come with a relatively full economy are being withheld because most of it is being siphoned off overseas. We are taking their money and we're taking their goods. That's what it amounts to.

Edgerly

Over the years, you have served on the boards of a lot of other companies and organizations. Is there any one of them that strikes you as having been most beneficial to you and to the company in terms of the insights that you've gained, the experience or exposure?

Weyerhaeuser

They are all different. I don't think so. I think I get a much broader view of a much wider spectrum of finance, foreign trade, and commodities at SOCAL. There have been just five or six of us outside directors and we're very much more familiar with the business by virtue of that. They are all over the world and so I see more, it's more parallel with our business on a ten-fold scale than Boeing or SAFCO or Equitable or the bank boards. You get a mini view of things. If you say, okay, what about the

Northwest? Why obviously I see a good deal more of that in the context of SAFCO and the Washington Round Table. Boeing is a very large manufacturer and technology user. I get a lot on engineering and the world marketing. They are all different. But certainly that oil company gives you very, very broad look at things. That's, as I said, world trade and finance, political, every way. They are very much in the mainstream. I think that the Northwest is not all that important to us in a marketing sense or competitive sense. It is from a people point of view. If you associate with people around here, you're not talking either on the same scale or the same issues. It's just as different as night and day, which is part of our isolation. You can go down four companies in the State of Washington and you're down to \$500 million or something, or they're big retails companies. So this is not the industrial center of the universe, nor is San Francisco for that matter. It's more financial down there. I've avoided the Eastern boards for a lot of reasons, but certainly travel is one of them. I don't like the... I'm not nearly as compatible, I'll put it that way, with the Eastern businessman mentality.

Edgerly

Why do you say that?

Weyerhaeuser

Oh, they are caught up in the Washington, D.C., New York syndromes. I guess it's a social statement maybe. Maybe it's just because I'm not a member of the club. We are sort of out on the frontier so to speak.

Edgerly

You are just saying you are a country boy at heart. (Laughter)

Weyerhaeuser

Yes, I like the country. I would define the country as including California. It's not rural necessarily. I wouldn't disagree with what you said. You shouldn't generalize about things like that, but the Bob Andersons of the world are more independent thinkers, doers. They don't have as many peers to exchange notes with, and wouldn't if they did. The Westerners are more wide open, somewhat more gung-ho, less system. I don't know how to... A lot of things. They are more removed from the center of government and the center of finance. We are that much farther away from Europe, which is a blessing.

Edgerly

(Laughter) These days you are probably right.

Weyerhaeuser

Well, European businessmen - French, English, I'll exempt the Germans, some of them, and the Scans. They are so used to sort of a carve-up-and-manage-things mentality. There's much more of a status quo, hierarchical environment. I'm talking about businessmen. It's the consequence of regulations, cartels, what you can do and what you can't, age, custom.

Edgerly

Is there any other job around this company that you would like to have had?

Weyerhaeuser

No, I would just as soon go back.

Edgerly

Go back to what?

Weyerhaeuser

Well, any number of levels back.

Edgerly

Managing Springfield?

Weyerhaeuser

Well, I would take the Pulp and Paper Business or some business segment.

Edgerly

Would you?

Weyerhaeuser

Sure.

Edgerly

Do you get tired?

Weyerhaeuser

Yep.

Edgerly

Are you tired of doing this job?

Weyerhaeuser

I never get tired of the job. The job satisfactions come with planning and seeing things happen and sharing in the burden and I think we are back on the subject we were on a few times back. It's not half as much fun when I haven't got the same sense of shared satisfactions and problems with changing guys around me. We had a lot more fun when we were making a lot of mistakes, with Merrill and we were younger. Of course, we were growing faster and the whole climate was much more positive. I think it takes its toll. It's not as much fun figuring out how you are going to affect a lot of people and shrink parts of the business and I spend a lot of time worrying about taxes and budgets and the national scene. So much of that is just frustrating because it's that not only that I can't affect it, but the frustration of seeing things so far out of kilter and adrift. It's the futility that's associated with the degree of problems and, I think, mismanagement. Then you see a heck of a lot of it being solved along political lines that don't address the main problems. I suppose that's true in the company too, in a sense. Being somewhat removed from the day to day, I have a tendency to watch some of the more arcane maneuvering that goes on. I've never liked that much. A lot of the time is spent on how to get something done, not what ought to be done. Whereas, in the good old days I would have been much more preoccupied with some combination of where are we trying to go and how do we get there in a closer coupled fashion. But, I wouldn't trade it. I think I would trade an individual job here and there maybe.

Edgerly

It would be real interesting to see you back in a mill.

Weyerhaeuser

Well, I guess before I went back there I would have to qualify that. I would want to know who I was working for. (Laughter) I don't know whether you can have it both ways.

Edgerly

You are in an ideal position. You can appoint the person you want to work for and then go work for him. (Laughter) You've been astonishingly patient, even with some of my very simplistic questions.

Weyerhaeuser

Oh, it's fun to listen to what you chose to ask. It's fun. It's a lot easier to sit back and answer than to try to divine what's of consequence.

Edgerly

Well, the problem is that I may not have chosen the things that are of consequence. The other thing that's difficult is trying to get a balance between the subjects that are covered on paper somewhere, that we have recorded in some way and the aspects of the business that we will never know about unless we capture them in an oral form.

Weyerhaeuser

Yes, and that is getting worse and worse, of course, because there's less and less in the written records.

Edgerly

I've spent a fair amount of time trying to sort out what to ask about and probably have made a lot of mistakes. And of course, I'm hampered by the fact that, as I said, my understanding of fiscal matters is not very sophisticated at all.

Weyerhaeuser

Unless you had a whole battery of people with different backgrounds, I don't know how you would get at that. There is nobody that is going to have a full range of areas that you are reasonably well versed in. You could pick anybody around here and you say well, I know an awful lot about this business, but that doesn't draw the circle around, necessarily, all the considerations that come to bear on what direction you are trying to go. There are really only one or two people around here that I have any degree of comfort with on that subject. I don't mean about their own areas. As I did with you, I

can describe better a point of departure on diversification and with each of these businesses, I have a point of view about the directions that it ought to be looking in. Each one of them have got some kind of idea about what they might like to buy or some increment here and there. But to put that into any kind of perspective about the larger company, there really only are a handful of them that can. They keep trying to do to me what you were trying to do: get a little more explicit about diversification areas and they keep saying, "Give us a better roadmap. Where do you want us to take the company and then free us up to fill in our part of the chart." I say to myself and sometimes I'm so short tempered as to say it to them, "Don't ask me for the roadmap. You tell me what your opportunities and challenges are and we will build a series of launchpads and then I will draw the circle around and tell you whether you are going to get half of yours or two-thirds, or whatever." So, it's kind of a chicken-and-egg proposition. We still do a lot of that.

I had, a few years back, a condition which I really did like, which was a pretty solid recent history of earnings and then it opens up the horizons, so to speak, because you are not now talking about the allocation of a super scarce capital resource. You are talking about a range of opportunities in which I felt it was not necessary to unreasonably constrain parts of the business by predirection. I'm still trying to carry on in that framework when everybody knows the constraints are much greater, so they want a predefinition. They don't want to waste their time if nothing is there that can be done. Well, we are going to sit down with the paper business. They finally heard me, I guess. Bob (Schuyler) in his new role understands. That starts all the way from, let's call it, stay-alive capital for legal, environmental and safety matters. Then comes the maintenance, non-deferrable and deferrable increments, to present facilities and then new facilities in the same product line and acquisitions. Even in that latter category, we've got a dozen of them or so. That's in a \$2-1/2 billion out of \$6 billion business. Those various options could easily use all the capital we have available. At least within that framework we are going to get a reasonably thorough discussion, I think probably a good one. Maybe out of that I will get some better definition of what to forget about. As I started to say, a few years back we did that in an unconstrained manner and we built these five-year plans and kept updating them so that they had some sense of a road out there and then we would modify it and upgrade, at least periodically. I think that was a pretty good system because you could draw out of that middle range plans that would say, "You should be doing x,y,z and even if we don't finally fund it you've got a little longer time frame." When you get down in what we've been in the last couple of years,

shrink and chop capital budgets down to practically no discretionary capacity, all these things are left hanging out there. You are just concentrating on how do you get your costs and efficiency and maintain the property.

Edgerly

What do you do about the fact that in this kind of an environment a lot of the people whom one will need when things look a little better will have gone elsewhere, simply because the situation internally is so difficult? Morale is low, opportunities are few, and some of that very imagination that you want has walked out the door.

Weyerhaeuser

We may have constrained it in the past. It's never left. We may never have had it, but we never drove them off with a climate that says there wasn't an opportunity to grow. We've never had, since the '30s, anything that's been such an extended set of constraints. You have to understand that my answer, therefore, is based on experience that says we have never lost key people or any significant number of them. I don't really expect to. That's not to say that when we take the engineering workforce from 200 or 300 to 100, we aren't losing talented engineers or capable engineers. My answer there is we'll hire more outside engineering the next time by and our guys are convinced that's perhaps the more efficient way to do it anyway. We aren't going to have a steady load so we shove over onto the contractors or onto the engineering firms, or both, more of the construction, which tends to go like this anyway. We are trying to push out into the mills more of the technical talent, for instance. Now, that's not all positive. It doesn't happen easily and people have to relocate. We may lose some people in that process. I think we are strengthening the mills and not necessarily depleting our total technical capability. Hopefully getting it more in places where it ought to be. Obviously, we've slowed down the recruiting of bright young people coming in, whether it's in the financial or investment evaluation or market planning, or whatever. That's a reservoir that we've used to fan out into line jobs. So, that's a concern and I'm sure it's been a concern of Bob Schuyler's for some time, several years, of course, with our intern programs and everything else. The younger talent pool is narrower and we will probably lose more of them as the mobility upward is slower, once they get started. There is no question it's a problem.

I don't know what to do to improve the morale. I think the first order of business is to get the business healthy. I told these guys the other day, "Look, I don't like it any better

than you do, but we've all got to understand we haven't got a permanent license either to capital. There is nobody that has to stay in this business and what happens is your shareholders will leave you. You wind up in the hands of speculators or institutions. I don't want to change the stockholder base." I said, "I have an obligation, we have an obligation to them that we are going to meet, which is to say we are going to get earnings up first, and worry about everything else second. It's been too long a time with ten years of no stock appreciation and five years with no dividend increases, all in the face of being able to go out and put money to work, whether it's in government bonds or ten percent returns. That PE ratio won't stay there forever." Twenty PE implies that you are willing to take a 5 percent return in the combination of dividends and appreciation. Right now, that, in effect, is all they are getting. We are earning a dividend and an inadequate one at that. So, just as a matter of priority, I worry about it and you would like to do all the things you can to protect and enhance training, but there is a limit. If mobility goes way, way down it's true, I'm sure, that it has a big impact on people. Then we reach the upper age scales on retirement and in effect are forced to retire and lay off large numbers of people. But, it's got to be done. I also know that nobody can do it unless I'm fully behind it, so I can't go in there halfheartedly and tell everybody, well, "Have patience, it will all be over December 31." One of the problems in getting understanding of the depth and severity of the problem at the management levels is that we've got to have a commitment. I think you have to start with the cards on the table and that's what we are trying to do, but it isn't much fun. I'm sure that we are depleting our reservoir of good will and hiring ability and a whole lot of other things that we just kind of take for granted.

Edgerly

One last question if you have a few more minutes. At one point I think I had given you a written question about archives and their value in the corporation. Unfortunately, I didn't bring a copy with me today. I wondered if you had had an opportunity to think a little bit about that and I think I can paraphrase that question if you thought you could answer it for me.

Weyerhaeuser

I carried it around for awhile. I did some thinking about it.

Edgerly

Well, if you could speak about it that would be fine. I think I tried to set it up in a hypothetical way insofar as the question itself would be directed to you by someone who didn't have a more traditional view and the length of experience with the company. For instance, a younger person coming into the company who is eager and sees a situation in which the times are difficult and seeing this, asks you why you are willing to support the expenditure of valuable company funds on supporting a corporate archives. The reason I am looking for an answer to that is because of the fact that I've been asked by Harvard Business Review to do an article that would put some kind of rationale behind why a company chooses to do this.

Weyerhaeuser

Of course, I come at it from an unusual vantage point with name and family and a family tradition that has meant a lot to me personally so I would be hesitant to expect others to feel about it or see it the same way.

End of Tape XIX, Side 2

This is an interview recorded with George H. Weyerhaeuser on Monday, July 1, 1985.
Tape XX, Side 1

Weyerhaeuser

I, with several generations of family and business affiliation and history, have felt the benefits of having some sense of where we've come from and some sense of why. It has to do with something of a memory which certainly largely has been verbal, but still very important and very powerful as far as I'm personally concerned. That's shared by a fair number of my compatriotes, and my family and relatives. We have been associated together in various businesses for a long time so that family and business are not two different things to the degree that many people would separate them. So when I start talking about it, it's from the point of view of a tradition of communications across generations. I think, to quite a degree, important matters of right and wrong and ethics and things that wind up being important to me are imbedded in what went before. The situations and the business decisions that were made, the specifics of them, all sit over on one side of my history. When we start talking about what are the benefits of knowing something about business history and our business back in time, I think its the culture we're talking about and then further than that, I have a sense that the principles are important in surviving. They don't change all that much and I'm not even sure that the important business decisions don't come in cycles. In fact, I'm pretty sure they do. I know it's been interesting to me and helpful for me to form more of a conviction about what we are doing in the knowledge of and sense that to some degree I've been there before. Now I didn't obviously get that by spending a lot of time reading in the archives, but the extractions out of the archives, some of the things that we do recreate and make visible, have reinforced some of the things I feel and know. I would like to think that we can capture some of that feeling and some of those principles by a knowledge of what went before and that other people can draw on that. To the extent that they are buried and never extracted, then we have to be talking about capturing it for historical purposes, which certainly is not our only objective. I am aware, from the number of times that things have come up, time and time again, that one wishes they had some way to draw on people that are gone and to remember circumstances. Now I'm talking in connection with other companies that the family was associated with and other eras, but I know that I'm not the only one that has felt that the ability to recall and draw back has been of benefit, because I've seen it happen time and again with what memory system we had. In St. Paul, for instance, my predecessor, my uncle and his peers, were influenced

by and shared in their mutual background the problems that they faced. As you get bigger and more dispersed and there's less continuity, I feel like I'd like to have as much memory as we can pull along with us. I think in the oral histories, though they are not perfect in any manner, way or shape, you get a dimension of what went before.

When you talk about the modern day manager and how much affiliation or interest he is going to have, how much initiative is he going to assert in trying to go back into history, I get very mixed kind of emotions about that. I guess you always judge by the people you work with. A fairly surprisingly high number of people that work for this company, I think, and not way back, consider it to be important. I think that may be a function of the sense of personal affiliation with what went on and maybe you get that more as you get up in age. Obviously you do, but for me, it didn't start when I was 55, and thinking about retirement. I've had it for a long time, but I think, as I said earlier on, I'm probably different. I just feel that it is certainly worth a modest to moderate amount of time and effort and care to maintain a sense of where you've been. I suppose every company is going to have to make their own judgment about that. I think it's probably true that those that have a family affiliation are universally going to do more, because there you've got both blood and business mixed in.

Edgerly

Except, in a way, if you have a family connection you almost don't need it as much, which is the ironic part about it.

Weyerhaeuser

Maybe.

Edgerly

You've got that oral tradition. Whereas, those who don't have that oral tradition or that family connection ultimately have even less information and therefore, at least in the ideal sense, would need it to even a greater extent. I understand your position and I certainly wouldn't utilize anything in an article that you had said without asking you about it first.

Weyerhaeuser

That really wasn't my intent. I just have to qualify it because I realize that I'm not typical, but it's not with any reluctance that I would be quoted. It's not as relevant.

Edgerly

This statement, like everything else you've said, falls into the category of being confidential until you release it, so I wouldn't use it in any event unless I asked you about it. Not only that, I seem to be rather slow in getting off the mark on putting pen to paper. I seem always to be able to find lots of other things that I want to do besides sit down and write for Harvard Business Review.

Weyerhaeuser

I know how that goes.

Edgerly

As nice as that would be in some ways, somehow the idea of seeing my byline just doesn't seem to have the same pull that other aspects of my work do.

Weyerhaeuser

I have some things that I absolutely cannot get done. I keep trying and I know I have to sometime.

Edgerly

Once again I want to thank you, as I said, for being patient and not only that, for sticking with it over a long period of time.

Weyerhaeuser

Oh, I've enjoyed it. We've spent a lot of hours.

Edgerly

I really do appreciate it.

Weyerhaeuser

Well, I'm reading transcript along behind you.

Edgerly

I hope I'm not the only beneficiary. As I said, I have ready for you, whenever you want it, another installment. You've asked me not to give you any more until you'd finished what you have.

Weyerhaeuser

I don't want to get the pile so big that it challenges my imagination. I'd rather work on this level.

Edgerly

That's fine. I realized after giving you those first transcripts that I hadn't separated them according to the tape numbers and I should have done that. I'm doing that on this next segment so that you can just take one out of the folder at a time. I should have stapled each one together.

Weyerhaeuser

It's alright. I'll get there.

Edgerly

Thank you very much.

End of interview with George Weyerhaeuser, recorded on Monday, July 1, 1985. This is the end of tape XX. No further recording can be found on this tape.

GEORGE WEYERHAEUSER INTERVIEW

August 18, 1992

This is the beginning of an interview with George H. Weyerhaeuser conducted on Tuesday, August 18, 1992. The interview took place at corporate headquarters in Mr. Weyerhaeuser's office at Weyerhaeuser Company. This is Tape I, Side A.

