

A M E R I C A N

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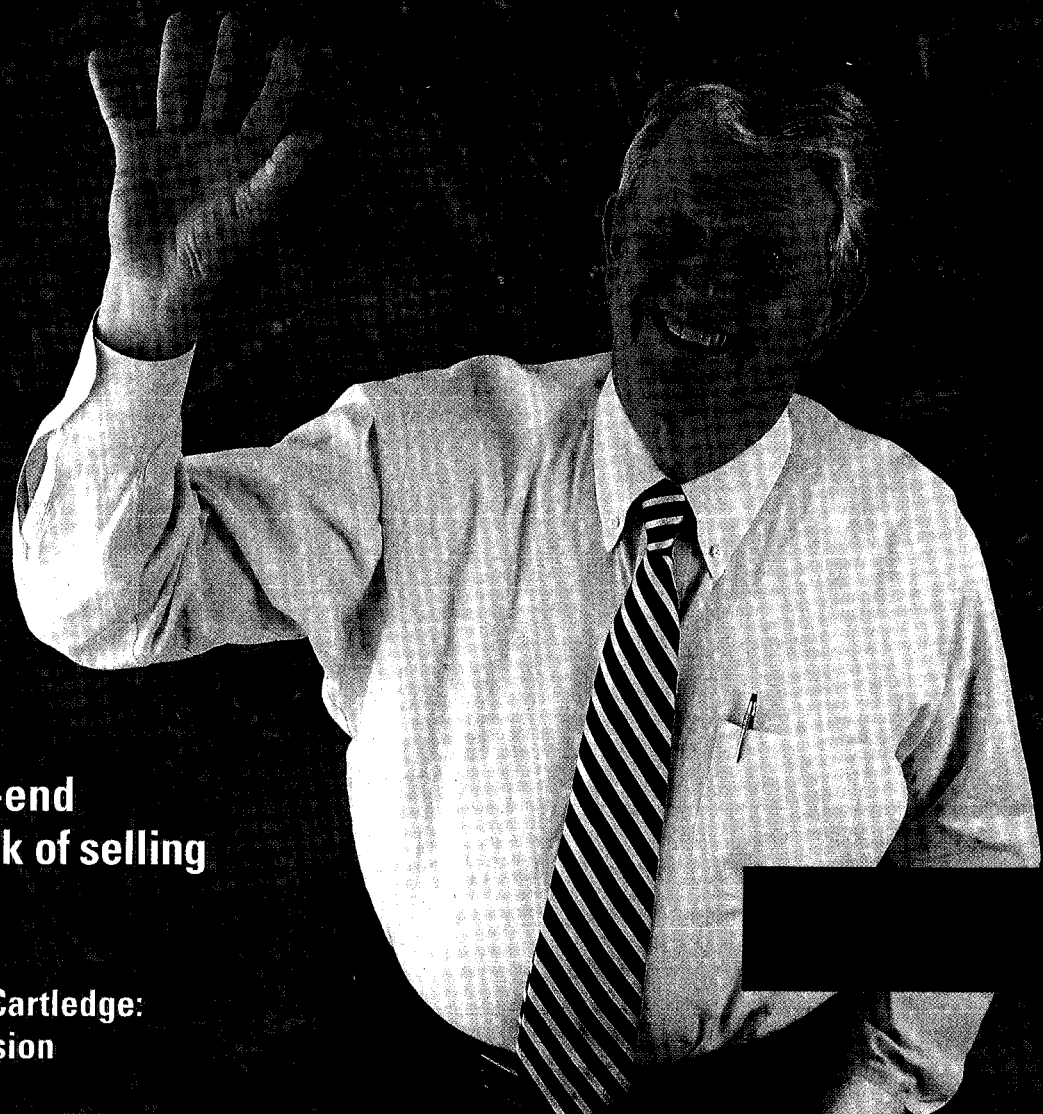
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The National Magazine with the International Perspective

