

6 1973-1978 HIGHS AND LOWS

SPIRALLING INFLATION triggered by the international oil crisis showed no sign of slowing down. Throughout 1973 and well into 1974 there were continual increases in the prices of commodities of all kinds, among them pulp and paper, under the pressure of rising costs and apparent scarcity. In South Africa, Sappi had to raise its prices almost every quarter, yet orders rained in because there were no other sources of supply. Sappi had not enjoyed such security since the war years, and it was no surprise that the company's turnover was setting new records.

In spite of this success, there was plenty of scope for improvement, especially on the fine papers side of the business. For years Sappi's production men had complained that the company made too many kinds of paper, a legacy from the days when every supply house had insisted on ordering exclusive brands even when these were practically the same as their competitors. Officially, Sappi produced 65 different kinds of fine papers in a wide range of weights and sheet sizes. In practice, many of these were seldom ordered, but to avoid upsetting the supply houses, all had been kept on the books. The commodities crisis provided an excellent excuse for rationalising the range and making better use of the various production units.

The rationalisation campaign was named Operation Streamline and was to take effect in October 1974. Less profitable grades were to be eliminated entirely, and those with close similarities were to be merged. After careful deliberation — and not without protest from some supply houses — the marketing men announced the new line-up. The number of grades made was being reduced from 65 to 29, the number of weights from 30 to 17, and the number of sheet sizes from 29 to nine. To make better use of production units, all tinted grades

*The wet end of Tugela's No. 2 machine,
with kraft linerboard in production.*

were to be made at Adamas, apart from certain boards and manillas made on Enstra's No 4 machine, and all white papers were to be made at Enstra.

With fewer grades on offer, it could be assumed that the paper-makers would have less need to chop and change, so production runs would be longer and more profitable. In a connected development, the marketing men were introducing new brand names to give each family of papers a special identity. Before, all names had been prefixed by 'Sappi' or in some cases 'Adamas,' but this confused customers and also the sorting house staff, who often attached the wrong labels. Lou le Roux suggested dropping the prefixes and providing clear brand names which would be easy to remember. Among the first chosen were Kopychief for duplicating paper and Auditor for the paper used on computer printers.

Several more Le Roux inspirations were adopted in 1974. Supply houses were doing a roaring trade with embossed, 'laid' papers of the sort used for letterheads, all imported. Le Roux arranged to have similar paper made on the No 4 machine at Adamas, produced in several tints and marketed as Lord Ariston. Another new product was multipurpose stationery cut to size on a precision rotary machine rather than a guillotine, packaged in reams marketed as Typek Bond. When Typek found a ready market as the ideal medium for plain paper photocopying, supply houses placed large orders.

As a spin-off of Operation Streamline, the marketing rationalisation was extended to the kraft and packaging grades made at Adamas and Tugela. Both mills had multipurpose MG machines expected to produce a wide range of packaging papers, and in both cases unprofitable lines were dropped and only four or five were retained. In addition, the marketing men introduced fresh brand names. Before, the chief products had been Tugela linerboard and fluting, and these were relaunched as Kraftguard and Magic Flute respectively.

Sappi's products still dominated the South African packaging market but faced competition from three small mills each founded by Giuseppe Raimondo. One was the bagasse-based fluting mill at Felixton, in business since 1953; the second was an NSSC linerboard mill at Piet Retief, like the first controlled by the Huletts sugar group; and the third was Paper and Packaging Industries of Rosslyn near Pretoria, an integrated, waste-based paper mill and boardmaking plant which Raimondo had planned as a family business. Tragically, he had been killed just before his mill was commissioned, and the enterprise had been taken over by his widow and sons.

On the fine papers side Sappi faced competition from Mondi, and in the newsprint market, Mondi had an agreement with Sappi to produce 40 per cent of South Africa's requirements. Then Mondi rebelled, refusing to produce another ton of newsprint unless the News-



Control room serving Enstra's bleaching plant.

paper Press Union agreed to renegotiate the price. The NPU refused, pointing out that the contract was with Sappi and that Sappi was obliged to supply all the newsprint needed. At the time the commodities crisis was at its height and there was no possibility of obtaining newsprint from outside the country, so Sappi's only recourse was to threaten Mondi with legal action.

Even then, Mondi refused to produce paper. Sappi was helpless, and the NPU knew it; so in the end the NPU backed down and agreed to negotiate with Mondi. As a result the old contract was cancelled and a new one offered better terms. As an extra sweetener, Mondi was contracted to produce 60 per cent of the NPU's requirements, and half of that was to be taken up at a still higher price. Some Sappi men regretted that the company was abdicating from what had once been a monopoly. Others were more philosophic. The

This certificate is awarded

to **Everhardus Johannes Smitch**

in recognition of the part he played as a member of the SAPPi Research and Development team, which, in collaboration with L' Air Liquide of France and Kamyr of Sweden, invented and developed the "SAPOXAL" oxygen pulp bleaching process. In May 1970, at Sappi's Enstra Mill near Springs, this team successfully commissioned the first plant in the world to use that process.

