

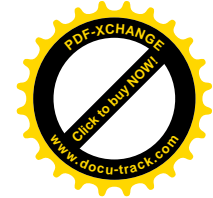


THE BUSINESS HISTORY OF THE KINLEITH PULP AND PAPER MILL

TOKOROA, NEW ZEALAND

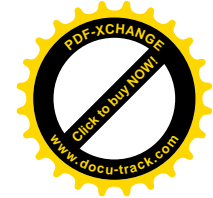
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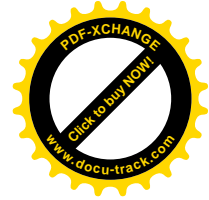
ABSTRACT

This study is to present a chronology of Tokoroa's Kinleith mill so that the unique social, cultural and historical impact of its Scottish connections may be examined more thoroughly. The primary objective is to provide contextual information to aid Dr. Sydney Shep's research into the effect of Scottish migration, labour and cultural traditions on New Zealand's society and printing culture.

Research was conducted in Wellington and so greatly utilised the Wellington City, Victoria University and National libraries. Research was further complimented by exploring library catalogues of other tertiary institutes, especially the University of Waikato. Such research predominantly yielded secondary resources, but a closer look at various bibliographies revealed primary sources and further avenues of research. Trade magazines such as *New Zealand Engineering* provided a particularly useful source as did the New Zealand Forest Products own publication, *New Zealand Forest Products News*. While useful in terms of historical detail, these periodicals offered information from a specifically business or industrial perspective and thus neglected to tell the workers' story. The Proquest and Index New Zealand databases supplied direct links to newspaper articles and often more obscure sources, including industry-focused articles in overseas publications. As with feature news articles, the short documentary *Kinleith 80* offered a constructive insight into the social dynamic of the workers' community.

Research for this project is far from absolute. The sources held at the Carter Holt Harvey library would no doubt prove invaluable to the investigation. However, this source has not been made available at the time of this research.

This study illustrates the turbulent history of the Kinleith pulp and paper mill. The early years were met with nervous excitement and optimism. And during the 1960s and 1970s the mill underwent great expansion and improvements to firmly establish its place as a giant in New Zealand's manufacturing sector. Since the 1984 economic reforms, Kinleith has felt the need to constantly improve mill efficiency, lower production costs and rationalise its products. Increased market competition and the precarious position of the New Zealand dollar have only exacerbated the tightening financial situation. The workforce often felt the consequences of cost saving measures in frequent staff downsizing and in wage negotiations. As a result, Kinleith's recent history shows a constant struggle between management and the workers. Most recently, the mill has been experiencing changes at the top as Rank Group has bought out long-standing shareholder of Carter Holt Harvey, International Paper.



THE EVOLUTION OF THE KINLEITH PULP AND PAPER MILL

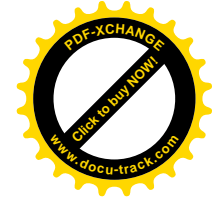
FORESTRY DEVELOPMENT IN SOUTH WAIKATO

From the beginning of the twentieth century, attempts to farm in the South Waikato frequently proved futile due to a cobalt deficiency in the soil. Business partners Landon Smith and Douglas Wylie soon took advantage of the cheap land and in 1923 formed New Zealand Perpetual Forests Ltd. (NZPF). Although unsuitable for farming, the Forest Service demonstrated that the Central North Island pumice plateau provided an ideal environment for tree growth, particularly Radiata pine, a versatile quick growing Californian softwood.¹ NZPF orchestrated extensive tree planting operations near Tokoroa from 1925 until 1935. By 1936, over 35,000 hectares had been planted² containing an estimated 100 million trees, of which 80% were Pinus radiata.³ As the trees began to mature, the need to process the source became evident. In 1935 David Henry founded New Zealand Forest Products Ltd. (NZFP) to explore the ways in which to convert the vast forestry plantation into a commercially profitable enterprise. NZFP obtained 176,000 acres of NZPF forests and possessed \$2,694,000 in cash, but had no manufacturing facilities to utilise the source.

At this time, the pulp and paper industry had not explored the viability of pine trees. NZFP undertook various tests to gauge the papermaking properties of the wood including an experimental pulping in Sweden. After a lengthy investigation, New Zealand grown pine proved a suitable material for the production of high-quality pulp, paper and wallboards.

PERSONNEL RECRUITMENT

By 1943, NZFP determinedly initiated plans to establish New Zealand's first fully integrated forestry operation with a large scale pulp and paper manufacturing plant. '19 Mile Peg' near the company's Maraetai Block in the South Waikato was chosen as the site. The site was promptly renamed 'Kinleith' after the Scottish Kinleith Paper Mill where David Henry had spent his early working life. Site construction began in 1947. During these early construction years the forestry activity and the boom in the nearby hydro-electric construction industry created a highly productive and prosperous environment. Workers from across the country and even further a field descended on the region to take advantage of the lucrative employment opportunities.⁴ At the same time, the Government actively encouraged immigration programmes. In 1947 and 1948 the Government directed British migrants to state forests in effort to meet labour requirements.⁵ In the early 1950s under a governmental scheme, large numbers of Pacific Islanders also migrated to New Zealand, with thousands finding employment in the massive Kinleith operations.⁶ In addition, an offshore advertising campaign resulted in hundreds of applications for key operator positions at Kinleith from established mills in Norway, Sweden, England and Canada.⁷



DEVELOPMENT OF INFRASTRUCTURE

From November 1947 until the mid 1970s, NZFP built ‘company houses’ at the initial cost of £1,200 each, to accommodate Kinleith’s burgeoning workforce. From the onset, the Government showed minimal interest in the project. It built only a dozen of the one hundred houses that the company had requested. In conjunction with New Zealand Railways, the company bought and upgraded the Taupo Totara Timber Company’s 19 mile railway line from Putaruru to Kinleith. This railway connected Kinleith to its domestic markets and the ports for export. The Tokoroa railway station opened in 1950-51, which subsequently facilitated mill operations. In 1967 historian Peter McGhie affirmed that Kinleith’s remote location did not inhibit the company’s internal sales.⁸ Although transportation adds to the products cost, in the early years NZFP only faced internal competition from New Zealand Paper Mills’ more distanced Mataura mill in Southland.⁹

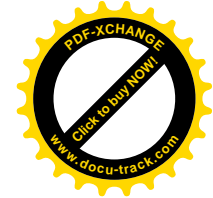
In recognition of the high establishing costs, technical expert Stanley Clarke advised NZFP to start producing immediately. The overall initial cost for mill construction was estimated at £1.5 million, including £850,000 for the pulp mill, £335,000 for sawmills, £125,000 for the multi-wall bag plant and £200,000 for insulating board mill extensions. However, this soon rose to £2 million and financial problems slowed the rate of progress.¹⁰ Regardless, the gang mill began operation in September 1950 and the shook mill opened in December 1952. Precluding the completion of the mill, the water supply system opened on 30 March 1953, transporting 10 million gallons of water a day from the Pokaiwhenua Stream to the Kinleith plant. By September, Kinleith’s Kraft pulp mill, pulp dryer and paper machines produced the first run of paper from locally grown trees.

