



ORAL HISTORY PROJECT

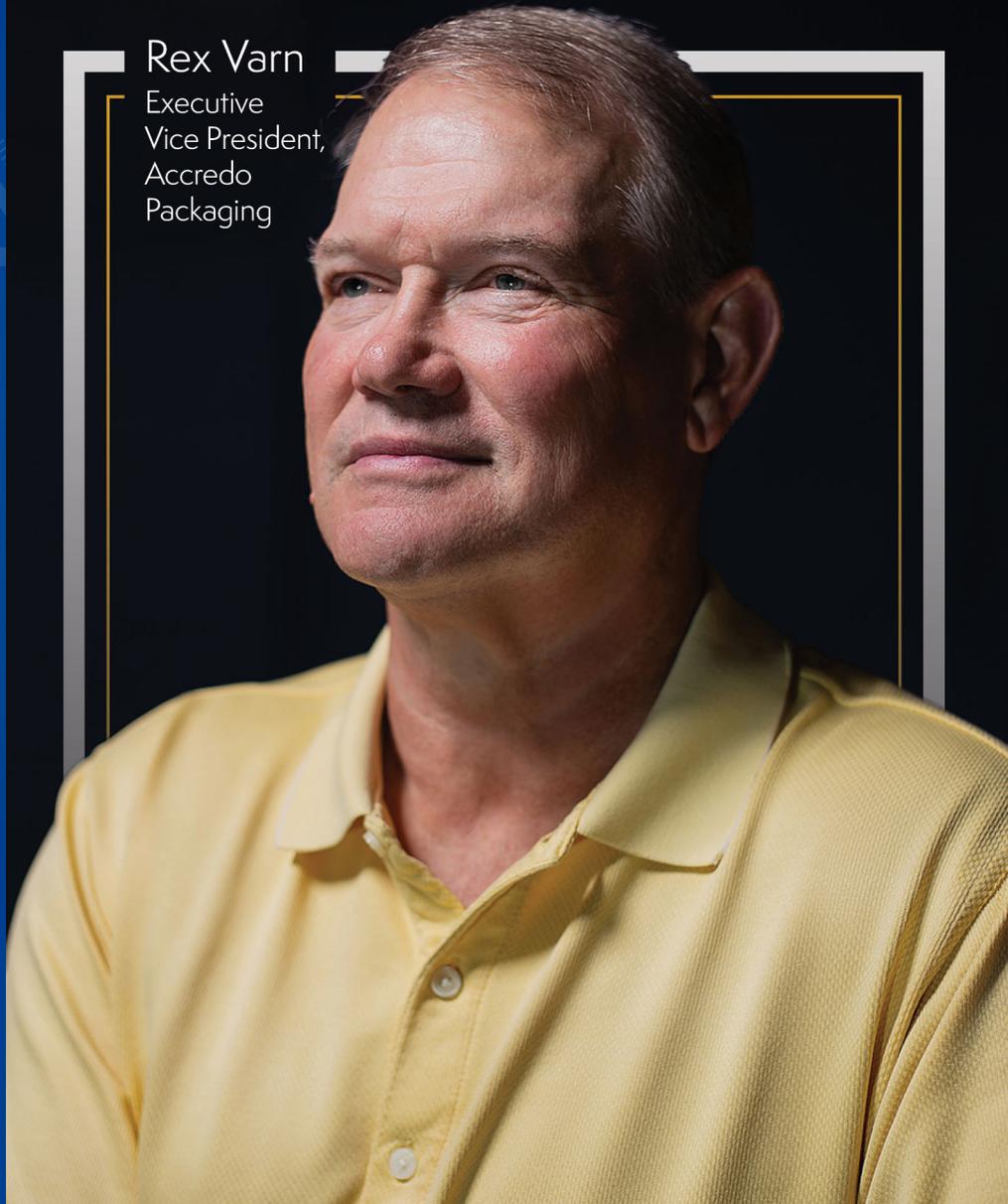
in Celebration of the
City of Sugar Land
60th Anniversary



CITY OF SUGAR LAND

Rex Varn

Executive
Vice President,
Accredo
Packaging



GOODSILL: What part of the country are you from?