GHW

Maybe you'll get tired of asking questions.

Interviewer

I don't think so. In fact, I enjoyed going back over the other interviews. The last interview in that series that we did was in 1985 and, so what we're really covering is the period from 1985 to the present. I thought we might start with the organization redesign that took place, or was really taking place at the time that we last talked. We didn't have at that time, much perspective on it because you were in the middle of making those decisions. When you think back now, how do you recall the decision-making process as it related to forming the Paper Company, the Wood Products Company and that effort to reorient the company in a way, I suspect, that may have been counter-intuitive for you?

GHW

I don't know. Why do you say "counter-intuitive?" What leads you to think that?

Interviewer

Well, the years of your career and the approach that your father had taken, which was to reduce the differentiation between the pulp and paper side and the wood products side, and the fact that you had spent a great many of your years working towards integration. I guess that's why I used the term, "counter-intuitive." But that may be completely inaccurate.

GHW

Well there have been and, were then, conflicting ideas about what are the primary emphases. I guess, looking back, you've always got the problem of decentralization of unit authority and responsibility and always working against efficiency and effectiveness and direction coming from a central overlay. Whether that be headquarters or, as in this case, a series of intermediate organizations which form a life of their own and a culture of their own, etc. I guess thinking back, if I had it to do all over again, which one of these ought to prevail? You think, "We've tried them all."

We went through periods of attempts to strengthen the geographic management. Trying, in effect, to put the emphasis on areas... geographic areas. So I think when you say "counter-intuitive," what sticks out in my mind is the Paper Company and the result of forming the Paper Company and a lot of team building and fence building. Maybe that's the most dramatic thing that happened as a result of that, which then and now I have misgivings about. I know what we were trying to do and I know what the people that were involved wanted to do. They wanted clarity of purpose and direction within that segment and, of course, that comes about at the expense of all else in the sense that they isolate themselves and you have all the problems of

duplicative functions if you're not careful—which is overhead and expense—can be. That's a natural consequence, I think, of giving somebody an assignment and saying, "This is your baby now. You take care of all aspects of it." All aspects mean that you can empire-build within those walls and not use corporate support services and not cooperate within the geographic regions. So to some degree, all of those things happened.

Now are the benefits associated with having a team focused sufficient to offset that? That's always going to be the problem. You know, if I look back on it from this moment, I'm inclined to say that the benefits of concentration and direction in that subsequent period did outweigh what I'll say are negatives and what would be, in your words, "counter-intuitive."

If I could do it all over again, I would work harder at getting stronger and more decentralized responsibility and authority and would have held to accountability for the main producing units in the company. I think we lost a lot in terms of layering and remoteness, trying to give more central direction and, in this case—in the illustration we're talking about, the Paper Company—it added one more layer in there of organization. I think this subtracted some perhaps, from the vitality and leadership and the kind of direction that we needed at these units. This still is a problem.

To illustrate part of the problem, in Canada, we have a billion-dollar corporation. There's quite a lot of pulp and paper associated with that and we never have solved the problem how do you put a Canadian in charge? It's all Canadians that run it, but do you put in a Canadian management team with its proper connection with the provinces? That's not a one-part problem. That's at least a two-, three-, four-part problem in itself. Within provincial control of resources and regulations, they are very much more independent in Canada than here. So we have the provincial problem as between Saskatchewan and B. C., which is not easily handled.

We set up an overlay over there in Saskatchewan and then in B. C. and then reporting to a Canadian company, which overlays pulp, paper, timberland, etc. Everybody points the finger, "If you just put me in charge, we'll get this thing straightened out" and we never have. We still, if _____ you sat right down and said, "Is it well run up there?" I think the answer is, "no," partly because in everybody's business, the wires get crossed and it's very cumbersome.

Of course, you're trying to solve for the people, the local content, and the Canadian content and, at the same time, give direction from the Paper Company, timberlands or wood products from down here. It's frustrating. I'd say the Paper Company, to this day would say, "We've got a problem in Saskatchewan" and, I'm sure that Jack Waechter's answer to that would be, "Well you never really put us in charge." We've done everything we can to put that responsibility there, but they do share it in a sense with the Saskatchewan overlay and so, the job never has gotten done. So there are imperfections that resulted from—that do result and did result—from setting up product line kind of management, which the Paper Company represented.

I use that... there are parallels in wood products and timberlands, but they're not quite as applicable because in the Canadian situation we face on the timberland side, the character of timber and land management up there is so dictated by the fact that it is completely provincially dictated and owned. You do it their way, so it isn't a question of applying our management methods and our direction from say, central timberlands in Canada.

Pulp and paper is quite different with all its common products and common markets and so the Paper Company legitimately had a lot more to say and, should have a lot more to say, about the connection with Canadian operations than was necessary or appropriate in timberlands.

It's a little bit different in wood products in that the markets were common and the product lines were common. At least on the marketing side we had the problem of coordination with those Canadian mills that were producing a quarter or a third of the lumber that we were producing in later years so you did have a marketing overlap. Now the way we've solved for that is to pretty much allow the Canadians to sell their lumber and let the competition take place. You lose your disadvantage, if you had one, of central allocation, coordination, and overall size directing your market strategy. But what we really do is we sell it day to day in the same markets and we compete with ourselves which, in a commodity, maybe is tolerable. In that way, you allow our Canadian lumber business to operate as a lumber business, which is the way it's evolved now.

We've got Canadian, we've got West Coast and we've got South. In the geographies where they meet, they meet. We pretty much compete with one another. Of course, I can use that illustration in that any time we set out to organize one set of people, one set of missions and all the interfaces, in a sense...to some degree, you lose autonomy, direction and you get a degree of complexity that subtracts from effectiveness, I think. So there's no perfect solution that I know of. You always say, "Well, all on one tune." But the communication doesn't happen. I mean, it isn't just that they're trying to compete with one another, but coordination is a difficult thing to achieve and, it requires extra work and generally produces some degree of uncertainty and lack of decisiveness or smooth execution.

So I guess as you get bigger and these kind of organizational decisions have to take place—as I think back on this one and others, what you're trying to address is your sense of priorities of the time and what takes precedence. I think in that particular case, we were trying to get a tighter hold on the effectiveness and leadership on the paper side and some other things suffered as a consequence.

I don't think that we were terribly successful in trying to integrate businesses under the area management concept...earlier on a geographic concept either. We had various degrees of geographical authority either over all services, which we tried for a while, or in the Canadian illustration over the entire administration of the product line and the businesses. If I were to look at it today and look at not only the way we've organized the way that others have, I think the stronger competitors have had a higher degree of decentralization and clarity of authority and a higher degree of independence in their operating entities than in our process of going through area management and "divisionalizing."

Now all these companies are the big companies and they certainly have operating divisions so that at least the marketing and the strategies are developed to some degree in product groups. We all have some of the same challenges. I think several of the competitors anyway, have had a concentration where they didn't have so many product lines or as many sharing the same geographies, so there were cleaner lines.

Now that's in contrast to the way, of course, Weyerhaeuser evolved. If you go back through history, we were trying to work from the forest forward and we have and, to some degree, continue to have more integration in the sense that our units are built around geographic units of forest, which we stick with and they have all, obviously, tried to add manufacturing and marketing units that drew from the same common resource that gave us security of raw material and we really had a kind of sharing and an integrated approach.

Maybe that's what you mean about contrary to philosophy, but the penalty of that is that there are some pretty compelling efficiencies associated with scale and geography and sharing. But the negatives, of course, are then that the units, in sharing common services and perhaps some common purposes that are area driven, lose some of their direction, independence and initiative in running their own businesses. That's the trade-off that we're working with and searching for.

Now we have a good deal less interdependence looking forward from 1985 and on to now, because of the forests in the West particularly, have moved from old growth to second growth and we are much less concerned with extraction of value from those old-growth stands which are very, very big differences, depending on what you did with them.

Units were designed around timber. Now we're working off material that is more uniform, a much higher percentage of the value of the timber that is coming out of those stands is going to market rather than to our own facilities. We're less integrated by virtue of having a big export business in logs and we tend to buy more material. So partly by virtue of the changing nature of our timber stands, we have less need for integration. As the big mills shut down, we can buy and sell logs and supply the reduced volume and the more common type of raw material that those remaining small mills need. Integration, in that sense, is much less critical. Washington State is where a lot of our timber values still sit and the current harvest is deriving a good deal of its value off its log marketing. So we've been able to set them up to split them out from the mills and it's kind of "willing buyer, willing seller." I think it's working and working much more efficiently.

So the timber people are in effect our marketers of their products and to the degree we need specifications for the mills, they can supply them or we can buy them and the mills are set up with the understanding you don't have to take anything. You specify what you need and then you're going to have to pay market value for it. We'll go out and buy it or we'll supply it. But I think the result of that again, is that we've turned the woods operations much freer to do what they need to do. Part of what they needed to do was get more specific response to precisely what the mills needed by making them more sensitive to the markets, including our own mills. I think they can accommodate and are.

If you look at the district foresters, they're running contractors; they're not running company crews. They are independently hiring for services and they're supplying the markets. I think what with the selection being made out in the woods instead of being sorted and resorted, we have a cleaner communication channel for the woods to operate under and I think the mills are going to survive or not survive, depending on how good a job they do buying their own material either from our woods or from others. That is opposed to going out and turning the loggers loose and saying, "Your job is to supply 100 million feet of logs and you go find a harvest and what comes

out, comes out.” So their task today is much more disconnected and sensitive to what’s going on and, I think therefore, a good deal more competitive in many, many years.

Now, that didn’t happen because somebody invented an organization form that was perfect. But what I just described applies to the state of Washington only, which is a big export supplier. We have disconnected to quite a degree in the South in the sense that there is a lot more buying and selling going on. It’s not to the same degree as in Washington, but I think the principle still applies. Our harvest rate in the South has gone down and we have been buying more material in a number of areas so that the “disconnect” between the woods and the plants is directionally the same. In other words, they’re having to respond to the change in our raw material and they have to stay on the market so we’re aware...both on the buy and sell side...I think much more aware of the value of the materials and, therefore, the woods operations. The mills are more discrete and more competitive.

Interviewer

At first, when the reorganization took place, each of the companies was also, for example, publishing its own annual report and that continued for three years as I recall. That is not happening now. Was that a calculated decision to allow a psychological separation in the broadest sense of the term, even to the degree of a separate annual report? If so, then why was the decision made to go back to one annual report, for example? It seems to be letting out a little bit of line and then pulling a little line back in.

GHW

Yes. I don’t know the answer to the last half of that question. I think it was conscious and it’s a natural result of all the trappings around responsibility, including communications internally. It was very much, in terms of titles, communications, morale-building. Now I would say, it was overdone, but there was a certain amount of team-building and ego trip associated with more narrowly defined set of purposes and a team in charge. You had more room for more heroes.

That had something to do with the personalities at the time, too. I didn’t do anything conscious in terms of succession planning to put it up that way. It just so happened that the primary guys who had been the key people working for me were all pretty good candidates to succeed me and so some of that was going on during this five-year period, too. Not because I necessarily in any sense wanted to amplify the competitive aspect of that. I think the responsibility side of it, yes. Bob Schuyler was very much interested in cutting his spurs away from the financial field and with the Paper Company, so he was amplifying what was the natural tendency over on the paper side. They always felt, way back from the first pulp mill, although it was never conceded [in this company] that they were different and I mean right from the first day. Whether it was the way we went outside for everything, obviously, in the early days and then the kinds of people, the training.

Interviewer

I guess that’s why it seemed so “counter-intuitive” because your Dad spent an awful lot of time trying to build bridges between the folks in wood products and the pulp and paper side, and the resource side and the people in pulp and paper.

GHW

He never carried it off, though, because as close as he was—and I think Howard Morgan had a lot of respect for him and worked well with him, but Howard was just as independent as a hog on ice when it came to other divisions.

Interviewer

So what you're saying is this is, just a continuation of historical reality?

GHW

Yes. We had a healthy degree of independence in the old-line managers—geographic managers—and they maintained that with Charlie [Ingram] right up through the relationship with Charley [Bingham]. There wasn't any question about who was in charge and we answered largely to no one other than up that line.

Now corporate departments, there was a long history of various failures in terms of leadership or acceptance. I don't care whether it was industrial relations or other things, this company was not entirely successful at centralizing, I guess. That isn't to say that when they wanted to make something happen, they didn't, because with Dad and Charlie, there wasn't any question about when they wanted to move, we moved. That did not certainly lead in the later years to any great acceptance and/or warm embracing of corporate staff departments by the field. My view of it would have been that we had programs and things going on. Some were well done, some were not, but the manufacture, buy/sell responsibilities were pretty clearly decentralized and I say to myself, "Well, okay, the pulp division was just one more decentralization" ... in a sense doing their own thing. Now it was multiplied geographically and they had their own team. We used to share some times together with the pulp and paper people under Charlie's [Ingram] auspices, but the independence in those units was still very, very strong right up through all my time. So I guess what I'm saying is, that it worked reasonably well and Dad and Charlie could make things happen and we didn't have a gigantic corporate set of overlays. The functions that needed to get carried out on a corporate basis, I think, were reasonably well led and got done.

As we got bigger and bigger and acquired and spread out geographically, that got harder and harder and it didn't work nearly as well. Then all these reorganizational phases I took us through (sometimes through and then reversed), I wish I could tell you I thought they were built around some really solid set of concepts that survive and prove to be right. But I think the honest answer is they were generally... each one of them was addressed to either problems or opportunities of the moment and the moment maybe lasted five years and a lot of the next movement would sacrifice some of what you did before or reverse it.

Interviewer

That's part of a dynamic organization. Any reorganization, and you have been through enough of them to know this is on a very personal basis, can have a pretty serious impact on the employee morale. That reorganization in 1985 was no exception to that. There were people in the company who were asked to change both the way they thought about things and, in some cases, to give up some things.

One of them was that there was a cutback in health-related benefits. Do you recall what kind of planning you did to try to counteract the morale problems that inevitably resulted, regardless of immediate impact? How did you deal with that on this scale? You can't walk around and talk to every single person.

GHW

No. Well I can't really recall. I'm certainly aware of the morale problems continuing, whether we're under a reorganization or other guises. When you are in a major set of down cycles and certainly in the early '80s we hit a big floor and a gigantic change in markets, margins and growth rates, all of which puts on restraints. Growth covers up a lot of pressures and problems and then the magnification of down cycle is even greater. You have to correct the excesses and, certainly, we went through a long period of readjustment which included take-aways in various ways and periods of extended either low raises or freezes on salaries. Usually, we're cyclical, but we went through a very extended down period, then reentered it again on the tail end of the '80s, so we had two recessions in the '80s.

Reorganization, reduction in opportunities for promotion, wages and fringes, all of those things, some of which were take-aways and some of which were viewed as take-aways, produces a morale problem that is very real. I was more concerned—I still remain more concerned, I guess—about the extended period of it and the question of how to effectively engage knowledgeable people in the company in the process so that you can do it reasonably well and reasonably expeditiously.

The last one we did not accomplish expeditiously and I'm not sure reasonably well, even given time. I guess what I'm saying is that in answer to your question, I was, and remain, a lot more concerned with getting it done than about dealing with the consequences or developing a plan to deal with individual dislocations or morale problems. I guess that's just an honest answer.

Maybe we should have been more concerned about it, but I guess my recollection and still my inclination was that if I could have done it differently, I would have done it a lot more vigorously, instead of having sort of a "heavy, heavy hangs over thy head" over an extended period of time. I think that's very debilitating to people and the uncertainties associated with it are tough on morale.

To this day, we're still engaged in trying to bring back a common set of accounts and introduce the efficiency of a large organization with a common accounting system. It takes a couple or three years to do it. You say, "Well, you know, that's one of the consequences of letting people put in their own business-by-business," and the computer systems grew up. We knew we had commonality problems, but we had a gigantic big computer system that we put in for timberlands and wood products and had General Electric design it. We had equipment that got obsolete and gigantic big systems with a change cost that was very, very large, so we didn't change it.

Of course, as the computer world has changed, there have been tremendous opportunities to get a much better use of the data base and commonality and the communication links are easy, so you decentralize. Well, that was just absolutely contrary to everything we started to do and it wasn't that we were unaware of it, but that's an unintended consequence, so some extent, of

decentralization. If I had it to do over again, I think what you would do is you would try very hard to centralize the services, keep them under sort of professional direction and commonalty, and then work very hard at having all the authorities out in the field. That's easy to say, but that isn't the way this company ever works.

You know you can say the same thing about purchasing. Do you want to exercise central control? Everyone today would say in major companies [business with] preferred suppliers should be pulled together and purchases should work together. Very, very different than having a purchasing agent which is the way we grew up—good ones, excellent ones, scattered all over the country. They had committees that worked together to buy certain kinds of things to get common purchasing power. But that's sort of an illustration of the problem, I think. We let it grow and, then tried to pull something in. Let's take the computer. Maybe the new processes, new techniques, new equipment can permit you to have speed of communication, centralize something and still have the advantage of local fast response, etc. That's the best of both worlds, of course and that's what we're still fiddling around with trying to get into place here. I say that advisedly, but I know it isn't done yet. It's been a long time coming.

Interviewer

At the time of the 1985 reorganization you created—and you mentioned this a little earlier—what you referred to as the “Executive Policy Council” which consisted of you, Bob Schuyler, Fred Fosmire, Charley and Jack Creighton. But oddly, I didn't find much that really described what you wanted that council to do. What did you want it to do and what did it do?

GHW

Let's talk a little bit about personal style and philosophy. I think that the fact of the matter is I'm not a very great believer in committees or consensus decision-making. It was a communication center. I could and did use it for discussion, bouncing ideas off of, but I don't think that kind of a thing really functions as a committee unless you seriously charge yourself and the members to be engaged with the responsibility to make your contribution to it real and solid.