THE OPENING OF KINLEITH PULP AND PAPER MILL

In its first year, the Kinleith mill produced a modest 11 tonnes of pulp a day. On 20 February 1954, Prime Minister Sidney Holland officially opened the mill. Over 6,500 guests attended the ceremony, 536 of whom travelled by an especially arranged train from Auckland. On a national level, the opening of Kinleith signified the foundation of a new export industry.¹¹ Even prior to the mill’s completion, Australian Newsprint Mills Ltd. had been contracted to annually import 12,500 tons of Kinleith pulp rather than from its traditional North American or Scandinavian sources.¹² Soon after the opening, David Henry was knighted for his contribution to the national industry.

In its first years, the Kinleith mill proved a success and quickly became the flagship for NZFP’s pulp and paper operations.¹³ In 1954 annual capacity was recorded:

Kraft Pulp Mill	45,000 tonnes of unbleached sulphate pulp
Kraft Paper Mill	25,000 tonnes of paper
Sawmill	40 million board feet.
Shook mill (unassembled boxes)	800,000 cases ¹⁴



The mill continued to expand. On the 12th of October 1955, a 62 foot long continuous digester arrived and within a year was annually producing 55 tons of pulp.¹⁵ The boiler house was extended in 1958 and the No. 2 paper machine arrived on 8 March 1959. On 26 August 1962, the No. 3 paper machine began producing heavyweight unbleached Kraft papers.

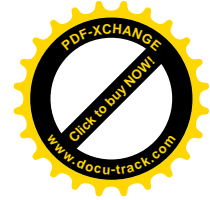
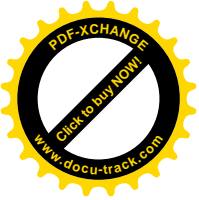
TOKOROA

THE TOWN AND THE MILL

As the town's largest employer, there is a direct and tangible correlation between the "wealth, health and bustle" of Tokoroa and the Kinleith paper mill.¹⁶ Until the 1930s, only a few hundred people resided in Tokoroa. As the Kinleith mill continued to expand, so too did the town. By the mill's official opening Tokoroa had grown so rapidly that the New Zealand Herald exalted "when the trees reached maturity after the Second World War – boom!... [there was an] astonishing transformation from insignificant wayside village to turbulent timber town".¹⁷ The mill's relationship with Tokoroa's development is overtly evident in David Henry's involvement in the planning of the town layout and various community services. For example, the Tokoroa town committee included both elected local residents and company appointees. Also, the company commissioned and built a community centre near the mill at the cost of £12,000. The centre was erected as a social and cultural space for single men. In 1967 it contained a recreation hall, billiards room, reading room, post office, cafeteria, as well as football and tennis arenas.

HOUSING

The company houses further demonstrate NZFP's influence on Tokoroa's residential development and property ownership. At the height of Kinleith's construction, five single men's camps at both the mill site and in Tokoroa accommodated approximately 1000 men. Upon the mill's completion the camps remained open to house the largely transitory workforce. Although by the 1970s most of the company houses were rented, some had been sold to employees. In 2001 local realtor Pam Harrison noted the typically simple, rectangular houses with large sections.¹⁸ This she attributes to David Henry's influence, "the first mill manager came from the slums of Scotland. He decided everyone deserved a big section for their kids to play and their veggie patch".¹⁹ To encourage further development of Tokoroa and the Kinleith mill, Henry asked the NZFP board to establish adult night classes.



MUNICIPAL NAMES

A closer look at the local street names and subdivisions evinces the link between Tokoroa and its founding Scottish benefactors. The first NZFP subdivisions often bear names reminiscent of Henry's childhood near Edinburgh, such as Leith Place, Juniper Green, Colinton Place and Strathmore Park.²⁰

SOCIAL IMPACT

The large multicultural workforce at Kinleith invariably leads to social activities, a network of civic associations and relationships that extend beyond the perimeter of the mill and working hours. For example, the Pulp and Paper Workers' Social Association (Inc.) started in 1969 with 300 members. The club organises social events for local mill workers and their wives. By 1971 membership reached 1500. Outside of the club, Rachel Atkins, who worked at Kinleith between 1987 and 1992, remembers business hours cricket on Wednesday nights.²¹ In the past the company exerted a direct political influence through company representatives on the local borough council.²² This tradition has since dissipated, but the fervour of community support for mill workers during the 1980s strike highlights the inextricable link between Tokoroa people, politics and social dynamic with the Kinleith industry.

CULTURAL IMPACT

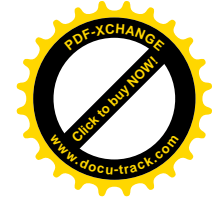
In a chronicle of Tokoroa's history, David Chapple considers the impact of the mill's British heritage.²³ Chapple observes the lack of clubs or societies to exclusively serve the new British migrants. In a country that previously lauded tight governmental control over certain industries and industrial relations, Chapple attributes the development of Kinleith's spirited trade unionism to its uniquely British roots.

Generally, the contracts of overseas employees expired in April of 1957. Some no doubt continued to work at Kinleith while others returned to their native country.²⁴

The disproportionately high Maori and Pacific Island population at Tokoroa and the mill no doubt also flavours the social and cultural climate.

