CHAPTER TEN

CLEAR-CUT

MacMillan Bloedel

I DIDN'T REALLY NEED OR EVEN want to become chairman of the ailing lumber giant MacMillan Bloedel. In 1996, after I'd been a director for two years, the board approached me about assuming the chair of the Vancouver-based forest-products company that had been part of British Columbia's economic history for seventy-seven years. Ced Ritchie and I had joined the board at the same time when Noranda sold its controlling interest in MacBlo. Now Ced was urging me to add another chairmanship to my lengthening string of obligations. "Ritchie," I replied, "I can't do that." Lee had just died the year before. I was already the chair of both NOVA and TransAlta as well as a director of CIBC and Manulife. Not only that, even after being on the MacBlo board for a couple of years, I knew relatively little about the wood business. And, frankly, the company was then in a financial freefall following a brief upturn in its fortunes.

Ignoring my protestations, Ced was insistent, as he had been about TransAlta: "Haskayne, this is an important company on the West Coast. It's an international company, and its lumber exports lead the country. So you have an obligation to do this."

"You know," I said, "all these obligations I'm accepting are going to kill me one of these days."

As it turned out, they almost did. Yet I capitulated to Ced's plea and accepted the chairmanship—which is how I came to play a key role in the eventual death of what was likely another logical Northern Tiger.

IF YOU LIKE YOUR STORIES to have supersized figures, you'll appreciate the first half-century of MacMillan Bloedel. Though MacBlo became its popular nickname, the company always preferred the more formal initials "M B." The two predominant figures in its early history were also known by their initials: H.R. and J.V. Harvey Reginald MacMillan was never referred to as anything else but H.R., while John Valentine Clyne was more familiarly called Jack by his friends. H.R., raised in southern Ontario by his poor widowed mother and his farming grandparents, showed his academic brilliance early on while attending the Ontario Agricultural College, where he earned nine cents an hour working on a test forest project, and Yale, where he shone as the first Canadian forestry student at the university. The big, broad shouldered master's candidate spent a summer in British Columbia, surveying potential timberlands for private investors. After working in the forestry department of the Department of the Interior in Ottawa, he returned to B.C. to become the province's first chief forester. The federal government then made him a special trade representative to boost Canadian lumber sales in Europe, which he did with some success.

Turning his back on government in 1916, he wet his feet in business by helping manage a sawmill for a lumber company in Chemainus, B.C., where he learned how Frederick Weyerhaeuser, a nineteenth-century American lumber baron, had bought up some of the choicest local land. Near the end of the next century, Weyerhaeuser's company would loom large in the fate of MacMillan Bloedel.

H.R. briefly returned to the civil service during the First World War, overseeing the supply of B.C.'s strong, light Sitka spruce for military aircraft.But in 1919, he went out on his own to create the H.R. MacMillan Export Company, the first such private broker age in the province. That was the start of a great Canadian success story: He bought sawmills and opened a plywood plant and a pulp mill while acquiring a competing lumber company, huge provincial timber holdings owned by the Rockefeller financial family, and the company in Chemainus where he'd once been an assistant manager. By 1951, as the major lumber producer on the West Coast, he merged with his only real rival, Bloedel, Stewart & Welch, a forty-year-old sawmill and pulp-mill venture co-founded by Julius Bloedel of Washington State. It was the biggest corporate merger in B.C. history up to that time. Bloedel's son Prentice, another Yale grad, was president and then went on the board of what became MacMillan and Bloedel Ltd. Nine years later, it merged with the Powell River Company, named for the mainland coastal town north of Vancouver where the brothers Harold and Joseph Foley ran the world's largest newsprint mill. The expanded company was called MacMillan, Bloedel and Powell River Co.