I think that the fact that you don't find much emerging out of that is a direct result of my whole inclination, which was I worked with them one on one. The decisions that were important to be made in each sector, I either delegated or we talked about informally and we didn't bring Paper Company problems to the Executive Policy Council. I'm not sure when we came to common corporate services or something that we didn't have valid shared concerns.

[This is a continuation of the interview with George Weyerhaeuser. This is Tape I, Side B.]

The main decisions and directions came segment by segment. Maybe I can say, to illustrate a frustration, I'm sure that the guys that worked for me or maybe the company, had to tolerate. Somebody would always bring up the subject, “Can we, or you, articulate a five-year strategy putting in perspective where the Paper Company is going to be and wood products? Lay out for us in modern terminology, a vision followed by enough discrete elements so that we perhaps can plan around what the Executive Council, or I, or the company, really has in the middle term.”

We generated middle-term plans all the time. We had five-year plans, but they were built up from the elements, not the other way around. I think that was a source of frustration. A lot of people would say, "Tell me what you want to do." My sense of it was that what I wanted to do was have those entities plan their own strategies, articulate their own possibilities, choose the best of them and then let's see if we can then decide how and when we're going to implement with whatever capital is available, etc. Not the other way around. Not the corporation determining for you what your size and scale is to the overall entity.

People do that differently and I'm saying that all of my inclinations were to have those units, however described—they change from time to time)—generate their competitive position. Their ideas of what they could do to improve their competitive position or productivity, or whatever their expansion plans and develop a slate of their own priorities, irrespective of where the company was. They were to be examined on their merits and then we have investment analysis, etc. to take a hard look at the major directions to test their validity, their mathematics.

So I'm drawing a capital parallel to answer your question on the Executive Council in the sense that my own inclination then was, and still would be, to work with the entities and build a strategy and the corporation then would incorporate it into its five-year plan, if we thought it was appropriate. Sometimes they were modified, sometimes not implemented. My personal style, my inclination about how to run businesses is to have them run well-led, develop their own, then the response to that is a judgment call and that judgment does not essentially come from human resources, or research or finance. I guess the council then became a central advisory group for communications and that isn't to say that we didn't tolerate any discussion or debate or anything, but we were not developing the direction from that body per se.

Interviewer

The interesting thing about it to me is that you would have been consulting with each of those people fairly closely in any case. That's why I'm a little puzzled by the formation of the policy council.

GHW

Not only would it have been, I was and I did, so that I didn't change.

Interviewer

That's why I'm interested in what difference was it intended to achieve.

GHW

Well, I don't know if I can recall or answer you, to tell the truth. I think that it had a conceptual basis. There is a centrality to the company. It's not just, "What's George going to do next?" We were a team. I'm telling you that the realities are as you describe it, but they came to me individually. They would look to me individually. I would look to them for counsel individually and did before, during and after.

Interviewer

So this was just a formalization of something that already existed?

GHW

That's sort of the conceptualization of the fifth floor, or whatever. The company is a company and it does have leadership. There's a team up there. I had confidence in all of them individually and worked with them individually. I may be exaggerating with a little fuzz of memory that more substance came in there. If I had to think about substance, it would be more on the program kinds of things that we were doing which might apply to all businesses which would be supported by corporate staff efforts. Those kind of things. Then I kind of separate out the business strategies and the big, main events which, in my view are, "Where are you going to put the resources to grow?" Which did not come primarily from that process.

Interviewer

Did you, as a result of the formation of the separate companies, find that you had less and less connection with the details of their operation? If so, did that make your role more difficult to define?

GHW

The answer to the first is "yes." I don't know whether that's a function of the organizational form or a natural evolution through time with these guys in place and the intention that they take more responsibility in their organizations forming around them.

I think of one thing a lot of the guys missed and I missed it—isn't entirely due to the reorganization but we used to have the division managers come up and report. We would have discussions at the division level, which I define much more as being discrete businesses than the "Paper Company" which is an artificiality. I mean the Paper Company is a myriad of businesses, some of which are connected by some technology, but they are a lot more discrete than they are common. I don't know whether it was a result of evolution or reorganization. I suppose in a sense it was in that part of the fence building is, "We're going to work these problems and we don't necessarily think you senior managers have to hear from the individual businesses."

So Jack would report and they got more and more general. It's also true about the reporting, back in history—going way back now—some of the most useful information I ever saw in this company, Charlie Ingram had us making. We reported and charted every individual unit all those years. I missed that and why I didn't—with modern data handling you could handle it visually or in a lot of different ways; I never did. To this day, I miss it.

I guess what I'm saying is by the time you aggregate a lot of information at the Paper Company level, pulp division level or even at a division level, you're then relying on somebody's judgment as to what they tell you. You don't have to, but that's just the way it works. Are they paying enough attention to the discrete problem areas or not? I still, to this day, worry about that. I remember when we had 30 charts or whatever, one for every unit, every mill. You could see its costs trend, you could see its margin.

Interviewer

I think it was part of what was called "Hell Week," if I recall.

GHW

Well, yeah. But we got it regularly. We all had to show up at that. We had famous stories about Hell Week. There's a couple of guys that worked for me—Tony Bodick, who ran hardwood, came from the Roddis operation, got up there in the bottom of the Tacoma Building in front of 150 managers and he got to explaining how they were making a fortune by selling knotholes. He went on and on. This just absolutely floored the place [laughter]. He was serious. I don't know whether he was reducing freight or knocking the knots out or something. It was just unbelievable! This guy was working for me at the time. God!

Interviewer

You might have decided to close some of the mills sooner if you had more Hell Weeks.

GHW

Maybe. But behind Hell Week, what I'm saying is that even back a lot farther than that was the charting that Charlie had. He was very detail-oriented, but he had a pretty good system of seeing where we were headed. I guess the point is that... your question was, did you lose some touch and I guess the answer is, "yes," and that was the result of having another layer. Clearly we put another layer of management in there and we had too many layers in the aggregate, I would say in hindsight. Yes, personally, I got less and less. Maybe some people would say that's good because I couldn't interfere [laughter], had to rely on their sense of what they thought was important rather than what I did. It had that consequence.

Interviewer

You yourself mentioned, and you said that it was unintentional, the fact that the organization set off what was a competition among three people who inevitably were viewed by everyone in the company and, probably the investment committee too, as those folks who were the possible successors. Weyerhaeuser had a tradition of bringing up from inside. All those people filled that bill. I don't know whether they looked at it that way or not. We'll have to ask them, I guess. Did it, in a way, serve the purpose of testing them? I mean as you look back on it, not as you perceived it then, but was it useful in that regard?

GHW

I honestly have to say that I think it did more harm than good in that particular instance. It wasn't done for that purpose, but that was one obvious conclusion. They were the principal divisions—business segments of the company. I don't know that I've ever posed the question to each of them. Certainly they were candidates, possibilities. They surely knew they were. I don't think they were all equally interested in the job, but as far as improving my ability to make the selection, I would say that I don't think that it did. I worked with all of them for fairly long periods of time.

When you select a chief executive, there are many considerations that come to bear that don't have much to do with how well they run a division. At least they're not paramount, some of them. I think if I had it to do over again, you would sort of like to skip the competitive period. There are winners and losers that come out of that which... I've read and heard many stories of other companies. It's difficult to avoid. I don't think the creation of those entities either avoided the problem. I'm not sure it amplified it a great deal either. Maybe a little more obvious, a little more visible. But not an easy period in the latter parts of that. I don't know and I've thought

about it, too. If I had it to do over again, how would I have avoided that win/lose situation? But I don't know how you do, frankly.

Interviewer

No. It may just be that it was more obvious then. There may have been the same kind of speculation, regardless.

GHW

I don't think that you could have avoided it. They were all principals and they were all key guys that worked for me and obvious candidates. It isn't to say that there weren't others and, of course, we could have gone outside. We could have gone lower in the organization.

Interviewer

Well, I've got some other questions about that, too, but I thought we would go on to a little bit of...couple of developments. I also organized some questions sort of year by year in terms of development and I thought we might tackle a few of those.

In 1985, you sold Combustion Power to another company. Weyerhaeuser had put a fair amount of effort in Combustion Power and it had shown a lot of interest in some of the technologies and the possibilities that it represented. That may not be the case, but as I read it, that's the way it seemed. Did the sale of Combustion Power in some way symbolize a broader decision about the company's commitment to experimentation with energy alternatives and efficiencies and so on?

GHW

I don't think so. It certainly reflected a disappointment and a judgment that we weren't going to be able to take those particular technologies where we had hoped or as fast as we had hoped. It was an episode, not a disappointment or an abandonment of the company's interest. It was really two-sided there; there were two aspects.

There was the control technology around particulate emissions and efficiency and effectiveness around combustion of—well, in this case it was coal as well as wood. You get them mixed together because there is a firing and efficiency question and there is a handling of the emission question both. We went quite far along the line of development in terms of the emissions side of it and got commercial with it and put them into some of our own plants and had a number of other contracts that we were implementing at the time.

The longer term, more consequential, was that technology associated with the fluid bed and the combustion technology, which to this day I still think has great potential in handling a lot of low-grade materials. I don't know what's happened subsequently, but the idea of being able to have a controlled set of conditions on a variety of fuels, different kinds of fuels—take place low down on the boiler on that fluid bed with introduction of air and everything right in that mass—offered what we thought was and may still be, the promise of a much higher degree of heat generation captured within the boiler as opposed to out the stack and therefore, a much bigger BTU conversion.

In low-grade fuels such as hog fuel, that's a very important element because you're not getting a great deal of it. Then mixing with coal had another impact and, incidentally, we're doing that commercially at Columbus and elsewhere. You can utilize the steaming capacity of a boiler more effectively than you could on a single fuel. At the same time, you can control a variable in the fuel better and you can control the amount of unburned stuff, all of which was and is of interest.

Also you know, you can take various forms of highly variable fuel, variable moisture content. You could use debarked wet fuel, yard fuel. We're still generating gigantic amounts of potential BTUs around the circuit and, increasingly it is impossible to do anything—or very expensive to do anything—around landfill. My dream was and is... I don't know if it had much to do with Combustion Power, but it is the area that they were working in, that we find ways and means to become the local utility in the sense of having a wide capability of gathering fuels and making the investment. Instead of buying power and petroleum, my dream is to have the combustion capability to take a wide range of low-grade fuels and blend them with coal or whatever you needed to.

This fluid bed offered a promise of being able to be a broad spectrum handler of materials up to and including garbage. Conceptually at least, you had to be able—those boilers are so capital intense—to utilize the boiler at the same time. If you can handle fuel in the combustion through a wide range of variables, you can utilize the full value of that boiler and you can do so with only the expense of being able to put in controls. That's still, I think, pertinent and that's what we were trying to do.

Now the other thing, they had contracts with the government, too. My memory of the specifics is gone, but they were doing something on fuel bed coal burning that was under contract to the government. Maybe it was to control the emissions better and one of the things that people are doing now is, if you do a good enough job of controlling the combustion output, you can also put a combined cycle turbine behind it so that the possibility exists that to take the gas stream and generate electricity from the hot gas and then put it into a boiler so that you get two shots at it.

But to do so, you've got to control corrosion. There they were working with the turbine people and others. You've got a corrosion problem in the gas stream. So there was experimentation going on to see what bearing the firing in the fluid bed experimentally would do in combination with the flue gases so that you might be able to utilize lower-grade fuels in a combined cycle-generating facility.

I think there's still great potential for it. I can't tell you today what we're doing about it, but we have been looking at it for a long period of time as have others in the industry and outside the industry, but not being able to generate off-gases and use those off-gases without all the emission problems. You burn the fuel without sufficient oxygen so you drive off the BTUs and then you use those gases, they're a lot cleaner, for the purpose of driving turbine and/or firing a boiler. There are other technologies that seem to offer promise and I think in that case, it offers at least the possibility that you could do that without these gigantic boilers that have to be able to take care of so much gas. I think you can do it on a scale... it's like one-tenth or something like that the size of a boiler... and then get the efficiency of a gas boiler instead of an immense big boiler

that you throw a lot of fuel in and hope it all works out with a tremendous amount of metal and capital investment that is involved in one or two boilers.

Interviewer

So in this case, it was simply a matter of having gotten a certain amount of benefit from this investment and refocusing your attention on other things.

GHW

I think that we thought the fluid bed and the turbine work and all was important and valid but off in the dim future and not coming fast enough. As we went along, we got farther and farther—the business went over farther and farther trying to make a living selling these dry scrubbers. The basic longer-term research didn't seem to offer enough promise or fast enough, so we decided we weren't going anyway just on the scrubber business and found somebody that wanted to take us out of it. I would have to grant that we went into it with more than the idea that we were just going to have a little business and, we went out of it somewhat discouraged about pulling that off.

Interviewer

Well you obviously got knowledge out of it and got some applications.

GHW

Yes. Yes. And we continued to work hard with a pretty darn good group, I think, on the technology side of it which really turned its direction to combustion control instrumentation and we've improved the ability to sense and control recovery boilers and are selling that technology. So it isn't as though we've abandoned the field. But I would say I still list that as close to the number one thing I would like to see us do a lot more of around places like Longview, etc. I want to see us have a major program evolve of installations that afford us the opportunity to handle local fuels, including our own. The economics are clearly shifting in that direction as landfills get more and more difficult. Obviously, there's going to be fiber recovery that's going up, up and up. That's just a part of the waste-recovery process, but I think that could be and perhaps should be, combined with the low-grade fuel recovery system that helps.

I read in the paper this morning that Bonneville Power is going to curtail delivery of power to the direct-service industries because they don't have sufficient water to take care of the fish and the turbines and I guess Hanford is down for some reason. They've got a problem over there so the region is coming up energy short now. We told them it was going to be short. I was on a three-man commission that the governors of Oregon and Washington [appointed]. They asked us to look at our atomic energy plants and come up with some recommendations about ten years ago.

Our forecast was that about 1990-1991 we were going to be short and we were too optimistic, or maybe pessimistic depending on how you look at it, about the rate of growth in the Northwest. We were wrong in that our projections were too ambitious about increased growth and increased energy consumptions, so we overstated the problem. But it's catching us two or three years later and the debate was, "What do you do?" Do you mothball or scrap them or what do you do? You know the great controversy of the WOOPS plant at that time. Now my guess is that one or more of those is, by the time the year 2000 comes around, going to be put into service. Now it depends on the public.

Interviewer

The political will. In 1986, the company emerged with what I think was a new corporate advertising campaign. I believe it was the first that had been done for a while and that continued a couple years later with the corporate advertising that surrounded the Olympics and the company's sponsorship of the Olympics. Can you recall for me what elements were part of that decision to move back into a more active role in corporate advertising?

GHW

Same answer. Not really [laughter]. I think that we were becoming increasingly aware and concerned that the passing parade was heading in a direction that we really had to be fearful of. Namely, that the amount of time that had elapsed and the changing age profile—the new entrants into the population in opinion sampling—were showing very big increases in skepticism and/or ignorance about private forestry and forestry management issues. So we thought that our franchise had been largely lost and that the opinions in the Northwest, as well as elsewhere, were running very adverse to our ability to be able to continue to manage the forests. So we decided we had been in error to let it go as far as we had. I think the primary motivation was to get back into the forestry education field. Now we also mounted various product aspects on a divisional basis. I remember in wood products we had a large set of programs.

Interviewer

Yes, there were new products. I realize they were also part of that. I didn't mention those in this connection just because they were quite numerous, very diverse. I realize it was connected to supporting the introduction of those products and, also to supporting the introduction of the First Choice concept as it went across the company's products.

On June 28, 1986, you planted the 2 billionth tree...at least that was the public relations.

GHW

Yeah, I think we would be hard put to prove that [laughter].

Interviewer

That was the PR behind it and that tree actually is planted in the blast zone of Mount St. Helens. While I realize that tree...by necessity there's a PR aspect behind it. I cannot, in my own view, perceive that this didn't have some kind of personal symbolism for you, for the company; something special. Do you remember how you felt about that and what it meant to you?

GHW

A number of purposes. We liked the juxtaposition with the devastation and do nothing, leave it alone, nature will take its course. That particular area at that particular time allowed us a chance to dramatize, we thought, the distinction between the trend in public opinion that nature can do no wrong. Here we are, way down the line in terms of intensive forest management and tree planting that has been going on for a long time. The numbers are dramatic. The continuity of the program and the contrast, as I say, with the devastation. And then we clearly said to ourselves, "Mount St. Helens in general affords the opportunity in a time-related sense to dramatize the

results of planting. So we're trying—we had in mind then and do now, to do what we can, part of which is exposing people to the continuing contrast.

A lot of our forestry tours and communications have subsequently been centered around not only showing the seed orchards, the nurseries, and then St. Helens, which becomes an integral part in the field here. Of course, the problem was tree growing, or the problem with harvesting in tree growing is, that it looks terrible and very few people have the ability to look through that to its conclusion. So we have the great burden of the visual devastation and then timber gets up to 20, 30 years old and they consider it to be a natural forest and you haven't got the credit. All you've got the credit for is ruining what was there before. So I guess whether it's a celebration of the 50th anniversary of the tree farm movement which we tried to make something out of and/or the size of our continuity of our tree planting.

Yes, sure to me, what was it... we had Dave Weyerhaeuser down there. He's been at it from the beginning and the Weyerhaeuser name and family. Of course, if there's one thing that we did in my era, we really moved up on the reforestation in a very major way. Well okay, that was associated with increase in harvest level, more intensive management, all of which I think was a very sound move. Certainly internally, the forestry program got new vitality. We did engage a lot of the people in the company in a new vision and new programs really did give us some momentum. So yes, I find it easier to align with our forestry efforts than any single part of the company because it's where we come from.