ECONOMIC IMPACT

In the 1950s, the company celebrated its progressively high wages. Similarly, in 2002, the wages at Kinleith remained relatively high, averaging at \$80,000 a year. Although, this figure is slightly misleading given that it also includes overtime and night shifts. Regardless, frequent downsizing of the Kinleith's workforce has seen the number of jobs decline from around 4000 in 1969



to 588 in 2002.²⁵ Tokoroa's population has likewise followed the mill's downward trend, reaching almost 20,000 in 1980 but steadily decreasing to 14,745 in 2001.²⁶ In 2002, Tokoroa's unemployment rate was nearly twice the national average at 13.3%²⁷ and a 2000 study rated Tokoroa amongst the bottom 10% of New Zealand's most 'deprived' communities.²⁸

YEARS OF GROWTH AND PROSPERITY

MARKET AGREEMENTS

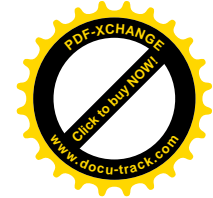
The industry was largely controlled through various inter-company agreements. As early as 1953, NZFP and Tasman Pulp and Paper established production and market agreements. NZFP could produce Kraft papers and products and gained exclusive rights to supply pulp to Whakatane Board Mills and NZPM. Furthermore, Kraft pulp that exceeded a yearly 45,000 tons could only be exported after Tasman had sold its full production. Traditionally, North Island bag makers agreed only to buy bag reels from NZPM's Matura mill. However, in 1954 David Henry's shrewd business skills overturned this tradition. NZFP gained the right to sell bag reels in the North Island and counter rolls in Auckland. Matura agreed to purchase all its unbleached sulphate pulp from the Kinleith mill and promised to manufacture only Kraft paper. In return, Matura would continue to sell its products without competition from NZFP.

NZFP agreed to allow NZPM to first sell 5,500 tons of paper in the domestic market before selling its own Kraft paper. Those in the industry generally agreed that Kinleith produced better quality products than Matura and also had lower production costs, greater production capacity and better access to the markets.²⁹

MILL EXPANSION

The mill continued to expand. On the 12th of October 1955, a 62 ft long continuous digester arrived and within a year was producing 55 tons of pulp a day, (18,000 tons a year).³⁰ As part of a £5,000,000 plant expansion, the boiler house was extended in 1958 and the M.G. No. 2 paper machine arrived on 8 March 1959.³¹ With an annual output of 7,500 tons the No. 2 paper machine processed Kraft pulp into a variety of wrapping, printing and envelope papers.³² Also, light Kraft papers were produced for shop wrappings, heavy Kraft for large containers and special Kraft for multiwall sacks and an assortment of white papers.³³ Production of bleached (white) paper began in 1958 and chlorine production in 1960.

On 26 August 1962, the M.F. No. 3 paper machine began producing heavyweight unbleached Kraft papers and turpentine was first distilled in 1963. In July 1965 the No. 4 paper machine



commenced production. By January 1966, output increased by a further 4,000 tonnes with the modification of the No. 2 paper machine.

The success of the Kinleith operations is evident in the jubilant celebrations in 1969 with the official opening of the No. 5 paper machine. In addition to the 130 guests, the party included esteemed figures Deputy Prime Minister J.R. Marshall, the Attorney-General J.A. Hanan, the Attorney-General of the Commonwealth of Australia N. Bowen, Labour leader Norman Kirk and leaders from the finance, commerce and industry sectors.

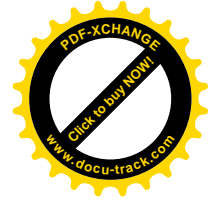
The fifth paper machine could produce 65,000 tons of paper a year, which brought Kinleith's complete annual output of 285 paper grades to 100,000 tons.³⁴ The increased production from the No.5 paper machine necessitated the installation of an additional boiler.³⁵ The opening celebrated the company's growth in production and sales as well as its contribution to the "forest products industry [that] has led the way in this major advance in industrial development throughout New Zealand.³⁶ This same year, Kinleith also exported 52,000 gallons of vegetable turpentine, a by-product from the paper-making process.

Optimism remained high throughout the 1970s as production and profits continued to rise. In 1969 the company announced a \$130 million expansion plan across all of its mills, with \$80 million allocated to Kinleith. By January 1973 this included a No. 6 paper machine, No. 2 Kraft pulp mill and plans for a new water supply system. The increased pulp production largely satisfied long term export contracts as well as increasing paper production for local and international consumers. Markets in South East Asia, particularly Indonesia, the Philippines, Taiwan and China, became increasingly valuable during this time.³⁷

Before completion of the No. 2 Kraft mill, NZFP began the construction of a third pulp mill at Kinleith at a cost of \$6 million. This new mill produces a neutral sulphite semi-chemical (NSSC) instead of a fully chemical sulphate (Kraft) variety. The NSSC pulp is then combined with Kraft pulp to a ratio of 3:1 to produce a corrugated cardboard. Hardwood chips from the indigenous tawa trees provide the primary source for NSSC pulp production. As part of the Kinleith expansion, the company installed a modernised effluent treatment system at the cost of \$1.9 million. By the mid 1970s the Kinleith plant was one of the largest fully integrated forest-based operations in the world.³⁸

In 1976 the annual output was recorded:

415,000 cubic metres of sawn timber
3,500,000 sq metres of plywood
1,500,000 L of turpentine and oils
389,000 tonnes of Kraft paper pulp
285,000 tonnes of various papers³⁹



CONTROLLED MARKETS

Tight governmental control of the industry until Labour's 1984 economic reforms ensured a stable and secure domestic market that greatly favoured the company.⁴⁰ Since the acquisition of rival companies NZPM and Whakatane Board Mills in the early 1960s, NZFP dominated complete control over the domestic market.⁴¹ This maximised profits as prices were "determined pretty much on a cost-plus basis".⁴²

STRIKE ACTION

EARLY UNIONISM

During the mid-1970s the fifteen workers' unions at Kinleith established a Combined Union that could fight common issues on behalf of the individual unions.⁴³ This two tiered system also encompassed wage negotiations. The company would first undertake 'domestic' negotiations with each individual union then negotiate 'group' concerns.⁴⁴

The timber workers' strike in 1977 closed the mill for three weeks. Despite widespread support, inexperience, poor communication and inadequate welfare provisions greatly hindered the strikers' cause.⁴⁵

1980 STRIKE

In November 1979 the Combined Unions of Kinleith's 15 individual unions began wage negotiations with management. The Union sought a 21% increase to bring the core hourly rate to \$4.81.8. This figure was calculated from the Government approved 10.4% increase with an additional 5% productivity premium, 2.2% to counter wage drift and 3.4% to achieve parity with wages at the Tasman Pulp and Paper mill.⁴⁶ Strikers considered the wage increase entirely just given that the company achieved record production and an \$18.6 million profit for the first half of the financial year.⁴⁷

