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Place of Interview: Cedar Creek, Texas
Interviewer: Dr. Ronald E. Marcello
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Caltex Oral History Project

James Voss

Interviewer: Dr. Ronald E. Marcello Date of Interview: January 9, 1986

Place of Interview: Cedar Creek, Texas

Dr. Marcello: This is Ron Marcello interviewing James Voss for the Caltex Oral History Project. The interview is taking place on January 9, 1986, in Cedar Creek, Texas. I'm interviewing Mr. Voss in order to get his recollections and experiences concerning his career with the Caltex Petroleum Corporation.

Mr. Voss, to begin this interview, just very briefly give me a biographical sketch of yourself. In other words, tell me when you were born, where you were born, your education--things of that nature.

Mr. Voss: I was born in Bastrop County, Texas, in the town of Cedar Creek on October 8, 1916. A few years after that, I moved to San Antonio at about the age of four and grew up in San Antonio. I finished high school in San Antonio at Breckenridge High School. Thereafter, I went to the University of Texas as an undergraduate, partly on a football and basketball scholarship. I did my undergraduate work and finished law school in 1939 with an LL.D degree. In those days you could get a law degree with five years in school instead of the present, I guess, eight years or so.

After that, I practiced law--unsuccessfully--in San Antonio for a while and then joined the Aetna Casualty and Surety Company as a claims attorney, which took me to Hartford, Connecticut, Los Angeles, New Orleans, Dallas, and finally to Denver in the immediate prewar years. I had a deferment in the draft thing because of being an insurance advisor to the Corps of Army Engineers, but I gave up that deferment and joined the Army in 1942 and ended up in China in the 14th Air Force.

Marcello: That occurred in 1944. Is that correct?

Voss: Yes, but I joined the Army Air Corps on January 6, 1943.

Marcello: I'm looking at the vita sheet that Caltex has provided me, and it indicates that you were called into the service in the Air Force in 1944 and assigned to China.

Voss: I think maybe it's off a year. I'm not sure. I was in China for two years. I would think that 1944 was my arrival date in China in the 14th Air Force. We'll have to go back and check the records on that.

Marcello: What was your particular function in the 14th Air Force?

Voss: I was master sergeant/first sergeant of a small unit called an Airways Detachment, which manned the several bases in East China. I say we manned them. We didn't man them at all; we were just there accumulating ammunition and enough high octane gasoline to top off fighters and bombers that would

come through and make coastal sweeps. So most of my time in that period was spent in Kweilin, China, which is in Kwangsi province. I spent about two years in the interior of China with the 14th Air Force. I ended up going from the interior to Peking and taking care of the refueling operation that brought about the transfer of the Seventh Route Chinese Army from Hankow to Peking to take the surrender. These were all things before the formal surrender or at the time of the formal surrender.

Then I finally migrated back to Shanghai and left Shanghai and went back to the United States on a troopship. I guess it was in December of 1945. I got out of the Army in December of 1945.

Marcello: At that point what had you decided that you wanted to do with your career?

Voss: I wasn't sure. I went back to the old company--I went back to Hartford, Connecticut--to confer with my previous bosses, and it was kind of clear to me that those who stayed and those who got discharged from the European Theater were in better holding positions career-wise in a big company like that than I would be coming back from the CBI Theater, although the company was happy to say, "You can go anywhere in the United States you want to and work. Your job is secure."

So I looked around while I was up in the East. One possible employer was DuPont. I had some contacts with

DuPont. I also talked to Caltex, which was just beginning to have a real commercial existence.

Marcello: Did you know anything about Caltex prior to this time?

Voss: No, I knew absolutely nothing about Caltex. I had an old law school buddy, a close friend, who was a bombardier in the European Theater and got out rather early, and he joined Texaco's legal department. He was in Houston, and when I chatted with John about the possibility...John, incidentally, had been in the Aetna Casualty and Surety Company with me, too. We both had gone to the University of Texas, we both had gone East together, and we both went to work for Aetna. He told me of this new thing, Caltex, that no one knew very much about. He said that Texaco had a part interest in it, and that the lawyers in Caltex had come from Texaco (they'd been recently assigned to Caltex). So he had his boss in Houston write a letter to the general counsel of Texaco. I had some sort of introduction--I've forgotten who--to see Caltex. I went to see them and found out about them. I had my significant interviews with a fellow named Joe Murray and with Henry Kiernan, who was the legal advisor with Caltex. At that time, Henry was officing with Texaco over in the Chrysler Building, however.

Out of all that, I went back home. I didn't know if I had the job or didn't have the job. I had taken a physical examination before I'd left New York, and sometime after I

got home, I got a cable asking me if I could come to work and go to China. To the extent that I knew something about China--having served there--I was able to make more of an affirmative answer than I would have if I'd never been there. I accepted before it was known that my wife was pregnant. At any rate, I knew that Shanghai and these other places had facilities that would support Americans. So that's the story of my joining up with Caltex.

Marcello: At the time that you interviewed with Caltex, did you know full well that there would be a possibility of a foreign assignment?

Voss: Yes, I was prepared for a foreign assignment. I was not especially looking for one, but I was prepared to go anywhere I could get a good job.

Marcello: What significance did your prior service in China perhaps have relative to your being hired by Caltex and then sent back there?

Voss: I'm not sure that it had anything to do with it, except that I had served in the 14th Air Force. Bill Williams was G-2 for the 14th Air Force and a senior Caltex employee, and he at that time was in New York. I'm not sure whether I talked to Bill Williams or not. I don't think I did. In any event, I would suppose that Caltex would find it a plus in my having been to China and that I was still willing to go back, or Caltex thought that certainly I must have

known something about the country because I had spent a little time there. As I said, my service in China made me feel more comfortable in responding to the Caltex offer for the job.

Marcello: What was your specific function once you got over to China and began working for Caltex?

Voss: There was a little bit of a misunderstanding as to what the nature of my work was going to be, I think, but after I arrived in China, the management wanted to assign me to the Shanghai District Office as a sort of a general marketing man, which was something of a surprise. I can understand it in retrospect now because the people in China needed warm bodies to do anything. They didn't think they needed any lawyers, and they may have been right. But at that particular point in time, I was not willing to give up my specialty as a lawyer because it afforded some protection, so I wanted to stay in a protected enclave. I had been told before I left New York that I would be working in war damage and reparations claims in China, and, of course, it was apparent very soon after I arrived that there weren't any of those. Caltex had one lawyer, Blaine Hollimon, the senior lawyer, and two Chinese lawyers in Shanghai. In any event, I started out being a lawyer in the sense of how lawyers are used in a company like Caltex. If there's things to be done, you practice law; if there aren't legal matters to take care of,

you do something else--which is the story of migration from a lawyer to a general businessman. That's the way it happened with me. I had more and more things to do that were non-lawyer functions, except for the forming of the big joint venture in Japan.

Marcello: In our pre-interview conference, you mentioned that some of the things you were doing during that period were such things as clearing of land titles and buying an office building in Shanghai and things of that nature.