By then, J.V. Clyne had become chairman and oversaw the merger. Nearing retirement, H.R. had asked his friend to succeed him—to which Jack Clyne had replied, "What's the end of the joke?" He had good reason to wonder, given that he was a justice of the B.C. Supreme Court at the time. Though the University of British Columbia grad had studied at the London School of Economics, his specialty was maritime law. Back home in Vancouver, he acted for a MacMillan-owned shipping subsidiary, the Canadian Transport Company, and became president of a Crown corporation operating a fleet of merchant vessels. But this larger-than-life character, who'd also grown up with a widowed mother, was used to taking on unusual tasks: As a young man, he'd been a deckhand on a freighter, a lumber-stacker at a local sawmill, and a cowboy and a placer miner in the B.C. hinterland (he'd call his memoirs *Jack of All Trades*).

Becoming chair of MacMillan, Bloedel and Powell River Co. in 1957, he got more than he bargained for—tackling the first big strike of pulp-and-paper workers in the province and a corporate bloodletting over the ownership of shares in a subsidiary company. In what some say was the biggest in-house battle ever witnessed to that point in Canadian business history, the two Foley brothers, serving as vice-chair and president, were forced to quit and the company became simply MacMillan Bloedel Ltd. (During the debacle, Clyne poured a glass of scotch over Harold Foley's head at a party.) As both chair and CEO of MacBlo, J.V.

Clyne helped turn B.C.'s biggest company into a multinational by logging in Southeast Asia and even diversifying into Australian real estate, and over his sixteen years, sales rose to $966 million from $160 million. But, from many reports, he was neither a gifted leader nor businessman. His imperious style rubbed people the wrong way, and his later reign was marred by missteps of strategy and the building of a bloated executive class. In 1972, after the company was recovering from its two worst years—with a down turn in the U.S. economy and the Canadian dollar being higher than the Americans'—he announced his retirement. The new chairman was Robert Bonner, a former provincial attorney general, who'd become president and CEO a year earlier.

That was the rich, if somewhat erratic, legacy I walked into as a director in 1994. In rapid succession, there had been four more men filling the chair and CEO roles after Clyne and Bonner, until Raymond V. Smith became president in 1980. Ray was a steadying presence even though 49 percent of MacBlo's shares were about to be bought by a subsidiary of Noranda Inc., the Toronto-based mining and forestry multinational—part of the Bronfman empire, which was then Canada's largest business group. It was yet another record takeover of a Canadian company. Noranda's forestry chief, Adam Zimmerman, led the acquisition and was chair of MacMillan Bloedel from 1983 to 1991. The increasingly troubled Noranda held sway until '93, when it spun off its shares in a $932-million secondary offering. (B.C.'s NDP government paid about $40 million to become MacBlo's largest shareholder, as well as being its regulator). The savvy Adam, who was once an accountant with Clarkson, Gordon & Co., stayed on for another three years as one of thirteen directors on our eclectic board, which had traditionally included the president of the University of British Columbia—David Strangway during my time.

I'd come to know lanky, quiet-spoken Ray Smith when we were both on the board of CIBC. After Noranda sold its control block of MacBlo, two of its directors—Alf Powys and David Kerr—stepped off the lumber company's board, and in 1994 headhunters approached Ced Ritchie and me to replace them. I knew Ray as a really decent human being and, as I learned, in employees' eyes he'd been a cherished president for a decade and a well-respected chairman of the company for the past four years. (The fact that he played a mean trumpet and wound up his life in a relationship with Juliette, the songstress who starred on an early Canadian television show named after her, just added to his charm.) He was the kind of guy who on Secretaries' Day would present every administrative assistant in the place with a rose and who was the first forest executive in B.C. ever to be asked to open a convention of the International Woodworkers of America. IWA and company representatives sat on the board of MacBlo's Employee and Family Assistance Program that Ray championed even during the toughest times in the industry. He earned his reputation despite reducing the payroll to fifteen thousand from twenty-five thousand while giving managers at the mill level more authority. His other success was moving the company into higher-priced, value-added lumber products at a time when the international economy was on an upswing. But by 1988, a recession started cutting into MacBlo's record profits, and two years later, Ray kicked himself upstairs as chairman.

His successor as president was Bob Findlay, a Scot who came to New York with his family as a boy and later moved to Montreal to study mechanical engineering at McGill University. He spent summers working at MacMillan Bloedel's mill in Powell River, B.C., and wound up employed by a manufacturer that sold pulp-and-paper machines to the company. Bob joined MacBlo full-time in the mid-1960s and progressed through several mills as a manager. When Noranda took over, he became a senior VP of a region and then of the global-marketing division. A year later, he was the chief executive.