VARN: I grew up in a small town in Virginia, Martinsville. My boys would call Hartsville, South Carolina, home because that's where they went to school. Over my career, we've moved around and lived in a lot of different cities.

I graduated from Clemson University in South Carolina in 1980 and went to work for a company called Sonoco Products Company, which is headquartered in South Carolina. It is a packaging company and I worked for them for over 25 years in various levels of the organization to ultimately become a senior executive.

GOODSILL: What kinds of things were you doing for Sonoco?

VARN: I started as an engineer and then spent time in manufacturing and then in general management. I became a senior vice president with the company. They manufactured all kinds of

packaging products. Plastic grocery bags and flexible packaging similar with what we do at Accredo. The company was founded as a maker of paper tubes and cones and ultimately plastic tubes that people would wrap yarn around. This started in the late 1800s so the Sonoco has been around well over 100 years.

GOODSILL: When we buy upholstery fabric at JoAnn's Fabric, a company like Sonoco creates the tube inside the role of fabric?

VARN: That's right. Every company needs engineers to help develop new products and make the current operation more efficient. I spent about two years in engineering and then I moved into the plant management end of the business. I moved around six times over my career but all roads kept leading back to Hartsville, South Carolina, because that's where corporate headquarters was. Then I left Sonoco to become CEO of a plastic covering straw company, Jet Plastica, just outside Philadelphia. They have since been sold and are under a different name. I ran that company for a number of years

then left. I got tied in with a private equity group and found some assets and a team that I was going to bring in to start my own company about 12 years ago just when the stock market crashed. The investment group lost their investors at that point.

The Nguyen family owns Advanced Polybag, Inc., and Accredo Packaging, Inc. When I was at Sonoco the Nguyen family was a competitor of ours. I called Hank Nguyen, who is the CEO, and asked him if he would be interested in investing with me in the company. He said, "Rex, come on down and let's talk about it." So I flew to Sugar Land to meet with Rex and his brothers. At that time they were just starting up Accredo so I saw their buildings. I said, "Hank, your vision far surpasses what I was looking to do." He said, "Yes, to be honest with you, we kind of brought you down under false pretenses. We're counting on really growing this company." They already had the plastic grocery bag company, which was very successful but they wanted to expand into something new so that's where Accredo came into play. He said, "We thought it would be nice to have you come in and help me and my brothers run Accredo." My wife and I relocated from South Carolina to Sugar Land about 10 years ago.

They had a fabulous vision and they are a great family. Their history is that during the fall of Saigon, 11 Nguyen brothers and a sister were boat people. They were picked up by a cargo ship and came to the United States. They lived in a refugee camp until an American family sponsored them. Their progress from there is the typical American dream. They started with nothing. They thought they might want to be shrimpers so they built their own boats. Eventually they decided that wasn't what they wanted to do. They all worked at 2 to 3 jobs each. Eventually they bought a bag machine and an extruder (that's what makes our film). They put it in a garage and grew and grew until today Advanced Polybag, Inc. is the 2nd largest plastic grocery bag manufacturer in the world. Plastic bags is no longer a business that is growing. But the high-end flexible packaging business is, and that is what Accredo does.

GOODSILL: Go back to the plastic bags in the garage, with an extruder. How does an extruder work?

VARN: Basically you melt resin and then you blow it up. It makes a bubble and as that bubble goes through the bag machine, it cuts out the handles and seals the bottom and handles. Then they go through some nips that flatten it out. It becomes a big roll of tube stock. They take that roll and feed it into the bag machine. Next we print on each bag.

GOODSILL: How do guys working in their garage become the 2nd biggest grocery bag manufacturer?

VARN: They are true entrepreneurs. They were quick to make decisions and they took chances. There were tough times I'm sure, but they fought through them. They have a tremendous work ethic and I think that's what got them where they are today. We don't make plastic grocery bags in Sugar Land.