On the 5th of January 1980, in protest at the failed negotiations, various sectors went on strike. When the engine drivers (who operate the boilers), joined the strike, the other sectors were consequently forced to cease production. On January 11, the pulp and paper workers accepted an 18% wage increase. Keith Challender of the Pulp and Paper Union explained this decision: "over the years, we've always settled for a compromise and it was time to build up the strength of our union again. This year, any compromises were made on our own terms. The Pulp and Paper Union fully supports the Combined Union".⁴⁸ The Combined Unions rejected the offer and continued to demand the full

22%. On January 30, the Federation of Labour (FOL) joined the strikers' fight. Under the leadership of Jim Knox the FOL offered advice and engaged in negotiations with management and the Combined Unions. The FOL also appealed to union members across the country to donate an hours wage each week to aid the strikers. Throughout the eight week strike, the Tokoroa community rallied impressive support for the strikers.⁴⁹ For the first time, the wives of the workers took an active role in the strike by organising, collecting and distributing aid, mostly food items and vouchers. Local retailers donated various provisions and relief items flooded in from around the country, including nine sharks from Whakatane and \$630,000 in monetary donations. At a nearby Huntly power project, workers elected to donate \$1500 a week to assist the strikers. To maintain morale and consolidate a communal spirit, the welfare committee and Combined Unions organised hangis, barbeques, children's parties and cultural performances.⁵⁰

Mass meetings were held each week and eventually proved so popular that the venue relocated from a hall to a much larger field. Acting Chairman of the Kinleith Site Delegates Committee, Graham Holmes also distributed pamphlets around the township to counter what he considered the politicians propaganda trail though the press. For the 550 workers on strike and further 1300 suspended, morale remained high. Under the supervision of Justices of Peace, secret ballots were held to determine the strikers' sentiment regarding settlement. A massive 93.5% voted in favour for continuing strike action. In retrospective accounts, the 1980 strike is often characterised by an unwavering solidarity of the strikers and their supporters.⁵¹ And indeed this is generally considered a definitive factor towards their success.⁵² According to Graham Holmes, the company continually employed divisive tactics.⁵³ For example, "[the company] told workers who enquired about the mass meeting held on January 24 that the meeting wasn't on".⁵⁴ Similarly, the management prohibited the use of company vehicles to transport timber workers six miles from the work site to a strike meeting. After ten hours of negotiations on February 24, NZFP raised the offer to 20.5%, granting the \$4.81.8 base hourly rate. Knox and the Combined Union presented the offer to the strikers where it was immediately accepted.

However, within hours the National Government under Robert Muldoon intercepted the agreement. Government intervention was entirely legal under the recently introduced Remuneration Act in 1979. This act allowed the Government to interfere in wage bargaining in order to control inflation. Despite objections from NZFP's managing director Doug Walker, on February 27 the Government reduced the wage settlement to an 18% increase at \$4.69 per hour.

The strike and ensuing negotiations continued for another four weeks. As strikers remained staunch in their resolve the Government eventually conceded defeat and repealed the Remuneration Act. On March 25 at a mass meeting, the strikers accepted the \$4.81.8 hourly wage. However, the engine drivers were forced to accept a cut in extra holiday pay and wage rises for the following year were to correspond to the metal trades. After three months the strike ended and work resumed on the 28th of March.

Historians predominantly view the Kinleith strike of 1980 as the workers victory over a wealthy corporate giant.⁵⁵ Yet one contemporary commentator interprets the strike as socialist action against the capitalist system. According to this author, given that the Tasman settlement was reached



in the seventh week of the Kinleith strike, wage demands had little to do with inter-company parity.⁵⁶ Rather, union leaders hoped a wage increase at Kinleith would have a spin-off effect into other trades.⁵⁷

FURTHER INDUSTRIAL ACTION IN THE 1980s

In March 1982, the Engine Drivers' Union initiated a nationwide strike to gain extra qualification payments. Thirty-two boilermakers at Kinleith joined the strike for 24 hours, which temporarily ceased production in all sectors. The Engine Drivers' Union successfully gained the qualification payment.

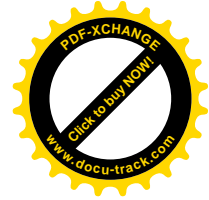
In 1985 maintenance engineers and electricians employed industrial action to further demands for a technology related allowance. The company reacted in the suspension of pulp and paper workers who in turn responded with their own industrial action. Workers viewed the company's action as measure to divide and ultimately create tension between employees.⁵⁸ In September 1986, disputes arose between contracting company Bechtel Pacific Corporation and workers at Kinleith. Scaffold workers rejected a new work practice designed to speed up progress while labourers and riggers refused to fill in for scaffold workers. Consequently Bechtel locked out all 350 site workers for twenty-seven days. This dispute continued in April 1987 with the suspension of 500 workers when Bechtel felt work stoppages during the wage round breached company procedures.

In late November 1986, five maintenance unions conducted a 24 hour strike and imposed a call out ban to contest the compensation levels for recently laid off workers. The strikers were then locked out and the company threatened to extend this to all of Kinleith's 3000 workers. Such action was not necessary as parties eventually reached an agreement.

On 2 April 1986, the company announced the loss of 920 jobs across its four major mills. 700 workers were made redundant at the Kinleith mill, 150 at Penrose (Auckland), 60 at Whakatane and 10 at Mataura. According to the company's personnel manager, Noel Robbinson, the redundancies were needed "simply because the type of product we're selling does not require the same number of people".⁵⁹ In 1987, the company announced the anticipated termination of a further 1,120 jobs at Kinleith over the next three years, in order to improve the mill's efficiency and make its prices more competitive.⁶⁰

The loss of production from frequent industrial action limited the company's growth in profits to 16% in 1986. High interest rates and a strong exchange rate further exacerbated financial problems.⁶¹

An inter-mill dispute arose in March 1988 as the Combined Unions at Auckland, Whakatane and Tokoroa mills advanced for a Composite Award. 2000 workers from the three mills went on strike for two weeks. Resolution leant in NZFP's favour but the unions did achieve a 7% wage increase, new Tangihangi leave guidelines, a continuity of service clause and granted the Union's access to the chief executives briefings.⁶²



YEARS OF CHANGE

DOWNSIZING AND RATIONALISATION

The Labour government's dramatic economic reforms in 1984 ended market protection for NZFP and necessitated restructuring at the plant.⁶³ The government dissolved tariffs, import licensing and concessionary export arrangements. Also, in March 1985 exporters nationwide were suddenly exposed to currency fluctuations with the floating of the New Zealand dollar. The high exchange rate and government interest rate further accelerated the need to make cost-saving changes.⁶⁴ In effect, NZFP was no longer guaranteed protection from overseas competitors or stable markets and profits. Vulnerable to market competition, profits depended on a maximum output for minimal production costs.⁶⁵ Prior to the 1984 economic reforms, NZFP's Kinleith mill manufactured up to 400 pulp and paper products. But this new economic environment necessitated drastic changes in order to ensure NZFP remained a dominant player in the industry.