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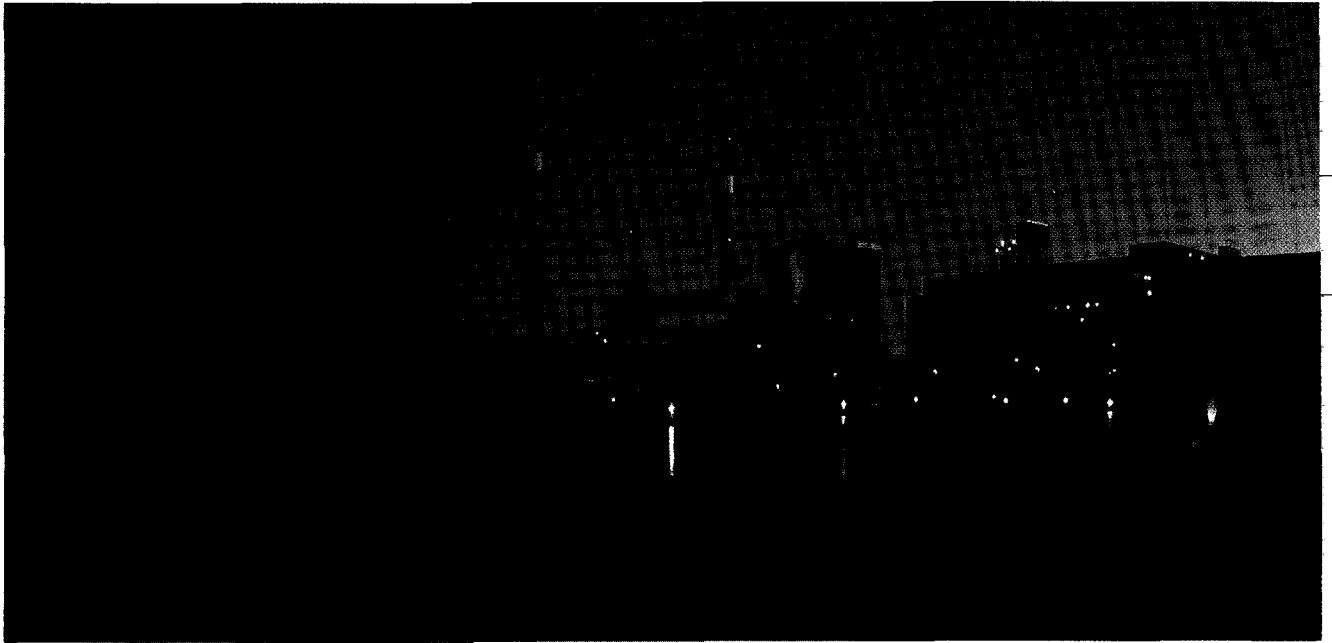


**UNION
CAMP**
Company
of the year



Also:
The wet-end
The knack of selling

CEO Gene Cartledge:
A global vision



When *American Papermaker* selected Union Camp Corp. to be its Company of the Year for 1993, the reasons for the selection were not the obvious ones.

American Papermaker did not select Union Camp Corp. just because it has one of the world's largest kraft paper and board mills, as well as one of the world's largest fine paper mills. Nor did it make the selection because Union Camp was the first in the industry to develop and install an oxygen and ozone bleaching system that replaces elemental chlorine used in conventional systems, producing significant environmental benefits.

American Papermaker reviewed Union Camp's long history of environmental responsibility, sound management strategies, and global involvement, and said that these were good reasons for making the selection, but they were not enough. No, the magazine is honoring Union Camp because it looks to learn from its experiences and its employees. It takes what others might see as stumbling blocks and turns them into opportunities. It keeps one foot planted firmly in the future, while having the other dug into day-to-day operations.

"Our primary mills are world-class facilities, both on the brown side and on the bleached paper side."

In selecting one company that best represented the values of sound management, future vision, and business acumen, *American Papermaker* wanted a company that expressed the best virtues and values of today's pulp and paper industry. Union Camp exhibits these characteristics. As Gene Cartledge, chairman and chief executive officer of Union Camp, said, "Character, values and respect. These are the cornerstones of Union Camp's operations. These are the qualities that set us apart."

BUSINESS STRATEGIES

Like nearly every other North American paper company, Union Camp's earnings last year suffered from a still-sluggish economy and intense price competition resulting from large-scale increases in white paper capacity – and a simultaneous

weakening in demand growth. "This is the plight of being in a highly competitive, very cyclical, capital-intensive industry," explained Jerry H. Ballengee, executive vice president of Union Camp's Packaging Group.

Still, one of Union Camp's basic strengths is cost effectiveness, noted W. Craig McClelland, Union Camp's president and chief operating officer. And he

and Ballengee agreed that reduced costs is an area that must be continually addressed.