The tall, likable, low-key fifty-eight-year-old walked into a minefield of problems. Profits in 1990 had slumped to a fifth of the previous year's. By the time I showed up four years later, he'd slashed 1,400 jobs and was selling the pulp division (unfortunately just as pulp prices started increasing) and a building-products division (even though it had been doing well). Meanwhile, hundreds of millions of dollars were being ploughed into a packaging operation that would continue to bleed with losses. Environmental issues loomed up: Hundreds of protesters were arrested as they confronted the company over the clear-cutting of forests at Clayoquot Sound, on the west coast of Vancouver Island, in what became an international campaign. On the upside, Bob formed a senior team to initiate a wholesale strategic review—the Gap Attack—that refocused the company into three core businesses and propelled it further into value-added products.

Bob was on the cover of *Canadian Business* in 1994 under the headline "Unsung, Underpaid," the poster boy for Canadian CEOs who were supposedly being shortchanged in their salaries and bonuses. He was earning a total of $450,000 a year for running a $4-billion company. At the time, Ted Newall was making $1.5 million as CEO of NOVA Corp., where I was chair. Noranda had been a little tight-fisted with Bob, and our board, maybe a bit embarrassed, agreed to give him more than a 60 percent hike to $844,000—followed by another raise. (Our generosity did not go unnoticed. Peter Newman points out in *Titans: How the New Canadian Establishment Seized Power* that in 1997 we recorded a $368-million loss: "It says something about the bumbling company's view of reality that this profit slide prompted its board of directors to reward Findlay with two raises and a humongous bonus, so that his take-home pay reached nearly a million—$925,000, to be exact." Newman had a point.)

In 1996, with MacBlo's prospects not visibly improving and Bob coming up for retirement, Ray had planned to replace him a CEO with Dale Tuckey, the executive VP of operations. As it happened, major institutional stockholders with as much as 40 percent of the shares and the Vancouver brokerage firm Goepel McDermid confronted Ray to announce their disapproval of that succession plan. They were also saying that with the stock price so low—40 percent lower than its $30 peak a decade earlier—the company was easy prey to corporate vultures who could cherry-pick our various divisions. I realized that one reason for our poor stock performance was that the senior executives couldn't properly define their different businesses for analysts and potential investors.

Among the key shareholders, with a 9.5 percent holding, was an investment partnership of the oil-billionaire Bass brothers of Texas and the Ontario Teachers Pension Plan Board. Representing them as a MacBlo director was investment advisor Tommy Taylor, another Texan. They and the other investors leading the revolt demanded some new board members. Ted Newall, who was approached, wasn't available, but Ian Delaney was. Ian was the well-regarded former president and COO of Merrill Lynch Canada and now the sharp, tough-minded head of the diversified resource company Sherritt International of Vancouver. The gentlemanly Ray, meanwhile, reacted to the restless investors by resigning from the chairmanship earlier than intended.

His interim replacement was a long-time director, the Vancouver lawyer Dave Davenport. That's when I was approached by Ced Ritchie and another board member, Paul Douglas, former head of the Pittston Company, an American resource conglomerate that owned the Brink's security operation. They wanted to conscript me to become the chair. Only reluctantly, I agreed. In a hint of just how strongly the company was seen as a British Columbia icon, my buddy Don Campbell's sister, a long-time Vancouver resident, told me to my face, "I don't know why we need a guy from Alberta to run MacBlo."