Voss: That's right. The first really meaningful job that needed to be done in a legal sense was the reaffirmation or proof of our title to a lot of real estate. This was not easy to do. A lot of papers had been misplaced; some had been put in security boxes. A lot of the land acquired by Caltex, in some cases, was acquired in the name of nominees. It was a whole different world, and a tremendous lawsuit developed with reference to Caltex's terminal property--their main bulk terminal in Shanghai at Pootang. A trusted Caltex senior citizen had bought the land in his name and had executed the deed of trust to Caltex because the land was just on the edge of International Settlement and in an area where only Chinese could own property. It was uniformly done, that the compradors for the big companies acquired the land and tied it up. The company usually held the title, and in this case they did, too; but before the Japanese

came in, they put the title in a safety deposit box. When they went to get the title, it wasn't there--when Caltex came back into China. The old comprador had taken the title for safekeeping, and he had two sons who weren't about to see it disappear. They were working for the company with good jobs and so on. Anyway, we had to buy it twice, more or less. That was part of some of the work that I did.

In other cases, you had property in Hankow, some in Peking, some in Tientsin, some in Tsingtao, and some housing properties in Shanghai. But those within the International Settlement were within the old French settlement, which would have been largely service stations. They were clear enough that the title had been preserved.

Anyway, all of that was done. We perfected the titles all of the property about the time that the Communists took it away from us.

Marcello: You mentioned a moment ago that there really was nothing or very little in the line of war claims settlements. Why was that?

Voss: There was no money for it. First, who is going to pay you? If there was a claim for war damages, the major claim would have been China against Japan, but Japan had no capacity to pay anybody. They made some commitments to pay and, indeed, through the years did pay. The only thing that we got paid for, as I recall, was product in storage

at the time we left. This is largely product that somebody took over. I guess in one case the United States took over some of our product and turned it over to others. Essentially, there was no fund from which to pay civil interest damage in China. You could make a good claim and prove a good case, and we did. We documented it. We were able to recapture some of our tankage, for instance, that had been moved to other sites. Anyway, there was nothing in the way of substantial reparations. In latter years, it did develop that we made some substantial recoveries, and this is because of the freezing of Chinese assets in the United States. This is years later. But to that extent, the records and the presentation of the claim that was made and shelved was there. I've forgotten how much, but it was a pretty substantial claim. Who would know about it? Well, the record still exists at Caltex, accounting-wise.

Marcello: Let me ask you a very general question at this point, and then I'm going to jump back. At the time that you got to China initially, what was the grand strategy, if we may use that word, of Caltex at that particular point?

Voss: The grand strategy was to increase market penetration--enlargement of market percentage--vis-a-vis Shell and the Standard Oil group (Standard Vacuum) in order to move some of the increased availability of product that we had in the Persian Gulf.

Marcello: Up to that point--and I guess we have to go back before the war, actually--where were Caltex's principal markets in the Far East? Let's say before the penetration into Japan and so on.

Voss: Caltex's principal markets--this would have been in the immediate pre-war period--would have been China proper (but selected places, not in total). The old Texas Company (China) had some fairly substantial contracts with the South Manchurian Railway for lubricants. This is the extreme north penetration. They had a small market in Tientsin and some small tankage there. They had a small market in Peking, but the market was, again, not that great because it was mostly lubricating oil, lighting kerosene, and that sort of thing. We had a small market in Tsingtao. We had a major market at Shanghai. Up the river at Hankow, we had a market. I guess Hankow would be a thousand miles up the river. It was not that big. But both were still markets that you could get bulk barges to service. Canton and Swatow and Hong Kong were also among our principal markets. Add to that, then, the market in the Philippines and a small market in Singapore.

Marcello: How about India?

Voss: India, yes. We had the beginning of a sizable market in India in those pre-war years.

Marcello: Essentially, considering that Caltex was formed in 1936, it was still to a large extent the new kid on the block.

Voss: Oh, no question. They had to very carefully...I think there probably was sort of a tacit agreement that if we stayed below 15 percent, they wouldn't bother us. But don't do anymore than that. That, logically, was because both Standard Vacuum and Shell had suppliers closer to that market than we did. Shell's supply came from the Abadan refinery and from their Singapore refinery. Anyway, we were indeed the new kid on the block. So if you go back to the other thing, obviously you have to enlarge your market penetration in order to sell the new quantity of goods that you have.

Marcello: So you have limited markets in China, limited markets in India, some market share of Singapore, and you have a market share in the Philippines.

Voss: And in Australia.

Marcello: And in Australia.

Voss: Australia and New Zealand, both. As a matter of fact, our penetration into Australia and New Zealand was early on. I've forgotten but I think it was as early as 1918. I'm not sure.

Marcello: The point is that Caltex is still basically new to this game. That's the best I can do with a transition in getting you back to 1936 again, relative to the formation of Caltex. Now obviously, this is before your time, and I'm assuming that what you can tell me relative to the origins of Caltex

would have come from what you heard from people who, for the most part, are now deceased.

Voss: All of them are deceased.

Marcello: Tell me a little bit about what you heard relative to the formation of Caltex.

Voss: As your records show and as others have told you, Standard of California had made some discoveries in the Middle East that they knew would be quite significant; but they were very far away from market, and they, in a general way, were trying to figure out what to do with them if they proceeded to develop them.

They were treated as a stepchild by everyone that they went to. In the first instance, as you know, Standard Oil of California was part of the old Rockefeller group, along with Standard Oil of Indiana, Standard Oil of Ohio, Standard Oil of California...well, Mobil and Exxon were also all cut out of the same company. There was still a relationship, a first cousin type of thing, between the Standard companies. As a matter of fact, it had been that relationship that kept Texaco from progressing in the United States. They had a damned hard time selling domestically--in the United States--against what was once the Standard Oil Trust and what finally was a whole bunch of separate Standard Oil companies that still talked to one another. So when Standard of California tried to shop around its concessions some way or another,

I am told that they were high-hatted by their old friends, who wanted to take what they had and give them nothing for it. Apparently, the final insult occurred in London when Shell and whoever else the Standard people talked to really high-hatted them. The Standard people got mad and just went home.

In that atmosphere of things, it came to pass that somebody decided, "To hell with our friends. Let's go do business with our enemies." I guess Texaco was regarded as one of those at that time. So according to what I have been told, "Cap" Rieber from Texaco cut the deal on the Texaco-Socal joint venture in the bar of the Pacific Union Club in San Francisco. It is said that they wrote it down or jotted it down on the back of an envelope and that that was the beginning. I'm not sure, but I think they began to implement it without writing it all down. The record, I think, indicates that.

Marcello: Who was representing Socal in this meeting? Rieber was on one side, and on the other side it was Kingsbury, was it not?

Voss: I think it was Kingsbury. I think Kingsbury and maybe Collier got into the act as well. The sources of my information would have been "Cap" Rieber himself--I knew him--and Alex Singleton, who was Rieber's protege. It's worth mentioning, I guess, that Gus Long was a Rieber protege at one time. I got to know "Cap" Rieber after

I came back to New York and, indeed, after I was president of the company. He was a highly intelligent man, very alert. He was a man of great vision, too.

So, very simply, the situation was one in which you had product known to be in abundance by the discovery of it, and he had no markets in that area; you also had a man in the business of selling overseas who had no product near the market and who, indeed, in pre-war years, had been taking product from the Texas Gulf coast all the way to Shanghai and Harbin. Obviously, there was a fertile field for both companies to prosper in joining together.