I think that certainly includes my Dad. They started very early trying to think about how to do things differently in a time when timber wasn't worth anything. In the early 30s, you could have looked back to 1900 and said, "Wait a minute." Most people think it was always onward and upward, but it hasn't been. We let a lot of land go back for taxes and even timbered land wasn't worth much. Up until 1940, you could have bought three quarters of Oregon for \$1.00 a thousand.

It was clear to the company and the people in our high-yield forestry that we had a vision we were committed to. We were going to put the people and the resources in there and it stayed there, so I don't think there's ever been a period of doubt about the commitment. Part of that is, I won't say it was miraculous, but I would certainly say that I recommitted the company to the course it was on and I think made it possible for—the result is what will happen in the year 2000 and the connection probably won't be made but it will be real because our future is like this instead of something else in terms of the resource base.

Interviewer

I looked over your left shoulder and of the three things you've got behind your desk, one is the 2 billionth seedling later which is a nice comment on it all and I hadn't thought about that when I asked you the question.

GHW

Well I guess part of the thing is how far we've come and how many negative aspects there are to using the resource. And it's going to get worse and worse and worse in terms of the multiple constituencies and multiple pressures on the land base, many of which are going to be against

harvesting. The commitment that we're continuing to make... I have to say is to risk... I think the risk used to be in the market somewhere. Now the risk is the regulation which comes from public opinion which is being dramatically influenced by everything you read and hear and smell' everything from CO₂ to acid rain to wetlands. Each new environmental issue and the population adds to regulatory pressure and threat and the economics of growing trees are not going to permit endless set-asides.

Interviewer

This is the end of Tape I, Side B

August 18, 1992, Tape II, Side A

GHW

All of that is by way of saying that I personally feel closer to the forest side of the business because it's part of the family heritage and it's part of our stewardship I'd say and, I think it's been well done. I'm proud of it. I'm proud to be associated with it.

Interviewer

The decline in the value of the dollar in 1986 did begin to bring for Weyerhaeuser some improvement in the environment. I was wondering what, if any impact that had, on the decision to seek listing on the Tokyo Stock Exchange that year?

GHW

I'm not sure it had any, but certainly our continued success at adding products to our export list and successes in Japan over a period of time were what we had in mind. We feel that Japan is going to continue to be the fastest-growing economy and, by a very wide margin, the biggest influence on the import of forest products of all time. So long term, major to us, we think we're far better known than any of our competitors in Japan. There is not much volume done in the Tokyo exchange, but we're right up at the head of the list, at least in English, in the papers over there and so it's visibility. We felt it added credibility to the fact that we've been there a long time, we're permanent, we're big. We are clearly different in terms of our long-term size—any way you want to describe it—as a marketer in Japan. We like to think we're partners and we really are with the Jujo in many respects, which now is the largest Japanese paper company by virtue of merger. I don't think that anybody felt it was going to be an important addition to the stock itself. I guess the Tokyo market has gone off about 40% to 50%.

Interviewer

At the annual meeting in 1987, you predicted with a fair amount of confidence that there were good times ahead and there was a "short" good time ahead. At that point, the board authorized the repurchase of some 10 million shares of stock. What was the reason behind making that move at that time?

GHW

Are you sure about the date and the timing of that? That's interesting. I would have said it was later than that.

Interviewer

I think it was 1987. I don't have my source with me, so I can't check it for you, but I'll be happy to do that.

GHW

I could have been. We had some debate about that. If we're talking about the same time, anyway.

Interviewer

Well, I'll check the date because I may be wrong on that.

GHW

The stock went below 20 and I—and we felt it was seriously undervalued. But when you talk about buying your own stock, there's always a debate about shrinking the company. It's a valid question. We're trying to grow and borrow money. You can look at it from the point of view that there isn't any point, even in a minor degree, in decapitalizing or reducing the equity. Was it 1987 when the market took a big dive?

Interviewer

It was 1987. The fall of '87.

GHW

We had a debate about it and a lot of other companies at the same time announced that they, when that market went way off, had authorized the purchase.

Interviewer

I guess the reason why it seemed a contrast was because of the prediction in the spring that things looked positive and promising and then in the fall, there was the repurchase of stock.

GHW

There was just that great big dive in the market and I have to say I think it was—just looked at opportunistically and we thought, "We're going to issue stock for stock options." But as I say, it wasn't universally embraced or a "no-brainer" either. I did advise it and supported it and I think it was a good idea.

Interviewer

In the following year actually, there was a stock split, I believe.

GHW

Yes. We went up to 200 million shares, I know that. That move was also questioned. Why split the stock? Gee, I can't remember the values.

Interviewer

When we met before, I had done a little graph for you of the stock price and I didn't do that this time. I should have done it this time so we could check because that would be helpful. It wasn't

a year that passed between the repurchase of the stock and the split. When you say there was question about the split, who questioned it?

GHW

Outside; among the investment community. I'm not sure I want you to do anything with this, but let's see if I can reconstruct it in my own mind.

There was some concern at one point about the stock being very low and all the takeovers and the leveraged buyouts, etc. going on. I can't remember the timing, but we put out the stock rights. That was not, is not, without some degree of controversy, although the great bulk of the companies did so.

The rights trigger in the event of somebody acquiring 10, 15, 20—I think ours is 20—that triggers at a certain level. What it triggers then is the issuance of additional shares. In effect, it dilutes the stock when somebody is trying to take over. In order to do that, you have to have an authorized number of shares sufficient to take care of that. I'm not going to say it's tied directly to that three-for-two stock split; I don't think it is. But in any event, we did increase the authorized shares in terms of preferred and common for future use for acquisition and to accommodate the rights possibility. So somewhere in there all those things were considerations.

I think we took the number of shares up to 200 million and the authorized shares went up to 300 million, or something like that. All of that may have been tied in with that stock split as well. I'm a little vague about it, but that might have been part of it.

One of the problems is that any time you compare us with anybody—this isn't to be said defensively because it works both ways—it also gives us an advantage in certain periods. We had and have so very, very much more of our profitability that is subject to high cyclicity by virtue of the volatility in our main product lines. The benefit side of it, on the boom side, is great and that's pulp.

There's nothing more volatile than pulp and yet it's been a very good business for us. It has earned a higher rate of return than any part of the business. Well you have to separate timber out because timber is difficult to compare because the question is when you buy it... set that one aside. Pulp has been number one on beta or volatility so when we "tank" in the pulp business (we literally make a million and a half tons of it), we go from \$300+ million to nothing. If you compare us with International Paper or anybody else, there's nothing like that kind of sensitivity.

The second one is we were unintegrated or less integrated in linerboard. Linerboard would be our number two volatile business. Cyclically they do better, so if you want to be a hero, go out and crow about the years when they're on the up. And incidentally, they're about to go in an up cycle, so it's going to be interesting.

The other side of it is that right now we're doing better because the sick baby in the paper business is paper—fine paper—and that's much less important to us, very much less. It doesn't mean that I'm happy about the way it's performing because it's lousy in our case. Lousier than the competition even; not Boise, but there's your example.

Boise has been a hero and they've made some very good moves and now they are losing money two years in a row in a major way. Why? They've committed themselves to two sectors: newsprint and white paper and both of them are in the tank. Okay. Is the company all that bad? My answer is, "no, I don't think so," but they're sure getting down. Now they're down to \$17 a share or some number.

I guess what I'm going to say is I don't know whether we have the right in the diversification moves we have made. Many outsiders credit...or lack of credit...for our comparative performance to the fact we've been too diversified, made too many moves. And that is somewhere between completely wrong and substantially wrong.

The problems we have had have been concentrated in the areas that nobody talks about very much. There are two. One of them is real estate, which was doing very, very well. It did for years. It's a business that we've done well at. It then went out of sight and is still out of sight. And yet, if you read what people say about Weyerhaeuser, diversification gets the blame and real estate, it seems to me, they leave it out of the discussion. That was diversification 20 years ago and we stayed with it. It earned its way in this company but it is one that took us down the primrose path this last time in the way that it never, ever did. The California market went, down we went, and we're still there. It's kind of interesting that the other businesses like diapers and the annuity business, the mortgage business, they've had some ups and downs but generally they're good earners. Yet if you ask the financial community what we should have done or shouldn't have done or whatever, the conclusion, I think, would be that diversification efforts in the '80s were the cause of our downfall.

Interviewer

What's the other one? You said there are two areas of business that seem to be immune to criticism. Real estate is one, what's the second?

GHW

I don't know about immune from criticism, they just are not up at the head of the list. We put a billion dollars into two businesses. One called newsprint and one is fine paper in Prince Albert. And that billion dollars is earning nothing. We brag about our newsprint business. It's competitive. Longview is a fine mill, well built, state of the art, but it just happens to be making no money. So what you've got is an aggregate of a great big amount of investment. Well maybe I'm mixing apples and oranges, but those last two are just a big amount of investment that is not diversification, that just is a load on the company. You can charge yourself 10% interest for a billion dollars, that's where the earnings are going.

Interviewer

That raises another question and that is, a lot of the diversified business was sold off in the late '80s and the company line was, "We're selling it off because we want to focus our attention on our major areas of business."

GHW

Sure. All I'm saying is that we had decided to do and have done it. I'm saying it was neither the cause of nor the solution to our relatively poor performance in earnings. There's a reason to shrink and get paid for, but that wasn't it. It sounds like they're at odds, which I find interesting.

Interviewer

Yes it is, because that's not the way the public sees it and I don't think that's how the investment community sees it.

GHW

No. It clearly is not...quite the contrary. I think that the investment community said we were doing poorly and then we're doing better. It is because we have responded to the criticism that we're too diversified and we are focusing, which I was party to and am sympathetic with, but it is not the solution. It's not the primary cause nor the solution.

Interviewer

When we are talking about the diversified businesses, can we talk a little about decisions that I found interesting in that they were made within a very short period of time and yet seemed to contradict one another. For example, in one case the company decided within the space of a month to hold onto Shemin Nurseries and then they sold Hines. Have I got that right?

GHW

Yes, that's right. We sold all the nurseries and the nurseries were all reasonably sound. That doesn't mean that they always made the same amount of money or weren't cyclical or whatever, but they were all sound. We sold them because we could and we have Shemin because we couldn't, so we're running it and, at some point of time, we will dispose of it. I don't know what we've said about that. There's two elements: strategic and then willing buyer or willing seller. At some point even we...we have been focused on selling these things that we have in queue. There are more and, in some cases, we will sell them come hell or high water. I mean they are enough of a problem or nuisance or something. In some cases, we're going to sell them for value. Case in point? The diaper business is running along doing a great job. We're at \$500-million-a-year sales rate and it's doing very well. We're selling it because it is salable and it's doing well. You could look at it and say, "Why? Why don't you stay with it?" We decided it is not necessarily a core business. It is not integral. It is a big buyer of pulp. We will enter into a contract with whomever buys it or the public, but we'll continue to supply—we hope!—and have a contract for some period of time...five years or so. That's just a decision. We don't have to stay in that business and to narrow our focus was another decision made partly in response.

We found some validity in the diversionary aspect in the amount of diversification we had management-wise and time-wise, so we changed our minds in a sense about the relative values and costs associated with a major amount of diversification. We went into a number of businesses consciously to try to get some continuous growth and earnings in non-related businesses. I still think that was valid and I guess my statement would be that several of those afforded reasonable returns either counter-cyclical or not forest products cycle. I guess if I had it to do over again, I think I'd do it...I would.

I think we clearly decided we were going to get in and put our resources in the main businesses, make them move up to the top quartile and concentrate our efforts there and that's the strategy the company is on. It doesn't mean that all of the peripheral businesses are going to go. That's certainly what we've been embarked on and our degree of progress in that is too slow in a sense, but it's partly that marketability gets to be an issue, or values, or both.

Interviewer

You have a long-term interest in some of these. The "blue sky" aspects of some of these seem to intrigue you. Does it make it hard for you to watch them cut the tether and let them spin off, sometimes failing, I imagine?

GHW

No. I wouldn't generalize about it. I don't think it's a matter of personal attachment. I have a lot more personal attachment to our core people and facilities. That is more painful, if you want to talk about what we have had to do in the way of people and community and dislocation. Part of that has nothing to do with external pressures or anything like that. It has to do with the inevitable transition from the old forest to the new. It was not news to me. If I could divine it differently, I would have. But I had a lot to do with how it arrived and when it arrived and the fact that we're still shutting down—pretty much through now—mills, etc. That has a lot more personal sentimentality and concern than some of the diversification moves.

On the diversified business, my only reluctance is associated with whether we are selling them as going entities. I have very little sympathy for fire sales or pressure from the outside, whether that's from the investment community or anybody else—selling a business because somebody thinks we should. That's more of a question of timing and how you do it and what you dispose of. It's not a matter of defeat or concern on my part because it's something we launched. It's not customary in this company, I'll say, or for me, but I don't have any overriding problem with it. I think a couple or three of these businesses we built up over a long period of time and I feel pretty good about it and I think they can continue to run.

Let's take Shemin. We had an interesting strategy and a dynamic part of the business. We built a team of managers up and went from one location to 15 across the country and in Canada. So you're starting up a series of small entities and, almost without exception, it worked pretty well. And I think they will be eventually disposed of as a going business. Did it make a difference in Weyerhaeuser's future? No. But I think it was a success story. I feel pretty good about it and I don't mind having somebody else run it, I don't think. It was really inspirational of one little guy with a nursery in Greenwich (Connecticut) that conceived of the thing and made it go.

I feel very badly about the various parts of the real estate business where we had reasonably good managers and long-term commitments. I guess I'd say, I think that's a really tough business and it's very cyclical, it's very capital intensive. I think we've done very well at it, but I feel badly about disposing of parts of it not because I want to hang onto them. It's just a question of the commercial building cycle being a disaster. It's more a question of timing than a reluctance to sell it at all. We, as a matter of fact, have not completed that now. So in a sense, we're like everybody else. The banks got stuck. I still can't believe it. We've been a prime borrower from the Security Bank for years and years and years and when they got in trouble—and they got in

trouble in the commercial real estate environment—it wasn't a question of who we were or anything else. They were just not going to lend any money on those kinds of properties. You know, here you are—we've never been in a position where our creditors—it's a funny feeling. It doesn't matter what your properties are or the quality of your management or your history or anything else.

Interviewer

What about the savings and loan... Republic National Savings and Loan? Can you put that business in the context of all the political and economic furor that has been attendant to the savings and loan industry?

GHW

I don't know that I can. I think we were looking at it as a special kind of vehicle which tied in with our mortgage banking business and we bought it at a fire-sale disposition and what we bought was 15 branches of deposit-gathering in Los Angeles, which we thought we could run without any particular investment or risk and use it. We thought we could get in the business of adjustable rate mortgages without the risk that used to be attendant to fixed mortgages. We thought it would fit pretty well with our mortgage company business. We took it on after evaluating the assets and all that with a piece of goodwill in it, which is another way of saying we didn't pay anything for it substantially, but it had a negative net worth which could have run more or less perpetually, except the government changed the rules. Eventually we had to fund that negative net worth and then shut the whole thing down. Let's say absent the change in policy of the government and, we acquired it not *before* but after it got in trouble, so we thought a deal is a deal. It'll sit in there and work that way. We grew it. It just looked like a relatively low capital, relatively low-risk adjunct to the mortgage business which we had done well at and, as a matter of fact, continue to do well at. In a period when all the action swung over to adjustable rate mortgages for a while, the fixed mortgage thing, when interest rates went through the overhead and it just dried up.

I don't know how to put that in the context of the larger set of issues other than to say other S&Ls (and a lot of the big ones), got into development and commercial property loans and wound up owning a lot of non-liquid real estate. It was for the S&Ls and nationally, an absolute disaster. They were built on a very, very unsolid foundation... upward and onward. Lots of incentive to grow with very few requirements and the depositors are not at risk, so the government's holding the depositor risk so you can keep going onward and upward and issue CDs and they competed for funds and it was kind of a Ponzi scheme almost.

I don't think Republic was in it, but they were in various kinds of real estate lending in Los Angeles where commercial real estate tanked and so they wound up with illiquid. Not necessarily under our era very much, but prior to that... properties that were not generating income and so they, in effect, generated losses. They also got stuck with the liquid assets that had to be disposed of, which we worked during our period way down and so it was not a big deal for us going out. But of course, looking at it from the beginning to end, would you have done it if you knew? The answer is no, we would not. As I look at that whole scheme, a whole series of errors were made, not the least of which was increasing the Federal Deposit Insurance from \$50,000 to \$100,000. That was just political. You remove the discipline from the people that are

putting the money in there and guess what? S&Ls are going to use other people's money with the government insuring it and who's going to regulate the risk? It was a bad scene.

Interviewer

You may be running out of both patience and appetite for this and I still have quite a few questions, so I guess what I need to ask you is whether you'd like to think about my imposing upon you to do another session or how you would like to proceed. I don't know what would be the best for you, but I still have a lot of paper.

GHW

You want to go eat lunch? I have some paperwork.

Interviewer

Can I get you a sandwich?

Tape II, Side B

Interviewer

Among the issues that come up on chronology, the next one on my list is that of the dioxin controversy which first became a public issue in 1988. At the time, Weyerhaeuser responded by saying that the number of parts per million of dioxin in the effluents were not considered to be hazardous and that there was, at least at that time, believed to be no harmful long-term impact. Then within two or three years, Weyerhaeuser announced that it would reduce the dioxin in the effluent by roughly 95%. Can you reflect on: (a) what the change in the position results from?; and (b) what technologies made it possible to both measure that and made it possible to remove the dioxin from the effluent to the extent of 95%, which is a very high percentage?