Management implemented a rationalisation scheme to improve mill efficiency and minimise disruption to the production line. At Kinleith, the variety of paper grades reduced from 400 to 130 and after an extensive modernisation project the figure was expected to drop to 20.⁶⁶

In addition, NZFP underwent a drastic downsizing of the workforce at all its four main mills. In April 1986 management identified 944 surplus positions, including 715 at Kinleith. By August that year over half of those positions had been terminated, while those who remained at the Kinleith site rallied for, and indeed won, a 16.3% increase in wages and 15.5% increase to allowances. Late in 1986, NZFP announced the closure of the Kinleith sawmill and the subsequent loss of 1030 jobs in the pulp and paper divisions.

Restructuring at Kinleith and the downsizing of staff continued over the next five years. In February 1987 Kinleith eliminated a further 1120 jobs. Before excessive job cuts, the Kinleith workforce peaked at 4002. By March 1991, over 2,500 workers had lost their jobs leaving a reduced workforce of 1493.

Restructuring strategies at NZFP's management level created six profit-orientated groups in April 1987. This bureaucratic arrangement impeded the site union's ability to inaugurate over collective issues.⁶⁷

SITE RECONSTRUCTION

In 1983 NZFP announced a \$600 million modernisation programme of Kinleith's pulp and paper production. In 1985 Project Manager William King cited the need to increase efficiency in a "more environmentally acceptable" operation as the project's primary objective.⁶⁸ Commission was not granted until October 1987 and by 1988 Elders Resources reduced the expansion to \$230 million. The two and a half year project required a construction team of over 600, yet with the closure of the



three oldest paper machines, 630 staff lost their jobs. One paper machine was sold to China while the other two were dismantled and shipped to Indonesia. The modernisation project also included new, more environmentally sound machines and processes. For instance, an alteration to the bleaching process eliminated the need to add elemental chlorine to the pulp. Also the new No. 5 recovery boiler generated significantly less particulate emissions and odorous compounds with a reduction of up to 85%.⁶⁹

NZFP estimated a 60% rise in productivity with an expected annual output of 420,000 tonnes of pulp and paper products, 230,000 tonnes of linerboard and speciality packaging papers and 190,000 tonnes of market pulp.⁷⁰

In May Elders Resources only proceeded with the modernisation scheme following an agreement with Kinleith's fourteen site unions. In order to prevent disruption and delays from labour issues, the unions agreed to forego strike action for the thirty months of site reconstruction. As a safeguard for the worker, this Cadrona Agreement pledged to align wage increases to the consumer price index. The project was scheduled to begin on November 13, 1989, but a disagreement between the major contracting company Bechtel Pacific and twelve construction unions delayed the project for three weeks.

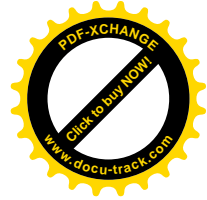
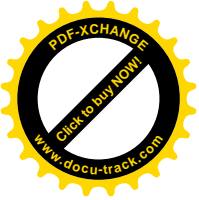
ENVIRONMENTAL ADVANCES

The modernisation project concluded in 1991. Minister for the Environment, Simon Upton officially opened the new \$4 million chemical plant at Kinleith on March 15 1991. The chemical plant demonstrated the company's increasing concern for the environmental impact from production. Upton congratulated the environmental innovations at the new plant that included a chlorine-free pulp, improved effluent quality, and the absence of hazardous waste from the oxygen plant and the comparatively cost effective, high energy efficiency of the oxygen plant.⁷¹

In 1973, Kinleith began using a chlorine dioxide substitute in the production of Kraft pulp. As a result DSIR tests in 1990 revealed that Kinleith's dioxin levels ranged from 0.77 to 2.6 parts per trillion. This rate is well below many of its international counterparts.⁷² Yet the upgrade to the mill completely eliminated the need for dioxin in the production of bleached pulp.⁷³

MERGER WITH ELDERS RESOURCES LTD.

In May 1988 Elders Resources Ltd. took over NZFP to become Elders Resources NZFP. After weeks of discussions, the independent directors of the Elders Resources NZFP announced their support for a merger with Carter Holt Harvey Ltd. (CHH). The independent directors advised CHH and Elders IXL (seller of 52.7% of Elders Resources) that a majority of Carter Holt Harvey directors will be appointed to the board. CHH officially assumed control of the company on the 17th of



September 1990 with the \$710 million purchase of Elders IXL's 52.7% stake in Elders Resources NZFP.

UNREST AND FRICTION

1992 STRIKE

After twelve months of discussions regarding employment contracts, workers of NZFP's four major mills could still not unanimously agree on conditions. The company pressed for the implementation of separate contracts for each of its four mills. Te Papapa, Whakatane and Mataura mill representatives agreed on the new contracts, but at a meeting of Combined Unions at Kinleith, the decision was overturned. NZFP withdrew from discussions and began approaching staff individually with new contracts. In response, on July 17 workers voted to strike. Strikers argued that the separate contracts are an attempt to divide the workers, which deteriorates their power as a collective entity and in turn completely exposed them to company authority.⁷⁴

The workers' unions argued for a single expiry date if separate contracts were to be issued. This would enable strike action as a possible protest strategy. But Carter Holt Harvey remained steadfast on the issue. Despite some opposition from key unionists, about 1000 paper and pulp workers from the four major NZFP mills walked off their jobs, including 850 from Kinleith.