Marcello: So in essence, then, Socal has the oil, and Texaco has the markets?

Voss: That's right.

Marcello: And they decide to form, then, this separate company--Caltex. What is the advantage of forming a separate company such as Caltex? What was the advantage for the two?

Voss: I think it had to be that way or not at all, because you had to pass a lot of anti-monopoly scrutiny, and you had to put it out there where it was clearly visible. I don't think it would have been possible to have had a partnership, for instance, because you would have two partners who could talk together freely on some subjects and weren't supposed to mention some others. I think it was probably a legal necessity that there be a corporation. Then there were other good

reasons. It was useful to have the pattern that Caltex followed, which was separate incorporation country by country, and we can talk about that whenever you're ready to talk about it.

Marcello: At the time that this company was formed, you had mentioned in one of the pre-interview talks that Texaco had a "case and can" market. I think those were the terms that you were using. For the record, explain what was meant by that and what would become of it eventually.

Voss: I think you have to go back to the first vital product that everyone in the world wanted to get, and that was lighting kerosene. You have to go back to a period almost basically before electricity. Electricity was around but hadn't come to all of these countries. In Texaco's efforts to merchandise oil from the Texas Gulf coast, that they had available and could make available in the refinery but couldn't sell in the United States because they were being squeezed out, they very quickly tried to move to the overseas markets to dispose of some of this product. The nature of the business, first off, in going abroad was that a case of kerosene would have been two five-gallon tins of kerosene enclosed in a crate, and it could be shipped as deck cargo or put in the hold of ships. And it was a dry cargo transfer, not a tanker transfer. Everything in the pre-war time--almost everything until just before the war, I guess--was "case and can" and

later drum. Then later it was bigger drums, and then, finally, it was some small tankers and so on. The old-timers used to refer to kerosene as a unit of kerosene. A unit was a case. There's some very interesting stories about the "case and can" business. One of them relates to Australia and these vicious termite-like ants they have in Australia. Has anyone told you this story?

Marcello: No, they sure haven't.

Voss: I think this was supposedly in Queensland. Near Brisbane somewhere they had a large cache of cans stacked on top of each other in cases; they had put in a large supply to do for a year-round. Months after, it suddenly became obvious that this mound of cases...the cases weren't there anymore. The ants had eaten all of the wood, and the damn kerosene tins were in a great loblolly pile in the middle.

That basically was the market before the war. Cans were also the original containers for gasoline, and even in latter-day times, after the war, there were people who used cans of 100-octane gasoline at small airports in the Philippines. They hadn't quite gotten away from it--gasoline cans.

Then you come to the era of the drum--this, too, is prewar--where you begin to receive drums of gasoline and decant it into gasoline tank trunks. So it was a whole migration from cans to drums to deck tanks. Later it evolved

to tanker quantities and the development of what people began to call ocean terminals, where you brought the bulk in and put it into containers to make the trip. That's what was done in China. Immediately after the war--to show you the nature of the transition--you'd be receiving gasoline and kerosene by tanker. You would be filling drums and sending it up the Yangtze River, or you would be filling cans and sending it out into the countryside to be sold. So it was a long time in getting away from cans, I'm sure there are still lots of cans in China. Does that explain that?

Marcello: Yes. This kind of brings us back to China again, but I did want to get that into the record relative to what you had heard concerning the origins of Caltex. Trace for me the development of Caltex in China after World War II relative to market expansion. You mentioned before that the overall strategy was market expansion, and you also mentioned that Shell and Standard Vacuum were willing to leave Caltex alone so long as perhaps market share didn't get over 15 percent.

Voss: That was before the war.

Marcello: Yes.

Voss: After the war they had no choice but to move over, because we had the product and they didn't. We were in reverse positions. We had product closer to market than they did.

There were some very early controversies as to how you do this thing in an orderly fashion without having great price wars. For instance, C.P.C., which is the Chinese Petroleum Corporation, had just come into existence. C.P.C. had taken over the tankage that previously had been Japanese tankage. So the Chinese Petroleum Corporation is being created out of the old Japanese oil interests in China. None of the other companies would do business with C.P.C., even though it was owned and sponsored by the old Kuomintang or Chiang Kai-shek's party. It was part of Nationalist China's public companies.

Marcello: Why was that? Why wouldn't they do business with this organization?

Voss: The oil business belonged to private enterprise, so to hell with the government. The government competing in the oil business would be the end of everything. So no one would sell them anything, but we did. And we got lots of tongue-lashing for it. But it made life a little easier, and it also got us markets that we wouldn't have had. So we very quickly began to move into an expanded market position, which meant that we had to build more service stations and more bulk depots and more of everything. This, in and of itself, was no problem because in the economy in which we were existing right after the war, you had to spend your money as quickly as you got it because it would be depreciated out of value if you didn't. So we put tremendous amounts of

money into buildings and real estate and the building of houses and the building of tankage and so on; and we had built up a very large, more efficient network of distribution in time before the Communists would take it all.

Marcello: That rampant inflation that you talked about must have played hell with employees' salaries, did it not? How could you possibly compensate people under those circumstances?

Voss: You had to pay them on an index, anyway. The American employees were protected because their base salary was in dollars. To the extent that you didn't convert your dollars into local currency, you were protected. Also, if American employees could get overdraft facilities at the local banks, they were in a happy situation because by the time you were billed for your overdraft, it was again something that you wouldn't have to pay much for. So a lot of people used that facility. But there was a high cost of living index in local currency, or in some local currency. Essentially, Caltex very soon on had to adopt a policy of providing everyone with a furnished house, an automobile, and a driver.

Marcello: How about your Chinese employees?

Voss: That's part of the reason that China fell. There's just no way to adequately compensate your employees on a continuing basis against a runaway economy. There's just no way of doing it, although we tried.

Marcello: Do you try to compensate in part by paying them, perhaps, in

rice or some other basic thing of that nature?

Voss: Yes. As a matter of fact, there was a kerosene allocation to each and every employee. I think it was physically picked up by the employee. There was a kerosene allocation and later a rice allocation for all the employees.

Still and all, it was true that you couldn't keep money overnight. It just disappeared. The banks packaged the money and put a seal on it--there was a big package of thousand dollar bills about that big (gesture).

Marcello: About a foot thick.

Voss: Yes, like a loaf of bread. No one would ever think of tearing the seal off the damn thing. People noted who they got it from. In latter days, of course, they tried to wipe all of that out in the eleventh hour by issuing the gold yuan in Shanghai. Chiang Ching-kuo the generalissimo's son, was given the responsibility for holding the line against inflation in Shanghai. They executed a good number of brokers and exchange dealers. Chiang Ching-Kuo, incidentally, literally lived in the apartment under mine, and my two kids played in the garden with his two sons, who were half-Russian, as you know. Chiang Ching-kuo's wife was Russian. In any event, it was a lost cause by then.

Marcello: Those must have been hectic and chaotic times in China during that period from the end of World War II up until the Communist takeover.