GHW

Yes. We're dealing with the magnitude differences here in the detection capability, which is way, way ahead of the studies on toxic effects. The instrumentation, the ability to detect changed during the period dramatically. You're talking about moving from parts per trillion to parts per quadrillion and 95% sounds dramatic, but it's in minute quantities.

It isn't as though you were reducing your energy input by 95% or something like that. You're just tightening up and you're changing, in our case, the main way in which we're effecting. It is reducing the chlorine usage and you can do that in a number of different ways. We're doing it on both sides of the chlorine stage, namely oxygen prior to the bleach plant. Where we can, we're cooking longer and reducing the need to bleach by a relatively benevolent change in the cooking method. Where you have the capacity and the controls, you extend time and you go through a less harsh cooking process, thereby bringing the bleaching number, the bleaching need, down.

So you do more of it in the digester, less of it in the bleach plant and then we and others also are using oxygen as both a pre-bleach agent before the main bleach plant and during the course of bleaching. Oxygen is a partial replacement for the effects that chlorine has. On the tail end of the bleaching process, there are also things that can be done to change it where the use of chlorine

dioxide can replace part of the need for chlorine at the front end and has less or no effect on the generation of dioxin.

So that's a whole series of things that can be done depending upon the configuration of the plant. The new plant in Columbus was designed with the most extended cooking possibility and oxygen, etc. In other mills, either changing the chemical staging (they're using more chlorine dioxide) and/or the introduction of oxygen, can be retrofitted in. I think there are also other changes in procedures that can minimize the generation of dioxin, all of which is in these minute quantities. And then of course, your detection capability is so you can evaluate where you are.

Now having said all that, the standards are differential in different places. But during the course of the last few years—I can't give you the dates—but let me say that the EPA's own study, or commissioned studies, have also raised how in their public pronouncements, etc. very substantial doubts about whether or not the previous tests were valid because they used concentrations of dioxin on the test animals that were far too high and there is a real doubt as to whether or not at a threshold level above the standards level now called for in the pulp mill effluents, there is in effect, any carcinogenic effect on humans. I've just told you about all I can recall about it, but there is very substantial, scientific doubt by the same people that carried on the initial experiments then later came back and said, "No. We think those tests were in error."

Now that has not changed public opinion or the requirements for chlorine-free pulp in Europe. I mean the Greens have the public convinced that it's a terrible thing and, therefore, there's a lot of purchasing power pull on chlorine-free—not dioxin-free, but chlorine-free pulp—which deals with the process. Now I think when all this comes to rest that the standards for dioxin may be too stringent for pulp mills. The industry... I think figures indicate that the dioxin... you know, we're talking about something like seven ounces by the whole industry in a year and that's something less than 1% of the man-contributed dioxin and ignoring the natural presence of it. So there is a lot of question about where the issue finally comes to rest. Now we didn't change our mind about whether or not dioxin. In fact, all subsequent evidence would lead to our earlier conclusions that it was vastly overstated, overrated, etc.

Now to the degree that customers require it, whether or not it has scientific validity, we are preparing to respond to it. Where the state requirements... and they are different in the different states we're in... articulate a standard whether or not it's supported now by the scientific evidence or whether or not the EPA at some point here relaxes its national standard. It isn't a national standard, but there is a standard and the states can go further, I guess may be the accurate way to say it. So you have differentials and there are lawsuits going on in the various states both to challenge the standards and also against companies. So the issue is very much up in the air.

Now what we're doing is wherever we're going to put in new installations, obviously we're going to overkill it, but we are not prepared to go all the way. There are ways and means of eliminating all the chlorine compounds out of the process, which are more expensive and less benign with respect to the way it affects the fibers, the yields, etc.

I guess as a matter of policy, we have not changed our minds and do not intend to, I don't believe, except that will obviously conform to the regulations. I'm saying it's my belief that those

regulations may well, over time, be eased somewhat. That doesn't mean that you're going to remove the scare or the customer requirements, so we are going to be at a couple or three of the mills putting in more oxygen and attempting to eliminate the dioxin generation. Of course, there are other compounds that are being generated in the process too that are of concern and are being regulated so that the whole cooking, bleaching sequence—so long as we're using the chemicals we're using—going to be under intense scrutiny and require better and better control and measurement in the mills.

I guess you asked the question in a kind of a “did we change either policy or philosophy” style and I think the answer to that is no, but we're doing everything we can short of elimination of chlorine from the process. Now we've got others, but dioxin is the biggest publicized and on the scary side.

You've got to be concerned about it, but we've also got chloroform problems. That word ought to scare somebody. In a regulatory sense that's where we're going to have to retrofit completely at Plymouth and Longview, the two mills that are the oldest. I think it's chloroform that's generated in those old hypochlorite bleaching stages; they'll be replaced. They'll have to be to get into conformance. I don't know what the next list of chemicals are. There are others.

Interviewer

Is there any way to estimate what the cost to the company has been to meet this publicly perceived danger, which may or may not be a valid concern?

GHW

Well, it changes through time. At the older mills, where you improvise and use different chemicals, what you've got is whole tiers of per-ton costs that are using substitute chemicals and they're big numbers. In other words, we're talking about millions of dollars per mill and I'm not talking about to correct the problem, I'm just talking about even to run it. So we're either having to use more expensive chemicals, lower rates of through-put or some combination of the two. But the larger problem is if you literally took the industry, including us, you're into billions and billions of dollars and, for us, chlorine replacement, we would be into the billion dollars categories plus operating costs, permanent increases in production costs. It's big for our industry. It's big for us to the degree that we're building a new mill or doing a complete replacement, it can be accommodated to bring the dioxin below current detection levels and within the regulatory standard. But that's not representative when you get down to parts per quadrillion or less that it's zero. And that doesn't satisfy some of the customers in Europe.

Interviewer

In a case like that then, we're really talking about what has to be a pass-through cost to the consumer, or I presume it is. Maybe that's a wrong assumption on my part, but if you're talking about billions of dollars, we're talking about a pass-through to the consumer ultimately.

GHW

It's a real cost; it uses the capital. It isn't automatic that the charge is passed through. You could take a lower return on investment and then it gets to be a question of, all right; where are the break-even points? Or where are the cost-competitive points across the world? Not just what

does the state of North Carolina require or someplace in the U. S. European requirements, probably in the European pulp mills on a regulatory basis, will be as strict perhaps, or stricter, but will they in Brazil and will they in Japan? Everybody isn't faced with the same problem at the same time, at the same cost. You can say, "In due course, if that equalizes out, the costs will be reflected in the goods and the consumer pays."

Interviewer

I have not come across an industry response to these, for example to the dioxin issue that connects the changes that industry must make to these perhaps, unnecessary regulations, with increased cost to the consumer. Is there an industry association that is addressing that issue?

GHW

I'm sure the API (American Paper Institute) has dealt with it extensively. They've certainly been both privately and publicly with the regulatory agencies outside. This is a major pulp and paper industry issue and they've been working on it since way back when the first scare took place, to survey every mill and establish a background with the EPA. This has been an open book as far as evaluation and detection. But that isn't to say that the industry has agreed with them, that there is a proper regulatory level, or that everybody is paying attention to them. Maybe anything short of zero still leaves a problem with the public or in the marketplace. I guess they have a problem in terms of the economics. As I say, it would depend a great deal upon what product you're making and what process you choose and it would vary by mill, depending upon what you already have in place. So when you translate the economics of meeting a regulation into what it will cost the public, that's an interesting challenge about how to do that.

Interviewer

It may be impossible to do.

GHW

It kind of boggles the mind. Just to pick a number, \$10 billion to reduce it in the effluent streams. Let's say there are 100 mills and the average mill would be putting out 20 million gallons a day, so you're talking about two billion gallons a day of effluent, times 365 days and in that is contained seven ounces of dioxin. The argument is about whether that needs to be reduced by half at a cost of \$10 billion. Of course, taking a Dixie Lee Ray approach to things, what we don't recognize is the occurrence of nature and the ambient occurrence in many cases. If it's toxic, it's bad. But there's some level that is tolerated, that the good Lord tolerates in nature. This is a prime example though of "the" hottest issue and "the" most minute quantities and "the" most economic consequences of this industry that you can describe worldwide, so it's really interesting.

Interviewer

As you pointed out, I'm sure it's not the last of them either.

GHW

No. No. There's a whole course of them. Now there's 1,500 chemicals or something like that are now under a toxic and/or regulatory process. One that our industry uses a gigantic amount of and generates is formaldehyde. It is ubiquitous; that is, really extensively used. I'm not sure what the natural background of formaldehyde is in nature, but I know that it's used in all kinds of

processes and it's a primary constituent of the adhesives that we put wood together with—plywood and particleboard—all those things use urea glues.

Urea formaldehyde is probably the most commonly used. I don't know where the regulatory processes come to rest there, but you know that's one that we had a lot of problems with in the sense that once you put it into a product, it still leaches. The biggest problem area there has been where you had a well-built mobile home all encased in plywood and not enough ventilation and there—whether out of particleboard or plywood or whatever—there have been effects. I don't know how serious or permanent the effects are, but they're significant on people. Here's one if you had to replace that, that is a common—very, very common—adhesive. It's significantly easier to work with and cheaper and everything else, so you would change the nature of the business. It is particularly important to the wood industry because we use a lot of adhesives to put our products back together again.

Interviewer

We've referred a couple of times to the fact that the upturn at the end of the '80s was all too brief, in fact, late '87 through '88, and continued to rise for a short time in '89. In fact, it brought Weyerhaeuser sales to over \$10 billion a year in 1988. Nevertheless, the margins on that \$10 billion were still not where the company wanted them to be and, unfortunately, the whole economy started to take another dive. In looking at that very brief recovery, can you identify what the major impact was in that there was not an ability to sustain that level of sales to the point where the return could be maximized? Were there some things that you needed especially to do at that point in the company's growth that became difficult to do because of those circumstances?

GHW

You know, there are always things that you should be doing and you want to do to some degree. Our businesses are dependent on the cash flow. It doesn't mean that you couldn't borrow the money, but you're working within credit ratings, in general degrees of constraint that are set. They can be self-set, there's sort of a "prudent man" rule that says you're going to follow appropriate sense of retaining your ability to borrow money and at a reasonable cost.

So a lot of things when you get into a period of declining earnings and declining cash flow, things get deferred, get pushed off. The capital spending programs get affected; either delayed or canceled. We did some of all that on these down cycles. That comes at some expense, comes at some delay in the upgrading of your product and your facilities. This is something you have to live with, I think. Typically, we and others, when those cycles come on like that, you're generating a lot of cash flow and you're implementing engineering design and studies and you're starting construction.

The best example I can think of is not the late '80s, but the early '80s cycle where we brought Columbus on-stream and we were going to bring the pulp mill in behind it and having to delay that—we did delay it—dearly cost that integrated operation. They chose to operate the paper machine without ever integrating behind, which turned out to be an expensive middle-term penalty that we paid. Now it's going and everything's fine, but there was a dramatic difference, let's say, in present value of what we invested in when that paper machine went down and there's no way to buy those five years or whatever it was. You've got embedded capital that isn't performing up

to capacity. We were paying for a lot of excess design for future expansion, which just stretched out. That's one example.

Interviewer

I was just looking for something that you personally had thought of doing when sales did start to rise and things looked better. Whether there was something that you had...at least in your own mind identified...that you wanted to accomplish in that period of time that suddenly became impractical. Maybe there was no *one* thing.

GHW

No. I don't think anything looms out on top of everything else. I think the things that hurt the worst are the things that you're in midstream on and then it's badly stretched. Of course, one of the things that you should be doing all along...you concentrate on in those periods...they are the efficiency and effectiveness kinds of things. So instead of building for the future, what you're doing generally is, and probably quite appropriately, trying to improve your performance with a minimum amount of capital. You're not trying to grow, you're trying to be somewhere between surviving and improving your competitive performance. It's not peculiar to us but that is what you wind up concentrating on, which shortens your time horizon and focuses your attention on here and now and what you can do in the short range. All of which results in improved set of performance as you come out of that period. In other words, it's not all wasted, the fact that you concentrate heavily on productivity. On the other hand, it takes a lot of the longer term and the strategy and the developmental and things that will determine over the longer pull how well you do and pushes them into the background somewhat. You know dramatic examples usually are the first things to go or development work or research, new product work, etc. Just as a generality, we're no different than others; we cut back on all that.

Interviewer

This is where I have some personal bias and need to watch out for. The term "total quality" was introduced in 1990 and it was not intended, as I understand it, to interact with the concept of refocusing which had to do with improving productivity and changing the company's view of how it operated in terms of efficiencies. But somehow these labels and terms that I know have a communications benefit, it gets all tied up it seems and I've had trouble in my own mind trying to sort out what "total quality" was really supposed to mean and what it is in the long term going to mean to Weyerhaeuser. What's your take on total quality? How would you explain it to a cynic?

GHW

Well, I am a cynic, so maybe I can explain it. Oh sure. There's a certain amount of aura around the term and there's a certain amount of fad associated with it. I can understand how they get kind of mixed up in Weyerhaeuser because at the time that Jack Creighton and I were looking through at each business, we were trying to evaluate where we were competitively in every business; trying to benchmark ourselves against the best of the competition. And instead of just saying, "Well, we're average or better" or something, we were trying to develop a conviction about what needed to be done in each business. We were trying to take a template of the best of the competition and in this regard, this regard, this regard, this regard, we're either up here or down here and we're going to move up into the top quartile in every business and we're going to decide which core businesses we are going to be able to do that in and how to do it. Call that

refocusing, if you will. You've got to decide where you are in order to determine where you're trying to go and then how to go.

Now with "total quality," the beauty is in the eye of the beholder. My own feeling about it is that it is a continuous process of examination involving everybody. In other words, in refocusing we attempted to look at the businesses piece, by piece, by piece and through their eyes and at the leaders and the engineers. So it's more of an evaluation process that we went through with some very good people assigned from our other businesses. It was internal with a couple of external team members, but the internal teams were multi-disciplinary and multi-business, so we didn't let the business look at itself. But it still was, in a sense, a top-down look, a multi-disciplinary look, a true attempt to get an evaluation of where we were.

"Total quality" in my sense sort of says, "Every aspect of what we're doing, we're going to look at." The "we" in this case is the people that are doing it. It keys off of a sense that everything is aimed at one objective and that's customer satisfaction. You start with a careful evaluation from your customers and with your customers of their requirements. It's got dimension that is outside of your normal sphere of production and tries to extend out and evaluate what is needed as seen and defined by a continuous feedback loop from your customers in terms of service, quality and ideas. In effect, it couples with them to do the very most efficient, most effective way of meeting their needs. Then if you take that process back...everybody has a customer, whether they're internal or external...so that in a sense, everything you do is passed onto somebody else. An examination of that then says, "Okay. We're getting it right most of the time."

Total quality says to me in the companies we visited, they weren't talking about 3% to 5% improvements; they're talking about orders of magnitude change—down to zero defect. In other words, we're going to do it right, not the normal 90% or 95 or whatever, but we're going to examine the process by which whatever error rate is there exists and eliminate it.

The goals that the very good companies, I think, have achieved through this are magnitude changes because they look at it differently. Every business is different, but I'm just saying the lead companies that we visited were big, varied and dramatic in what they had achieved. Not over one year or two or three, generally we're talking about five- to seven-year periods in which their way of life had changed. The process does go back through that process until you come full circle. In other words, every task has all these various transfer points. You come back to the beginning and say, "Well, okay. What have we got?" and they do include aspects not only of how do I get that to the point of zero defect, but there are elements that are efficiency and effectiveness which are involved in our refocusing program, too. Okay. But my time line is way out of whack, so you get the just-in-time kind of fundamental look at how you're managing flow and inventory, but that's a set of techniques or methods that could apply to refocusing or anything else.

There are contained within total quality, a whole lot of elements that other people have applied in other circumstances. It's the degree of examination, improvement and the key, to me, is a real team focus on requirements and a disciplined process of examination which is iterative—I think I said a fad earlier. I don't really mean that. I think there's substance and Jack [Creighton] and I were not early converts in that process. We were among the skeptics and we had champions

within the company that had been at it for five years and so what has happened in Weyerhaeuser is that Jack got fully on-board and we've adopted it. And with a good deal more intensity, tried to make sure that we had it going in all parts of the company and there's some more centralization of methods. But initially I think, two or three of the divisions were way ahead of everybody else by one or two years.

Interviewer

Which ones are those?

GHW

Well, I think the shipping container guys were up-front with the Paper Company. The Paper Company was generally adopting various parts earlier than the rest of the company. I think there were one or more corporate staff departments that were doing it. There may have been a division with the wood products group.

Interviewer

Which were the companies that you went to look at and which impressed you the most?

GHW

I don't know about most. Jack's probably gone to a lot more. We went early on with the Baldrige winners who had committed their companies to helping sell the concept and giving access and had training rooms. We talked to CEOs and the people. That's the bottom line. Where you've got guys that are in charge of major corporations that are dedicated and convinced and have made it happen, it's a pretty good way of convincing people there's something there to be done.

We visited Westinghouse, which had a very extensive program with training facilities in it. As a division winner, we went to Florida Power. Here's an utility where they were just absolutely "on high" about it and had dramatically changed their services out in the field. This was several years ago. They were all different--different sizes, different industries.

We came away with no doubt that it was something absolutely doable and maybe that's it. You've got to believe. I'm not interested in fads and concepts. I say I'm a skeptic--I just don't believe in slogans. I've been through too many of them. I wanted to be sure in my own mind that we weren't just going to embark on something to be one of the popular movement. It had to have some real substance. It has to have staying power. It is a way of doing things and it's a lot of training and it's a lot of follow-up and a lot of effort and a lot of time. Now when you do that, I think you've got something that is really solid because I think you have got a lot of people in the various parts of the company that really do know what it is they're trying to accomplish, instead of talking about broad company aims. What am I doing in a corporate staff department? Even, you know, what is our out-turn and why is it? How do we measure and evaluate the people that we're doing our work for? How do we understand where we are?

