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Full transcript of an interview with

ROBIN NICHOLSON

on 30 April 1998

by Rob Linn

Recording available on CD

NOTES TO THE TRANSCRIPT

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TAPE 1 - SIDE A

SOLA HISTORY.
Interview with Robin Nicholson in London on 30th April, 1998.
Interviewer: Rob Linn.

Robin, just some personal background to begin with. You were born in England, I gather.

RN: Yes. In 1934.

And where were you educated?

RN: I was educated at *(couldn't decipher name)* school, and then at Cambridge University.

And what was your specialty at Cambridge?

RN: Material science. Well, metallurgy, in those days, it was. But I always call myself a material scientist but, I mean, when I graduated in 1956 it hadn't been - the phrase material scientist hadn't been invented, so I was a metallurgist, and that's been my profession, basically.

That's got a great heritage itself - metallurgy.

RN: It has indeed. It has indeed.

And how did you come to be involved with SOLA in the beginning? Was it through the Pilkington connection?

RN: Yes. The first part of my career was academic. I had an academic post in Cambridge and then I had a full professorship in Manchester University. And then in the seventies, I went into industry and joined International Nickel. I was then seconded into government in the UK to be Chief Scientific Advisor to Margaret Thatcher. Sort of around - in the early eighties. And when I left that post I joined Pilkington. So I joined Pilkington in about - well, exactly in January 1st, 1986, it was. Beginning of 1986. By which time, of course, SOLA was already part of the Pilkington group.

Yes, that's right. That was late '78, I think, that it had come in.

RN: That's correct, yes.
So when I joined Pilkington my responsibilities were primarily technical - research and development. And I also had a responsibility for one of Pilkington's diversified interests. Pilkington in the early - well, I guess in the late seventies and early eighties, decided to diversify away from its glass interests, and one of the areas it diversified into was the ophthalmic business, which of course was SOLA. But it had some business in ophthalmics before SOLA.
And the other part was in defence electro-optics. Telescopes, periscopes, things like that. And I was responsible for the electro-optics business from the beginning - from 1986 - plus research and development.
And then when Geoff Iley retired - and I'm not going to be accurate on these dates I'm afraid, but Geoff Iley I think retired in about late '87 - I became - oh, maybe it was a bit earlier than that. Anyway, I then had responsibility for, what was by then, the ophthalmic division, which was Pilkington's old ophthalmic interest plus SOLA.

How did you find SOLA when you first came across it?

RN: Well, they were a very different sort of company from Pilkington - to classical Pilkington - the glass part of Pilkington - because they were much more entrepreneurial, much more market-led than Pilkington traditionally had been. And I think there were quite a lot of synergies between the two companies. I think SOLA was used to living in a sort of fast moving consumer oriented business, with a high technical element. Pilkington also had a very strong technology, of course, but was really much more experienced in a producer oriented business. And marketing had never been Pilkington's strongest point. And the glass industry was not in any way a fashion industry or a rapidly moving industry. It became more so after a bit. So my initial reaction when I met the SOLA people was to find people moving much more rapidly, much more marketing oriented, much more entrepreneurial. Perhaps a little lacking in the sort of global orientation that Pilkington had. Pilkington very much saw its business as a global business. At the time I became responsible for SOLA, it saw its business Australian based, certainly with a very strong

American business, a strong UK business, and one or two bits. But it didn't really, in my view, have the sort of global outlook that Pilkington had. That came later.

Now, did SOLA's work in research and development interest you when you found out more about it?

RN: Very much so. Course, it was very close, or much of it was very close, to my own expertise because it was basically polymer science and technology and, to a certain extent, glass science and technology, and that was material science and technology. So I had, I suppose, relatively little difficulty in quite quickly understanding the sort of technical base of SOLA's work. And I found it a very high quality. I mean, at that stage, the two main research activities were in Australia and in Petaluma -

Yes. That's still the case.

RN: - and they were of very high quality.
They didn't interact as well as I thought they should with the Pilkington technology, and I was never really totally able to resolve that to my satisfaction. I always thought there ought to be more synergies between Pilkington's activity and Lathom, and SOLA's in Petaluma and Adelaide. And we made progress but we never made quite as much progress as I thought was justified.