Visiting corporate operations around North America with friendly Bob Findlay—a great guy to travel with—I began asking questions, observing problems, and getting the equivalent of a bachelor's degree in forestry. I found, for example, that the company had a plant built in the Ottawa Valley using new technology to make medium-density fibreboard, a reconstituted, non-structural panel product. A group of small sawmillers with an equity interest in the mill approached me, as the new chairman, to complain that costs had soared out of sight. Some of their companies had been operating in the valley for a century or so, and here they came, nice people with their hearts in their hands, fearing that they were about to go bankrupt. For MacMillan Bloedel, the project amounted to peanuts, but for them, it was their whole livelihoods at stake. And because the mill abutted a residential area, there were environmental issues, as well. Later, we did bail the sawmillers out, but we shouldn't have been in that business in the first place because the company simply didn't have expertise in that area. Only when a new broom appeared did it finally sell the operation in 1998.

MacBlo had also bought mills in northern Ontario and Minnesota from two different groups of entrepreneurial promoters. Neither of them was running well with the operators we'd inherited. There had been some fancy financing, and in one case, the contractor who'd built the plant still had a monetary interest in it. And again, the company was dealing with unproven technology. A similar situation arose with its venture to make cement shingles: A promoter pushing them as a replacement for cedar shakes in California convinced MacBlo to go into the business. Unfortunately, they leaked, so unhappy customers launched class action lawsuits against us. Another business we didn't know much about was the American containerboard industry, manufacturing solidfibre products used to make shipping containers. Yet we were deeply into that trade, with competing mills in Alabama and Kentucky jockeying for position with no consolidated management at the top—while prices plunged as competitors flooded the market.

Over the years, MacBlo had developed its own groundbreaking technology. A decade earlier, for example, a team of its researchers was awarded the prestigious Wallenberg prize, presented by the king of Sweden, for inventing Parallam, a lumber made from plywood-mill waste products that are reduced to parallel strands bound by glue to become strong, attractive, and endlessly long extruded beams. A great product, but the company didn't know how to promote it and had to hive their invention off a minority partner in a small company in Boise, Idaho, that produced and marketed Parallam on MacBlo's behalf.

In 1997, the stagnant B.C. economy, based heavily on forestry, stood second-last among all other provinces in employment growth. Our earnings the previous year had been only $51 million on sales of $5 billion. All in all, the situation was shaky, and there was a firm consensus on the board that a new hand was needed at the helm. We asked Bob to retire early, offering him a couple of hundred thousand share options to see him on his way. In my farewell speech, I commended him for fostering a collegial culture and said, with heartfelt feeling, that "we are grateful for his dedication, leadership, and loyalty through the good times and the bad."

As chair, I'd led the search committee to find a new CEO. Though I would have preferred a Canadian, the company was in deep enough trouble to need the best possible person, regardless of nationality. We finally narrowed our list to three strong candidates, with only one having any experience in Canada, and he was now resident in Europe. A second fellow was working in Australia for a U.S. paper company, and the third was W. Thomas Stephens, the former chair, president, and CEO of Manville Corporation of Denver.

Tom grew up in the forest industry. He'd driven a truck for his father's logging business in his hometown of Crossett, Arkansas. With an industrial-engineering master's degree from the University of Arkansas, he joined and later became president of Olinkraft, a forest-products company operating in the southern U.S. Olinkraft had been acquired for half a billion dollars in 1979 by JohnsManville, the global forest-products and building-materials manufacturer and mining company. Tom moved as chief financial officer to what became the Manville Corporation and was named president and CEO in 1986. It was a troubled company in bankruptcy protection, facing billions of dollars in decade-old lawsuits that charged asbestos building materials used in Manville-made insulating fibre had caused several serious illnesses.

But a year after his arrival, profits had doubled to a record $164 million, and Manville emerged from bankruptcy, a healthy enterprise again with fresh product lines and annual sales of $3 billion (compared to MacBlo's $5 billion). He turned platinum-mining and forestry divisions into public stand-alones while concentrating on the (non-asbestos) insulation business. Among many rebuilding initiatives over his ten years were the meetings he held with small groups of employees to re-establish their trust in the once-crippled company. Not only that, he later taught economics at inner-city schools in Denver.