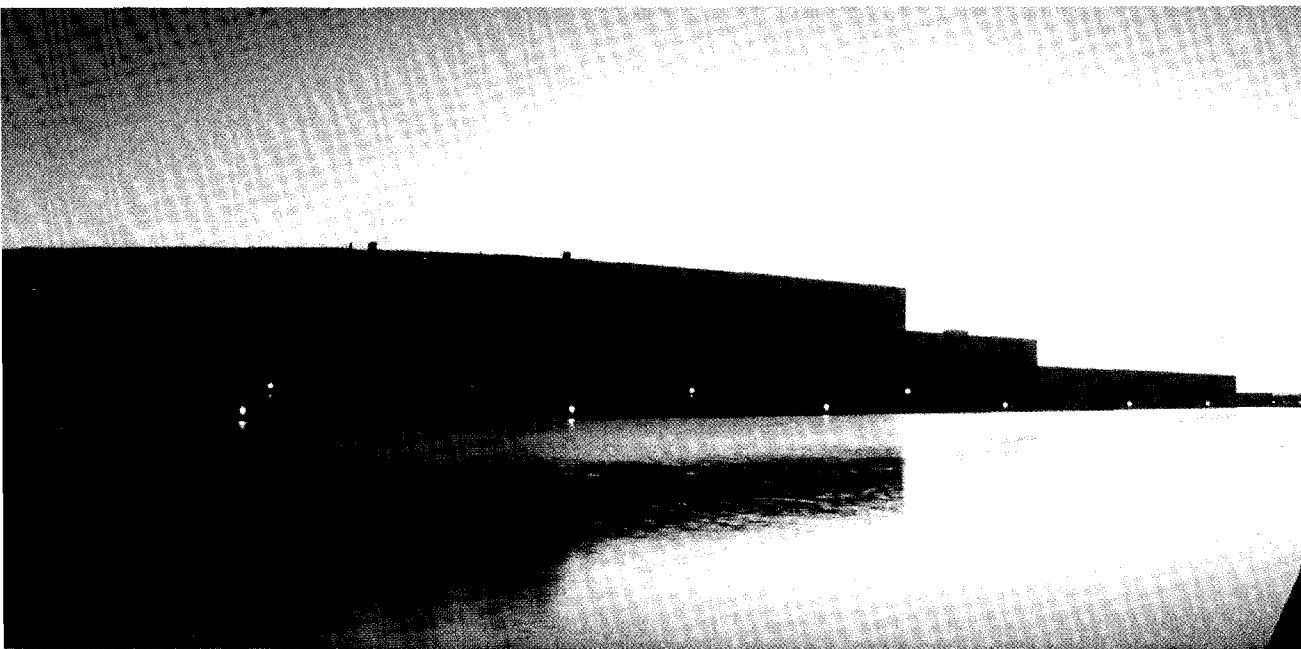
Ballengee stated that industry leaders have an obligation to every stakeholder, whether it be an employee, customer or shareholder, to stay technologically on the leading edge, to find ways to remain modern, productive, and cost effective – "and to do it with less capital than we are currently using."

In fact, striving for greater cost effectiveness is one of Union Camp's four strategic thrusts for developing its overall business growth for the balance of this decade. The other three strategies, according to McClelland, are:

- To put a greater emphasis on the high growth market segments worldwide,
- To take a pro-active approach to environmental issues, and
- To build the marketing/selling side of Union Camp's business into an even greater competitive advantage.

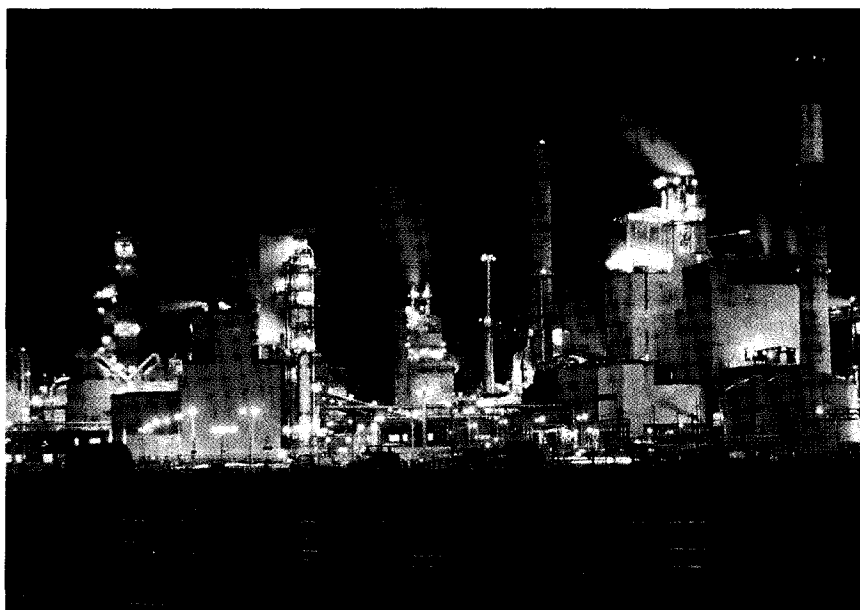
Going point by point, McClelland explained: "There are three specific reasons why we have a competitive edge in the area of cost effectiveness. First of all, there's fiber. One-hundred percent of our paper capacity is located in the southeastern United States. That's the woodbasket of the world (see *International Papermaker*, February 1993, page 22).