Interviewer

I can see that imbues everyone with a kind of professional responsibility to his or her customer, as it were, to give each person that responsibility. But I can't help but compare the concept of zero

defects and the idea of cost benefit analysis for that with what you have just referred to dioxin situation as, you know, how much dioxin does God tolerate in the natural environment. Is there a point at which it's impractical to require or request or expect zero defect? I'm the last person to say that I want something to go out the door of my office without it being perfect, but the fact of the matter is, can you really, in a cost-benefit sense, expect zero defect?

GHW

No. But...

Interview continues.

Tape III, Side A

This is a continuation of the interview with George Weyerhaeuser recorded on August 18, 1992. This is Tape III, Side A.

GHW

I don't know that zero defect is the proper ultimate goal or that there aren't generally trade-offs that something less than zero done much more efficiently than getting to zero, isn't giving the customer something better than zero. The reaching for zero defect is in the examination of the process; to discover what it is that causes defect. Then you've got a question of alternative methods of eliminating the cause, some of which may be completely uneconomic, or all of which may be uneconomic.

Interviewer

But you still have to understand the process.

GHW

Sure, and if you say, "Okay, what am I doing? I'm keying on what my customer tells me." Maybe one error in one hundred is of no consequence, but "total quality" says I understand the process and I have it under control and it is repeatable, so it's reliable. In order to be reliable, for instance, on dioxin, we have to have measurement and control at the generating points and you have to be able to respond to that with a change in process. I mean before you're going to be able to live to any standard, you have to be able to measure it. You have to then be able to know what you have to alter to affect a change in the out-of-tolerance.

What happens is that as you look at those things carefully and you start narrowing down your process parameters, you get the whole thing regularized and under control. That isn't to say that in every case that every customer needs that degree of control, but what you do is, you wind up eliminating inspectors, retrofitting rejects that are sent back and customer dissatisfaction. It isn't the idea. To me, conceptually is not the idea of reaching for perfection in everything you do. It is really reaching for repetitive reliability. Presumably, you ought to design the quality to fit—if you only have one customer to fit—their exact requirement. So if the tolerance is plus or minus 5,000th, you just ensure then that you're reliable within that range, not 10,000th or something. I still say I'm a cynic. I don't like the hoopla. Personally, I don't like slogans and I think there's

some backlash, a little bit, on total quality across the United States as you know, one of those big kicks and we aren't going to let the Japanese beat us.

Interviewer

Well, that's one of the problems with it. If you sell something so hard that people, I think, don't take one seriously. Given the people to whom you have to sell this program, which in this case really are your employees, it seems that the potential for backlash would be fairly high unless there's a pretty strong onward momentum and a fair caution in trying to put that message across in ways that people can grasp and internalize and acceptably internalize.

GHW

Exactly. I think we had that problem within the company in the sense that we were quite reluctant to impose it from the top down at the beginning and did not. There was a lot of decentralization. I think that says that even within management teams, we were not willing to try to sell a concept and get them going. They have to be self-energized and I think that goes right down to the individual. If all it is, is a sort of tutorial on how the concept works, it won't work. The way it works is when you actually carry it down and make it a way of management and by management, I mean personal management. It's not management of people, it's management of process by the people. They have to become involved and taught and it isn't the matter of the department head saying this is a good idea or the Paper Company or the CEO. The companies that we visited and, I think all the evidence is this way, were clearly a dedication from the top and so they didn't leave you any room for doubt about what they were engaged in, whether it was serious or whether there was commitment. In those companies for sure, it was not fuzzy. It was not something else they were doing; it was primary. And I think it took all of them several years and then it took us several years before we adopted it from the top and then Jack and the team, now every one of them has gone through the schools and all the top guys.

Interviewer

What about you?

GHW

No. Not me.

Interviewer

Having done that then, who's going to watch this? Who's going to be the person or who takes responsibility for making sure that there is a continual renewal or encouragement?

GHW

I don't know. You'll have to ask Jack Creighton that. But there is.

Interviewer

It seems to me that's the toughest battle.

GHW

I think it is and ensuring that the level of effort and training and involvement gets done in the first place. It isn't as though every place in the company—Jack bought off on it and was equally ready

to embrace it. There was a big differential even between divisions in some of these companies that we visited in Westinghouse. It seems to me that maybe the Cadillac division of General Motors went through it or something, so it isn't that everybody does it corporate-wide. And honestly, I think that's the case here now, but I'm not positive that everyone has.

Interviewer

Yes. I realize that you're not in a position, that this is your responsibility now. In the mid-80s in the annual report, it was stated that Weyerhaeuser owned 6 million acres of forestland in the United States and by 1990, it was stated that the company owned 5.6 million acres. What happened to 400,000 acres?

GHW

We sold it.

Interviewer

To whom?

GHW

Oh! Everybody...different people. Maybe the single biggest customer is John Hancock, who are probably the biggest acquirer of softwood timber and timberlands in the last seven to eight years—West Coast, South, long-term investors, insurance company, pension money—they've gone into some of these limited partnerships in timber and in straight-fee ownership.

Interviewer

On Weyerhaeuser's part, is that largely an effort to consolidate holdings by selling all pieces that are not integral?

GHW

Right. Right. Marginal to us could be described as either lower site or remote location or scattered. Most of those acres—well maybe we sold some of those acres in the West where we were trading with the state of Washington or where we reduced acreage, we consolidated. So we've cut our property lines way down, but we also sold a lot of our acres in Mississippi that we had acquired over the years from Georgia-Pacific and scattered lands and we rezoned it and pulled our boundaries in. We felt we had more land and timber than we reasonably needed to support any planned facilities, so that shrunk it down there.

We sold or are selling lands in southeastern Arkansas, which are more remote from Valliant and back away. We sold a lot of recreational lands in northern Arkansas that got developed into retirement communities and that kind of stuff. Primarily, we sold because they are higher value than growing timber. It wasn't a big deal...20,000, but we sold 30,000 acres in northern California. We didn't want to be in California.

Interviewer

That's still a big change for Weyerhaeuser in many ways in that the company has a long-term reputation for holding land.

GHW

Yes. It is fairly sizable. I don't know where that 5.6 number came from. We have an acquisition coming up as I just read something about the total will be 6 million acres. I don't know.

Interviewer

I don't know. That's the figure that was used in the annual report.

GHW

Yes. That figures. I saw it, too and I think it kind of surprised me, too. We have some long-term lease land that we usually treat like ours in the United States—in the South—that is equivalent to fee, but anyway, that's what we were doing. It generated a certain amount of cash, which we were interested in and income. But generally, where we were disposing of land, if we can put it back into real estate or more timberland, we avoid the tax against the low holding cost. We try to arrange three-party trades where somebody goes out and acquires some land that we want and we can make a trade and avoid the tax as a generality, but some of this we pay taxes on.

Interviewer

Among the more public issues that came up prior to your retirement from day-to-day management, was the spotted owl controversy. Could you, in brief, evaluate for me how you see the resolution of that issue and how it's affecting the company?

GHW

I don't know how I see the resolution of the spotted owl. I think that we have a very bad unbalanced law on the books called the Endangered Species Act, which in its present form, does not allow any consideration of consequences... economic or community or anything else. The law now is such that very minor and obscure species such as the spotted owl can give rise to gigantic dislocations in terms of use of land and resources, water and everything else. I think the concept is supported by the general public in that they all love nature and that the idea of destroying something in nature is abhorrent to the public. Conceptually, if you're a long, long way from something, I suppose it's pretty easy to say, "I prefer not to have that happen; therefore, our laws ought to prevent it." The problem is, whether it's a snail darter or whether it's ten other things, as population pressures grow and we use more and more of the land and man occupies more of the territory, the consequences are going to change in a natural environment.

Change is going to bring with it—I would say both natural change and man-accelerated change—the elimination of species of plants and animals. I guess it's true that there are many more things that we do not know anything about on the earth than there are things that we do know about and those things are going to be affected by time and by use.

So we're dealing here with something that has in the aggregate, over time, an effect on resources available to us, on our standard of living. Those things need to have some balance in them. I suppose a good example in my mind is when you get down to good, bad or indifferent, a handful of fish described as a species that's facing extinction on the Salmon River or somewhere. Now we're dealing with energy supplies and water supplies for our agriculture. We're going to be releasing water through these dams and there may be 100 other ways to accommodate either reintroduction of that species or enhancement of other fish runs that might be both economic and

in every other way more practical than trying to restore nature to a point that's long gone. So I think that the balance in these things is way, way over on the side now in this country—but not this country alone—of preservation as opposed to some balance of use and nature.

I think that pendulum will swing. I think that on the spotted owl, as they get to know more and more about the spotted owl and its habitat, I think we'll find that there are a lot more of them around than people think there are. That they live in second growth, that the population can be enhanced by methods other than setting out nine million acres of land off limits for harvesting and other use. But I think that in finding that, it's going to take time. There's going to be a continuing tendency to preserve, as opposed to multiple use, and the net effect will be that public lands...and I don't mean to limit it to public lands, but certainly the public lands are going to be less and less used to produce economic products and more and more in a preserved status for recreation and/or just as much of the wilderness area is for non-use. That will reduce the supply of the timber, will raise the price of timber.

Interviewer

That was my next question. Are there some benefits to Weyerhaeuser in all of this?

GHW

Well, I wasn't really talking so much about Weyerhaeuser and all that as I was philosophizing about the whole process by which the decisions are cast, how legislation such as the Endangered Species Act comes about and, then once in place, is used by the environmentalists and is supported by the courts. There has been very, very extensive use of set-asides and control over use that, I think, never were contemplated when the law was passed. But to try to amend that, you got to be on the side of the devil so that it's going to come up and there will be attempts to amend the Endangered Species Act. Present administration will support that and will support it...try to push it. Most of the representatives in Congress would not jeopardize the anti-environmentalist vote. Much of the urban population has no particular touch with—economically or otherwise—the forest.

Interviewer

Well, they do but they don't recognize it.

GHW

Well they don't recognize it. Yes, they do, of course they do, but it's not up close. It's not one plus one equals two, so the realities are, there aren't going to be any heroes out there in the Congress correcting that situation. We're going to be going through a long period—this is the environmental age, not the age of, unfortunately, productivity and economics. I think that in spite of the fact that we're having trouble competing in the world to some degree, and we're having trouble creating enough jobs for our population and we're having trouble improving our standard of living—all these regulatory steps and impediments in the aggregate are impeding significantly that process of competitive improvement. Resources are important to that and the balanced use of those resources is important to our future.

This country, whether we like it or not, was blessed with a lot of resources, but we are not alone and we're not in the same status that we were in the past on having an overabundance of available

resources. We're inhibiting that future to the degree that we over-regulate. Now if you don't care about everybody, you're in the position to say, "I've got mine and what I would like to do is have it available for future generations," etc. and, "Don't tell me about the consequences of my using lots of products." We ought to be willing and able to pay for the cost of those. Those are all valid arguments. You can follow that line of reasoning, but in our industry, there's no question that it's going to shrink. This one act is going to dramatically shrink the industry's base in the Northwest and I don't think that's a reversible matter. I think it could shrink further, but I don't think the reduction in the Forest Service cut to around two billion feet or some such number is going to change.

Interviewer

But then, that puts me back at the same question and that is, does it hold a benefit for Weyerhaeuser, given Weyerhaeuser's holdings?

GHW

Yes. I didn't answer that and my answer is, if you leave the question at the level of, does the reduction in competitive supply enhance the owner of fee timber? The answer to that is obviously, in the first offer effect, yes. The second effect, however, is what is the consequence of those regulations when applied to Weyerhaeuser lands and other private lands? And then it gets a little less obvious and, particularly, if you include in that then a larger set of questions such as, what about wetlands? Now we're affecting our southern lands extensively, so as well as the western.

So it isn't as though regulations imposed in the first incidence at the federal level on federal lands is necessarily, if history is any guide, the end of it. That's just a step in the evolution and we're entering into agreements in various states now with the agencies of the states and with environmental groups and others involved in the state forest practices regulation. We are going to be: (1) unable to harvest substantial amounts of our land base and timber base at all; and (2) we will be restricted as to when we can harvest others by virtue of drainages and aesthetics and visual control over whole basins.

This will restrict the right of the individual property owner to harvest his timber except in the sequence that's acceptable to the rate of harvest in the whole drainage. We will be leaving timber along water courses. We will be leaving timber and paying taxes on the land and everything else along roadways for visual effect. We will be leaving it for owl habitat and, in our case, just depending on how they define the owl habitat, there could be 300,000 acres of Weyerhaeuser land immediately adjacent to the known owl sites. I don't know how many more owls are out there or how that regulation is going to evolve, but the point is, we may enjoy a 5% increase in price in western timber and lose 10% of the land base.

Everything we're doing at the state level—there are pressures at the state legislature level which are coming from the environmental groups on the size of a clear-cut, the protection of the waterways, the protection of roads, the protection of animals, the diversity of the stand and, of course, there is a lot of pressure in various places coming from various quarters to eliminate harvesting methods—the clear-cut for instance.

There are all kinds of bright ideas about how to leave certain kinds of trees and cut. All of this affects both the availability, the cost and the net value of your growing timber and managing these lands. All of which is a passing parade, all of the direction is negative after you got through your first order effect to shutting the government cut-down. I think this has much more of a regional—if one wanted to look at it carefully, it is much more a question of regional resource and regional policy and future sustainability or growth. All these other things, setting aside that one, are in the direction of some combination of ever-increasing legislative actions, regulatory actions and increased self-regulation on top of all that, in other words. So your license is being modified year, by year, by year in a major way.

If you said, “All right now. If it takes me 40 years to grow a tree and if I knew how to extrapolate that line out there, would I? Should I?” Okay. Maybe the value of those is rising at a certain rate, which will offset. History will tell you the values of timber have had a real appreciation rate of “X.” Maybe “X” is only 2% or 1%, probably the real rate of inflation or something like that, but it’s been something above the rate of inflation. If you remove enough of that productive base and make the front-end investment the same, those returns are not dramatic anyway, by any test. The real rate of return on timber is probably somewhere around 6%. You can depress it to the point where you’re a whale of a lot better off putting in a long-term government bond with lower risk and a 3% or 4% real rate of return. Anyway, that’s a real concern to me because we don’t know what’s happening. But if the slope of that line gets steep enough, intermediate, and you say to yourself, “Wait a minute! We’re going to lose half the capability,” or something, you’re not 40 years out, but then there’s going to be a point at which...

We’re ignoring that. These are monumentally different. The kinds of regulatory processes that are emerging in Oregon, Washington and California, in particular, I know don’t have a hell of a lot to do with the spotted owls, but area all very much in addition to the endangered species. This is the whole balance of game management, water management, the air and appearance along super highways or from airplanes, all the public resources that are associated with it. A lot of it is appearance and these are regulatory impediments to optimizing forest management from a viewpoint of economics. Very few of them enhance it. They may enhance the public’s use of it, but I don’t know, we’re kind of at the front edge of changes in regulation of forest management out here.

The South is very, very different. There’s a different degree of regulation and tolerance. Not without directionally the same kind of movement, but very, very different in its current impact. We seem to be, people who live here in the West—there aren’t that many people and they seem to be a way, way more attuned to natural, beautiful country maybe and so we’re very much more inclined than the public is. We’re very urbanized now. So the “Seattle effect” is there—are a lot of people moving in from the way it looks and they feel and they don’t want to change.

Interviewer

They want to close the door behind them?

GHW

Yes. Every time.

Interviewer

How are you holding up? Are you ready for a break?

GHW

Well, I'm wondering when you're going to let me go home.

Interviewer

Well, I know. Would you be willing to see if we could schedule another time?

GHW

Sure. How much more have you got?

Interviewer

Oh, probably another hour or hour and a half.

GHW

Sure.

Interviewer

Would that be possible?

GHW

Yes. I'd be glad to.

Interviewer

I know your schedule is somewhat variable these days.

GHW

I'm in and out.

Interviewer

Well, why don't I see if I can give you a call. Is it best to call Marlene?

GHW

That's fine; sure.

Interviewer

This is the end of the interview recorded with George Weyerhaeuser on Tuesday, August 18, 1992. This is the end of Tape III, Side A.

This is an interview with George Weyerhaeuser on Tuesday, December 15, 1992. This is **Tape I, Side A.**

Interviewer

The last time we met, we got as far as talking about the issue of succession and the kinds of problems that holds, especially in an organization like this one. In thinking about this, the first question coming to mind was, in the final analysis, how did you make a decision about the person you were going to tap in 1988 to succeed you? How did you choose Jack [Creighton]?

GHW

There were a lot of factors that went into that. I guess I could start by saying that I didn't have a template of perfection in front of me saying here are all the considerations by some ranking and weighting. I think I said the last time, if I didn't [I should have] I had three very able men who I had worked with for a long time, each of whom I felt had strong pluses and some significant minuses. That's a very difficult position to be in. I think often when people go on an executive search, they have worked harder at defining the job and the characteristics. When you're working with headhunters, I suspect that you'd have a process in which you don't bring any interpersonal judgment or certainly a minor fraction of it to the table, so that the job, the experience and the credentials of the individual, your reactions to those interactions which are relatively minor in the overall picture add up to, "This is somebody that we refuse to put in the top job."

In my case, it was much more a problem of judging leadership by long, long years of contact with them and I felt that all of them were qualified. I was not inclined to search outside. I guess it was the case that the Board also had a fair amount of exposure to all of them and so when my recommendation came to them, there was not a great deal of questioning, searching, inclination to look elsewhere or, to my knowledge anyway, to question my recommendation.