GOODSILL: Plastic grocery bags are the kind you put zucchini in, the small transparent ones and the ones with handles?

VARN: Just the handled bags. We make the clear bags as well but it's not a big part of our business.

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GOODSILL: Plastic bags were a booming business and now have become ecologically unpopular?

VARN: Unpopular but not ecologically unfriendly. It's by far and away the most environmentally friendly product in the marketplace. That's what people don't understand. If you truly looked at the science of it, what they call our bag is "single-use plastic grocery bag". Number one, it is not single-use; we all use them as trashcan liners, doggie bags, gym bags, and lunch bags. They are all reused and they are 100% recyclable. The alternative is paper bags. They are much heavier and use natural resources. They are recyclable as well but the process to make a paper bag uses water, chemicals, all those things increase a carbon footprint. I don't know the exact numbers, but it would take 10 trucks to deliver the amount of paper bags that it takes for 1 truck of plastic grocery bags.

If you start looking at all those things and the impact on the environment, you would realize the plastic bag is far superior to the paper bag in that regard. Then they talk about reusable bags. The reusable cloth bags are almost all made in Asia. To reuse it, to have as much energy as it takes to make that bag, you have to reuse it 100 times to have the same carbon footprint. We all intend

to do that, but in reality, we don't. And you have to wash it. That's using water, power, and detergent. Our bag is 100% recyclable and that cloth bag is not recyclable. You put your groceries in it, some meat, put in the trunk of your car after you've emptied it and it sits in there. Think about what's going on inside that bag or in your cabinets. The last thing I want is for somebody to come behind me with a reusable cloth bag. I don't know where that's been. And they are coming on the same belt as my product. If you really look at the true science of it, you'd find that the product we make is the best for the environment.

GOODSILL: This is not the story we are hearing. And I'm hearing we are not supposed to put our baggies in the recycle bin. What's the story there?

VARN: Local municipalities say it can clog up their recycling unit. But there is huge demand for that product. What you do is take them back to the grocery stores. Then it's made into other plastic bags and plastic lumber like Trex. There is tremendous demand for a recycled plastic grocery bags. People are not getting the word but far and away, it is the best product for the environment.

Most of our waste goes in landfills and is compacted. Nothing in a landfill biodegrades. What causes biodegradation is microorganisms eating the product. And they have to have air and sunlight and moisture. They can't exist in a tightly packed landfill. The best thing for landfills is to stay tightly packed and then become a park or a golf course or something like that.

GOODSILL: Or a mountain. (laughs)

VARN: Or a mountain. We think the ideal thing is recyclability. That's good for the environment. We as a community have to figure out how to recycle it.

GOODSILL: What else do I need to ask you about the bags before we move on?

VARN: California has banned plastic bags. But they allow heavy gauge plastic bags which are "reuseable". We've all had bags fail and said, "Don't give me that thin bag" but that IS the best thing for the environment because if they DO go to the landfill are much thinner so they take up less space. Or recycle it. The problem is often not the bag. Why ban the product that gets littered? Go after the people who are littering. If we all took care of our waste like we should, if we truly cared about our environment, we wouldn't let that happen. At the end of the day, they can't talk about environment if they allow bags to float away. That's how we look at it. Let's go after the people who are doing the littering, not the product. This IS the politically correct story, it is just not the story you hear.

GOODSILL: Lets move to your other products.

VARN: We make a variety of products in the flexible packaging industry. Flexible packaging is plastic films that package products. These stand up pouches are what you see in your grocery stores. We make the film, we print the film, we laminate the film, and we make the pouches. We also make the shrink bundling film that your water bottles and soft drinks are packaged with, and print the company logo on it. We also do towel tissue overwrap, for multiple rolls of paper towels or toilet paper and print the company logo on that as well. We do very, very high-end printing. The strength of our company is that we are a fully integrated supplier. We make our own film here, we print it, we laminate it, we make pouches out of it if needed or we ship it as plain film. That's all done here in Sugar Land. Our competitors might buy the film from one company and just print it. Or they might buy the film, print it, and then send it out for someone else to make the pouches. We do it all under one roof and that gives us a competitive advantage. .