The strike continued for five weeks before negotiations resumed. General Manager of the Pulp and Container Materials Division Maurice Reid announced that "the majority of the Kinleith workers will receive an increased basic hourly rate, with the remaining keeping the same rate".⁷⁵ Reid also informed the staff that redundancies were still necessary but would not begin until January the following year.⁷⁶

KINLEITH CONSULTATIVE GROUP

Environmental concerns at Kinleith accumulated in the formation of the Kinleith Consultative group in April 1994. The group formally conjoined the local community and CHH to monitor and investigate environmental issues at Kinleith. The group pays particular attention to resource consent for air and water discharges. The group's concerns and research has had real, measurable success at the mill. For instance, the Consultative Group initiated the installation of a new gas stripper system so that in its removal of sulphur compounds, Kinleith's odour levels halved.⁷⁷

HEALTH AND SAFETY ALLEGATIONS 1997



In June 1997 Kinleith's unions issued health and safety concerns to the Labour Department. Allegations included a claim that workers in the chemical plant were exposed to blue asbestos. This prompted former supervisor Kevin Cantwell to voice his support. Cantwell's interest stemmed from his own experience. He suffers from pleural plaque on the lungs, which most probably resulted from asbestos exposure.⁷⁸ Cantwell attributes his illness to an incident in about 1980 when asbestos was being removed from about the No. 1 boiler while below, the workers continued without protective clothing.⁷⁹ The Labour Department examined the union's current allegations on July 21.

IMPROVED MILL EFFICIENCY

1998 EXPANSION

In December 1996, Carter Holt Harvey announced a three year \$313 million modernisation programme for its Kinleith plant. The modernisation aimed to increase production by 30% to nearly 600,000 tonnes per year.⁸⁰ As part of the project, the No. 2 pulp dryer and No. 6 paper machines were rebuilt. The aging No. 5 paper machine closed down and left 150 workers unemployed. The alterations to the No. 6 paper machine doubled its annual output to 317,000 tonnes. It also permitted the production of new products such as white top liner board, recycled fibre linerboard and a high wet strength linerboard, while production of sack Kraft ceased.

The construction of a new waste paper recycling plant follows the company's goal to use more recycled paper fibre. The changes also result in a 28 million litre per day reduction in water consumption and effluent discharge.

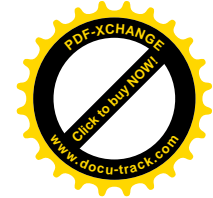
The modernisation project followed an eighteen month investigation of the plant's efficiency, productivity and costs. Chief executive of CHH Pulp, Paper and Tissue George O'Brien explained "Kinleith no longer had the scale, cost efficiency or market advantages to remain competitive long term. It was a high cost producer, leaving it exposed during down turns in world wide commodity price cycles".⁸¹

Construction brought a thirty-five day closure of the Kinleith plant from June 14. The majority of the increased products were exported to Asia and Pacific markets.

Yet in 2002, Kinleith chief executive Brice Landman lamented that extensive modernisation and cost-cutting over the years had not elevated Kinleith's financial position to the anticipated level.⁸²

COGENERATION PROJECT 2000

Prior to the cogeneration project in 2000, large amounts of wood waste were burnt in old coal boilers or disposed in landfills. The cogeneration project enabled more environmentally-friendly waster management methods. For example, the wood residue and black liquor (a by-product from paper making), are used to produce steam and forty megawatts of electricity. In addition to reduced



waste matter this new procedure increased energy efficiency and lowered levels of carbon dioxide emissions.

DOWNTURN OF MANAGEMENT-WORKER RELATIONS

DRUG TESTING 2000

On the 24th of October 2000, over seventy Kinleith workers were lined up by police and examined by a drug-sniffing dog. Earlier police received a tip-off that employees were operating heavy machinery while under the influence of marijuana. Police found one man in possession of a small amount of cannabis, but he was not charged. Workers and union officials responded angrily to the search, threatening legal action for the alleged manhandling of staff and strip searching of one worker.⁸³ The company fully support the police, publicly stating “senior mill management assisted to ensure the police conducted themselves in a safe manner”.⁸⁴

In 1997 potential employees underwent drug tests at Kinleith.⁸⁵ In 2001, all Kinleith employees whether permanent, casual or transferred workers had to provide a urine sample to test for amphetamines, benzodiazepines, cannabinoids, cocaine and opiates.⁸⁶

REDUNDANCIES 2002

On the 27th of March 2002, Carter Holt Harvey announced plans to lay off 381 Kinleith pulp and paper workers from the full team of 712. Staff restructuring included an outsourcing of maintenance work to an international contractor, ABB. ABB employed 173 of Kinleith’s 283 maintenance crew. Chief executive at Kinleith, Brice Landman claimed the outsourcing of maintenance will save \$12 million a year.⁸⁷ Other redundancies altered work practices and consequently saved the company \$30 million per annum. This reorganisation of the workforce derived from increasing competition from mills in Chile and Russia and according to CHH, was necessary for Kinleith’s survival.⁸⁸ Landman points to an international surplus of pulp and paper, fierce global competition and the increase of the New Zealand dollar as the major contributing factors.⁸⁹ Despite financial difficulty, a week after the restructuring announcement, CHH gave its chief executive Brian Liddell, a 23% pay rise. For the nine months ending December 2001, Liddell received \$879, 840 with a calculated annual salary of \$1.17 million.⁹⁰ The previous year Liddell earned \$954,000.⁹¹

On the 27th of May, CHH delivered ‘Kinleith: New Organisation, New Steps’ to its Kinleith employees. The pamphlet reveals that each worker will undergo an individual assessment to aid the company’s redundancy decisions. The workers boycotted the assessments. National secretary of the Engineering Union Andrew Little outlined “a raft of concessions” on the workers’ behalf in hope to alleviate financial stress and avoid redundancies.⁹² Workers’ initiatives included a shift from wages to



salaries, working Christmas Day, performance assessments, eliminating company transport and permitting enforced holidays when the company needed to close the mills. The workers' proposals were rejected.