I guess I'm saying that both my exposure over a long period of time to Jack and to the company and the exposure of the Board to all the candidates made the final selection rather easy. Easy only in the sense that we didn't have a lot of long soul searching and arguments about it at the end. But in the process, of course, you've got the negative in that you have some very able, strong people who have been performing well, two out of three of whom are significantly, strongly disappointed. They all aspired to it, they all were capable of it, so in that sense, it was more difficult for me personally to settle on Jack.

Interviewer

What tipped the scale? If you could name a factor or two that tipped the scale, what would they be?

GHW

Well, it's not one thing. There is no predominant; there are two or three. I think the breadth of his leadership business experience in different businesses, different settings and the independence of his position within Weyerhaeuser which added up to experience making judgments without a lot of consultation is one element of making decisions and leadership that put him in a better position. That's partly the accident of what he did before he came here and what he did here. That's partly a difficult call.

With respect to Bob Schuyler coming out of a very good job and a very important set of staff roles, it is harder to translate into the top decision-making job. Bob...it doesn't seem fair, but he worked closely with me for a long, long time and I had great confidence in him, but it was two of us, not one. That doesn't say that he didn't have good leadership qualities, did and does.

The other major consideration was whatever readings I could get on leadership style. I think both Charley and Bob, for different reasons, I felt were going to have significant problems with the people in the organization partly just on interpersonal skills or lack thereof. It was different between the two candidates. So I guess I'm saying I think it's not only the individual, but my best estimate about how the organization would be inclined to follow and work for the individual.

Interviewer

Did you poll the Board before you made a decision?

GHW

No. I'm not even sure I did after to be honest about it. I don't remember, but certainly not. I was aware of individual Board members' opinions about the individuals over time. That comes about as a result of interacting with the Board over various periods of time when these guys were exposed to the Board in various situations and you get feedback—good, bad, indifferent—criticism, compliments. Through that process, various Board members, if they were left to the choice, would have made different choices, interestingly enough. So it wasn't that they made an unanimous decision that this is the better or the best of the three. It was that they went along with my recommendation and in some cases, in spite of their preference for the individual, but not in the context of "Is this your man for CEO?" when I asked you to consult with me A, B, C, one at a time, I didn't do that.

Interviewer

It seems inevitable from an outsider's perspective that at least one and perhaps two of the people who were not chosen would leave the company as a result of not being chosen. I think we talked a bit about that. It's no surprise to me—maybe it wasn't any surprise to you—it wouldn't be long before, for example, Bob Schuyler chose to leave. Had you talked with him about that beforehand?

GHW

I don't know that I posed it that way because my strong inclination and desire would be to encourage in every way I could to stay onboard. The fact that there was a new CEO didn't in any way reflect on the fact that it was a wonderful company and he had the top job and was performing well from every point of view. At least from my point of view, it was all positive to try to keep Charley and Bob engaged. Certainly the possibility of one or either of them, not only entered my mind, I thought there was a strong possibility that no matter which way I went that one or two might drop off.

Now the fact Bob chose to, as early as he did, maybe has something to do with the fact that he had a set of experiences and skills that were applicable to a lot of other situations, so he could realistically expect that he had other options. Bob wanted to run a company and in effect, I denied him that chance, so I guess it did not come as a large surprise to me, but a big disappointment. I still feel that he is one of the finest guys that we've ever had in this company, so it's not an easy matter, but not a surprise. He made it plain when I put him in charge of the Paper Company, that he wanted line experience. He wanted to be in line. He wanted to have hands-on. That was consistent. I was aware of all of that.

With respect to Charley, it was not so clear in my mind how he might react to it. I consistently have felt that Charley made great contributions. Again, a lot of experience and a tremendous amount of gray matter and ability to think through and articulate situations and subsequently to when I made the decision, I encouraged him every step of the way to stay onboard. I think that it was a very hard decision. He's got a lot of years in. He did not have to stay with the company and I think it was a tough nut for him to swallow. I think that in some sense that the other changes that we made during the course of this, not just at the tail end of the decision, in working with Charley—counseling him to some degree, both I and others—Charley became aware of what we perceived to be and other people perceived to be and reacted to, his method of communication and direction. It did some damage to individuals and perhaps broader, to the organization. Charley is too smart, probably too quick, and that's not an unusual combination; therefore, less sensitive and somewhat less patient and less communicative. Some would translate that to "more arbitrary," or "abrupt," or "autocratic," I guess. Those are characteristics that I was aware of, but not overwhelmed by. I think the strengths far outweighed the weaknesses, but that weakness might have interfered with leading the company, I felt. So I guess that's a dimension of the decision.

Jack had worked in a variety of situations. He had interacted in leadership roles in small segments of the company and not so small segments of the company and had led them. I think the scale up and the difference in leading the whole company as opposed to the kind of "hands-on-travel-around-and-manage-these-businesses-one-by-one" was quite a different matter. So again, it was a "no-brainer" that Jack had made that

transition and sailed right into it. There are no guarantees in this world. All of these went into the equation.

I guess I started to say that I think the fact that I knew them all so well and had seen them in different situations over such a long period of time, in one sense is a great advantage and in another sense it introduces all of the problems of personal chemistry and my biases into the equation. That would not occur if you were to go out to the wide, wide world and say, "Well, okay, here's the available people and here's their experience and here's how they're rated by history and peers." You're kind of an observer in that rather than the major evaluator. I didn't like it. I did not like the result in the sense of the breakage, but other people have faced this problem. I guess that when you set up a process, your key people are in parallel.

I would say that one of the things that I have never been able to do well, never was able to do well, probably never will be able to do well is handle a situation where there is a loser or a winner and many times over history as I promoted people and/or demoted in a sense, even if the demotion was parallel as opposed to down. I think of several of our top-flight people that did terrific jobs for us over time at periods in their career, I was not able to ease them across those kinds of changes or transitions without significant morale problems. A couple of times even when I had people reporting to me and they didn't lose any responsibility but reported one rung away and changed the organizational structure, it never worked well.

I guess it's because irrespective of what you're doing or who you're doing it with the distance from the CEO is a part. I think, an overblown part, but a very important part of the sense of—well, I don't know—I don't like to say "prestige," but I think it certainly is the importance in the structure or the importance as between the two of you as to how the job looks and interjecting somebody in the upper ranks in between you and them is very, very difficult.

Interviewer

How did you and Jack divide up responsibilities during that rather brief period of time in which you were "co-CEOs," I guess would be the best way to term it; when you were

working with what you called the Office of Chief Executive? Was there a formal sense of starting to hand things over to him during that period of time and how did you decide what you were going to do with each other?

GHW

Not a formal and not even a thorough delineation. I think that during most of that period, what we were embarked upon was our restructuring, our refocusing program that we did together. In other words, we were reviewing each business against its benchmarking and against its perceived challenges, shortcomings, both by area and quantitative measure. We were mutually of a mind that we needed to turn over the rocks and turn them over very thoroughly and give new direction and set some new guideposts, both in terms of it's not being just a matter of savings costs or cutting out overhead, which is always part of the how do you get to this definition of needed service? Also, how do you get the clearest assignment of responsibilities? Those are always puzzles. So you have organizational issues, you have a certain number of people issues, you have a certain number of areas which are needing major or minor new efforts or definition of what the primary current objectives of the business ought to be.

So that was an extended process with these teams working and we were party to all of that. We went through it all together in the sense of the transition between what we had and what we were going to retain and what we were going to do with what we retained. Lots of companies go through it and we went through it together in parallel. We sat through it, debated, talked about it, listened to the recommendations of the teams and then tried to get the hand-off to the businesses to pick up on the recommendations. It didn't happen perfectly by any matter of means, but it wasn't, "I'm going to take five decisions and you're going to take five." We went through it together. If you lift all that process out, well yes, we were co-managing. We knew Jack was going to head it up. He had the staff assignment so the staff work that was going in there he was directing, but we had outside consultants and in terms of the decisions about strategic changes and/or business divestitures, we went through that whole process together. But that's the only "co" aspect of it. I didn't assign him. He was still running a good part of everything that was non-paper or non-timber, or non-wood products. Those he was

already responsible for. Well, not the general staff. So I didn't shift anything away from Charley or Jack Waechter or from Bob Schuyler while we were doing the study.

Interviewer

Except at the time of the announcement was made about the formation of the Office of the Chief Executive, the Paper Company did go over to Jack [Creighton's] basket.

GHW

Well, that's a separate story and I can't remember the time relationship.

Interviewer

In the "Management Bulletin," the announcement appeared at the same time: The Paper Company would start reporting to Jack and the Office of the Chief Executive had been formed. Now maybe the decisions weren't made at the same time, but they appeared to have been announced at the same time.

GHW

Well, I don't know at what point. I'd have to go back to see at what point I switched the Paper Company out from under Schuyler. That was a more important shift.

Interviewer

To all appearances, at the same time.

GHW

That's what triggered that. It was a different set of questions which was, were we going to continue in the mode that we had been in? I put Bob in there and Bob had created this and was working on this Paper Company President to give him a certain amount of experience in that area. That came to a crashing point of crisis where I was faced with a minor revolution from Mr. Waechter and the Paper Company guys, most specifically, Jack [Waechter], who was not going to work in that framework any longer. So I came to a point where I decided that I was not willing or chose not to risk losing Jack Waechter in that role. He and Bob Schuyler in that role was not going to work any longer. And as I say, I don't know exactly the timing there, I have forgotten. It might be that I made the shift simultaneously. I was thinking that was the important event and maybe a hiatus and then later on putting the Paper Company under Jack.

Interviewer

Well, I don't know in what order the decisions were made. I do know that the announcement to the rest of the company appears to have been made at the same time because it was in the same, "Management Bulletin" that it was announced the Office of the Chief Executive was formed, that the Paper Company was going to start reporting to Jack Creighton, and that Bob was going to be leaving but would stay on as an advisor until the end of the year or something of that sort.

GHW

Preceding that—even if it hadn't been announced—preceding that, the scenario that I just gave you was taking place and it may be that Bob was still nominally the reporting officer, but was no longer in fact directing Waechter. Waechter may have been at that point, back in charge. He may have been nominally, but he was not in fact, reporting to Bob.

Interviewer

It seems like it was a tough period of time.

GHW

Earlier than that...let me go back again, I was going to try to deal with the changes in Charley's responsibilities, but I can't remember well enough to recite it. I have in mind that Charley was certainly on track to run the whole company at one point, at least up here, and that got shifted off into a multiple choice. I'm not sure what organizational changes went with that, if any, but certainly putting Bob over the Paper Company was a part of trying to open up the race, so to speak. So if you went back at some point, I'm sure not overtly but to some extent in my mind and in the intermediate period ahead of all this, Charley would have been the front-runner, Bob a strong possibility and then all three [Bingham, Schuyler and Creighton] are in there in the latter stages of it. That is the way it all evolved over a number of five, six or seven years.

Interviewer

Did the Board pretty much leave it to you to decide when you wanted to shift gears and move out of day-to-day management? Is that anything that you discussed with them in advance?

GHW

Only to the extent that I shared with them some of the changes that I was making and not right at the last minute. The shifts with Jack in the last few years I discussed and the choice and then all that was leading up to retirement. I had always expected to and did assume that 65 would be it. I wasn't going to be the one to set a precedent for staying on an extended period of time. I think it came as a surprise to many of the Board members that 65 was it. I don't say that they were terribly reluctant about it, but it wasn't a matter that I debated about myself nor that I debated about with the Board. So I would say it happened in the normal course of events. Then the transition, of course, we talked about and the various changes as we made them, but there was no two-party discussion about when I was going to retire. It was more of how to and what are we going to do and these intermediate steps.

Then we got engaged so heavily in the restructuring, as far as I was concerned, it was very, very logical as we came out of these reviews to implement and have Jack in charge after we came out of the study and had agreed where we were going to go. So in that sense, it was, I don't know if I would say fortuitous, but he came out with the... First of all, he didn't have a hell of a lot of background in some of these major divisions. So the process of reexamination or examination and discussion and then discussing the businesses what their view of it was [was beneficial]. We had study teams, multi-disciplinary and outside participants as well as the businesses were all given a chance to both view that and respond to it. So through that process you get a pretty good idea of where they have been, where they stand versus competition and what we think they're going to do about it and what they think they ought to do about it. So going from there, it was a good base for Jack to get into the forest products aspects of the business though it wasn't confined to that. So that was pursuant to a recessionary climate. Our perception of a need for a thorough look at our competitiveness and conclusion that we needed to make a lot of changes and, leading into that, Jack with an assignment to take it from there. And we're taking about '89 to '91.

Interviewer

I don't know how to phrase this except in a very curious fashion. From the perspective of someone whose entire career was spent in one organization. Whose life over the past three years had been dedicated full time to managing and running a huge ship, as it were, how did you feel about stepping away from the day-to-day, hands-on aspects of being involved with this organization that after all has your family's name?

GHW

Oh...the feelings were largely associated with the personal relationships that are changing radically. So if there were or if there are regrets or concerns, they hinge around the ties severed by retirement, by the change in my position, by a whole series of things that occurred over a period of time. My sense of going through it and emerging out of it is more one of regret at losing those relationships, but that was occurring a fair amount before. It was a function of my being younger than most of the people, having been here a long, long time, not the ones that are still here. When you're in there 25 years, that's an element of probably being there too long. You're

attached to the people and I'll say the old ways, the old people, the old ways of doing things and the fun is associated with having done things together and to a certain degree that's a passing parade. You lose a little bit of that with each one of the key guys that go out and you don't reestablish with somebody that's 40 years younger. It's not the same. You can listen to them, you can interact with them, but it's not the same.

Those are the negatives that I come away with out of the process, not any regret about either the obligations of the office or the trappings that go with it. Most of that was not particularly interesting to me in the first place. I don't like most of what has to be done mechanically in the way of correspondence and communication. I like the personal and that's the way I worked with people and when we had a good, strong relationship it did not take a lot of detailed specifics, precisely what I see, precisely what I want done. It was much more my style to listen and interact, react in a discussion, the smaller the group the better, and all of that I guess I miss. But the major sensation that I come away with is one of relief of not having to go through all the mechanics, which is honest.

The other Boards that I'm on, which I still remain on, my sense is one of observation and interaction with relatively limited number of people and a relatively limited number of policy issues and those are just fine. I enjoy them. It's a little different when you've been CEO and then you become chairman of the same company over a new CEO because you're there and I've watched T. Wilson and others do it, that's a difficult role because in many things immediately you've got me and T., have benefit of or the burden of much, much more experience with people, situations, and the nature of the business, just by virtue of the way we come up. So then when you sit there on the Board, you have views which are difficult not to express. My whole inclination is to deal with Jack privately, but that's when somebody else is presenting something and you're saying, "Well, wait a minute. What do you mean?" I find it difficult to keep my mouth shut and T. not only finds it difficult, but he doesn't. Neither do I. I guess I'm the same way.

Tape I, Side B

GHW

And that's obviously a carryover of the conviction and the depth of involvement that you had at levels that are inappropriate. The information is good to have, but it's inappropriate for the Board or you to get involved in the same way that you would have otherwise. I won't call it a negative, but it certainly is present. It's a pleasure to be able to watch the process unfold and be able to offer advice and let somebody else worry about how to carry it out. The bottom-line is that it has not been at all onerous or difficult for me. People find it hard to believe that when you have been as busy for as long as I have that something traumatic doesn't happen to you in terms of having to have something to substitute for it. It doesn't bother me a bit. I can do what I want to do: travel, read, offer opinions. I still can't get the reading done. I don't mean Weyerhaeuser necessarily. I read a little bit in a book and a read newspapers. It's a disease, I guess, the reading habit.

If I have a regret in this, it has nothing to do with my change of status. It has something to do with the timing. I would have preferred not necessarily to go out on a high, but I would have much preferred to have Jack come in a climate of, "this thing has got some challenges," but it's been tough. I suffer in that mode for the company. I would have anyway whether it was Jack or me. It doesn't make me feel an awful lot better about it to have him in the driver's seat. Although maybe the next worst thing would have been to put him in the driver's seat and let him head down that hill as his first series of experiences for the next two, three or four years. But I think that that's going to solve itself. These cyclical moves are terrible and I think the fact that we had to go through a lot of change and a lot of restructuring, layoffs—that's painful no matter what. Morale is not all that good and, as good as Jack is, he's not a miracle man. I think this was just something that we had to go through and I wish they hadn't been concurrent. But Jack and I didn't have any doubt that we had a lot of work to do coming into this thing after 1988. As a matter of fact, I don't think it's anywhere near done yet.

Interviewer

The Weyerhaeuser Board has been generally non-interfering in its role. At least that is what the minutes would indicate. (Of course, minutes have problems in indicating these things.) How would you view the role of the Board in the years in which you have served as CEO and do you see that role changing?

GHW

No, you can't tell really. Minutes won't reflect it even if the Board is in full session. And they certainly don't reflect the private actions and counseling.

I think the role changes with times and changes with people because Board members are advisors, counselors, and they play that role individually and collectively. Just like in any other group, there are leaders. Directional or policy changes are made as a result of some discussion and opinions and I'll say in that process of interaction there usually are a couple of people that play, in different issues, the lead roles in the discussion and what turns out to be the advice of the Board. Boards, the ones I'm on and this one [at Weyerhaeuser], have rarely been initiators of major directional change. Their role changes when it comes to selection of the CEO usually. They often, or for that matter, increasingly in terms of policies with respect to environmental matters, policies with respect to other public, legislative, and employee policy questions, Boards are concerning themselves more and ours is.