"Secondly, our primary mills are world-class facilities, both on the brown side and on the bleached paper side. One-hundred percent of our capacity is



Above: Union Camp's Eastover, S.C., mill was designed to be the industry's first fine paper "mill of the future."

Right: Union Camp's Savannah, Ga., kraft paper and paperboard complex continues production twenty-four hours a day, seven days a week.



from machines exceeding 100,000 tpy compared to under 60% for the industry average, and we have enhanced our mills' production capabilities with the installation of the No. 8 linerboard machine in Savannah, Ga., and the No. 2 uncoated free-sheet machine in Eastover, S.C.

"Also in the area of cost effectiveness, we've had a tradition at Union Camp to operate in a rather lean mode in terms of overhead. We've learned, particularly as we've gone through the depths of this latest recession, that our fixed costs have to be under control, and we have a number of programs in place that focus on reducing overhead. For example, our current hiring freeze took over 250 salaried positions out of our organization last year through normal attrition, with no financial or morale costs."

The second forward-moving strength that Union Camp is working with is a much greater emphasis on international markets. The company is looking to expand its already internationally based

packaging and converting operations, and last year entered the market pulp business, which is traditionally a worldwide market. It also increased its export of business and printing papers significantly.

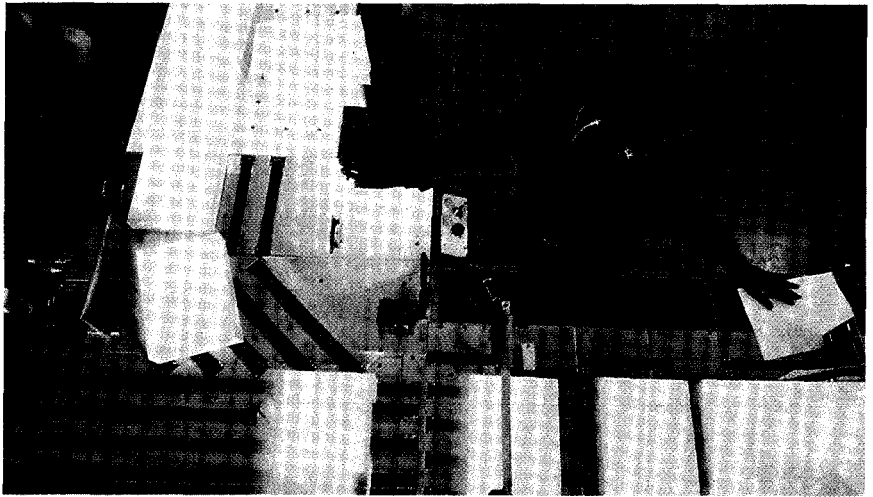
McClelland said that while Union Camp will certainly continue to invest in the U.S. marketplace and will grow in those products that are growing faster than the gross national product, the overall per capita consumption of paper in the U.S. is tending to level off. "And while U.S. paper consumption is double that of the world average, its rate of growth is not quite as high as it is in certain other offshore markets."

McClelland also pointed out that Union Camp has been in the linerboard export business for 40 years, committing roughly 20% of its linerboard capacity to the international market.

"One area where we are growing internationally is in packaging," continued McClelland. "We've recently added box plants in Chile and Puerto Rico to our existing facilities in Ireland, Spain, and the Canary Islands. And we will continue an aggressive growth program in the converting field either by acquisitions or by building new plants."

The third major thrust of Union Camp's growth strategy, and one that is fundamental to the pulp and paper indus-

Customer service has been further enhanced by the start-up of Union Camp's new Sumter, S.C., fine paper sheet finishing plant.



try, is in the environmental arena. "We see environmental issues and concerns as a strategic block to build on," said McClelland, "and we have decided to take a pro-active approach. One example is our C-Free™ bleaching technology which is installed at the Franklin, Va., mill and which is going under patent."

No stranger to recycling in its liner-board business, Union Camp is extending secondary fiber to its fine paper operations by constructing a deinking plant at its Franklin mill. This new facility will allow the company to use recycled fibers totally from mixed office waste into the white paper side of its business.

The deinking system, which combines German and Japanese technology, is expected to enable the mill to process 400 tpd of mixed office wastepaper into paper that approaches the brightness, cleanliness, and strength of a virgin sheet.

Finally, Union Camp is renewing its emphasis on selling and marketing. "To get the competitive edge and outperform our peer group in an earnings mode, we have to continually look to increase revenue dollars," said McClelland. "We have \$4.7 billion in assets and \$3 billion in sales; so sales is the side we're going to be working on more."

MANAGEMENT STRATEGIES

One way Union Camp is looking to enhance its sales is through an in-house sales training program that will be launched later this year. Training, employee involvement, and communications are the foundations of Union Camp's management strategies.