The Engineering Union (EMPU) took CHH to the Employment Court as they believed the company failed to comply with the Employment Relation Act. The EMPU alleged that CHH breached the 'good faith' provision in its failure to reveal redundancy proposals during contract negotiations in 2001. The EMPU requested the Employment Court to prohibit CHH restructuring plans until after the trial to allow for a new round of negotiations in good faith. In response, CHH argued that law permits the development of redundancy plans before announcing them. CHH rejected the claims of 'bad faith' and rebuked the Union for their refusal to join consultation discussions regarding lay-offs.⁹³

After a week in court, Judge Colgan ruled CHH had "acted in breach of contract but otherwise good faith" in its execution of restructuring plans.⁹⁴ Judge Colgan ordered the unions and CHH back into consultation for two weeks before restructuring and redundancy plans could be resumed. The court case did not overturn restructuring plans but delayed its implementation by three months. Redundancies began in December when nearly fifty administration and production workers lost their jobs and twenty-six maintenance and stores workers received their notice. According to the union delegate Mike Sweeney, CHH remained staunch on redundancy decisions and unlike in previous downsizing CHH refused to accept voluntary redundancies.⁹⁵

Employees unsuccessfully launched two strikes to resist the redundancies. Production also ceased for seventeen stop-work meetings throughout the year. The strike lacked support from the local community as the strong unionist characteristics and high wages had fostered some resentment towards the mill workers.⁹⁶ Tokoroa Mayor Gordon Blake takes up this attitude in his comment: "the average wage at Kinleith is \$80,000. Hop over the fence to the plywood mill it's [\$40,370]."⁹⁷

2003 STRIKE

Disputes continued in 2003 when approximately 280 workers took strike action on the 20th of January. One issue of contention was CHH's proposal to permanently terminate the mill's fire crew and instead have other workers take on fire fighting duties. Strikers also objected to CHH's new initiative to promote staff on performance rather than seniority. 270 workers took strike action over a period of three months, which cost the company \$500,000 a day in lost production.⁹⁸ Workers threatened the company with an indefinite strike, but CHH won an interim injunction that prevented the extension of the strike. Negotiations eventually resolved issues relating to promotions, the fire fighting service, staffing at the chemical plant and workers' collective employment. Kinleith chief executive defended the company's restructuring plans pointing to the recent closure of paper mills around the world and Kinleith's own ailing performance.⁹⁹ Despite record production last year, Landman claims the mill lost money in the previous two years.¹⁰⁰ Landman stated "the harsh reality is that in the past several years, Kinleith has performed very poorly financially despite constant improvements in production volumes. Even our record production months have failed to make a profit because of the relatively low world pulp prices and high exchange rate. The fact remains that Kinleith must change if



it's to survive and this change process is now underway.”¹⁰¹ About 200 workers walked out on the 17 January following a stop-work meeting. The company had recently laid-off thirty-six production staff and the upcoming redundancy of 266 maintenance and staff workers as ABB Maintenance Service Ltd. officially became contracted. Yet chief judge Tom Goddard issued a court order for the strikers to return to work.

RECYCLING WITH MPL 2003

A 2001 investigation revealed that only a minor portion of waste was recycled, reduced or reused at Kinleith.¹⁰² In 2003 Material Processing Ltd. (MPL) engineered various recycling operations at the mill. Within a few months, more than two-thirds of the waster had been diverted or recycled rather than dumped in landfills.

FINANCIAL ACTIVITY

2004 PERFORMANCE

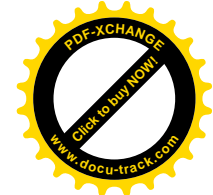
CHH's 2004 annual report elucidates a financially successful year for its Kinleith, Tasman and Whakatane mills. The combined production of Tasman and Kinleith for the year reached a record 853,361 tonnes.¹⁰³ This is an increase of 6% on the previous record set in 2003.¹⁰⁴ Kinleith alone produced 581,704 tonnes of market pulp and containerboard, up 49,000 tonnes since 2002.¹⁰⁵ In 2002 the mill employed 770 workers, but two years of restructuring had decreased staff numbers to 610. Besides a reorganised workforce the improved efficiency resulted from the merging of various operations at Kinleith and Tasman, including the amalgamation of management teams in July.¹⁰⁶

2005 STRIKE

In early November 2005, CHH announced a new pay offer for its workers and a move to shorten annual leave by a week. 270 workers walked off the job for 28 hours in protest to the proposals. CHH offered a 4% pay rise for the current year and a 3% increase for the next. The Union National Secretary of the EPMU Andrew Little commented “when the going rate is 5% and inflation is heading to 3.5%, the offer is simply not good enough”.¹⁰⁷

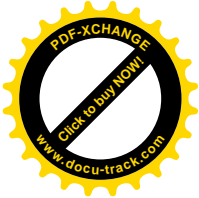
RANK GROUP TAKEOVER

Since 1991 Connecticut based multinational International Paper (IP) held a stake in Carter Holt Harvey. In 1994, IP increased its 16% share to 26% and to 50.5% in 1995. On 17 August 2005,



Rank Group Investments Ltd. entered an agreement with IP to buy its 50.5% stake in CHH. Rank offered \$2.50 for each of IP's 660,843,571 ordinary shares. This equated to a \$1.65 billion exchange. Rank Group is owned by New Zealand's richest man Graeme Hart and thus returns ownership of CHH to Kiwi soil. In accordance with New Zealand's Takeover Code, Rank was forced to bid for a full takeover of CHH by extending the offer to all shareholders. On the 14th of September Rank Group made its bid for a full takeover of ordinary shares. The same month the Independent Directors of CHH unanimously recommended shareholders reject Rank's offer, which they consider too low.¹⁰⁸ The Independent Directors asked shareholders to read the Target Company statement and take their own independent legal and financial advice.¹⁰⁹ Rank's offer closed on the 3rd of November.

A full takeover would cost Rank \$3.3 billion and put CHH into a position of heavy debt.¹¹⁰ According to analyst Warren Head, Rank's offer is well below the value on a basis of CHH individual assets.¹¹¹ Moreover, Hart has a reputation for breaking up conglomerates.¹¹² This has sparked fear amongst mill communities that Rank may divide CHH into its various operations to extract immediate profit.¹¹³ The deal stunned New Zealand's investment community, which had envisioned potential bidders from at least four alternative sources.¹¹⁴



APPENDICES

A. from South Waikato District Council, 'Selected Street Name Choices', *South Waikato District Council* website, available from <http://www.swktodc.govt.nz/district/history/index.asp>, 2004, accessed 22 November 2005.

These extracts show the specific Scottish origins of various streets and parks in Tokoroa.

Leith Place

Named after the "Water of Leith" (River Leith) south of Edinburgh in Scotland on which the original Kinleith Mill lies. Sir David commenced his career in this Scottish mill, a very old establishment originating from 1792.

Juniper Green

Not a true street but is the name given to a private NZFP accessway (and Sir David's original residence) between Tay and Dee Streets. Named after a village near the Scottish Kinleith Mill, and was the village Sir David came from.