On 27th November 1974, the Associated Scientific & Technical Societies of South Africa presented its 1974 National Gold Medal Award to the SAPPi team for its contribution to "SAPOXAL". The citation bears the names of the following persons.

<i>L. A. Job (deceased)</i>	<i>H. C. Myburgh</i>
<i>P. J. Myburgh</i>	<i>D. R. Linn</i>
<i>H. H. Boothe</i>	<i>M. M. Linnar</i>
<i>D. W. Calvert</i>	<i>E. J. Smith</i>
<i>B. Portzer</i>	<i>L. Smith</i>
<i>W. W. Houweld (deceased)</i>	<i>H. J. Terreyne</i>
<i>T. B. Kilgour</i>	<i>H. J. R. Wiese (deceased)</i>

The Chairman and Board of Directors of SAPPi Limited record the Company's great appreciation of their achievement, which has earned international honour and prestige for Sappi.

Springs

Date: 3rd October 1975

W. Hansen Chairman

K. E. Day Managing Director



old contract's terms had been so generous that Sappi had never made a profit. Now Sappi stood to make some money.

If the newsprint problem had been frustrating, there was consolation in Sapoxal which was going from strength to strength. Pulp and paper companies in France, Sweden, the United States and Japan had evaluated the process and had contracted to use it on a royalty basis. Sappi's Ben Coetzee was travelling the world, helping to start up new reactors, and had a hand in designing one for a mill near Lake Baikal in the Soviet Union. Sapoxal was a triumph, and to honour the achievement the Associated Scientific and Technical Societies of South Africa awarded those responsible with its gold medal for 1974. Each member of the team was given a special commemorative certificate recording 'the Company's great appreciation.'

Sappi's results for 1974 were even better than the previous year's — turnover of R114 million, and after-tax profits of nearly R14 million, an improvement of 136 per cent. The directors announced a final dividend of 20 cents, up from 14 cents in 1973, and said they

*Commemorative certificate honouring the Sappi men
concerned with developing the Sapoxal process
1967-1970.*

*Sapoxal men and supporters: (front row, from left)
E J Smith, Ron Day, John Henderson, Chris Myburgh
and Lon Wayburne; (back row, from left) Don Kilgour,
Daan Pauw, Henry Myburgh, Apie Verreyne and Andre Botha.*



would have paid still more if it was not necessary to retain earnings as a hedge against inflation. Sappi's only real problem was a shortage of bleached chemical pulp, and the board and management were looking into the possibility of expanding Ngodwana by putting in extra pulping capacity. It was realised that inflation would make such a project extremely expensive, but a feasibility study was under way.

All Aboard

THE CALENDARS WHICH Sappi published every year were becoming an institution. Starting in 1971, they featured photographs of lesser-known historic sites in South Africa's many regions. Each year Gordon Douglas and his wife spent ten days to two weeks touring a particular region in a motor home. In the first year they covered the Eastern Cape and in the second the Western Cape, in each case visiting many more sites than could be represented in the calendar and sometimes horrified by the dilapidation of what they found.

In the third year the theme was South West Africa, following an invitation from the territory's administration. This time the photographs were taken by Phillie Uys of Sappi's publicity department. Then Gordon Douglas returned, visiting Natal which was especially dear to Sappi. Douglas now had the co-operation of the National Monuments Council which helped him to pinpoint the most interesting sites, among them the battlefields of the Zulu War and the Ultimatum Tree down the Tugela River from Mandini, where Cetshwayo had met the British boundary commissioners and where the Zulu War had begun.

In some cases sites were too large to make good photographs, and in others Douglas had to persuade local authorities to clean them up. His high standards ensured a memorable series. Sappi's management took pains to make the company's annual reports equally attractive, each one generously illustrated to show shareholders what the company was doing. In 1973 the illustrations had concentrated on Tugela; in 1974 on forestry; and in 1975 the theme was 'products in use,' from Clupak sack kraft as used in cement sacks to Kartwell packaging paper as used in shopping bags, and from Prefect Wove exercise books to a Lord Ariston calendar.