GOODSILL: Some of this plastic is so beautiful. The pouches stand up all by themselves and they maintain their shape.

VARN: Wholesome Sweeteners, a local company, is a great customer of ours.

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GOODSILL: It had to be a risk when they switched from traditional packaging to this product.

VARN: It was a huge investment. They bought the best equipment in the world. Our extruders and our printing presses are from Germany, made by Windmoeller & Hoelscher. Avanced Polybag, Inc. generated the capital to invest into the Accredo operation. They have over 30 years of success in the plastic grocery bag business so it was not hard finding investors to come on board to support the Nguyens' vision for Accredo packaging.

We still have all the plastic bag business but we don't make it here. We have plants in Baltimore, Maryland; Oklahoma City; New Orleans; Las Vegas and Thailand. All of those locations make plastic grocery bags. Accredo is the flexible packaging company and we have just opened a brand new plant in Vietnam doing the exact same thing we do here in Sugar Land. But your point is correct, it was a heck of a leap for the Nguyen family to go from plastic grocery bags to flexible packaging.

GOODSILL: Did they bring in some equity partners?

VARN: No, the Nguyen family privately owns it. We have financial partners but not private partners. We work with lending institutions. The Nguyen family owns all the equity.

GOODSILL: What other equipment do you have?

VARN: We have laminators, which takes one film and effectively glues it to another to give it the properties you need. It takes two separate plies and makes it one ply.

GOODSILL: Sometimes you need a very flexible product and sometimes you need a stiffer product.

VARN: Right. The stiffer product doesn't stretch so much. You put the polyethylene on top of that film to make it seal better. We have pouch machines and slitters that cut the film to size. We have wicket bag lines that make a different kind of bag than a pouch. Like bread bags and that sort of thing.

GOODSILL: You send the product out to your customer and they fill it with whatever the product is and they market it?

VARN: Go down the grocery aisle, and nearly every aisle has these types of products on it. It used to be that there were a lot of boxes, glass, or tin. Now the large majority of it has gone to flexible packaging. Now there is very little glass, tin, or boxed packaging. There are a lot of cereal boxes, and you'll see more boxes than jars and tin cans.

GOODSILL: You might put your crackers inside a box to keep them from being crushed.

VARN: But there is a bag inside of the box! The cereal companies are starting to promote their product as not only a breakfast cereal but as a snack food during the day. Kellogg's will have their cereals in a stand-up pouch. And a stand-up pouch takes up less space on the shelf.

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This company is a big employer here. We have about 500 people between API and Accredo.

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GOODSILL: Tell me about that because it looks like it is wide at the bottom and narrow at the top so you couldn't fit as many in.

VARN: With a box, you have a bag inside of it and the product tends to settle. They want the big billboard effect that you get from the box, so it takes up more space on the shelf. The pouch tends to take less space and it stands up well, and it's a better billboard.

This company is a big employer here. We have about 500 people between API and Accredo.

GOODSILL: Does it take a lot of people to run the equipment? Or is it mainly automated?

VARN: It is both. We run 24 hours a day, 7 days a week. You want to make the best utilization of your assets. We run 12-hour shifts with 4 crews, two on/two off at any point in time. The shifts work 7:00 am - 7:00 pm and 7:00 pm - 7:00 am. On average, you work 3-1/2 days a week, 12-hour days.

GOODSILL: Is there any heavy labor required in this work?

VARN: I'd say no. It's more high-skilled labor. There is not a lot of heavy lifting involved. To

print the quality that we do takes a very skilled person. And to make the film takes highly trained/highly skilled people. It's a lot of electronics. It's mostly computer driven. There are cylinders, and printing plates and everything has to be lined up perfectly. The colors have to be perfect. Ink comes into trays where plates pick up the ink and transfer it to the film. And we run at very high speeds so you have to have talented people.

GOODSILL: Do you have a large sales force?