We needed someone with excellent communication skills and extensive experience in the restructuring and strategic growth of a major company (and maybe even someone who could handle the class action suits we were fielding over those leaky cement shingles). This guy had those capabilities in spades. That pivotal shareholder and director, Tom Taylor, was impressed by Tom Stephens' "level of energy." But it wasn't easy to convince the fifty-five-year-old to come north, as he confessed later: "Are you kidding? Go up there in that strange part of the world with the environmentalists and the unions and the cost problems?" The only reason he interviewed with us was because of the encouragement from Tom Neff, a legendary director of the Spencer Stuart executive-search firm in Chicago.

Tom Stephens played his cards close to his chest during our interview, insisting he wanted to keep his home in Denver and didn't intend to move to Vancouver. We said, "If you don't have a permanent residence here, you're notwelcome to the job." In the end, he and his wife rented and later bought a fancy three-storey apartment on downtown False Creek, where he could moor his pleasure boat.

Tom hit the deck galloping. After a ninety-day strategy review mucking through what he called the "swamp" of the company, he weeded out 14 percent of the work force—2,700 employees—but accomplished it in a sensitive manner by offering early retirements and hefty severance packages. He didn't want to be compared to the American Al Dunlap, who earned the nickname "Chainsaw" for his policy of brutal layoffs at Scott Paper, where Tom worked for a long six months. At MacBlo, Tom got union and management staff collaborating to reduce costs by redesigning the solid-wood division (which generated sawn timber and its products). He reshaped the North American distribution business to stress the importance of high-margin products that boost profits. Narrowing our focus to lumber and packaging, he closed the research centre and sold the money-losing medium-density fibreboard division and the under-achieving paper-products division to pay down debt.

Though a consortium eventually bought the paper operation, the most logical buyer had been Fletcher Challenge Canada, which was 50 percent owned by its New Zealand parent. We got very close to making a deal that would put their pulp mills together efficiently with our two at Powell River and Port Alberni, B.C., but then some complicated accounting issues reared up on their side. After I approached my friend Ron Southern, who was on both Fletcher boards, we met in Washington, D.C., with Global CEO Hugh Fletcher, who seriously entertained the possibility of a deal. When he later retired after a boardroom battle, I was in New Zealand on TransAlta business and met with Fletcher's top brass—who were more interested in buying American assets. Ken Shields of Goepel McDermid, the investment firm, came to see Tom and me about a group of institutional shareholders with ready money to buy MacBlo's pair of pulp mills. They were offering $600 million, but not a penny more.

"We'd consider that," Tom said, "but you have to show us where the money's coming from."

It was a new company to be called Pacifica Papers Inc., whose investors were mainly pension funds, Ken explained, giving us a few details. Taking his leave, he asked, "When can I hear from you?"

Tom replied, in his wry Arkansas way, "Well, as my old dad used to say, 'We're interested, but don't let the doorknob hit you in the ass on the way out.'"

We were interested enough to complete the deal to sell MB Paper's North American assets—the mills, sales and marketing offices in Washington State and Tokyo, and two power dams—for $850 million, not a penny less. And when I saw Ken recently, he admitted, "Dick, quite frankly, on that deal you got the better of us because we did not do well with Pacifica."

MacBlo, meanwhile, began doing well. In 1997, it had taken a \$340-million after-tax charge against the year's results to reflect all the restructuring, resulting in a \$368-million loss. In 1998, the overall profit was \$42 million. That year, Tom surprised the industry by announcing that the company would be phasing out its controversial clear-cut logging over the next half-decade. Tom had tasked company people and outside consultants to determine what were the best alternative logging practices, without trying to justify the current ones—the world wouldn't stand for that. The solution was to introduce "variable retention logging" in three "stewardship zones" to protect old-growth trees and wildlife habitats on the 1.1 million hectares it managed along the B.C. coast and on Vancouver Island. He argued that the end of clear-cutting would stop the downward spiral of the company's annual cut and create a sustainable supply of timber. The news had the happy effect of getting the environmentalists off MacBlo's back. A diehard campaigner for the Greenpeace movement—which had been effectively convincing customers around the world to boycott our forest products—even shared a bottle of Dom Perignon champagne with Tom.