Another product featured was Vulcanfibre from Adamas, a board used to make school cases. The Adamas fibreboard operation had never been regarded as more than a sideshow, and as much as 40 per cent of its output was exported. Adamas morale remained high, and many of the original Italians were still at the mill, some with sons there as well. A new manager, Andre Vlok, asked his men to suggest names for various parts of the mill so that at meetings everyone



Fire in the paper storage yard at Adamas in 1975, which continued smouldering for ten days.

would know which section was being talked about. Names accepted included Lovers Lane, Power Drive (past the transformers) and Excitement Alley (where Pietro Savini, the Italian who ran the board plant, frequently became agitated).

During September 1968 Adamas had been hit by floods caused by a cloudburst which had turned whole streets into raging torrents. The Sappi mill had escaped more lightly than other plants, but even so the floors of several buildings were under 60 centimetres of water and extensive pumping was needed before normal production could resume. Then in April 1975 fire broke out in the materials storage yard and destroyed 5 000 tons of imported pulp and 1 500 tons of waste paper. Twelve firefighters had to be treated for injuries from the initial blaze and the fire continued smouldering for ten days before it was finally extinguished. Damage was estimated at R2 million.

In 1976 there was a serious fire in Tugela's paper storage yard, when 600 tons were destroyed. The mill had its own fire station and a

team of amateur firefighters who responded to every emergency. In 1973 they had been called out to cope with an accident at Mandini station. A goods train had been standing at a signal when a passenger train came from behind and ploughed into the back. The driver of the second train was flung through a window and landed on a truck filled with pulp. He was badly injured but alive. At the back of the passenger train, one of the coaches jackknifed and was bent double, and passengers were thrown on top of one another. Seventeen people were killed, and another 40 were seriously hurt.

Tugela workers helped passengers to escape from the broken coaches, but scores more were trapped in the wreckage and a heavy duty crane was brought in to lift the jackknifed coach. Once again the Mandini community had proved itself a good neighbour, so it was unfortunate when in May 1974 a crack developed in the black liquor storage dam and quantities of effluent escaped into the Tugela River. Alex Rodger, recently transferred to Tugela from Ngodwana, immediately reported what had happened to the local police and magis-

Tugela firefighters in rescue operations following a Mandini train crash in 1973.



trate and took steps to have the damage repaired; but Natal newspapers took up to the story, and the mill's image was not enhanced.

In earlier years the mill and Mandini had been one and the same, but that was changing. In 1971 the KwaZulu government had proclaimed an industrial township at Isithebe, close to the town of Sundumbili which now had 5 000 residents. Several factories were built, and white managerial staff lived in Mandini which had been declared a Natal enclave even though it was surrounded by KwaZulu. To serve the growing community Mandini's shopping centre was being enlarged, and to provide the ultimate seal of civilisation, the little town now had several churches.

In spite of the mill and the Isithebe factories, Mandini retained its country charm and those living there loved its surroundings. The golf course was a treat and there was greenery all around, much appreciated by joggers and strollers who could be spotted all over Sappi's property. In 1975 conservation enthusiasts founded a Mandini branch of the Wildlife Society of Southern Africa and took responsibility for the game reserve at Rocky Ridge, demolishing the old farmhouse and introducing braai places and other facilities to make it an attractive camping and picnic spot.

In spite of growing larger, Mandini retained many of the traditions of its earlier years. Clubs and societies of all kinds still thrived. Scouts and Cubs, Guides and Brownies, the Mandini Round Table, clubs for tennis, bowls, cricket, chess, karate, angling, swimming, badminton, squash, wrestling, pigeon racing and more besides, the Moths, the Women's Institute, the Tugela Commando — Mandini was far livelier than most communities of its size, even those attached to mines, and had a social programme to match. One of the highlights of the year was a Moths ball at which a Paper Queen was chosen and crowned. Another was the road race.

Activities like these attracted wide interest, but none came close to matching the appeal of the annual Tugela raft race, which had become one of the great spectacles of Natal. In spite of its rather murky origins, the race had quickly gained in popularity and each year more crews took part. In 1970, there had been 50 rafts; in 1972, more than 100; and in 1975 there were more than 200, with 800 people on board. To give the event still greater appeal the committee introduced a Miss Mandini beauty competition — open to all, but usually won by Mandini girls — and encouraged competitors to decorate their rafts in terms of an annual theme. For instance, one year the theme was 'nursery rhymes,' and in the next 'film titles.'

Each year the race produced its share of thrills and spills — many rafts sank, and more than a few paddlers fell overboard — but the event was mercifully free of serious mishaps. The organising committee timed it to coincide with an incoming tide so that rafts were not



swept out to sea; but one year something went wrong, and the race took place just when a spring tide was turning. Officials patrolled the river mouth in skiboats to make sure nobody got into trouble; but several crews deliberately paddled out to sea, causing much anxiety until they were rescued. After that incident, security was much tighter.