Voss: They were and they weren't. It was like everything else. There were two worlds, I guess. There were the privileged and the others. You still had workable clubs in Shanghai that weren't too expensive. You had the French Club and the American Club, the Columbia Country Club, the British Country Club, and the old Shanghai Club. All of these are pretty fancy institutions in terms of even today, made so by trained servants, trained to do everything. Some of the Chinese cooks were the best in the world in cooking quality. You still could run a household with servants without turning a knob, except providing the money and wherewithal. If you had an intelligent Chinese houseboy or a number one cook or whoever was in charge of your household, he made a commission that you would never see or know of; but whatever you wanted, he could do it or would do it. If you wanted to throw a big party and didn't have the dishes, forget it--just have the big party. He would borrow dishes. You've probably been told this story, but the whole story is that in the apartment complex, they would not only borrow silver and dishes, but they tried to get them with your monogram on them. They were successful in many cases.

Marcello: This is projecting way ahead, but I guess that from what you've said, it explains in part why some of those ol' boys that were out in the Far East for so long had problems adjusting to life in New York City as they were promoted

in the company.

Voss: That's surely true. As a matter of fact, prewar China-- Shanghai--must have been paradise. The trying postwar period wasn't trying, as far as I was concerned. We were living pretty well. There was confusion and sometimes personal risk from fire and robbery and other things, but the mode of life available to you as an employee of a foreign company was pretty special.

Marcello: You mentioned that there were these two different worlds. At the same time, could an intelligent person see that the days of the Kuomintang and Chiang Kai-shek were limited? Had that become apparent?

Voss: I suppose it did. We all knew of the corruption that existed in the inner sanctum of the Kuomintang party. H.H. Kung and T.V. Soong alternated being Secretary of Finance. The Soong sisters really...there were levels below Chiang Kai-shek really permitted all sorts of arrangements. I'm not sure if it was out of ignorance, out of greed, or what it was. I guess it was out of the recognition that it was going to be hard to change anything in China except by power brokering between factions. It was not the warlord-type, but the section and factional-types of people, where everybody was going to get his piece of the thing. Anyway, I have always believed that Chiang Kai-shek, if he was hungry for anything, was only hungry for power

and recognition. He didn't care about the world he lived upon. In any event, did anyone see it coming? I guess we all felt that it just couldn't go on.

But then there was the feeling that any change that would occur would simply be a gentle revision at the top. Everyone talked, and I can remember the last speech that LeFevre made when he was last in Shanghai, telling people they could stay or go. In his opinion and in the opinion of those that he had talked to, these Communists weren't really Communists; they were agrarian reformers. That became part of the conversation pattern. I guess I believed they were milder than they were, in fact. But you heard all sides of the story: "They're not really Communists, like Red Communists; they're really agrarian reformers; there'll be some changes and compromises and new leadership, but China will be like China has always been." But it wasn't.

Marcello: How does that kind of a situation--more specifically, the corruption that was rampant in the Kuomintang--how does it affect the operations of a corporation such as Caltex? For instance, I've heard other people talk about the so-called "squeeze."

Voss: I know about all that (chuckle). In latter day times--I'm talking about right now--business people, in talking about Asia, where payments still need to be made, do not call it

bribery. It's "speed money," something that will implement an approval that you were going to get, anyway, if you waited long enough. Well, that's the kind of thing that you looked at in China at that time. For instance, there was sort of a standard fee extracted for government officials doing certain things, approving certain applications. This I found personally to be the case in the approval of title papers by the leading authorities. There seemed to be a recognized thing--one level of high payment was one "suit length." A "suit length" would be enough worsted material to even make you one suit or to make you a Chinese gown (I think they both required about the same amount of material). "Suit lengths" were dealt in in China, and they still are all over Asia. You go in and look at a "suit length" of material. A "suit length" was one thing; a fountain pen was another. Cash, you knew, had to be doled out one way or another.

In the oil business, it was an allocation of product that would make things move. Without being dishonest, if you agreed to give a guy a certain number of drums of kerosene, you were doing him a great favor--a great opportunity both to make money and to preserve his capital until he needed to liquidate. What you had to do was never do anything directly yourself.

This is the reason that everything in the prewar years

was done through compradors. There was a comprador for every major company--a number one Chinese for Shanghai and on through Tientsin and on to wherever else. These fellows did the necessary things.

As an example, probably the biggest example, there is at present, and still living, a very interesting man named T.K. Yang. At the time I went to Shanghai, T.K. was an employee of the Shanghai District Office. He had been someone with very special skills. When the Japanese came in and Caltex sort of went out of existence during the war, we had a lot of service stations in Shanghai. T.K. was in charge of service stations in Shanghai at that time for Caltex. I'm not sure of his exact position. After the war, he was surely in charge of service stations because during the war years he had conducted the Green Star Pedicab Company out of the Caltex service station locations. A pedicab is a tricycle with a passenger seat in back. Anyway, that was the name of the company--Green Star Petty Cab Company.

After the war, to reclaim the service stations, we had to get these occupants out of them. Okay, they're not going to move without money, and there has to be some involvement of local officials. T.K. did all that, but he negotiated with his Caltex friends to give him certain allocations of diesel oil. That, in and of itself, permitted him to make large quantities of money. So he was both an employee in

charge of getting Caltex service stations back and a dealer in his own right. He bought the service stations back and did the necessary things. He paid the "squeeze." We made it possible for him to pay the "squeeze" by seeing that he made enough money, one way or another, to afford to pay it and come out ahead. That was true with engaging lawyers or middlemen of all kinds. You functioned through middlemen.

Marcello: Earlier in our conversation, you were mentioning that one advantage that Caltex had over its competitors in China in the postwar years was that it had sources of crude close to the market. Explain what you meant by that.

Voss: Well, we had the Bahrain crude and the Persian Gulf crude. The other crude that was available was the Iranian crude, but a lot of that was moved to Europe, as you know. Some of the crude that had been available in the Indonesian area to Shell and Exxon was coming in smaller supply; some of the wells had been lost. You see, at one point in time, there was a great movement of product and crude from Asia to Europe through the Suez. Our proximity to crude was the great Persian Gulf crude and what we were beginning to realize what was available in Indonesia.

Marcello: That really hadn't been developed to an extent yet.

Voss: No, the Indonesian crude was not developed commercially until it was developed in parallel with three refinery projects--one in Australia, one in the Philippines, and one

in Japan.

Marcello: We'll talk about those in a minute, of course. One of the other things you mentioned in our pre-interview conference was that, to use your term, the "name of the game" in that immediate postwar period was to move crude oil. Explain what you meant by that.

Voss: You have to look at the profit-taking opportunities that existed--what they were and what the tax involvements were. Number one, we did have large quantities of crude oil that we had no market for; indeed, the world was going to have to increase its appetite very drastically for oil if we were going to move the kind of crude oil that we knew we had in the Middle East. So when you look at moving the crude, you've got a posted price for crude oil, and you know how much money you make out of that posted price. You know how much it costs to produce it; you know how much you have to pay the government; and you know what tax credits you're going to get from it. So the simple-minded owners of Caltex...I really mean that in the sense that they had not thought totally in terms downstream. They had thought, and correctly so...they were domestic oil people living in the United States: "We've got this barrel of crude oil. We can sell it. We will get a tax credit back in the United States for the taxes we paid to acquire it. We'll clear sixty cents and seventy cents a barrel on

the crude itself, and we'll pay no taxes in the United States because we'll have a tax credit to apply against it and so on." This is the way it was.