Russell W. Boekenheide, senior vice president of human resources, noted that the company already has in place training programs for senior-level management, which focuses on strategic management issues; for middle management,

which covers managerial skills and the actual process of managing; and for first-line supervisors to hone their supervisory techniques and abilities.

Union Camp Corp. spends roughly \$25 million a year on training, said Boekenheide, and throughout the latest recession and in spite of still-sluggish economic conditions, no cutbacks were or will be made in this area.

Senior management is extremely supportive of its workforce, and Cartledge himself remarked on the benefits of taking advantage of the abilities and intellect of

Training, employee involvement and communication are the foundations of Union Camp's management strategies.



Asten Group received an "Outstanding Supplier for 1992" award from Union Camp Corp. Pictured left to right are Bob Ward, vice president - marketing, Asten; Bill Finn, president, Asten; Craig McClelland, president chief operating officer, Union Camp; Ed Walther, chairman of the board, Asten; and Everett Smith, assistant manager kraft paper and board purchasing, Union Camp. Asten was one of five companies chosen from more than 17,000 suppliers worldwide.

employees. One outstanding example of this occurred with the Savannah, Ga., mill's No. 8 linerboard machine.

"When we decided to install a new machine, there was a need to change the work system as well," explained Boekenheide. "So we formed a joint committee with the seven unions at our Savannah facility and told the folks that they could go anywhere in the industry or even outside the industry and come back with ideas as to how to design the new paper machine workforce.

"As a result, our employees designed a much more efficient paper machine work system than we had ever imagined. The people at Savannah developed a selection system for who would work on the new paper machine; helped put together training programs; instituted a gain sharing program where employees are rewarded for increased mill productivity; and also recommended having a team concept in place."

Boekenheide noted that people concerns enter into all decision-making at Union Camp. "The quality of people we have and the work system we introduce are as critical as the bricks and mortar in our construction."

This concern for people means that Union Camp is not afraid to experiment and take chances — even with multi-million dollar investments. A good example of this is the brand new work system Union Camp decided to initiate in the early 1980s at its Eastover, S.C., green-field mill.

At Eastover, the company hired basically inexperienced people for operating technician positions, trained them, and now has them operating under a team concept with a pay-for-skills program, said Boekenheide, which means "the more you learn about your job, the more you get paid."

Running throughout the organization is a strong communications program. "We tell people what we are doing and why, and actively seek input and suggestions from all levels of our operations," said Boekenheide.

Overall intellectual capabilities, technical competence in one's field, leadership abilities, respect for others, the ability to motivate people and operate in a team concept are the characteristics Union Camp is looking for in a manager.

An integral part of the Union Camp manager's outlook concerns safety. Evidence of this appears on all Union Camp facilities where the slogan, "Nothing is so important that it can't be done safely," is posted, said Boekenheide. "We

have safety professionals in all our divisions and three full-time doctors. Our operations regularly undergo sophisticated safety audits, and each month all our managers are required to report on their safety record.

Union Camp emphasizes safety because it is good for the employees and

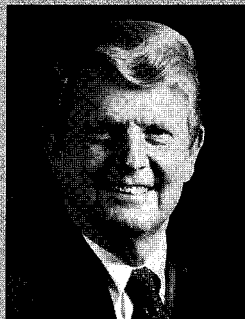
good for the company. "If you stress safety, it shows you care about your employees," said Boekenheide. "And the safer employees are, the more productive they'll be."

GROWTH

Born of a 1956 merger between Union

GENE CARTLEDGE:
Actions speak louder than words

Gene Cartledge doesn't spend much time reminiscing. He's too involved in the future, in planning for industrial growth and development, hunting out business and marketing opportunities, and steering his company into a leadership position in the pulp and paper industry worldwide. Cartledge believes that actions speak louder than words, and he practices this on a daily basis.



Born and raised in Panama City, Fla., Cartledge recalls that his first association with the pulp and paper industry was "the big paper mill near where I grew up." However, he is quick to point out that the reason he chose to go into the forest products industry is that, at the time, it was the best job offered to him. "Thank goodness I took it," he said.

A graduate of the University of Alabama with a degree in business, Union Camp Corp.'s chairman and chief executive officer began his professional career as

a salesperson with Procter & Gamble Co., joining Union Bag & Paper Corp.'s sales and marketing department in 1956, just before the company's merger with Camp Manufacturing Co.

Since the merger, Cartledge has followed a business mien based on life's fundamentals to become head of a multi-billion dollar corporation spanning the globe. "Integrity and the ability to communicate are the most important qualities for being successful in business," said Cartledge. "The successful business people I know can distill divergent views, contrasting information, even complicated information into simple terms. And sharing information within your operations, your organization and your community is part of being a good businessman and a good citizen."