The raft race took place during March or April, when the river was normally full. In October the water was low. One year a Tugela construction team consisting of Jannie van der Merwe and four Zulu was erecting a steel pipe on rock in the middle of the river bed. Without warning a flash flood was upon them. One of the Zulu saw it coming and reached the bank; but the other four had to cling to the pole to avoid being swept away. The water rose 1,8 metres in 12 minutes. A crowd gathered, but a rescue team was unable to reach the men because the river was flowing too fast. Eventually a helicopter was summoned from Durban, and at last the men were lifted to safety more than two hours after their ordeal had begun.

Reorganisation

TOWARDS THE END of 1974 there was a notable change in the economic climate. Around the world, orders for commodities slowed to a trickle, and producers realised that they were entering a recession. The trend continued through 1975, and in South Africa Sappi's sales of fine papers suddenly slumped as merchants and converters found themselves over-committed. Costs of raw materials, transport, labour and services of all kinds continued to rise, and to adjust to the situation, Sappi's management deliberately shut down three paper machines — Nos 3 and 4 at Enstra, and No 3 at Adamas — for extensive periods. It was the first time in the company's history that such a thing had happened.

One of the few Sappi units left unaffected by the slowdown was Ngodwana. Rather than cut production there, Sappi's management preferred to build up a pulp stockpile ready for an economic revival. Even so, plans to expand Ngodwana had been shelved on the grounds that it would be far too expensive, in spite of enthusiastic recommendations made by a three-man study team, Moore O'Hara

Young pine trees in a Sappi plantation located in the Natal Midlands (overleaf).

Paddling room only at the start of a Tugela raft race.

Real professionals can get by without a raft.





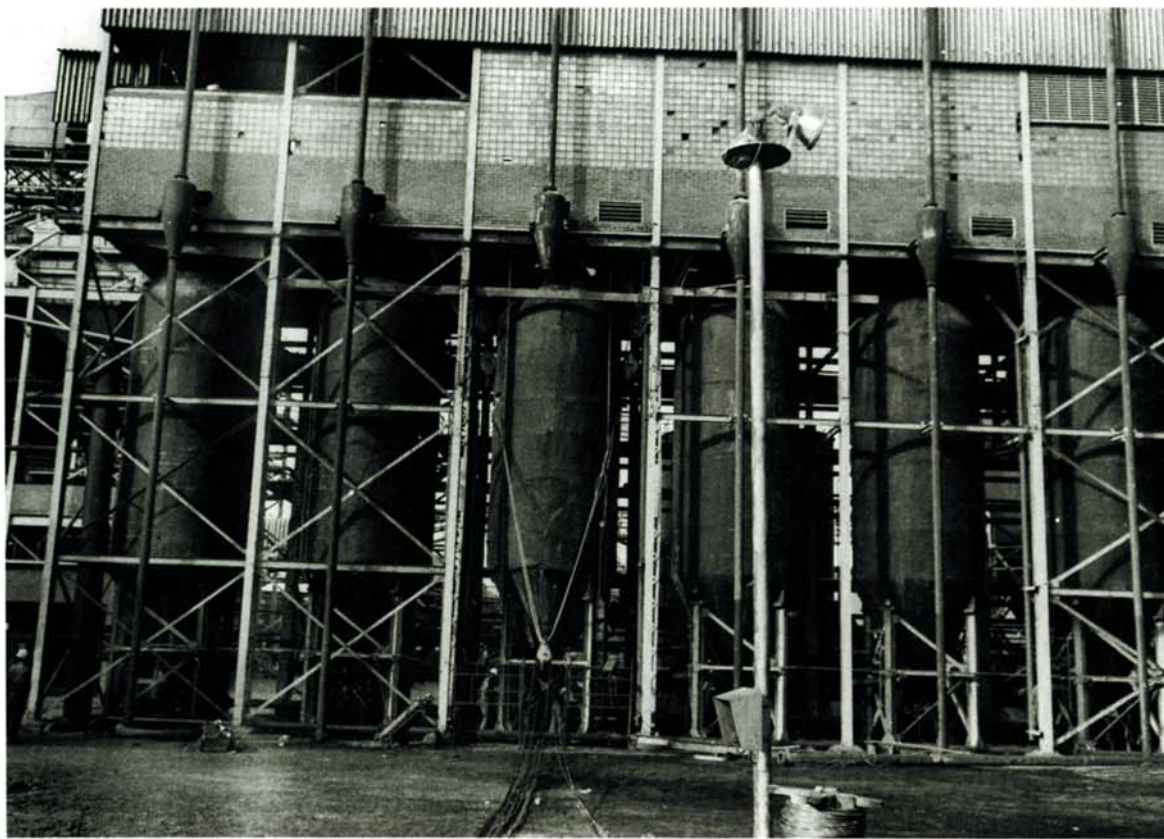
(who had been on the point of retiring), Ron Gill (a chemical engineer who had made rapid progress through the company) and Andre Vlok. The committee had disbanded, but Gill had been asked to draw up plans for expanding pulp and bleaching capacity at Enstra and Tugela, ideally with minimum outlay.