I travelled with him the first time he met with labour leaders at the big but idled Somass sawmill in Port Alberni. One union executive read a letter written long ago from MacBlo officials who had made promises that weren't kept. Tom said he couldn't do anything about the past or affect the world price for lumber. But if the workers could reduce production expenses—and he gave them precise targets expressed in the cost per linear board feet—the mill would go back into production. They accepted the challenge, and a year or so later, they appeared in our boardroom to tell us proudly what they'd accomplished. They had focused on the issue of safety in the woods as well as cutting costs. Among other stories, they told of scalemen who no longer refused to weigh a truckload of logs because it was too close to quitting time. After hearing such simple yet cost-effective examples of initiative, I thought, *B.C. is turning around!*

IN APRIL OF 1999, AS MACMILLAN BLOEDEL continued its recuperation under Tom Stephens, I unexpectedly needed a heart-bypass operation. After several hectic years of being chairman of three companies and director of two others at the same time, it was my turn to recover. The surgery took place just two weeks before MacBlo's annual meeting, which I didn't make for the first time since becoming a director. But at least I could read the newspapers by then. They quoted Tom as telling shareholders that if MacBlo had been lean enough to earn a decent profit at the bottom of the commodities cycle, as it happened, the company could "take it to the bank by the truckload" as things improved.

I read about it at home, trying to relax while Lois made sure to keep me away from the phone. Just one day after the meeting, Tom called and told her, "I *really* need to talk to Dick." She relented. I thought he simply wanted to let me know how things had gone. It was more than that: "I have to tell you that I just got a call from this guy, Steve Rogel." Rogel, I knew, was the chairman, president, and CEO of Weyerhaeuser of Federal Way, Washington. One of our competitors, with assets nearly quadruple ours, the forest-products corporation operated in a dozen countries, including Canada, where it had both major manufacturing facilities and timber assets. It traced its lineage north of the border to the nineteenth century, of course, when the founder—the American lumberman Frederick Weyerhaeuser—was buying up timberland around Chemainus. Tom went on, "They want to make a friendly offer for our company."

Oh, hell. And I was supposed to be recovering. The background to the Weyerhaeuser offer, as it transpired, was that they'd been looking at us for some time. At first, they were interested primarily in our packaging assets in the U.S., which we were hoping to sell or consolidate and, in Tom's words, become more of "a bull of the woods." The more the Americans saw, the more they liked the potential for the whole damn company. Now Steve Rogel—a fifty six-year-old chemical-engineering grad from a small wheat-farming town in Washington—was suggesting a no-cash, share-for-share merger of the American and Canadian corporations. We weren't exactly an even match: Weyerhaeuser's most recent net annual earnings of $294 million were exactly seven times higher than ours.

Where was I in all this? Like other directors and Tom himself, I was concerned that we'd be a target for predators simply because of our low share value. As he told *Report on Business* magazine later "What worried us was we were worth more dead than alive. With a cheap stock price, somebody could buy us and sell off the pieces, which would be worth more than the whole." As for Weyerhaeuser wanting MacBlo because it was actually successful now, "We didn't anticipate that." The fact that the possible buyer was American became a whole other issue that I, a proud Canadian, would be wrestling with over the next few months.

Tom had got on the phone immediately to brief all the directors and then contact our financial advisors, RBC Dominion Securities, J.P. Morgan, and Salomon Smith Barney. Four days later, our board reviewed all the publicly available material on Weyerhaeuser. The biggest problem would be evaluating their widely held stock, which was at an all-time high, and determining whether it would be heading up or down. Our directors gave management the go-ahead to discuss a possible transaction.

The initial discussions went on and off throughout May as the two sides did some limited due diligence. After each session, we directors met by phone for briefings by Tom and others, and on each occasion, we gave them the go-ahead to keep talking. There was plenty of time for other bids, but we couldn't identify any other buyers that would pay more. On June 1, Weyerhaeuser made an enhanced proposal and, over the next week, met with our RBC Dominion advisors to improve on the offer. The board had a couple more meetings with management to review the revisions, and by mid-month, Tom and Steve and their colleagues were gathering in secret at a hotel near the Vancouver airport. Booking rooms for "the Robinson family reunion," they showed up in their pinstripe suits and hashed out the unsettled issues over one weekend.