It's Cartledge's and Union Camp's concern for the communities in which they live and work that has caused them to take such an active role in environmental responsibility.

"Our major mills are normally very large and very conspicuous, and will have long-term implications for communities, people, investors, and our employees. Therefore, as community members we have to make sure we understand the impact and environmental implications of what we do.

"Another reason for our concern with the environment," continued Cartledge, "is that we are very large farmers. We farm 1.7 million acres of timberland, and each year we plant almost 50,000 acres of new, healthy-growing forests. So our business depends on a good environment."

Along the same lines, Cartledge said that he believes "all wealth in America is generated by business, not by government; and we have to create an atmosphere where business can thrive. Business is an honorable profession, and one that works best when the markets are free to choose."

A member and officer of five professional organizations and associations, Cartledge commented that "it's important to be involved in your industry's activities, because, in the end, few of us will be far more successful than the industry itself will be successful. So we should work to make a better industry."

And making a better industry, a better Union Camp, is the one thing that Cartledge said he would like to be remembered for by his industry colleagues: "I would like to be remembered for leaving one of the most cost-effective, quality-efficient enterprises in America, hopefully with the best trained and best motivated people to keep it growing."

PH

Bag & Paper Corp. and Camp Manufacturing Co., Union Camp has continued to clear a path for growth, investing its efforts and capital in world-scale facilities, said Cartledge.

"The reason for the merger was to give us white paper for our bags," explained Cartledge, who was with Union Bag & Paper at the time of the consolidation. "But as time went on, white paper became more attractive for business papers than for bags, so we had an opportunity to open up a new product grade — printing and writing papers. It was the best of all kinds of mergers because everybody gained."

Recognizing and seizing additional opportunities, Union Camp has since formed a Chemical Group and Wood Products Division as logical extensions of its basic pulp and paper operations. Cartledge explained that the residue from the mills' pulping processes is used in chemical manufacturing, "thereby tying all our various business segments together."

Looking ahead, Cartledge sees potential investment opportunities in recycled medium and white-top linerboard. "We have the technology to produce high-quality recycled corrugating medium from office waste, with a relatively low capital investment," said Cartledge. "And with some modifications to our existing linerboard system, we can produce white-top linerboard for the growing high-end graphics portion of the container business."

Union Bag was one of the first companies to set up mills in the U.S. South, and, today, Union Camp is one of the first companies to operate globally. The company has corrugated containerboard and chemical operations in 24 countries, the majority of these being the Bush Boake Allen flavor and fragrance division. When asked if there are any plans to expand papermaking capabilities offshore, Cartledge said, "The major growth areas for paper and packaging over the next 20 to 30 years will be in developing countries: Europe, China, South America, India. These are the places for significant growth, and we're setting the stage to take advantage of these opportunities."

For example, Union Camp has put in place a full-time organization to expand its uncoated free-sheet product line specifically for certain offshore markets.

Historically has not been a big export grade. However, the division is responding to customer requirements with several other quality initiatives.

"We export a lot of product out of our unbleached mills, and all of this ISO awareness and the implications of certification began to come our way about five years ago through our European box operations, particularly the one in Ireland," explained Ballengee.

The reason why Union Camp is spending so much time on ISO 9000 certification is because the company believes ISO certification is an upcoming requirement for doing business. "Our customers are moving us in this direction," said Ballengee, "and we are happy about it because the ISO certification process makes us document what we are doing to achieve and improve our quality performance levels. ISO doesn't guarantee quality, it guarantees that you are operating in a way that if you do what you say you're doing, quality in terms of product quality should be a natural following.

"ISO is rigorous but complementary to both our total quality management efforts and to the essential nature of employee involvement and commitment."

GLOBAL MARKETPLACE

But it takes more than ISO certification to be effective in international markets. "You need to be on the ground, in the marketplace, identifying with the culture and the end users' needs, and these needs do differ from one country to another," said McClelland.

As to which overseas markets appear most lucrative for the U.S. pulp and paper industry in the near future, McClelland commented that the highest growth markets are presently in the Far East because their economies are in the highest growth mode and they enjoy a rising standard of living. "And if you are positioned in a favorable cost basis in the United States, you can reach many of the Far East markets with exports.

"Europe, on the other hand, is a huge market using a lot of American goods. The problem there, however, is the tariff issue which singles out the United States



Historically, said McClelland, uncoated free-sheet has not been an export item either for the paper industry or for Union

Today, Union Camp is one of the first companies to operate globally.

Camp.