The Boards generally have broad backgrounds. This has changed dramatically in Weyerhaeuser Company over time where there's a lesser content of relevant forest products business experience resident in any of them. That's a consequence of getting independents and CEOs from other industries, etc. It's also true that even the long-time ownership interests on Weyerhaeuser are not people who have spent their careers in the forest products industry. So you better not expect to get that level of industry experience and expertise, which might be expected to initiate change in an individual business direction. Now, in terms of what the company is trying to do and major new acquisitions, directions, sure they get involved and they're helpful. We use them as a sounding Board, but by the time you come down to the individual decisions, they raise some pretty darn pertinent points which the management better think about and does

and responds to. So in that sense, they perform a role as critiquing what's going and initiating further work by the management.

I guess the change that I described there is a long change through a long period of history in our Board, but it also has been happening in the other big companies that I'm aware of because we have consciously shrunk the insider content and then the industry experience content is way down. If you go for generalists, whether or not they were chief executives, they're not going to be in your industry by definition or you've got broader and broader interests represented on the Board. We've certainly have gone through that kind of transition. The Weyerhaeuser Board back when I first went on it had a high content of ownership and a high degree of industry experience and opinion and I'm a long ways back. They got fully involved in a lot of the acquisition and/or major capital expenditures stuff.

Much more now a question of their asking the basic sort of questions about how you went about it or what are the underlying trends and assumptions and there are a number of things that are applicable to all different kinds of projects. When we get over into the mechanics of making the product, we go through it a little bit with the Board, but you're really not asking for judgment from them. A lot of it is background for them to get a feel of the quality of the management and the product. It's not an attempt to get them involved in the question, "Should we be building something different?" but more business direction. I see all different dimensions to that.

I can't remember, but I was talking to T. [Wilson] on capital expenditures. Let's put it this way, we float by, I think when I went on the Boeing Board we were passing \$700 billion with approval and authorities when in the early days our total capital budget in Boeing was under \$50 million! And of course, there's a parallel in Weyerhaeuser. I'm just talking about scale and maybe scale also brings with it a degree of complexity and experience or lack thereof, so if there was an opportunity to contribute in that framework of a Board back 25 years ago or now, you would require a degree of technology know-how that none of the Board members has. It's so radically different by virtue of the size and scale and the different technologies that Boards in general, and certainly ours, need. It is very different. It is the change question and the other thing that I would put

in change is you do get a difference when you shift from ownership to stronger outside Board or non-ownership interest and broadly different backgrounds. There was a big change here and even in our ownership guys here. They're all pretty intelligent people and they served on the Board for quite a while, but they are still largely observers when it comes to our dealing with "re-living" Longview. They bring no background to it so you're dealing with, "Well what about the general competitive picture?" "What about the environmental picture?" "What about the labor picture?"

Interviewer

To what degree does the Board have an impact on issues related to international trade, global issues, the direction that Weyerhaeuser might take relative to its relationship to Japan or, for example, to the evolving European community?

GHW

That's interesting. I never thought about it in those dimensions. These are businessmen, with a couple of exceptions, that largely have been domestically trained and oriented and inclined. I think the issues are quite different when you're an exporter as opposed to when you're an international company because you have an awful lot of foreign content in the thing, as we do in Canada—not quite as foreign, but definitely foreign. Here we try to understand and interact somewhat with our Canadian Board and then have our American Board interact with them. Those are learning experiences and valuable ones I think. I guess I'm drawing a contrast. If we were to grow a lot outside of the United States, I think we would have to very definitely change our ways of doing business and we would be having different people, I think, either as regional Board members and a much broader background on the main Board. To whatever extent we were launched in that direction back in history, we backed away from it so I think that's academic. I don't think that means that we shouldn't have breadth and grow perspective because the world markets and the world economics and trade matters are important to this company and always will be. I think we're going to be a big exporter and maybe begin to go back to the international sourcing and converting in the future. But it hasn't been a big issue. I guess in a sense, Boeing is quite similar to us in that they're all concentrated in manufacturing and all the problems that are manufacturing and financing and everything else are largely contained domestically, even though they

are absolutely dependent on foreign markets and you see the growth that's being formed. So T. [Wilson] is not a great deal different than I am in that respect in that he brings a little international dimension to it, but the others generally stay close to home.

Interviewer

In one other interview with you that I read, you referred to the 1950s as the "Golden Era" for Weyerhaeuser. Do you still feel that way?

GHW

Well, I suppose it's the golden years of my youth and, in a sense, Weyerhaeuser's youth not in a timber-owning sense, but in a gigantic scale-up of activities and capacities and new locations. So "golden," I think was maybe the '20s or the age 20s for this company. This is cyclical. We've had very good times subsequent to that, but we had an awful lot of fun here in the '70s. I did and we did, so in all, I wouldn't say it was the only era that might have had a little gold associated with it. I guess I was so aware of the rate of growth and the number of things that were happening and the scope change that went on in the company. We really did become a national company then and we did become a pulp and paper company. All those seeds were really planted then in the '50s. If you just looked back and looked at it economically, maybe the '40s were dynamite in terms of the increasing value of the company; timber came into its own kind. So we went from a timber era to a national and paper evolution. Each period has its own. I think the '90s are going to be difficult, but by the time we get through them, I think the '90s are going to be a very positive period for this company.

I think that at the turn of the century we're going to see an explosion because of our timber base. It's going to really look and feel different. Now they're [the trees] getting smaller, but they're going to get many more of them and it's going to be interesting to see what evolves in the way of products because I'm absolutely certain that the geometry of tree is not going to be any longer the predominant issue. That's good. I think we know what we're doing when it comes to producing a lot of pounds and a lot of cubic feet.

Interviewer

You've mentioned several times today the people and fun as you would call it. If I think about one organization inside the company that has seen what I would term to be three totally different personalities all of whom, I believe, you chose to put in that place, it would be research and development with Larry Kulp, succeeded by Alec Fisker succeeded by Norm Johnson. I look at those three personalities and I think now those are really totally different viewpoints being brought to a function within the company, which in some way is one of the most important there is in terms of the future of the company. It certainly offers one of the more interesting possibilities in terms of the future of the company and its direction. Can you give me some insight into how you chose to put those three people in succession in charge of that organization?

GHW

It wasn't by trying to match personalities, you know that. I really think of the research organization as more under Stan Gregory than I do Alec. Alec had a breadth of background, marketing, and product-wise had done a number of different things and did them well. He had some balance of managerial, technical and personal skills.

Stan evolved out of the research organization and if you want to complete the personality comparison, you better go back to Clark Heritage. If you wanted to find a model of what I wish we could have replicated it would be Clark, which was a combination of technical skill, leadership and confidence-builder. I'm afraid I'm complimenting my dad [for having chosen him]. Also, the authority and responsibility that he had. That was the era in which we were not horsing around. We were trying to build technical and process skills that would lead to plants, by-products, utilization, and new products. Of course, Alec had some experience in that field as did Bob Pawley. To me, the exciting part of research is what evolves and what evolves or doesn't evolve should be new businesses or new products.

I think that was a golden era for us and that came out of the Wood Conversion Company. They were serious about creating businesses. Now, in the latter years we were doing a lot of good research that had no particular relationship to the business strategies and I didn't have an organization and I didn't personally lead us to pull those

through. I think that's partly a function as we evolved and as I from time to time got frustrated with what was coming out the end of the pipe.

We put the businesses more and more into the mode of deciding what was going to be done or not done in research. We turned them into a technical service organization and then finally just split the research and put it into the businesses and it now has a very—I don't want to be too critical about it, but I would say a very short time fuse as a result. We did in this last go-round, really knock it in the head. There is a great deal of work going on over there that we no longer had champions for or no longer saw the avenue to commercialization as seen through business eyes.

So I don't mean that all the technical efforts in this company have been failures. They haven't. There are some good ones still coming, but on balance we, and I might say I think that almost every company that I have associated with have had some degree of inability to bring the technology forward and to forge an adequate link between technology and match-up with product needs of people or of our customers. There are very few companies that do that and do it effectively. Now obviously, the drug companies and others are a different ball game - 3M and others.

But the industrial companies that I'm associated with—Boeing spent an immense amount of money on product development, on proposals, on bids—hundreds of millions. They're working hard at various gigantic computer-aided systems and engineering. I see that as sort of controlling the process by which a product is created and that's what we got involved in, rather than product per se.

Still, that's my greatest regret is that we haven't done a very good job of leading ourselves through because there's no question that the tree is going to be taken apart and put back together again in all kinds of new ways and I think that we should be very much farther up that development curve in commitment than we are. We're busy trying to run the businesses we're in in a relatively efficient manner, so research is one of the things that doesn't get a very high priority. It's not short-time fused enough. I think realistically that seven, eight or nine years is an ambitious schedule for invention, creation, refinement, and development of a product.

That's about what we just did on the pulp fiber that we're so excited about. Literally, I think it was seven years. That's relatively good and relatively good, relatively innovative and it's going to work. But you know you're hard-pressed. I have to go back one or two decades to find that and when you get in an economic squeeze, the frustration level with that and with overhead expense in general (which probably gets unfairly assigned to as something that you don't have to do), gets first order, etc. etc. I think in this last time around we hammered it harder than any other area of the company and Norm did it. I give him a lot of credit. He was given that assignment and he carried it out. Norm is certainly different. He has a strong forestry and academic background and earth sciences, etc., but we ought to be using his background and skills to get us more innovation.

But the way we're organized, the way we make the decisions in the company about supporting programs and funding is all pretty compartmentalized into the business structures. God knows that we have a lot of competitive pressures and we got to make them perform so they're not very inclined to stick their necks out beyond the immediate. Now I'm exaggerating a little, but I don't think that's peculiar to where we are now. It's just one cycle. We've been through for several cycles in terms of carrying major projects. We've carried projects seven, eight, ten years and then finally pulled the plug on them.

Finally you get a hardheaded guy of some kind and gets in there, and I don't mean it's just the head of research, it usually has more to do with the businesses that are going to take the product to market or some combination there. So what we're doing is we're busy trying to apply the best equipment and the best technology that's in the field developed by largely outside supplies and if not outside suppliers of equipment.

There's a lot of process technology that we have observed being applied and we try to be reasonably fast. I say that because when you get to old and obsolete plants, you're not putting a lot of instrumentation in there that you would put into a new environment. The successful mills are being tightly run, ours and others. We have a lot of tools in both production and maintenance that are instrumented and many of which are closed

loop and the processes are under much better control. For the next three or five years, we're going to be completing a good deal of that replacement and new technology going into place, but that does not require an invention; that's an application job.

So I guess I'd say that we have been in many ways and certainly are now an applier rather than an inventor and we're trying to get better at that so that our technical people are working on today's problems, not tomorrow's products. That has not always been the case, but I had to go back to the "Golden Era" before I got excited. "The "Golden Era" in this case being really earlier, the '30s and '40s.

Interviewer

In regard to discussion about hiring people, some of the people with whom you worked and with whom probably you spent more time in your career than any other were people whom you inherited. As you mentioned, many of them were older than you, people who had come up in the company either concurrent with your own development in the company or in some cases, before you had started into the management ranks. Some of them were people, therefore, that you didn't really hire yourself and then there are other people with whom you did hire and some of those were people whom I would look at and say, "They were great successes." Somebody like Bill Ruckelshaus, for example, seems to have made a tremendous contribution to the company in the relatively short time in which he was here. Then there are other people like Ben Borne who was here for a very short time and clearly was not a good match with Weyerhaeuser.

Looking back, how would you evaluate your own performance relative to hiring people and finding associates, which is probably one of the most critical elements of a CEO's responsibility.

GHW

Well, we didn't hire a whole lot of people. There were some very, very obvious ones and the success ratio on those was... Give me credit for having hired them and that doesn't mean that I either discovered them or that I necessarily didn't have somebody else doing a lot of the legwork and the hiring process. But I feel, looking back as though

we did a good job in the main and certainly I'd like to take credit for Jack Creighton and Bill Ruckelshaus. You want to go back in the earlier stages, I don't take credit for hiring him, but certainly early recognition of Bob Schuyler who came from Potlach. I think it would be fair to say that I was his mentor for a good part of his career. I didn't hire Charley. He was hired as a lawyer. But those guys came up and I consider them successes by broader and broader assignment of responsibilities, so it wasn't so much hire as it was development, in Charley's case a lot of breadth and in Bob's increasing responsibilities all the way and he developed a lot of breadth in his job.

Interviewer

You did choose those people as associates nevertheless?

GHW

Yes. I'm hard-pressed to think of people that I hire myself. I certainly participated in the selection of Cal Knudsen and Bill Ruckelshaus and Ben Borne and I also hired a financial guy in front of Bob who was a disaster.

Interviewer

Who was that?

GHW

It's kind of a joke. Ned Pugh. Marvelous credentials, I mean, academic and otherwise. I did the interviewing personally; well, I did part of it anyway. I feel that I made that decision. I had two or three candidates and it was absolutely a disaster. So, if you wanted to say that one that I would say I had maybe more individual responsibility for was the worst of all. We have had, through the years, a series of disasters in the personnel field going way back. We had industrial relations personnel who the organization wouldn't accept way back - Roy Dingman.

But it just kept coming and coming. Lowry [Wyatt] finally made the grade. I wish that I could take credit for having hired him, but I think that was Charlie Ingram. Boy oh boy, we had debates (I mean my dad did) about not only who, but whether. We had those

also in public affairs, successes and failures and debates in the early days about whether we should have the function.

The organization was able to reject people pretty handily. I would say that Pugh and Ben Borne were the two I had more to do with, who worked with me directly and whom I had let go. But on the internal successes and failures, my looking back and saying, "How did we do?" whether they were older than I was or not didn't matter in that mode.

We promoted a lot of people who were turned on, reasonably able, and I think did a good job and that's the fun part of it, I guess.

On the internals, I get some pretty good marks. The guys that failed, failed pretty fast. We didn't have them around here for decades. Ruckelshaus brought Ted _____. He's a member of the Democratic Study Committee and an absolute character, wonderful speechwriter. I would say that Bill probably knew all of that about him and he put some firecrackers under this outfit. He wasn't going to last forever.

I think of the people that did a good part of the job here, were here and got promoted and I think of the people like George Kovich and I think about Alan Smith and I think about Harry Morgan. They were coming up through the mill systems and were given business assignments or geographic assignments. Joe Brown—I had a lot to do with each of his moves and he was one that I tried to move way up. I got him, I would say, not over his head—he's a brilliant guy, but I think beyond his leadership capability. Maybe in the process it kind of fouled up. I had to back down. I had him over everybody, with John Shethar and everybody working under him, but I had to back down. But Joe did a good job in almost wherever assigned—North Carolina and went down South. He came up through the ranks, paper chemistry, was a shift foreman at the same time I was in Longview and went through the whole pulp and paper thing and up to the top. I'm hard-pressed to think in that group of key people and I guess I am talking about mill managers or region managers...

End of Tape I, Side B

Tape II, Side A

Continuation of December 15, 1992 Interview

GHW

...where they [mill managers] either couldn't carry the responsibilities they were given or the organization wouldn't work for them or whatever. My sense is it was 90% success ratio on the internals. If we have a failing, I think it is and was, we were then and maybe now are, we were generally too slow to move where problems do accrue. I was, we are, were. We were slow to remove situations or mediocre performance, but the hard decisions about demotions would be the area blocking where I would give me a lower mark. Not so much a matter of poor selection, but tending to stay with problems when responsibilities just didn't get done well. I am thinking about it at the mill-management level and I think the same thing to some extent could be said about key staff jobs sometimes where we weren't as rigorous as we should have been.

Interviewer

The last time when we were drawing to a conclusion, when we finished the first group of interviews, I think the question that I asked you was whether there was one thing that you could identify that you felt particularly rewarded in terms of your career to that point. I find myself looking now at what would be the last four years of your association with Weyerhaeuser and asking: Can you identify something within that much shorter period of time that you think is an accomplishment in the face of an extraordinarily difficult set of economic times?

GHW

I suppose my answer to that is there's hope. Some of these things maybe take longer to make you sure that they're going to be important and sustainable. I absolutely feel good about the effort I was describing earlier that we undertook. I'm much less satisfied with the execution against the benchmarks, which is to say that's one thing to identify and another thing to correct. I think we did not get universal acceptance of the assignments, let alone execution. So it's not something I'm cheering about today, but I feel pretty good about both the process and the necessity and I'm still hopeful that we haven't lost the basis that we grew up on. There have been some big successes in the

last four years, but most of that came from something that went on before that period. Both cyclically and every other way, you don't find a lot of shining lights out there in a period of restructuring, refocusing, reevaluating and downsizing. It's tough.

Interviewer

You may not know for another four years exactly what those are. Maybe I should ask you that question in four years.

GHW

It's obvious that there isn't one shining light. I thought that maybe something would turn on. I see a reasonably good path out there to the future and I feel good about that. But that's a whole lot of things that I think we're getting a hold of and have things going on. I find it very stimulating to go around and in some of these plants that we started from scratch and find high-quality management and high-quality performance that's being generated in an atmosphere of teamwork. That's really fun. Certainly, there are dimensions of that in the oriented strand Board plants. There are plants that aren't making any money today, but are really performing well—in newsprint and in Columbus. My satisfaction is that they were conceived and built from scratch, manned from scratch, trained from scratch and they're well-led and there are positive atmospheres. So you say to yourself, "If you can do it in a number of different product lines and have it come out that well, then somebody is doing something fundamentally right." It gives me hope that we'll be able to replicate at higher speed as we redo some of these older plants. It's harder to do in bigger, older plants because of the people equations, the habits, and the ages. I think it's good to have younger people and younger outlooks leading these things all the way up to the top. We've got guys in their 30s who are really into leadership and I say guys because there aren't too many gals out there, unfortunately. There will be more.

Interviewer

Thank you.