I think Ted Ellis actually did an enormous amount to stimulate the cross fertilisation of ideas and thinking.
And just as a historian looking back on what happened, it seems to me, in fact, the Pilkington input was far greater than people have made out. Particularly the coming together and thinking more on a global level with research and development, helped bring together the forces that had been at conflict, if you like.

RN: I think that's true. I think there were conflicts. There were conflicts between the American operation and the Australian operation, partly related to quite genuine differences in the way the two markets were developing. And I agree with you, that I think Ted Ellis did a splendid job. I think the mistake we made, which was before my time I suppose but I could've rectified it, was that nobody really took Ted Ellis' place. At that stage, we didn't continue to have exchanges of people of a senior level. We thought, 'Well, we've had Ted out there for a couple of years, and that's all fine and dandy. We don't need to do anything else'. But I think that was a mistake because I think the links between SOLA and Pilkington reached a high point during Ted's period out there, which was what? '83/'84.

Yes, that's correct.

RN: Something like that. And they then deteriorated. I don't think they ever got back to such a high level.

So we've talked a bit about your view of SOLA at this time. Did SOLA change in the years that you knew it at Pilkington?

RN: Yes, it certainly did. Of course, the biggest change was the transformation into Visioncare by buying the Revlon businesses. That was a huge, huge business change. But just putting that on one side for the moment. I mean, I think SOLA did become much more global in its approach. It recognised that there was a world market. It developed its business in continental Europe. It developed its business more in South America, and in Japan. And I think it approached - it began to compete with Essilor, which was already a global business, on a much equal basis.
So I think the SOLA business - just putting aside Visioncare totally for the moment - I think the SOLA business, I would say, matured in a global marketplace sense. I think the management became more professional, which wasn't necessarily Pilkington's involvement only. I think Pilkington had a viewpoint in that but I think the management became much more professional. Possibly some of the original entrepreneurial sort of taste was sort of lost in that. I mean, I think it's quite hard for a company to be highly entrepreneurial and, at the same point, very professional. From the point of view of a large global company.
And there were tensions, I think, always between Pilkington and SOLA, with Pilkington wanting to induce what it saw as a high degree of management and financial professionalism, and SOLA not wishing to lose the entrepreneurial spirit which had been responsible for its success. And John Heine always used to say that he felt - he used the word, proprietorial. He liked to encourage a proprietorial view of SOLA's business amongst SOLA's employees, and he wanted them all to think of themselves as sort of stakeholders in the business

and not as employees. And there were always tensions on that side, and I think it was a difficult thing to try and do. Because, of course, it's not uncommon when small companies become large companies. You do have to make some compromises between feelings of entrepreneurship, proprietorial thoughts, and professional large company management and financial techniques.

But the other obviously huge change which happened was the acquisition of the Revlon businesses, which turned out to be very much a mixed blessing. I mean, there was a decision made in the early 1980's to enter the contact lens business, and that had started by the time I became responsible, with the acquisition of Syntex.

We then bought the Revlon businesses which were - you know, they were three parts. One was a spectacle lens part, and the other was a contact lens part, and the third was the machinery. And subsequently, you know, the machinery and the contact lens part have been divested again and SOLA is now back to being a spectacle lens company.

It's very hard - I mean, it will be interesting to see what you make of that period. Speaking purely personally, I always regret that the opportunity to acquire the Revlon businesses came very shortly after I took responsibility at Board level for, what was then, the Ophthalmic Division of Pilkington. And there was a report, which obviously the SOLA management had totally gone along with, dating from the early to mid 80's, which said we ought to be in contact lenses as well as spectacle lenses because these are competing technologies for the same consumer need and we should be in both of them. And we subsequently found that although they were competing technologies, they were totally different, and that spectacle lenses was indeed a consumer business whereas contact lenses was much more a medical business.

Yes.