The greatest place to take your profit was from the crude oil, so then you have to develop the downstream outlets. You can give away part of the profit from crude oil downstream in order to affect your profits back there in the long run, and some of that was done. In general, to move the crude oil presented no problem if you moved the crude oil on a dollar basis; you got paid your dollar C.I.F. or really F.O.B. for the crude oil for the crude oil. You were home clear. You had no exchange problems; you had the dollars with which to meet your obligations. You paid dollars or gold to the Saudis; you took yours. Whereas, if crude were not the name of the game out here, and you made lots of profits in gasoline, there's a question of whether or not you can remit it as a profit from the Philippines or from these other countries. So the emphasis was to get it at the wellhead or get it at the port and keep the crude oil moving. This was the philosophy of the time. It was to move crude oil that you had to begin to dispose of because there was no market worldwide for fuel oil. So you had the great Bahrain pitch pond, and you had the Navy contract, which virtually gave away special fuel oil to the Navy, all of which was good business because you kept the crude coming.

Marcello: What were some of the more specific jobs that you were involved in in China at this time? You mentioned to me a moment ago that you had started out relative to title work and things of that nature. What were you doing in the latter stages of that period in China?

Voss: I negotiated the purchase of the Wheelock-Marden Building, which is the office building in Shanghai that Caltex occupied. It's a seven-story building--a curved building, on the corner, one block away from the river. It's still there. It was a modern building with elevators...a fairly new building. I don't know who built it. I guess Wheeler-Marden did build it. Anyway, Jim Marden was one of the great British captains of industry in the Far East. His son, John, is still in Hong Kong; I see him frequently.

But Jim Marden is another story; I got to know a little of that story. Jim Marden was a German physical instructor--the physical education-type--and he came to Shanghai to work for the old Chinese...worked in Shanghai for that Customs Service, training customs officials and keeping them fit and so on. He was a bright guy. At the time of the First World War, he could see the way the book had been written, so he made a transition from being a German to enrolling in the Royal Air Force. He became an Englishman because I guess he figured the English were going to win. Anyway, out of all of this, he ended up as

one of the big warehousemen and property owners in China.

Anyway, I got to know Jim Marden, and his son was about my age. I got to know his son in these negotiations. They had to be negotiations of some trust, and there were some problems in ever being able to buy this building because we could only pay in C.N.C.--Chinese currency. C.N.C., except at a realistic value, was of no use to him. So we entered into a series of contracts that stated our intent in a Hong Kong contract in a proper way, but actually we paid for it in C.N.C. on a daily basis. When we had surplus local currency, and Wheelock-Marden had a way they could use it, which really meant a way they could remit it, I think, then we paid. To that extent, I got involved in the local money market--having to be aware, having two telephones on my desk and that kind of thing--in order to pay for what we had agreed. We agreed to pay--it sounds like a small amount of money--\$980,000. In those days it seemed like a hell of a lot of money, and it was a hell of a lot of money. Anyway, that was one of the projects that kept me back and forth and on top of the deal.

Generally, I was drafting contracts with the Chinese Petroleum Corporation. There was another company...what the hell is the name of it?...Max Pollan's outfit. It was the Cathay Oil Company, a small oil company that began to broaden its representations in China. It was run by a

Californian named Max Pollan. We sold him a good deal of product on an expanded basis.

So these are two ways that Caltex expanded their penetration without exciting Shell and others--these two big supply accounts, Chinese Petroleum Corporation and Cathay Oil, as well as broadening our own market. I handled labor relations for Caltex.

Marcello: What special problems occurred in the field of labor relations in that postwar period?

Voss: I've forgotten the exact date, but I guess it was in 1947. No, maybe it was even 1948. Whenever it was, 1947 or 1948, you had the general feeling, with the increasing unrest in China, that foreigners might be devils after all, I think. There was a new rebellion in the Chinese academic feeling throughout the universities and even the middle schools and so on. An incident occurred that I got involved in, and I got a lot of other people involved in it ultimately. One of the students at National Chaotung University had gone home with a friend of his. They got off of a bus. This particular student was hit by a truck that belonged to Caltex, but, of course, was driven by a Chinese national, and he was killed. This caused a great student demonstration and demands for reparations--foreign companies oppressing the Chinese and all the rest. The students were marching and threatening the service stations and, indeed, had broken

glass in some of them and all the rest. The student himself came from Anhwei province.

As it developed, the president of the university sent word that if the managing director of the company would come to National Chaotung University or send a representative-- originally, it was if the managing director would come-- perhaps something could be negotiated that would quiet the thing down and to give the students some reasonable satisfaction. Then hopefully this problem could be avoided.

Well, of course, the managing director wouldn't come. The insurance company was very much involved, too, because they carried liability insurance on the thing. The company that carried it was A.I.U. American Asiatic Underwriters was their name at the time.

Anyhow, I was designated to go. I went with a Chinese lawyer name Kang Wei-chow and the driver in my car on appointment to see the president of the university, who, I believe, was a Princeton graduate. Anyway, he was a graduate of an Ivy League school in the United States. He spoke flawless English, of course. All of this had been billed in advance that we could probably pay some sort of consideration to somebody.

When we got to the president's office, it was apparent that it was a trap. Number one, he wouldn't speak in English. He was very curt. He asked for an enormous sum of money to

be handed to him, out of which he would compensate the students and the university would be satisfied and one thing or another. We told him we couldn't do that. We said, "Well, what about the heirs of this deceased student? We haven't even been able to establish any line of communication with them. They're up in Anhwei province. We understand they may come down." We presented every reasonable argument --that this wasn't a cold, heartless corporation; that this was a Chinese who made a mistake driving a truck. "What can we do?"

He obviously was going to have us because he said, "If you don't agree to what I've outlined, I'll just have to turn you over to the students." By this time, we could look out his window, and they'd taken my car and turned it upside down. There was a great mob of them out there.

Anyway, that's what he did. He turned us over to a delegation of the students. They harangued us and harassed us, and they broke the lawyer's arm by throwing him up and bumping him. At one particular point in time, we were backed off in a corner in a very large room, with all of these kids trying to get at us to tear us up. But there was another line holding them back. It was a pretty frightening thing, really.

Then later we adjourned for a meeting in the auditorium, at which they had a formal debate as to what to do with us.

I sat on the damn stage, and there were the pros and the cons. Fortunately, one man spoke on my behalf, and it was not known by anyone that he had had previous relations with me, and I didn't even know he was in the university. He was a young man (now living in San Francisco) whom I had met in Kuei-lin and had helped he and his family get out of Kuei-lin when the Japanese came in. He was going to Chaotung University--attending it. He recognized me. His name is Alex Chin. Later on, he had a couple of service stations in Hong Kong through Caltex. But Alex got some of his friends...he had been able to let me know that he knew who I was, but we didn't recognize one another.