At Enstra, not only was more pulp needed, but the mill had an odour problem. Ever since Oury Hisey's time Enstra had used a modified kraft pulping process which produced a smell of sulphur; and ever since Ngodwana had started up, the Department of Health had suggested that the Enstra pulp section should be closed down as soon as possible. Sappi thought differently, and it was decided to convert the existing pulp digesters to the soda process which Sappi had used in its earliest days and had abandoned because its pulp was so poor. Since then, soda technology had improved, at least when used on hardwoods; and it was decided to team soda pulping with the Sapoxal bleaching reactor to reduce effluent to a minimum.

New equipment was ordered, and with it a Copeland recovery furnace similar to the one installed at Tugela, only much bigger. Spent liquor from both the pulping and the bleaching reactor were to be processed in the furnace to recover chemicals. In addition, Sappi ordered a second Sapoxal reactor from Kamyr AB, this one to bleach softwood pulp railed to Enstra from Ngodwana. Once the new equipment was in place, Enstra would have the capacity to produce enough bleached and semi-bleached pine pulp and enough bleached hardwood pulp to supply all the group's needs, including those of Carlton Paper and its tissue machines.

Work on the expansion began in 1975, with a large portion of the funding loaned by the Industrial Development Corporation and the Old Mutual. Ron Gill was appointed project manager. Meanwhile, the management wanted to increase pulping capacity at Tugela by replacing the existing batch digesters with a continuous digester like the one at Ngodwana, but able to produce 750 tons of pulp per day. Existing recovery systems and paper machines were to be modified so that pulp and paper output could be increased from 600 tons per day to 1 000 tons, which would make Tugela a mill of world significance. An announcement that the Tugela expansion was to go ahead was made in November 1976.

The Tugela project was expected to cost upwards of R80 million, though that was later scaled down, and Enstra's was assessed at R25 million — hefty commitments, considering that the recession was not yet over and was being worsened by political unrest. Slack kraft sales mirrored the state of the economy, as demand for packaging was down. Fine papers sales were down as well, partly because of competition from Mondi, and the newsprint market was not much better. Costs were still rising, even though salaries and wages were frozen in



Batch digesters at Tugela, to be replaced by a continuous digester.

response to a government manifesto, and in spite of price increases there was a danger that profits would be much reduced.

Sappi's troubles were not unique. Most industrial companies were suffering, among them others in the Union Corporation group and indeed the mining house itself, which was vulnerable to a takeover. Ted Pavitt, John Henderson and others at Union Corporation decided that the group should be restructured in such a way that Sappi and other industrial holdings would become Union Corporation subsidiaries — in other words, that the mining house should hold more than 50 per cent of their shares. That would entitle the corporation to consolidate their earnings with its own, making its financial position that much stronger.

In Sappi's case, Union Corporation planned to transfer portions of its minority holdings in the two tissue companies, Kimberly-Clark of South Africa and the Carlton Paper Corporation. In return, Sappi would issue 1 370 600 new shares to the mining house and would transfer its minority holdings in two other companies in the group. That left Sappi holding 50 per cent of KCSA and 39,5 per cent of Carlton; but by 'borrowing' a single share from Kimberly-Clark of Wisconsin (which could be reclaimed at any time) Sappi took control



of KCSA, which in turn controlled Carlton. In this way, Carlton became a Sappi subsidiary.

The reorganisation took effect in October 1976, only two months before Sappi's 40th birthday. To mark the event the company was introducing a long service award scheme, with a series of parties at the various mills and forestry divisions. The festivities began with a party at Adamas and continued for a week. For Enstra there was a dinner-dance for 800 at the Springs Town Hall, believed to be the largest such function ever held there. For Tugela and Ngodwana there were dances in the respective recreation clubs. On the actual birthday, December 17, there was an elaborate head office function at Johannesburg's President Hotel.

A highlight of the head office party was the unveiling of a John Meyer portrait of John Henderson, commissioned by Sappi to hang in its boardroom. Henderson was to retire at the end of January 1977 and was being replaced as chairman by Ted Pavitt, who was already chairman of Union Corporation. However, Henderson's responsibility for the mining house's industrial interests was being taken over not by Pavitt but by Basil Landau, a younger man who had joined the mining house only recently to sort out problems in one of Sappi's sister companies. Now Landau was on Sappi's board, and was taking close interest in a far-reaching reorganisation planned by Ron Day's management team.