RN: And the two technologies, and the two marketplaces, didn't sit happily together, and the decision to expand substantially to contact lenses, in retrospect, as it turned out, was an error. Whether it was an error of strategy or an error of implementation is another matter but it was certainly - it caused very substantial losses in the contact lens business, and indirectly led to Pilkington's decision to divest of SOLA again.

Robin, two points there. One would be that SOLA, as you probably know, had engaged in a really fascinating project in the late 70's/early 80's called XPR with the contact lenses. Very, very similar to the current Johnson & Johnson one.

RN: Absolutely, yes.

But, in fact, that was pushed aside after the Barnes Hind episode. Much to many people's regrets who were in the trials, I'd have to say. I've actually heard from those people. That they still regret that product didn't come out. Nonetheless, that was that.
But could you tell me on the second point, was the takeover of Revlon Visioncare largely from Pilkington or from the SOLA management. That's something I'm finding difficult to establish.

RN: Well, I can understand you finding difficulty because I don't think there's a simple answer to the question.
Let me put it this way. It is important to get the exact sequence of events right. The decision to go into contact lenses, as I understand it, was taken by senior Pilkington management in full consultation and full support of then SOLA management in the early 1980's. And that was a strategic decision. A search was then made, which was on-going for several years, before the Syntex operation was identified as being the right company in the right place at the right time. And so Syntex was acquired.
There were one or two hiccups after Syntex was acquired, particularly in terms of people. But eventually a satisfactory arrangement was reached and Dick Kapash went down to manage the Syntex operation. At the time that I became responsible in '87, or whenever it was, I think the SOLA management would've said, and I'm speaking particularly now of John Heine and David Roberts, that the Syntex operation, which had been losing money when we acquired it, had been turned around, absorbed satisfactorily and were showing all the signs of being a good business and was fitting in well with the existing SOLA spectacle lens business.
I think it was common ground between Pilkington and certainly senior SOLA management that the right thing had been done in acquiring Syntex. John Heine, certainly, was very positive about Syntex. He'd really staked a lot of his own reputation on acquiring it and turning it around.

The opportunity to buy the Revlon businesses came from Revlon direct to Pilkington. It actually came during one of our annual strategy sessions, and my recollection is that it probably came via some merchant Bank. Anyway, it doesn't terribly matter. But it came direct to Pilkington. And we were certainly given the opportunity to buy these businesses.

Now, the next thing I think which is important at this stage is that Pilkington, at that point of time, had a stated policy to grow its non glass businesses, and the prime candidates for growth were seen as the defence electro-optics business and the ophthalmic business. There were other candidates for growth. There were other businesses. For example, the insulation businesses and the fibre glass insulation, and things like that. But the prime candidates for growth, outside the flat and safety glass business, were defence electro-optics and the ophthalmics business.

So you have a situation where we had a successful ophthalmics business, we'd acquired the contact lens business of Syntex - that was perceived to be successful - we had a policy to grow those areas - and along came Mr Perelman, and said, 'How about buying this lot for five hundred and seventy million bucks?'

Who was the person that said that?

RN: Mr Perelman, who was the owner of Revlon. Who was a very smooth operator - Mr Perelman. And he did a classic job in selling his businesses in ophthalmics at the right time. Whether he knew he'd done it or not, I don't know, but he actually sold the contact lens business at the peak of its performance. The contact lens business - I always remember these figures - had grown from an annual consumption of something like -when I said that I always remember them I don't get them exactly right. At the beginning of the 1980's, world consumption of contact lenses was something like four million lenses. When we bought the Revlon businesses it was about twenty-five/twenty-six million lenses. So it showed phenomenal growth through the 1980's. Perelman then sold it. We paid a high price for it, and it turned out we bought at the peak of the market. And all the problems in contact lenses - first of all, health - alleged health problems. Secondly, the J & J lens, which you've already referred to.

And incidentally, SOLA did have other opportunities of getting into daily wear lenses after that.

Is that so?