Anyway, this thing continued all day and into the night. Very, very late in the evening--sometime after midnight, I guess--the then mayor of Shanghai, K.C. Wu, who was later to become the governor of Taiwan, came out and addressed the student body and promised that if they would let me go without further ado, he would have the managing director of the company come to his office in downtown Shanghai and meet with a representative of the students to adjust these claims. Finally, they did let me go.

In addition to that, there was one American who spoke fluent Chinese. He was a lawyer for the company, a guy by the name of R.T. Bryan. He came out, and he laced the hell out of them in Chinese. They gave him some time to speak,

and he had the courage to tell them how stupid they were.

Looking at it in retrospect, though, sometime later, you do know that the president of the university had made his peace with the new people that were coming in. It all, in fact, was part of the greater political drama of Communism or whatever left-wing approach you want to name it. There were several more incidents, and, indeed, this one didn't end there because the same thing happened at the mayor's office that happened at the university--all the goddamn kids came after promising not to. Ultimately, however, a very substantial settlement was made with the university, and probably the kid's parents got nothing--probably. They had to have another great funeral. You know, funerals cost money in China. You have to pay the mourners.

Anyway, that kind of thing happened, and we had another incident in getting the crew off of the old Captain Lucas, which was another labor problem where the crew seized the ship. And I was negotiating the collective bargaining agreement, if you please, with the Caltex labor union.

Marcello: Is this where we talk about Zi Ding-fung?

Voss: Yes, Zi Ding-fung.

Marcello: Do you want to go into some detail on that? I think that's an interesting part of the story.

Voss: Well, he was the leader of the labor union, and no one suspected that he had any connection with the Communists

(as he did). He seemed reasonable from time to time, but from time to time he would lose his temper and rave and rant. So Caltex had ups and downs and strikes of all kinds. More particularly, his influence was in the Shanghai area. I don't know that there's anything more to the story. He was a very colorful character. He looked like he might have had tuberculosis. He was sort of a skinny Chinese.

I had some very bitter sessions with him, including the one involving the ship. Laterally, I guess he trusted me because, as you probably know, he was the one that agreed with the Chinese Communists that if I would come back to Shanghai, Blaine Hollimon could leave. He wouldn't approve anybody else. I don't know if there was anyone else silly enough to volunteer. In any event, I guess Zi is dead now. I'm sure he is.

As Americans, we really didn't think that the Chinese could have any grievances; we didn't really believe it. I don't guess I believed it. In any event, I spent endless hours negotiating all kinds of terms to contracts that they were trying to get us to agree to. The specifics of them I can't remember now, but it was very forward about the guarantees of employment.

Is there some other variation of the thing that you've talked to someone about concerning Zi Ding-fung? McMillan knew Zi very well.

Marcello: McMillan talked about him in this light, and then, of course, McMillan had additional dealings with him once McMillan was interned.

Voss: Zi knew everything that went on in Caltex. He was the chief... they couldn't do a damn thing afterward without ol' Zi. Now he was an employee. He had a very small job, I believe, down at the terminal. I'm not sure. He became then the full-time labor negotiator and never worked anymore.

Marcello: Let's talk about some of the individuals who would have been active in the Caltex operations in China during that postwar period. Previously, of course, you mentioned Phil LeFevre. What was his role?

Voss: Phil was the managing director of Texaco(China), Limited. Phil had joined Texaco as a fairly young man, actually in a drilling operation in Texas. As a matter of fact, he lost one finger this way. I'm trying to figure out which one, because he always combed his hair with that one finger that wasn't there. These two (gesture)...I guess he lost part of these two.

Marcello: Two of the middle ones.

Voss: Almost like "hook 'em, Horns." (chuckle) Anyway, Phil had joined Texaco early on, and went abroad as a fairly young man--I think in the 1920's--to China. He had sort of grown up in the organization and came to the top. He was a Harvard graduate from an old New Paltz French family--Huguenot

background. He was a charming man and had lots of social graces. He and his wife were socially inclined in these great days in Shanghai before the Communists came in. They still had paper chases with horses across the countryside outside of Shanghai, and they still had polo games. Phil participated in these. As a matter of fact, he broke his collarbone in a paper chase in Shanghai. So he was a very charming, bright, personable man that was quite willing to delegate and--maybe to a fault--trusted people.

Marcello: Can you elaborate on that?

Voss: What? Trusted people? He trusted some people he shouldn't have trusted. But even people that he shouldn't have trusted were not inclined to do him in the eye because he had trust in them.

Anyway, he was a man that inspired loyalty and was easy to follow. He was a kind man, and he did a better job at what he was doing in his point in time, I'm sure, than anyone else could have. You had to be of that time and that era and that ilk to manage with dignity in China to accomplish what was done.

There were a number of old-timers. Phil's counterpart was a fellow named "Chief" Meyer. "Chief" was a similar man to Phil, and he represented Exxon and/or Standard Vacuum--whatever you call it. He was Phil's counterpart. Actually, the people that would have been "Mr. America" in those days

would have been the head of the Dollar Lines, the head of Caltex, the head of Standard Vacuum, and a couple of bankers. These were the upper echelon--the gods.

You had to have the ability to live and be happy in a club environment to some extent, and you had to accept the social values of the time. For instance, you had to accept the proposition that it is proper to exclude Chinese and White Russians from the Columbia Country Club: "That's the way it is. We can't have any Americans marrying any Chinese and working for us." It's not because I'm personally opposed to it, but because I have to sanction it because my peers at the clubs are really not going to accept this man if he marries a Chinese or if he marries an unacceptable European. I'd say White Russians were the principal unacceptable Europeans, but there were also the Eurasians. There was a great Eurasian population, which was part-Portuguese and part-Chinese. Then there was a mixture of French and Belgian and Chinese--sort of a loblolly group.

Anyway, Phil knew what he was doing, and he had the guts to do it, too. For instance, they were always wanting to fire him in New York because he spent money as soon as he got it because it wasn't going to be worth anything. If he cabled back to New York and said, "We want to build a service station of such dimensions," they would back to the old drawing board and say, "Show us your plans, and

show us how much steel you are going to use," and all that stuff. By the time they exhausted the money that he had to spend, it was not worth anything. So he spent the money and accounted for it later. He kept New York pushed off and didn't tell them everything. So he was a remarkable man. As you probably know, at his request, I said the final words at his memorial ceremony in New Paltz. He didn't want a preacher there to state the usual utterances at his funeral. We had a big reception afterwards. So that was the nature of his passing.

Marcello: How much credit would you give him for the establishment of the Caltex operations in China?

Voss: He's unquestionably the prime man in bringing it to the level that I saw it. He had had much to do with it before the war, and, of course, during the war he had been in Washington. There were others--his first two lieutenants. One was J.M. Hansen, who was originally a Dane, married to a Russian (she may have been European, but I think she was Russian). Hansen joined the company in China. He was a very gregarious, outgoing man. He spoke Chinese fluently; he spoke, of course, good Danish. For what purposes, I'm not sure, but he was decorated several times back in Denmark. He was a well-accepted seller of oil, too, among the Chinese and blended very readily into their culture.