The reorganisation was to be much more fundamental than the 'line and staff' arrangement recommended by Wendell C Walker. This time, three operating subsidiaries were being set up, each with

Tugela's senior induna, J Sibiya, receives a long service award from Ron Day as part of Tugela's celebrations in honour of Sappi's 40th birthday.

Long service parade at Enstra: (back row, from left) J Tshonisa, M Mkwanazi, M Ngomane, Andre Vlok, S Myambo, Ron Day, G Kumalo and F Mashele; (front row, from left) B Mtshali, M Mkwanazi, S Bungele and C Kundu.

At the head office banquet: (front row, from left) Colin Glazebrook, Alex Rodger, John Henderson, Ella Steyn, Bob Garden and Ron Day; (second row) Leslie McWilliam, Wally Lake, Chris Myburgh, Ben Coetzee, Eric Brink and Lon Wayburne; (third row) Piet Fourie, Dennis Masson, Don Fourie, George Dyason and Solly Strydom; (fourth row) George Monk, Henry Myburgh, Robert Cockburn and Louis van der Walt; and (back row) Phil Mijburgh, Joe van der Walt, E J Smith and Andre Jonker (overleaf).





its own executive and responsible for its own finances. The subsidiaries — one for brown paper, one for white products and one for forestry — would report to a much smaller head office team led by Ron Day, Lon Wayburne as group technical director and Colin Glazebrook as group financial manager. Considerable work would be needed before the new system could take effect, but it was hoped that all would be in place by January 1977.

So it was that three new subsidiaries were registered, and Sappi Limited became a group. One subsidiary was Sappi Fine Papers, responsible for Enstra and Ngodwana and headed by Bob Garden. A second was Sappi Forests, headed by Peter Stratten and divided into three regions covering the Eastern Transvaal, Natal Midlands and Zululand. The third was Sappi Kraft, responsible for Tugela and Adamas and headed by a newcomer, Eugene van As, a marketing specialist who had recently resigned as chief executive of a consumer-oriented company which made detergents, among other products.

The many changes were giving Sappi a facelift. There was a new chairman, a new executive and a new operating strategy. Overnight, Sappi had bloomed as much more than a single company, and to promote its new image the management asked an advertising agency to design a new logo. Ever since the war years Sappi's logo had been a shield bearing two Ps and an I, surmounted by the Union Corporation unicorn. That was now scrapped, and in its place the management introduced a stylised pine tree with three branches on each side. For Sappi Limited, the logo was red; for Sappi Fine Papers, blue; for Sappi Kraft, brown; and for Sappi Forests, green. All but the most conservative thought it a great improvement.

On the Ladder

EACH YEAR THE American magazine *Pulp and Paper International* published a list of the world's Top 100 paper companies and in 1976 had included Sappi, the first time an African entry had been considered. As a pulp producer Sappi was listed 39th in the world; as a paper and board producer 59th; and on the basis of profits 43rd. On turnover, which was treated as the most important category, Sappi was ranked no higher than 96th—chiefly because many overseas paper companies had integrated converting operations or forest products divisions with sawmills or chipboard mills, whereas Sappi was only concerned with pulp and paper.

On the 1977 list Sappi was promoted to 88th place on the turnover ladder, in part a reflection of the increasing value of the rand against the dollar. On the pulp and paper ladders Sappi slipped several positions because the production slowdown was still in effect; but once



Quintin Stubbings (with loudhailer) and friends unveil the group's new logo at Tugela.

the economy recovered and the group took advantage of greater capacity at Enstra and Tugela, the position would improve dramatically. Elsewhere in the world, pulp and paper companies were relatively static, unable or unwilling to increase in size; but in South Africa it seemed that the sky was the limit.

At Tugela, the expansion project was still in its infancy, but had a flying start when a project team of Tugela engineers was assembled under the name Zululand Construction (Pty) Ltd, a wholly-owned subsidiary which was registered in July 1977. The team was led by Tom Liversage as senior engineer and included specialists in construction, machine assembly, instrumentation and electrical work. At Enstra, progress was less inspiring. There had been unfortunate hiccups in the expansion programme, partly because the mill management had seen it as a head office initiative so had shown little inclination to co-operate.

To remedy the situation, Andre Vlok had been transferred to Enstra as mill manager, and when Ron Gill resigned to take up a position in the United States, Vlok became involved in the expansion project as well. Work continued throughout 1977; and even though there were further frustrations as key men went elsewhere, by the end of the year several sections were ready for commissioning and it was hoped that the Copeland recovery furnace would be started up early in 1978. The project was behind schedule and there was an



element of haste, but if all went to plan the engineers would soon make up lost ground.