On June 21, Weyerhaeuser announced its intention to merge with MacBlo in a $3.59-billion stock swap that would create North America's third-largest forest-products corporation. After eight decades, MacMillan Bloedel would disappear as a corporate entity. B.C.'s *Logging and Sawmilling Journal* called it "a blockbuster move that surprised most people in the forestry industry." Our team had phoned about eighty key managers about the impending sale. Tom had met in advance with NDP Premier Glen Clark and his forest minister, Dave Zirnhelt, to present the case for the merger. A little astonishingly, the two politicians accepted the idea with none of the knee-jerk ideological bluster you might have expected. "This is just another chapter in the evolution of the forest business in B.C.," the minister said. It was "an incredible vote of confidence" in the provincial economy, the premier said. Some observers suggested that British Columbians were probably just happy that this icon of B.C. had been acquired by a west-coast company, even if it was American, rather than one from eastern Canada. A few people may have recalled that the "Bloedel" in MacMillan Bloedel had also been an American from Washington State.

Why did the board of directors and a big majority of investors accept the deal, which was completed at the end of October? Well, the final offer amounted to a premium of 50 percent for MacBlo's shares. As Tom was quoted as saying, "A board is compelled by those kinds of premiums." And the combined new company promised to be less vulnerable and more valuable than its separate parts. Weyerhaeuser was already the world's largest producer of softwood lumber and market pulp and the second-largest manufacturer of oriented strand board (OSB, a popular panel-type product made from narrow strands of wood laid lengthwise and crosswise and then bonded with resin). Its Canadian manufacturing accounted for about a third of its softwood lumber capacity, nearly 60 percent of its o B production, and about 17 percent of its pulp-and-paper output. The deal would make it Canada's largest lumber producer, bar none.

Yet when it came to a shareholders' ballot on the merger, the Ontario Teachers' Pension Plan Board voted against it. No longer part of the Tommy Taylor investment group, Teachers' now held the largest single block of stock—8 percent. Freed from that alliance, it argued that the deal was no longer lucrative enough. Originally, the offer was to swap 0.28 of a Weyerhaeuser share for each MacBlo one. When Weyerhaeuser shares were trading at more than $67 U.S., MacBlo's were valued at about $28. Since then, Weyerhaeuser's had slipped to less than $56 and MacBlo's to under $23. But this lone dissenting voice was lost in a clamour of approval: Well over the required two-thirds of shareholders accepted the deal happily.

His job done, Tom Stephens departed with about $13 million worth of severance—yet with tears welling in his eyes as he packed up his office. In a farewell speech, he said I'd been "a shoulder to cry on, a friend, and a fellow board member here and at TransCanada [Corporation]. Most American CEOs think that the idea of a non-employee chairman is a bad idea. I'm here to tell you they are wrong ..."

The benefits and the disadvantages of the takeover have never been absolutely clear-cut for me. My initial hesitation was less about money—I eventually did fine with my shares—and more about the loss of a venerable corporation with its head office in Canada, responding primarily to Canadian needs and desires, supporting Canadian charities and cultural institutions, and reflecting Canadian values. Not that long ago, I met a friend, Doug Whitehead, the CEO of Finning International Inc., who said, "Dick, you guys did a great job in selling MacBlo." And I said, "Jeez, I still feel badly about it"—as I have ever since the merger. In his eyes, domestic stockholders had done very well out of the deal, which was true. But as the MacMillan Bloedel chairman and as a shareholder, I would have much rather had a Canadian company that we could build into a Northern Tiger. "Rueful" isn't a word I use very often, but in this case, it fit. Should we blame the Americans for their acquisitive, opportunistic ways? Maybe we should blame ourselves for our inability to explain our various businesses to investors our lack of initiative in marketing our wares, and our failure to equal the vision that H.R. had in his day.