Colinton Place and Currie Street

Named after a village on the "Water of Leith" walk near Edinburgh in Scotland near the Scottish Kinleith Mill.

Strathmore Park (Strathmore Drive)

This park takes its name from the Strathmore District in Scotland and was named by Scottish-born, Sir David Henry..

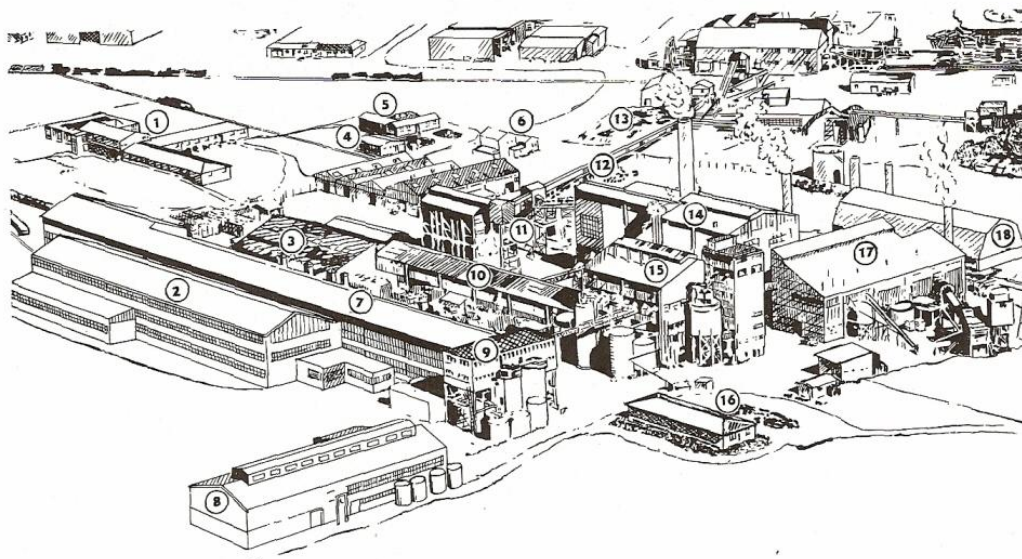
Jim Currie Park (State Highway 1)

This is a private Carter Holt Harvey Forest Park, but open for public use, at the entry to Kinleith. It was named after Mr Jim Currie, Director of Forest Products (Kinleith), who was appointed after Sir David Henry left.

B. from _____, *New Zealand Timber Journal and Wood Products Review*, vol. 6, no. 3, November 1959, p. 82.

This diagram depicts the Kinleith Pulp and Paper Mill in 1959.

Nerve Centre of Operations



The pulsating nerve centre of N.Z. Forest Products' timber, pulp and paper activities, is located at Kinleith in the buildings numbered above. From here last year came 31,000 tons of paper, 70,000 tons of pulp, and 60 million ft. of timber. Addition of the No. 2 machine will increase paper production by 7,500 tons, consisting of wrapping, printing and envelope papers.

The buildings numbered above are as follows:—(1) Administration block. (2) No. 2 paper mill. (3) Baled pulp store. (4) First aid clinic. (5) Staff cafeteria. (6) Fire station. (7) No. 1 paper mill. (8) Chlorine department. (9) Pulp bleach department. (10) Pulp mill washing and drying section. (11) Chip storage bin. (12) Chip conveyor system. (13) Chip stock pile. (14) Boiler-house. (15) Digester house. (16) Laboratory. (17) Causticising department. (18) Saltcake store.

Mammoth Haulage Task Recalled

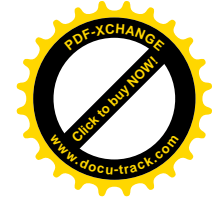
One of the major operations in connection with the new installation was transporting the 80-ton paper glazing cylinder from Auckland to Kinleith. The 150-mile journey occupied more

C. from Jo Anne Munroe, 'The Evolution of a Timber Town: a case of Tokoroa and Kinleith industries' in Evelyn Stokes and Margaret Begg (eds.), *Te Hononga Ki Te Whenua: Belonging to the Land: People and Places in the Waikato Region*, Hamilton, 1997, p. 248.

Table 1: Timeline of Significant Events Concerning Kinleith Industries

1923	The formation of New Zealand Perpetual Forests Ltd
1935 December	NZ Forest Products Ltd formed to take over the assets of NZ Perpetual Forests Ltd
1939	NZ Perpetual Forests voluntarily liquidated
1941	Opening of Pinedale and Penrose sawmills
1945	Maraetai Mill starts operating
1950-51	Opening of the Tokoroa Railway Station
1952 August	Closure of sawmill at Penrose
1952 December	Shookmill starts up at Kinleith
1953 November	Completion of houses at Tokoroa and Kinleith to accommodate workers
1954	Kinleith officially opened
1958	Extensions to boilerhouse at Kinleith
1959 October	No 2 paper machine begins operation
1962 September	No 3 paper machine starts operation
1964 July	Work commences on No 4 paper machine at Kinleith Extensions on No 2 paper machine to increase its output
1966	18 day strike by pulp and paper workers
1969	No 5 paper machine commences production at Kinleith
1970	No 6 paper machine ordered
1973	No 2 pulp machine starts production
1985	Phase 1 of the modernisation begins
1986	Start of the redundancies to Kinleith's labour force
1987	Closure of Kinleith sawmill
1988	Kinleith modernisation plan announced
1988 March	Take over by Elders Resources Ltd to form ERNZFP Ltd
1989	No 1 paper machine sold to China
1990 October	Take over by Carter Holt Harvey Ltd
1991 July	Bulk of redundancies over
1992 June-Sept	Strike by Kinleith employees over employment contracts
1992 November	200 redundancies announced, 94 effective immediately

Source: *NZFP Pulp and Paper Ltd, Staff Training Manual, 1992.*



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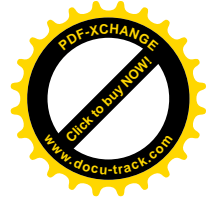
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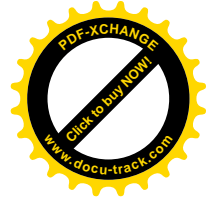
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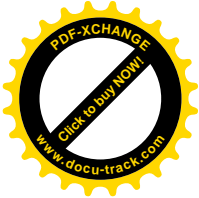
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