While the engineers struggled, Enstra's papermakers were busy developing new products. For instance, the marketing team said that Sappi should resume making security paper for cheques, the sort impregnated with chemicals so that tampering could be detected easily. Years earlier, such paper had been made on No 4 machine, though not effectively; now it was made on No 2, its surface coated with wax so that it would run well on printing machines. Another kind of security paper was made for Defence Force Bonus Bonds, this time watermarked with the help of 2 000-odd electros mounted on a dandy roll.

Enstra was the responsibility of Sappi Fine Papers, which now had its own head office in Isando near Jan Smuts Airport. Sappi Kraft had taken a suite of offices in Rennie House on Braamfontein Ridge, with commanding views over Johannesburg's northern suburbs. Kraft sales remained soft, so Eugene van As first aimed to break even; and when that target was achieved, he looked for profits. One of his tasks was to sort out Adamas, which had been making substantial losses. He shut down much of the mill for a month and sent many employees on leave until a new strategy could be worked out.

Sappi's foresters still had headquarters in Benoni and a regional office in Pietermaritzburg, but the Eastern Transvaal offices had been shifted from Sabie to Nelspruit. The new Zululand division was run from Mtubatuba near Richards Bay. For some years there had been little effort to buy more land, apart from one large acquisition near Waterval Boven in 1974, and planting had slowed down as well in view of uncertainty about the future. Inflation and the recession had hit the forestry industry badly — both mining and construction had cut back their consumption, and Sappi's was down as well — and there was an over-supply of pulpwood.

Now that Sappi's pulping capacity was being stepped up, Sappi Forests made plans to revitalise its planting programme. Even during the recession the foresters had managed to plant roughly 1 300 hectares per year, and at the start of 1977 there were 59 700 hectares under trees out of the 83 300 hectares owned. Because of recruiting difficulties the forest operations employed fewer men than in the past, and was making greater use of machines. At the Ngodwana nursery, almost the only operation carried out by hand was lifting plants from the seedbeds; and in the Natal Midlands and Zululand, Sappi's foresters were trying out new methods of harvesting.

For instance, in Natal the foresters had introduced 'forwarders,' heavy duty tractors able to operate over rough terrain with a trailer

in tow, picking up logs by means of a crane. Using a forwarder made it unnecessary to skid logs to the nearest roadside, whether with a winch or with mules. The idea had been suggested by the Natal forestry manager, Denis Ogram, who had come across it in Scandinavia. Ogram also introduced 'Nordfor harvesting,' a Scandinavian approach to felling, debranching, cross-cutting and stacking timber which enabled one man with a light chainsaw to do the work of four.

Even though trees grew far more quickly in South Africa than in most parts of the world, it still took ten years for hardwoods to reach maturity and twenty-five years for softwoods. Sugar cane could be grown much more quickly, and once depithed its bagasse residue could be combined with wood pulp to make paper. In other countries bagasse was used to make tissue and lower-grade packaging or printing papers, and in one case a company was trying to make bagasse newsprint. Even so, Sappi had been caught by surprise when the British group Reed International announced plans to build a pulp and paper mill in South Africa and to use bagasse to make coated papers.

Years earlier, Reed had toyed with the idea of building a wood-based fine papers mill in South Africa. It had been one reason why Sappi had snapped up the Sittingbourne machine now known as Adamas No 4. The new venture was a partnership between Reed and the C G Smith sugar group, which was putting up half the capital and providing the raw material. Indeed, the pulp and paper mill was being constructed on a site next to the Smith group's Gledhow sugar mill outside Stanger and was the twin of one that Reed had built in Iran. Construction had started in 1974 and the first paper was produced in May 1976.

Stanger's bagasse was literally blown through pipes from the sugar operation next door. On arrival it was fed to hammer mills to remove the last of its sugar, then stored on a mountainous stockpile calculated to see the paper mill through its neighbour's off-season. As required, bagasse was fed to the pulp section where it was cooked with soda in a continuous digester, then bleached with chlorine, caustic soda and hydrochlorite. To make fine papers the bagasse pulp was mixed with wood pulp in a ratio of seven to three. The mill had a single Fourdrinier machine with a separate coating line, so paper could be coated or left uncoated as desired.

The pulp mill relied on its neighbour to provide steam, so it was unfortunate when water contaminated with molasses was accidentally fed into the main boiler. Repairs took months, and even though the mill hired railways locomotives to provide extra steam, production was hit badly. Equally it was unfortunate that the mill had come on stream at a time when coated paper was readily available from overseas and prices were low. In comparison, prices fetched by uncoated

paper made by Sappi and Mondi seemed relatively high, a result of tariff protection. Because the price differential was so small, there was a chance that regular customers would want to buy coated papers from Stanger rather than uncoated from Enstra.