He was sometimes a little lackadaisical about business

as we know it. For instance, they tell the story that when he was station manager in Nanking, the comprador did all the work, did all the business, and made all the reports. He was a fairly very young man. He was really not going to the office very much, and he never did go to the storage area. It is said that an auditor came up, and when they went to audit, there was nothing to audit. The whole bulk depot had been depleted--everything sold, everybody gone --and there wasn't even a typewriter to report it on. I believe this is a true story. But Hansen didn't get canned because this was just before the beginning of the war.

The other one was Hans Bieling, a very competent German. He was an interesting man who could never quite get the German out of him. He was a real, solid block of meat and muscle, too, physically. He always felt that he was being discriminated against a bit because he was a German, and perhaps he was. But he was a very kindly man, too, in a different way. He knew his business. He had a great appetite for booze, women, and food; and he didn't stand short on any of them.

He was smarter than Hansen in a business way--much smarter, really. The two were sort of rivals, but they were two very able men. Laterally, they were able to join forces because Larry Lawrence was the designated general manager when Phil was getting ready to leave. Larry had

been working. I think maybe he had been in Australia or South Africa. I'm not sure where Larry had been before he came. Anyway, he and his wife came to Shanghai, and he became the general manager, a job that Bieling and Hansen had thought they were in competition for.

Larry was reasonably able. I'm trying to give you an honest evaluation of these things. Larry had come to China in...I think he was at one time...first of all, he was from an old missionary family that had been in China. I believe he was an active YMCA person before he joined Caltex in Hong Kong. In any event, I think Phil had hired Larry earlier. Phil had great confidence in Larry, and Larry was intensely loyal to Phil. This is one of the examples from my earlier statement about Phil's trust. Phil trusted Larry, and Larry was not as smart as Phil thought he was, so to speak.

Then there were some other people. McMillan was one. He was up in Tsingtao most of the time, but he came back down to Shanghai at the tail-end of things. He took the rap for management by staying on, as you know. "Mac" was quite a character in those days, and still is. He was very colorful--a real natty dresser, even in China. He had all of his clothes sent out from a shop in San Francisco. He had a wife, and I'm trying to think who his wife was related to. Anyway, there were three wives that were somehow related.

McMillan and his wife adopted two children. Apparently, they couldn't have children or whatever; they adopted two children. Suddenly, his wife has gone home, and they're getting a divorce or they're separated. For that reason, "Mac" felt free to stay on in China. He had no place to go. Not that he had no place to go, but he didn't have to face the family problem. So he apparently readily agreed to stay.

There was MacMillan, and there was Blaine Hollimon, of course. Blaine was a very articulate man and an excellent writer. He should have written for a living; he was quite good. I have forgotten what university he'd gone to, but it's neither here nor there, I guess. His father had been the vice-president of the Southern Pacific, I remember. Blaine came to China, and he had a wife and one child. His family broke up when he came to China. His son stayed at home. I used to keep up with his family because I was working on a daily basis right next to Blaine. He was an interesting, curious man. He had been the executive assistant to Senator Morris Sheppard from Texas. He had worked in Washington for him for a number of years and had then gone and worked in the same office that Phil LeFevre worked in in Washington for the China mission during the war years. That's how Blaine came in.

Then you have a whole group of new people that joined the company. Some of them were real wild characters;

obviously, they hadn't been able to get a job anywhere else in the world. We had a fellow named "Tiny" Worden. Tiny was about 6'5"--big shoulders, blue-eyed. He was an engineer. He was director of operations or manager of operations in China at the time. He had been out there for a long time. He was gifted in languages and spoke reasonable Chinese. He spoke lots of other languages, too. When last heard of, he was teaching and had been for about the last ten or twelve years. He could consume alcohol like it was going out of style--like, all night; like, two or three bottles. He had a great capacity. He was quite able, but naturally he fell into periods of troubled times.

He had a chief engineer working for him, named Ed Stoker, who was a teacher, too, an engineering teacher. He designed a lot of the terminals and did a lot of the engineering work on projects from Shanghai to Singapore. Various others were in on that.

Then in the Marketing Department, you had George Rockholtz, who was in charge of the Shanghai District Office at the time I was there, for the years I was there. George had great ability, but his was the era of the past, and it was harder for him to make the transition. He was of the period when everything was done over a drink or at the polo grounds. For instance, he played polo and was a pretty good player, and he continued

to play.

One of the great controversies in China was...there was a guy named Reggio. What was Reggio's last name... maybe his last name was Reggio. He had been related to, and a delegate of, Il Duce (Mussolini) and marched with the Black Shirts in Shanghai--at the head of the Black Shirts on parade at the time. He was thought to be unholy, but he stayed in Shanghai without incident all through the war. He was a controversial character, that no one should be seen with--except that he played good polo, and he drank well, and he played bridge well, and he did other things well. "So let's forgive and forget." And everybody sort of did...except they didn't (chuckle).

Anyway, George was of the old era, and it was hard for him to get settled into the new era. I'm not sure what I'm talking about, but it was very hard for him to cope with planning and facts and figures and so on. He got somebody else to do that.

There were a whole bunch of other people who were contemporaries of mine. There was Kader Bryan, who was a bright young marketing man and who spoke good Shanghai dialect. There was Van Tyle, who was a slick-dealing service station operator-type.

There were two or three good ball players. For instance, the great thing in Shanghai in those days was the baseball

team. I'm quite sure that one of the reasons why I prospered early was because I was a hell of a good first baseman and a long ball hitter. You can delete this if you want, but I was the hero of the team (chuckle). But, you know, that didn't hurt you. Phil had actually hired a bunch of guys from the tobacco industry based on their ability to play baseball--a guy named "Doodles" Daniels, a guy named O.K. Smith, Marshal Newton, and a guy named Saunders. All four came from B.A.T., British-American Tobacco Company, and then they were hired locally.

But I'm getting way away from the thing. You wanted to look at significant people that contributed to the growth and prosperity of business, and I'm giving you character sketches of all these guys.

Marcello: Let me ask you this question, and maybe this will help you along. It seems to me that, given the transportation and communications as they existed, even in that immediate postwar period, you guys in China had a great deal of independence within certain bounds.

Voss: That's true. Everybody was treated as a reliable, responsible adult. I'm sure that you can't say that about all the guys in Las Colinas right now (chuckle). But I think everyone was treated in that fashion. I think it was that if you're good enough to be assigned in this country to function in these unusual circumstances, you've got to be trusted. If

you're not trusted, you've got to go. I think that was the general attitude.

Marcello: For instance, a moment ago you were talking about LeFevre and the rapidity with which he spent money for service stations and so on. People almost had to make those kinds of decisions out of necessity at that time, did they not?

Voss: They did, but, after all, the wire service was pretty good by this time. There was a previous period where that surely was not true, and Phil had come from that period--the period of the mailboat, which was the prewar period. In those days, I think telegraphic communication was too expensive and perhaps frowned on. So you served three-year--in some cases four-year--tours before you went home. You got mail maybe once a month. You answered it, and it went back next month; or if it was urgent and you could make the mailboat before it sailed, you could do that. There was that, and then there was the difficulty of communicating within the country itself. Their air travel wasn't highly developed before the war. It was pretty well-developed after the war, but you rode in some real buckets after the war.

Marcello: I would assume the whole internal transportation system, relative to roads, in China was still fairly primitive.

Voss: It was.