The company's commitment to growth and development also extends to quality. Union Camp was the first in the industry to achieve ISO 9001 for corrugated box plants. In addition, Union Camp expects to have all 26 of its container plants ISO 9001-certified by the end of this year. Ballengee said that "we are working on achieving ISO certification at our other facilities as well, including our unbleached mills. The Fine Papers Division hasn't started an ISO effort yet because fine papers his-

Union Camp:

A statistical profile

Union Camp is a multi-national corporation employing more than 20,000 people. In 1992, the company manufactured more than 3.2 million tons of paper products—a record—and had net sales of \$3.1 billion.

The company operates four paper and paperboard mills in the United States: Prattville, Ala., Savannah, Ga., Eastover, S.C., and Franklin, Va. It's linerboard operation at Savannah and its fine paper operations at Franklin, Va., are among the largest in the world for their particular grades of paper and board.

Union Camp's kraft paper and board mills are located at Savannah, Ga., and Prattville, Ala. In 1992, they produced more than 2 million tons, including 1.6 million tons of linerboard. Since 1988, a year before the company embarked on a \$1.3 billion modernization and expansion program, Union Camp's kraft paper and board production has risen 19%.

The demand for linerboard is expected to grow at an average annual rate of 2.4%/year during the 1990s. The most significant growth areas for unbleached kraft linerboard producers is exports. Over the last five years (1988-1992), exports have risen 48.5% to 2,883,000 metric tons.

The other major paper product that Union Camp manufactures is uncoated free-sheet papers. Last year, the U.S. paper industry produced 11.9 million tons of uncoated free-sheet, with business papers accounting for 3.5 million tons, envelope 1.2 million tons, offset 2.7 million tons, forms 2.1 million tons and other 2.3 million tons.

The uncoated free sheet market is expected to grow at an average annual rate of 3.8%. Although operating rates for uncoated free sheet producers dropped to 89% in 1992, they are expected to bounce back to 94% this year and next.

In 1992, Union Camp accounted for approximately 1.1 million tons of uncoated free-sheet papers, making it one of the top five producers in the U.S.

MARKET CAPACITY

To meet the market for uncoated paper and board, Union Camp has developed

an efficient production system.

In the unbleached paperboard area, Union Camp has world-class machines. It has one machine that makes between 250,000 and 300,000 tpy, and the rest make 400,000 tpy or more.

In the printing and writing papers area, Union Camp's production capacity is similarly found in world-class machines. The company produces 23% of its uncoated free sheet papers on machines with capacities of 101,000-125,000 tpy, 12% on machines with capacities of 126,000-150,000, and 65% on machines with capacities of more than 150,000 tpy.

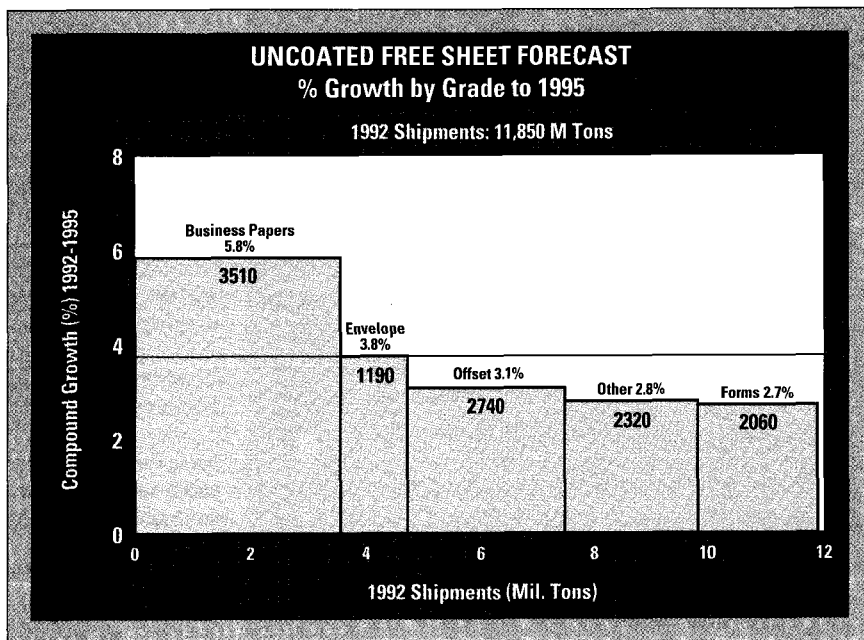
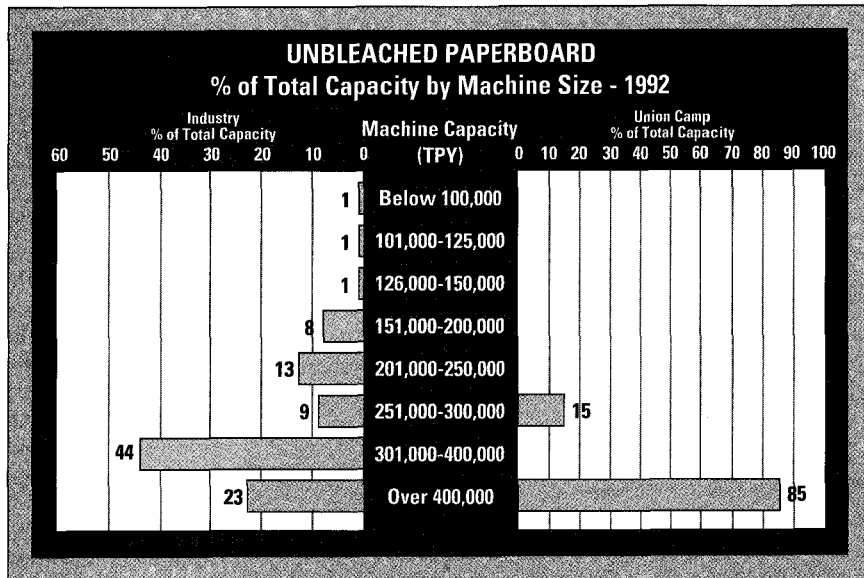
Since 1988, when Union Camp announced a \$1.3 billion modernization and expansion program, the manhours/