VARN: Not large. We have a dozen people between the two companies. We like to say our product sells itself. We are a mid-sized company. Some of our competitors are billion dollar companies. We have grown from zero ten years ago to where we are today

and we feel we hold our own against our multi-billion dollar competitors. We believe we are superior printers and great filmmakers so we welcome the challenge of the competition out there.

GOODSILL: And you have customers from all over the nation or internationally as well?

VARN: Not international per se. We have a few customers in Canada and in Mexico and in Puerto Rico. We are mainly in the U.S. Our plant in Vietnam is not making product to bring back into the U. S. It's making product to service Southeast Asia. Asia in general, and Europe, are far ahead of the United States as far as the conversion to stand-up pouches. They were in pouches long before we were. We were more resistant, as a country, and stayed in boxes, cans, and jars.

GOODSILL: Because the companies had branded themselves and that's what their product looked like on the store shelves?

VARN: And all their filling equipment is designed to fill those containers. They have to make a significant investment to fill a pouch. It takes different tooling.

We're not supplying Europe at this point. On a per capita basis, Southeast Asia and Europe would supersede what we do here in the United States. But we're getting there. The United States is converting fairly rapidly now.

GOODSILL: I kind of like the fact that the Nguyens are going back to their country of origin. That must be a point of pride for them.

VARN: I think it is! They came here in the dark of night, leaving their country. When they left, they weren't welcome to go back. And now the new regime in Vietnam realize they lost their talent. So they opened their arms to the Nguyens of the world to say, "Come on back." It's with a lot of pride that the Nguyen family is going back. And the facility we have built in Vietnam is very similar to what you see here. Our operations are world-class compared to anybody in the flexible packaging industry. We are Silver LEED certified, which is environmental terminology. All the power that generates this plant is wind generated. We don't have windmills here but Texas is the 2nd largest generator of wind power. We buy off the power grid, and we specify that we only want power from wind. It's a little bit more expensive but we think it is the right thing to do.

There are a lot of parameters that you have to meet when you build a LEED building. You can't turn an older building into LEED. All the raw materials have to come from a location in close proximity. It has to be done in an environmentally friendly way.

GOODSILL: Can you convert the lighting?

VARN: You could do that. But once the building is built, if you brought product in from 1000 miles away, you've lost the points associated with using raw materials closer to home. It's similar to the analogy of using 10 times more trucks to bring in the paper bags instead of one truck for the plastic bags.

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GOODSILL: Tell me a little bit about your distribution system.

VARN: We don't have our own fleet of trucks. We use the local carriers. The raw materials we use are petrochemical polyethylene resins that come from the greater Houston area and the Louisiana area. A large part of our resins are purchased right here from our partners in the greater Houston area. And we bring that in by rail car even though it comes from a close distance. We have multiple rail sidings.

GOODSILL: The distribution of the final product goes out via truck?

VARN: Yes.

GOODSILL: Petrochemicals are better transported via rail?

VARN: We buy so much. Every rail car holds about 200,000 pounds of resin and we buy tens of millions of pounds of resin. A truck will hold only 40-45 thousand pounds.

GOODSILL: When it comes off the rail car, what is it in? What kind of container?

VARN: It is poured into four different compartments within the car. They fill from the top and we pull it out from the bottom. We actually pump it straight from the rail cars into an internal holding bin.

GOODSILL: Like through a pipeline?

VARN: Yes. We have internal silos and they feed straight to the extruders.

GOODSILL: The buildings don't look that tall!

VARN: They aren't huge silos. We wish we could put silos outside but we're not allowed to. Every place I have ever worked has allowed silos but the industrial park feels it is an eyesore. It's more from an eyesore standpoint than a functionality standpoint. Silos should be outside.

GOODSILL: Is it much more expensive to have internal silos?

VARN: Yes, it is.

GOODSILL: Now you have to speak for the Nguyens. Why Sugar Land?