RN: Yes. And we had options of buying - sorry. We had possibilities of buying options on other people's lenses, and the SOLA view, and I'm using - well, at that stage, it was Visioncare. The Visioncare view was that daily lenses wouldn't succeed against conventional lenses.
But, I mean, going back to your question. This is a bit convoluted now. But going back to your question. The immediate reaction from Pilkington because of the reasons I gave you - namely, it was our strategy to grow the ophthalmics business, (b) we had a successful spectacle lens business, (c) the spectacle lens business had bought a contact lens business and was perceived to have turned it around - was, 'This is a great opportunity'.
So David Roberts and myself were despatched to go and talk to Revlon. We then, having talked to Revlon, we then went and talked to senior SOLA management, particularly John Heine, Dick Kapash, whoever was running the - I guess, Bernie Freiwald. And there was another guy who was running the specs business at that time. Because Dick was running the contact lens business.

Oh, yes. That's the chap who was up at Petaluma. I've not met him but I know who you mean.

RN: OK. But we then talked to them and we got quite a mixed reaction from them. The Americans didn't think much of the Revlon spectacle lens businesses in the USA. These are the businesses which were based in - oh, somewhere in the south. I've forgotten -

Florida, wasn't it?

RN: No, no. Not Florida.

Oh, hang on. Yes, I do. Eldon, Missouri.

RN: Eldon, Missouri. That's right.

And the one in Virginia.

RN: That's right, yes. They said, 'We - SOLA Optical USA - do not think much of those businesses. They're glass lens businesses. We think glass is on the way out. We don't think much of those businesses'. They said, 'Coburn, the machinery business, is a good business, and Barnes Hind is a good contact lens company'. So we got a slightly mixed message.
John Heine, in my view, was pretty positive about buying the businesses. Although John, being John, and being a very shrewd operator, in retrospect, was fairly careful to cover his traces. And I think he said, 'If Pilkington feels this is the right way to go, then it has my full support and I'll do my damndest to make it work, and I think it can work. But the decision whether to spend this sort of money to expand the ophthalmic business is a decision of the parent company, not a decision of SOLA. If you gave me five hundred and seventy million dollars, there's lots of other things I can do'. Perfectly fair. But he was speaking as the, then I guess, the Chief Executive of SOLA. Because David Roberts, at that stage, was the President of the Ophthalmic Division. So, anyway, we got broadly positive messages.
I mean, another thing that I must now say to you is that - I don't know if people have talked to you about the abortive BTR bid for Pilkington.

Yes, I have quite a bit of literature on it.

RN: OK. Now, as a result of that bid, as often happens in these cases, Pilkington had to go public on its strategy in order to defend itself against what BTR was saying. We went very public on our diversification into non flat and safety glass business. And indeed we gave targets, and we said that 30% of our earnings would come from non flat and safety glass businesses by such and such a date. I can't remember what the date was now.
And we beat off BTR and we've retained our independence. And the Board then, understandably, felt very committed to these things it had said in its takeover defence. And that commitment featured very strongly in the decision to buy the Visioncare businesses.
So I've tried to paint a total picture. It fitted the Pilkington strategy. We thought we were being successful in Syntex. We felt we'd made a commitment to our investors in the takeover bid. And we got pretty well a green light from the SOLA management to do that. With the exception that they said, you know,

that the glass lens business in the US is not all that good. But there were a lot of synergies and, you know, we made the usual calculations and we decided it would be earnings positive in two years time, or whatever.
So, I'm sorry, that was a very long answer to your question but it is a complicated issue. So my answer to your question, in summary, is that the initiative for the sale came from Revlon itself, who approached us and no doubt others, and was very astute in saying, 'Well, there are other people wanting to buy this business. You guys had better hurry along.
We had valuations done by respected people - Bain & Company, and others - who said, 'This is a high price but it's not an unfair one. A fairly high price'. And we had all our synergies sort of blessed by the consultants. We put it to the Board, the Board sort of gulped a bit, and said, 'This is a hell of a lot of money but it's the strategy and we ought to do it'. And the SOLA management were taken along totally with the thinking and were either positive - well, were either enthusiastic or guardedly positive, and felt that it was a good way of growing the business substantially, and they were as excited as anybody would be in seeing their area of business within the Pilkington group being expanded. But it wasn't one of these things where the SOLA management came along and said to Pilkington, 'This business is for sale. I think we ought to buy it'. It was Pilkington who received the thing, and said, 'This business is for sale. SOLA management, what do you think?'