AFTER ADMITTING THAT, I have to say that Weyerhaeuser has worked hard, with some success, at being a good corporate citizen while operating in Canada. I know this from the inside because the company invited me on to its board after the takeover. I joined a pretty distinguished slate of directors. Martha Ingram, a genteel and astute Vassar College grad, chaired Ingram Industries, her family's $11-billion distribution conglomerate based in Nashville (where she also chaired the Tennessee Performing Arts Center she helped create). Martha always gave me a big kiss or hug when we met as two of the three members of Weyerhaeuser's executive committee. Other directors have included Jim Sullivan, the retired vice-chair of Chevron Corporation; Mike Steuert, senior VP and CFO of Fluor Corporation, the massive global contractor; and fellow Albertan Don Mazankowski, who was a member of Parliament, deputy prime minister, and federal minister of finance. While I've had some minor issues with the overall company about its corporate governance (which I discuss in chapter 14), it has tried to be sensitive to Canadian concerns.

Early in his career, chair and CEO Steve Rogel was an assistant manager at a pulp-and-paper mill in Nackawic, New Brunswick. At Weyerhaeuser, he's running a company with firm, four-decade-old roots in Canada. From one pulp mill in Kamloops, it grew to seven thousand employees working in Canadian timberlands, cellulose-fibre and paper mills, engineered-wood plants, OSB mills, softwood and hardwood lumber mills, a plywood facility, and a cross-country network of distribution centres.

Those working in the forests along the West Coast appreciated the fact that Weyerhaeuser focused on their safety. In 1998, MacBlo had a recordable incident rate—RIR, the measure of forestry accidents—of 12.3, or 410 loggers and others a year who were injured seriously enough to require medical treatment. With Weyerhaeuser's new "Personal Accountability Policy" aimed at its dangerous coastal operations, the RIR dropped steadily to below 2, or 36 injuries a year.

Another Canadian sensitivity has been the company's ongoing dealings with the First Nations. The Haida people of Haida Gwaii (the Queen Charlotte Islands) have included Weyerhaeuser among the offenders in their negotiations over land claims with the B.C. government. On the positive side, until 2005, the corporation was a partner in a unique joint venture that MacBlo had begun with the Nuu-chah-nulth people in the controversial Clayoquot Sound area. Iisaak Forest Resource Ltd.—*iisaak* means "respect"—is a small company (in which Weyerhaeuser had 49 percent) that practises sustainable eco-logging on Vancouver Island. While some of Weyerhaeuser's operations managers were skeptical of the business, the head-office environmental staff was strongly supportive.

And Weyerhaeuser also continued to pursue and enhance those responsible silviculture practices that Tom Stephens initiated on the coast with variable retention logging rather than clear-cutting.

All these initiatives, admirable as they were, ended in 2005 when the company sold off all its coastal forestry operations, which employed 2,300 people, for $1.2 billion. Included in the deal were 258,000 hectares of private timberlands, annual harvesting rights to 3.6 million cubic metres of Crown timber, two Port Alberni sawmills, and three other softwood mills. None of these had ever formed part of its core softwood business and long-term strategy because of the Coast's specialized timber species and much-more-complex logging procedures. Our board agreed that it was a very timely transaction: Weyerhaeuser had bought the assets with a sixty-six-cent U.S. dollar and was now selling it for an eighty-cent greenback. And at this point, it could sure use the money, given its $10.6-billion (U.S.) debt burden.

The good news in all this? The buyer of the coastal assets was Brascan Corporation—now Brookfield Asset Management, which invests in big-ticket industries such as real estate (Royal LePage), natural resources (Noranda), energy (Great Lakes Power), and financial services (various investment funds). For me, the most important factor is that Brookfield remains a resolutely Canadian company, based in Toronto and under domestic control. This was a win-win situation for both Brookfield and Weyerhaeuser.

A former Weyerhaeuser VP in Canada, Reynold Hert is now running Brookfield's Western Forest Products operations, which controls nearly 40 percent of the West Coast's Crown timber. As Hert recently told the *Vancouver Sun*'s veteran forestry reporter, Gordon Hamilton, "Our goal is to create superior value for shareholders by building a margin-focused lumber business on the B.C. coast of sufficient size and scale to compete in global softwood markets."

I was damn pleased with this turn of events—and suspected that old H.R. would have been, too.