VARN: We were headquartered about 15 years ago in New Orleans, where we have a plant, when Katrina came. Basically that whole area was devastated so they came to Houston. Once they got here, they have never considered leaving. We had an office building in First Colony. The plant was here and the office was over there. We had to go back and forth and we decided that didn't make a lot of sense. So we added on to this facility to allow for the office building. The city of Sugar Land and Fort Bend County have been fabulous to the Accredo/API family. Their role is to bring industry to Sugar Land and provide jobs for the people. So they offered us tax incentives. They have been great partners! Really easy to work with.

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I mentioned the little hiccup about our not being allowed to put silos outside and that's kind of a quirky thing. In my mind, they should let us. But that's not the city of Sugar Land or Fort Bend County that's doing that. If it were up to them, they would allow us to do that. But we've never gone to the city of Sugar Land nor gone to Fort Bend County where they haven't said, "How can we help? Do you need anything else?" They realize that we brought a lot of high paying jobs to the area.

GOODSILL: Is there a next generation of this that you are kind of looking at and dreaming about already?

VARN: Probably not a next generation. What we do now is the high end of flexible packaging. As technology improves, we want the newest, latest, and greatest. The next generation of extruder, the next generation of printer. That's what we're going to be buying. We're almost out of land in Sugar Land. We own the land across there and all the way along that fence line. We are potentially looking at putting office there. If we run out of office space here, we have that land as potential for that.

GOODSILL: Probably not going to need any more for factory facilities?

VARN: The building that you are looking at right now is probably going to be enough for us. That building is not operational yet. We should be in it by July.

GOODSILL: How many stories is it?

VARN: It's one story but if you look, this building has a raised roof section and that building has a raised roof section. The extruders need more vertical space to allow the film to cool and then come back down. It starts on the ground level, goes all the way up to the top of that tower and then comes back down, and then it gets wound up.

It comes out of the extruder in a molten state. It's heated to about 400°, is pulled up, cools along the way, goes through nip rollers that flatten it out, and

then it comes around and gets trimmed on each side and you have rolls on each side. So that's why you need the high bays that you'll see in that section and here. The rest of the ceiling is lower.

A new product that we are venturing into right now, and that's part of what this building is all about, is the hygiene market, e.g., the outer film for diapers, both adult and baby diapers. We've made investments in making that product very, very thin.

GOODSILL: How is that different from wrapping bottles?

VARN: It's much thinner film. So you are getting into more high technology. It is the outer layer of the diaper, with the cute little designs that they have on there. That film has to be breathable. The technology has been around for years but we think with the investment we've made, we can make it stronger and thinner and therefore less expensive to our customers.

GOODSILL: Do you hire engineers?

VARN: We do. We have several engineers on staff to do this kind of development. Hank Nguyen, our CEO, is an equipment guy. He really loves the newest, latest, and greatest so he stays on top of the newest technology.

GOODSILL: Is he an engineer?

VARN: He's a self-taught engineer. It would be great having the Nguyen family talking with you but they are too busy to spend an hour talking to someone. I'm kind of a voice for the family. I know them well. They are not about being in front. They are behind the scene folks.

We have a fabulous picnic and functions for our employees. Being New Orleans based, they became big crawfish fans. Several times a year we'll have a big crawfish boil here for all of our employees. We go through thousands of pounds of crawfish. And our picnic is second to none for all our employees and their families. The Nguyen family wants to share. They are not about making money and how much can they make. The money they make goes back into the business. I get calls from people who are interested in possibly purchasing the business. For years, I'd say, "Hey, I got another call." And their comment was, "Rex, we're not interested in selling this business. First off, what would we do? We enjoy what we're doing. And we're building this business for the next generation." We have all the brothers involved with the business. All our locations have a brother there.

GOODSILL: And they all have children now!

VARN: Exactly. So now the children are in the business. We have nieces and nephews all over the place. The first generation Nguyen family was all self-taught; the second generation has higher education, all very talented young people in various fields, who are coming back into the business. Some will work outside to learn another way but they all eventually will come back to API and Accredo.

GOODSILL: Thank you Rex.

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Sugar Land 
HERITAGE
FOUNDATION

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