Well, you've actually answered a lot of questions I had in there so thank you very much, Robin.

RN: Subsequently we then, in addition, bought the Cooper Vision.

Yes, that's correct.

RN: And that was very much a SOLA initiative. I mean, John Heine came, and said, 'Look, this rounds out our business'. As it turned out, in a contact lens sense, it turned out to be throwing good money after bad. But I don't know. I mean, you'll need to make a judgement. I mean, the contact lens acquisition turned out to be a disaster. I mean, there's no other word for it. And it had a very adverse affect on Pilkington as a whole. It had an adverse affect on Pilkington's diversification strategy and, from your point of view as the historian of the SOLA business, it certainly put back the development of the spectacle lens business at a crucial time.

On the other hand, though, when the contact lens businesses were hived off, if you like, the spectacle lens started to go forward at a very rapid rate of growth. Actually accelerated, in a sense - I think.

RN: Yes. Now, whether that happened because the contact lens businesses were hived off or whether it happened because Pilkington sold SOLA to effectively - a form of MBO - that's another thing for you to make a judgement. I mean, the two things happened, roughly, simultaneously.

Simultaneously. Yeah, it's a very difficult period for me. I find it very hard to write about. (a) it's quite recent but (b) I don't think anybody in the optical or Visioncare market could have predicted the slow down in sales of contact lenses at that period. Nobody I've read at the time saw it at all. All the advice was, and all the magazines and all the journals was, in fact, it was growing at the same rate.
So, to be quite fair to Pilkington, they took their advice in the correct field. It was one of the decisions that you really couldn't make another decision on, in another way. I mean, you could've chosen not to buy it but it would've been going against the advice of both the marketing and your advisors.

RN: I think that's true. It's terribly easy to totally eliminate hindsight when you're analysing these things, and as I said to you, I feel an accountability as a Director of Pilkington because it lost Pilkington shareholder values. There's no question of that. I feel the accountability and I suppose, in retrospect - and this may be crediting myself with too much wisdom - I suppose, in retrospect, I feel that if I'd had more time to understand the contact lens business, I hope I would've seen the clouds on the horizon on the medical problems on contact lenses, and I hope I would've seen that there were significant differences between the businesses, although they were aiming at the same market. I think those were two things, which being a harsh critic now of Pilkington, I would say it was possible to detect. Now, nobody in Pilkington detected it and nobody in SOLA detected it, and our advisors didn't detect it. But there were clouds on the horizon. I mean, the health scares did not start the day after we acquired the Revlon businesses. They were already around and people were dismissing them as unimportant.

The fact that contact lenses were primarily prescribed by practitioners where specs were that you went into a shop and bought them - even in those days, much more now - there was a fundamentally different route to market. Buying a contact lens was like having medical treatment.

I agree. Yeah, they're two distinct things.

RN: So I think - but you're right. I mean, all the curves of contact lenses were going through the ceiling. It was a singularly unfortunate piece of timing. And whether *(couldn't decipher name)* Perelman - I mean, he was a very shrewd cookie indeed if he realised what was going on. Because he then - he got a price for those businesses which was probably double what he would've got three years later. And he reinvested it in his basic cosmetic business. In other words, he sort of did what then the market was telling everybody to do, which was to concentrate on the things they know best.
Now subsequently, Pilkington executives have analysed, and said, 'Well, we didn't know the contact lens business like we knew the other business and that's why we made the mistake, and therefore it was wrong to over(?) diversify, and it was a mistake of diversification'.
And that, again, is a point of view. And people have said that if we'd known the contact lens business and the specs business like we know the flat and safety glass business, we wouldn't have made that mistake.

TAPE 1 - SIDE B

Robin, that discussion about Visioncare, I think, is probably an opportune stepping off point to ask, how did the Pilkington Board view John Heine as a Chief Executive Officer?