The Reed group had other interests in South Africa, notably the Reed Nampak packaging group which had resulted from the merger of two major companies. Reed Nampak was the largest paper packaging enterprise in the country, much bigger than Kohler Brothers, its chief competition, which was controlled by Union Corporation. Both were major customers of Sappi. It appeared that the Reed group wanted to expand its South African empire still further, in spite of losses being made at Stanger, but then there was bad news from Canada. Three Reed mills in that country were under attack from conservationists who complained of pollution, and to sort out the trouble Reed International had to raise large sums of money by selling off subsidiaries in other parts of the world.

Early firewatch tower in the Eastern Transvaal.



The South African group was the first to be tapped for funds, in spite of its chief executive's pleas. He resigned, and it was left to his successor to look for buyers for the various elements of the group. In the case of Reed Nampak, Reed had to consider the interests of minority shareholders; in the case of Stanger, half of the equity belonged to C G Smith, which was itself anxious to sell as the mill's capital was exhausted and the project was posting huge losses. Asked what paper they made best, Stanger papermakers replied: 'Broke' — the waste that had to be returned to the beaters for repulping.

In September 1977 representatives of C G Smith and the Reed group invited Sappi to take over the loss-making mill for R2,5 million. As a sweetener, the two groups offered to take up R5 million in Sappi shares. Ron Day liked the idea, but others felt that the proposition was too risky in view of Stanger's heavy debts and uncertain prospects. Smith and Reed instead approached Mondi, with a similar result; but Ron Day believed it was important to keep in touch with the two groups, and in December 1977 was rewarded with a better offer. Not only were the Stanger partners prepared to sell the mill for a song, but Reed was also offering its 62 per cent holding in Reed Nampak.

The later round of negotiations was made more complicated by the situation at Union Corporation, which was no longer its own master. In spite of efforts to stave off an unwanted takeover, 50 per cent of its shares had been acquired by another mining house, the General Mining and Finance Corporation, which was itself controlled by a holding company, Federale Mynbou, and formed part of a group headed by the Sanlam insurance giant. Union Corporation's board could not authorise an acquisition without the approval of Wim de Villiers, chairman of General Mining, and beyond him acceptance by the board of Sanlam.

Another complicating factor was a suggestion that Union Corporation should consider merging Sappi, Kohlers, Stanger and Nampak in a new conglomerate headed by Sappi. With this in mind, negotiations were kept as discreet as possible and very few Sappi executives were fully in the picture. As a result, serious errors crept into the calculations; and by the time they had been sorted out, planning was back where it had started. Even so, by January 1978 it seemed as if a deal was in sight, so Sappi and Nampak shares were suspended on the Johannesburg Stock Exchange.

Sappi's directors met in March 1978 and agreed to the management recommendation that the Reed and Smith offers should be accepted. Ted Pavitt and Union Corporation were in favour as well, and so were General Mining, Federale Mynbou and Sanlam. Indeed, Sanlam's board agreed to put up R50 million in cash to help launch the new conglomerate — providing that if for any reason the deal fell



*Chairmen and chief executives, present and future:
(from left) Basil Landau, Ron Day, Ted Pavitt and
Eugene van As.*

*Stanger Pulp and Paper, located five kilometres from the
sea and surrounded by fields of sugarcane (overleaf).*

through, the money would be switched into Union Corporation shares. That would have given Sanlam an effective 60 per cent in the mining house. Union Corporation's directors felt that it might be a mistake, and the whole scheme was abruptly dropped.

Reed Nampak was subsequently sold to the Barlows group, though without Stanger. That deal concluded, Reed and Smith again approached Sappi, this time proposing that the paper company should take over their Stanger shareholdings for nothing and that each should contribute R16,2 million to help pay off the mill's debts. The deal was all but agreed when Sappi's executive had a further change of heart and asked for a review of the terms. Less than impressed, Reed backed out of the talks and instead took over the C G Smith interest on its own account, together with the R16,2 million sweetener.

Ron Day had been overseas at the time of the last round of negotiations, and was greatly disappointed to hear they had broken down. After a brief spell on leave he returned to work at Sappi's head office





and met Ted Pavitt to decide what should happen next. In the course of the meeting he tendered his resignation and departed soon afterwards. No successor was named, but it was decided to administer the company through a management committee nominally headed by Basil Landau, who was appointed Sappi's deputy chairman, though in fact meetings were convened by Eugene van As.