ton of paper and board produced at its Prattville, Eastover, and Savannah mills have dropped significantly. In fact, the company said that its manhours/ton have dropped 33% at its paper and board mills and 63% at Eastover. Moreover, Union Camp expects to achieve further reductions in manhour/ton of production by 1995.

FIRST QUARTER RESULTS

For the first quarter of 1993, Union Camp reported net sales of \$761.5 million, which is almost the same amount as the \$761 million in net sales reported for the first quarter of 1992. Net income was \$12.5 million this year compared with \$25.4 million for the same period in 1992.

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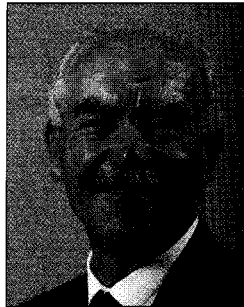
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VIEWPOINT

By Jerome A. Koncek, editor



Why pick a company of the year?

The cover story in this issue is our "Company of the Year." We are honored to pick Union Camp Corp. as *American Papermaker's* "Company of the Year," and to offer our readers an in-depth profile of the company. Even as we do this, there seems to be a little confusion as to how and why we go about making this selection.

The concept of honoring one organization as a "Company of the Year," is not new. Whether it's sports, business, or personal life, everyone is striving to be "Number one." We are constantly looking for individuals, organizations that exemplify the best in their particular spheres of influence.

For a magazine such as *American Papermaker*, the idea of picking out one company that exemplifies the best characteristics of the American pulp and paper industry grew out of our previous June "Paper Picks," which honored the best-managed company and the company to watch in the future. Over the years, it has become difficult to differentiate these two awards. As a result, we decided to combine our "Paper Picks" into one award that would incorporate the attributes of sound management and future growth possibilities.

Selecting a "Company of the Year" seemed like a simple task until we began examining the industry. Selecting just one award winner from so many companies that presented themselves was an awesome task. What criteria would we use to make our decision?

American Papermaker's award winner would certainly be a well-managed company. One that cared for its employees as the company's most valuable asset. One that cared enough to spend money on education and training, that developed programs that would both promote and empower its human resources

Our company of the year would also possess other characteristics that we believe are important if the company is to be successful not just now, but well into the future. The most prominent of these would be concern about the environmental issues affecting the industry and awareness of the global marketplace.

Care and concern for the environment would be more than mere lip service—it would be a commitment of time, money, and resources to conserve and improve the environment in which we live, move, and do our business. The company would show how business and the environment are complimentary concepts, not distinct differences.

In selecting a "Company of the Year," we wanted one that recognized the importance of the international marketplace. We wanted a company that looked beyond its operating boundaries to the global arena. Our company would not necessarily be doing business overseas, but all its actions would be cognizant of this business reality.

To be our winner, we wanted a company that was unhappy with the status quo. And we wanted a company that could put the current woes affecting the pulp and paper industry into a long-term view. The company would be as concerned with the industry's long-term growth, as it would be for a better financial return on its investment.

Our "Company of the Year" would possess other positive qualities that we explore in our cover story that begins on page 25.

From my perspective as editor of *American Papermaker*, I'm very excited about our first "Company of the Year" award and am pleased with our selection. I hope that you will think enough of this award to write or phone me and tell me why your company should be named "Company of the Year" for 1994. **PK**