RN: Well, it viewed him very positively. I mean, if you go back and look at SOLA. SOLA was acquired by Pilkington in 1978 when - and I'm speaking now from what people have told me because obviously I wasn't around at the time - it was a very successful business which was running out of cash. And the founder of SOLA, who was a man named -

Noel Roscrow.

RN: No, no.

David Pank.

RN: David Pank. Great guy. Loved him.

He's a wonderful man.

RN: Wonderful, wonderful guy, and a superb entrepreneur. And he'd obviously - he'd done a wonderful job in founding the business. He then - I guess by that stage he'd handed over to Noel Roscrow and the business was running out of cash to fulfil its expansion needs, and Pilkington came in and everything was fine again.
And then the Pilkington Board became dissatisfied and decided to headhunt a new Chief Executive, and they found John Heine from the wine industry, which I think actually was a very good decision. Because it showed, at least at that stage, they recognised that it was fundamentally a marketing business and they wanted a marketing guy.
John is a very persuasive guy and I think his reputation with the Pilkington Board, when I joined, was of a very good businessman and one who had turned the SOLA business around since he'd joined Pilkington - since he was hired, I should say. Turned the business around, had expanded it well, gave a good account of himself, had apparently - and I keep on using that word - apparently had done a good job with Syntex but I think actually - whether John knew or not, in fact the Syntex thing was illusory, and we hadn't done a good job with Syntex. It just appeared - it looked liked we'd done a good job. And therefore the Board had a great deal of confidence in John Heine. Saw him as an excellent businessman.
I guess his - culturally, he was quite different from the standard Pilkington executive.

That could be an understatement. ***(Laughter)***

RN: And those cultural differences became greater as time went on. Looking back in 1986, we had a range of cultures. I mean, at that stage Pilkington had acquired its German business - German flat and safety business. It had acquired its American flat and safety business. It had a very profitable Australian flat and safety business, run by John Patterson, who is not a million miles away from John Heine as a cultural guy. It had some very successful South American businesses, run by South Americans. So it had become quite multicultural. You know, from being a dyed in the wool Lancashire company to become quite multicultural.

And John was different from the archetypal Pilkington executive but he was not off the spectrum. I wouldn't want you to feel that. I think he was at one end of the spectrum, along with the sort of Ron Skeddle who was running the North American flat and safety business. We acquired *(couldn't decipher name)* roughly - well, just before we acquired the Visioncare businesses, and Ron Skeddle was a fast moving, fast talking, all American businessman. Very different from, again, traditional Pilkington.

But Ron Skeddle was there. John Patterson was there from Pilkington Australia. So there was a wide range of cultures. And when the Chief Executives of the various businesses got together with the Pilkington Board, maybe twenty-five/thirty people, there was a very wide range. You had the Germans, the Americans, the Australians, South Americans, homegrown Lancashire people. And it was very exciting. An exciting company to be with. And John was at the entrepreneurial, plain speaking end of the spectrum. But he was highly respected as a businessman. And he certainly wasn't - you know, when I said that he was culturally different, and you said that you can say that again, he was not so far removed from mainstream Pilkington as subsequently developed. I think, as time went on, John and Pilkington tended to move away from each other. John became increasingly of the view that Pilkington was holding back the SOLA business, and Pilkington on its turn became increasingly dissatisfied with the performance of the Visioncare companies and the lack of success in building on the Visioncare acquisition.

And that in itself was coupled with what you said earlier. Having to meet targets that you'd promised to the market.

RN: Right.

That's something I hadn't understood well before. So that there's a whole lot of different things all milling together and causing certain outcomes.

RN: Right. Right.

I mean, I must stress, at the Pilkington Board, and Nancy Pilkington in particular, felt very, very committed. I mean, this is, as you know, a very old established British company with a very strong sort of ethical tradition. Not long gone, since it was a family company. And the Chairman felt that if he said to the market that this is what we're going to do -

You do it.

RN: - that he was going to do it. And therefore the failure to make a success of the Visioncare acquisition hurt him badly, hurt the Board badly and hurt its reputation with the investment community. So tensions began to come in, in the sort of late 80's and early 90's.

That's in the relationships between Heine and the Pilkington Board?

RN: Yes.

I think that's a very fair summation, from what I've read.

RN: But, I mean, I think the two people saw it in different ways. I think John increasingly felt that he was being held back in what he wanted to do by Pilkington as a shareholder, and the Board felt it was being increasingly let down by John Heine's ability - or inability - to make a success of the Visioncare operation.

I can understand that. I think that's a very fair summation.
Now, if I can move on from that, Robin, to something that I believe you took an interest in, and that's the operations in Ireland. Particularly the automation there.
Could we talk a little bit about that? And your impressions of seeing that, and the way it changed, and the way its really revolutionised some manufacturing ideas.

RN: Well, I mean, I think the foundation of SOLA's excellence was in manufacturing. I mean, as I understand it. I've only been told this. David Pank got fed up with the quality of the product he was being offered as a retailer, and said, 'There must be a better way of manufacturing this relatively simple looking object, and therefore I'm going to really set up a good manufacturing outlet'. And certainly by the time I became part of the SOLA activity, the

manufacturing activity in Australia was excellent and there was some very good research.
The decision to have an all singing(?), all dancing(?), automated line in Ireland, I think was probably the right one. We were trying to drive down costs, which was the right thing to do. We could see - and the prices were being driven down by big retailers. All the multiples were getting into the business. The price that people were prepared to pay for spectacle lenses was going down, and we had to reduce costs. So I think the concept was right. There was some brilliant manufacturing innovation. I think the only problem with the Irish venture was - I guess it was a bridge too far. There were too many new things were tried at the same time. And again with the benefit of hindsight, I think that was probably a case for a bit more of a step by step approach. And parts of SOLA were saying that at the time. I mean, certainly the people in Brazil, for example, were saying that this is going to be a disaster. Well, it was easy for them to say that with their labour rates in Brazil. I think some of the Germans were saying that as well. So there were tensions. But, I mean, no more tensions than you'd expect. And, as I say, I'm using hindsight but I think the Irish plant was a very big step, and quite a lot of cost was expended before it came right.
But I'm of the view, and I'm still of the view, that the manufacturing capability - the product success of SOLA came from three things.
First of all, a very astute assessment of what the marketplace wanted, which in my view was mainly Bernie Freiwald's contribution. More I think than the Australian operation.

Yes, I agree.

RN: Bernie's - 'What does the marketplace want?'
Secondly, the ability to design, particularly variable focus lenses, which I think was primarily Australian. And thirdly, the ability to do a first rate manufacturing job, which I think was both Australian and American. Those were the three pillars on which the success of the business was based.
First of all - I mean, Pilkington did add some existing ophthalmic companies to the SOLA business. The name Birch Stigmat -

Yes, that's right. Birch Stigmat. And Virgo.

RN: So there was - I mean, so Pilkington had a business which I guess was turning over at that stage maybe about two million pounds, or something like that. I think the SOLA business when it was acquired was maybe turning over fifteen million, or something of that sort. Maybe not as much as that. Ten million. And then all the other acquisitions were made, of which there were many. And there was a company in Strasbourg. I've forgotten what -

Virgo?

RN: That was Virgo, was it?

Well, that's Goetzenbruck.

RN: That's Goetzenbruck. Yes, that's it.
So it's quite hard to disentangle what Pilkington paid for the business which was eventually sold as SOLA.

Yes, I can understand that. I think that's very fair.

RN: I expect if you could do an analysis, you would find that Pilkington did get a good return. I think Pilkington would say that the - you know, if you look at it all, Pilkington only went into the Visioncare business because of SOLA. SOLA management was involved in that and, therefore, you have to add that as a negative to the positive side as well. So it's very hard to do the equation really.

No, I think that's fair.

RN: Very hard.

**Now, just diverting again into another side of things.
Can you remember some of the budget meetings and that type of thing? Were they fairly interesting occasions?**

RN: Which period are you talking about?

This is the period - actually that's a good question. The entire period I was thinking of. Of covering the differences.

RN: Pre Revlon, the budget meetings were fairly straightforward. I mean, SOLA was expanding rapidly and Pilkington was very happy. And the Syntex

acquisition pre-dates me so I don't know what happened then. But by and large, overall, it was looking a success story.
Subsequently, again from a Pilkington point of view, John Heine and his management team made budget proposals which were simply not met, and therefore - the record in my memory is that John would come, and say, 'Well, this year we're really going to turn it around. We're going to do this, this and this, and we're going to make fifty million bucks US this year'. And then as the year went on, it would go down and down and down. We'd end up making around half that. And then the next budget year he'd come along, and say, 'We really are going to make fifty million bucks'. And then, again, there'd be disappointment. There seems to have been two or three years of what turned out to be very optimistic budgets. So, you know, relationships soured for that reason.

Overall, Robin, what was your feeling about SOLA over the years that you were involved?

RN: Well, I think from a personal point of view, I have the greatest enthusiasm and respect for the business. I think there was some very, very good people - widely contrasting people - a whole slew of characters - who worked for it, and I think they did a very good job. I think, though - obviously my views are tarnished by the Pilkington experience of the post Revlon situation. You know, promises and forecasts were made which weren't kept. Now, whether those promises and forecasts were made totally honestly and there was a genuine belief of the management that they could meet them or whether they were forecasts which were put in because they felt that was what the parent company wanted, is very hard for me to make a judgement on. But there was repeated disappointment to the point where the company became, you know, very disillusioned with the management of SOLA. And very disillusioned with the ophthalmics business.
It was always realised that the spectacle lens business was a good business and it was increasingly realised the contact lens business was a dog. And so then when - partly because of the failure of the sort of Visioncare operation, you know, Pilkington began to experience serious earnings and cash problems itself, and the decision was taken to sell off SOLA as a means of realising cash.

Now, that was - I should say immediately, by that stage, some of the problems that Pilkington faced were much more with its traditional flat and safety glass business but I think there's no question that Pilkington did weaken itself financially by paying $570,000,000 for a business which, you know, gave a very poor return. A very poor return. I mean, substantial negative return if you look on the money made by the - against that $570,000,000 plus the eventual sale price.

The Pilkington/SOLA story, I have to say, has an, in my view, unhappy ending because it ended with a disillusioned shareholder, and I think, to some extent, a disillusioned management as well, for reasons which are complex, and which you'll no doubt be able to analyse but were partly marketplace, partly bad luck, partly people. A lot of things. A lot of things. Partly the general environment in which Pilkington was operating.

Because I think the other thing, which is very important, is Pilkington went into this at the time when its income based on the intellectual property rights, or the float glass invention, was at its peak. If you look back and you make allowance for changing value of money, Pilkington's income from float glass, as a process, probably peaked in the early 1980's. Again, that's a piece of financial analysis which somebody else would have to do. But really the shareholders got used to having an income in the 70's and early 1980's, which Pilkington found it couldn't replace subsequently. Either from its diversification through things like the SOLA business, or from its expansion in the flat and safety glass business. Like, buying Germany and buying America. So I mean, it's not, from an investment point of view - if you looked at the return on the purchase of flat glass in Germany, on the return from the purchase of *(couldn't decipher name)* in America, on the return on the purchase of SOLA and Visioncare, on the return on the purchase of defence electro-optical business, and more recently on the return of the purchase of some of the downstream glass businesses, there were too many failures and not enough successes. And so, the fact that Pilkington shares are now worth a third of what they were in 1987 is witness to that. So it's a sad ending from a Pilkington point of view.

I think, from a SOLA point of view, the period when it had Pilkington as a shareholder, looked at strictly from a SOLA viewpoint, was a success. I believe SOLA learnt a lot from Pilkington. Pilkington invested a lot of money, provided a lot of expertise and SOLA, when it was sold off, has gone from strength to strength. As I said, whether from casting loose of the sort of Pilkington's apron strings or whether it's because it got rid of the dead hand of the contact lens business, is obviously a bit of both. Very hard for me to make a judgement.

Well, thank you very much.

RN: It's a pleasure.