Marcello: Unlike India, for instance, where the British had been before, I'm sure there was a better road system there than there

was in China.

Voss: Yes, there was. It was much better. There were hardtop roads in China, but they were slow, so slow that you'd almost have to transit them in a jeep or some slow vehicle. There were no throughways; there were connecting roads.

If you think the people were living comfortable lives in China right after the war, compared with what I'd hear about life before the war, boy, it makes me real happy that I didn't get there then. Certainly, everyone had a tremendously comfortable life and saved money and, indeed, didn't have to work too hard.

Marcello: Let me ask you this. Are there any patterns being established in China that were going to be used later on when Caltex was to penetrate other markets such as Japan, for instance?

Voss: I think maybe two things were beginning to develop in China that had a follow-through in other areas. Number one, we began to accommodate the need to move fuel oil as an under-boiler fuel. We actually had a specialist come out from Texaco, a retired combustion engineer, to sort of help foster this development. There was the one great power company in Shanghai--the only power company and the biggest in all China--that converted from coal to oil. I had to do the drafting of that contract because it had to be tied to the calorific value of coal--the going price did. It had to have lots of special provisions. So that began.

Then there was another thing. The arrival of cargos almost exclusively in tankers had begun to be the rule in China. The movement of fuel oil...the establishment of a riverhead for fuel oil...actually, the government permitted us to anchor a small ship in the Huang-pu River into which we discharged fuel oil. This preceded the massive development that rebuilt Japan in underboiler fuel for its total industry and led to the beginning of the development of ships. The first of the T-2's were purchased to carry product to India and China and the Philippines and some to Australia.

I guess those patterns developed. Nothing in the pattern of selling oil of any significance was developed in China.

Marcello: What kind of a potential market did Caltex see in China?

We're talking about a big country.

Voss: Well, you're talking about a country with a great many people in it, too. I'd like to comment a bit about the available market as opposed to what seems to be the available market. Many people have gotten into trouble in India in recent years by looking at the need of the country for cooking fuel, and they've converted that into LPG and how many bottles of LPG they could sell. Of course, the need for cooking fuel in India is endless. They're burning cow dung and twigs, and at sundown in every major city in India, there is a great smog that goes up just from cooking fires. It is true that

the market is endless. India could consume millions of tons more LPG than they do today, but they do not have the capacity, one, to buy the gas, and, two, to buy the cylinders or invest in the cylinders.

To some extent, China is the same except there was a tremendous market for lighting kerosene in China. Laterally, too, some kerosene was used for cooking and heating, but cooking more particularly. The big surge in consumption in China right after the war was a surge in filling the pipeline. At any point in time that, I suppose, coastal shipments into China would stop, it would be months, if not years, before that stoppage would affect the back-country market. So there would still be kerosene perhaps in Sinkiang Province two years after a boycott might have stopped it at the coast. Well, once that pipeline dries up, it has to be filled again. So you have bulk shipments coming in to ocean terminals, and they're being put into drums to ship upriver or up the rail line; they're being put into tin cans to go by trucks into certain other areas; in certain areas they're put into even smaller containers to be packed over the hills. To fill that pipeline--there were some estimates made--it takes two to three years once the pipeline is dried up. That in part was what was being done right after the war--filling the pipeline. You scarcely had the pipeline full when the Communists came down.

The market in China still is one that's hard to size up. I had some conversations with Chinese government officials a couple of years ago as to their national petroleum needs. They are producing currently about two million barrels a day of crude oil; they are consuming about two million barrels a day of product. They say that that's all they need because they don't use oil for underboiler fuel or for power generation. They use oil only for transportation, petrochemicals, feed, fertilizer feed, etc. Some of the transportation, of course, even uses coal; they have an increasing number of diesel locomotives.

In any event, I challenged them in a little debate about how much they needed. They have a balanced book now. They have a little bit for export, but their need is endless if they can afford to use it for that purpose. They could have more transportation. For instance, we talked about one billion people in China and increasing the national availability of vegetables by one cabbage per person. At one cabbage per person--I've forgotten the figure--they translated it into how many barrels of fuel this would take to move one extra cabbage. One billion heads of cabbage is a great mountain of cabbage, and it takes about...I think the figure was two to three hundred thousand barrels a day of extra fuel. So you can't just say, "What is the need? What is the market for petroleum?" It's governed by other

factors as well. Anyway, that's what I had in mind when I was talking to you on that.

Marcello: Let's talk about the beginning of the end of things in China during that 1949 period. Talk about the coming to power of the Chinese Communists in 1949 and how it affected the operations of Caltex and the personnel of Caltex. I think we've alluded to this a little bit.

Voss: I left Shanghai at the end of 1948. My family had left earlier. I have forgotten why I left at the end of 1948. I think it was so that I could get my leave and Blaine Hollimon then could get his later. In any event, it was determined that I should go home. I've forgotten whether it was in November or December of 1948.

So I only witnessed, at that particular point in time, the beginning of the fall of Shanghai. I left Shanghai shortly before the Communists came into the airport area, but they were already in the outskirts of the city when I was there.

Marcello: At that point, was there still the feeling that foreign business organizations could deal with these guys?

Voss: At that time, yes.

Marcello: Even by that period?

Voss: And still even later. If we had not thought that--I'm speaking for the whole company--if we had not thought that things would settle to a new pattern after the Communist

takeover, I don't think that anyone would have advocated that McMillan and Hollimon and "Stu" Marshall and Rockholtz would stay behind. Of course, it had been structured so that D.F. Lee would be able to take over as the titular head of the company. I think all of us believed that China went through cycles of revolution. Everyone thought in terms of China as a nation but knew that it wasn't quite, that it was a hodgepodge of things. I think everybody figured that.

Very soon, realities began to come home in the killing. In particular, some of the people that I knew went into Chinese prison camp. For instance, McMillan's wife, Marge, was engaged to a guy with a tobacco company, and he was put in prison in Shanghai. He really lost his mind. A friend of mine, Bob Bryan, who was the company attorney, I met him when he came out of prison into Hong Kong, and he was an absolute wreck. He was skin and bones, but I'm sure they tried to fatten him up a little before they let him loose. So they were really very, very rough on people that they put in prison. I think they were probably rougher on their own people than they were, perhaps, on the foreigners.

I guess somebody in the Communist hierarchy of China felt that China was a hopeless hodgepodge of local governments that had to be welded together by some drastic philosophy. I think that maybe Mao believed that, although

I really don't know what he believed. He lived too long, that's for sure.

Marcello: At this stage, I'm going to turn over the tape.

Voss: Okay.

Marcello: You mentioned that you had left China in 1948. You came back in 1949 to Hong Kong, isn't that correct? What were you doing in Hong Kong in that 1949 period?

Voss: To begin with, in 1949 I was sort of on the Chinese Desk, fielding the flow of information back and forth to those who were in China.

Marcello: This is what I was going to ask you. What kind of contact would have been kept up with the internees, I guess we can call them, back in China?

Voss: There were letters and some permitted wires and cables, but most of it came through the Hong Kong office in terms of letters. Some were carried letters; some were mailed. Most of them were carried. J.M. Hansen was in New York at that time with the responsibility for China--the China Desk. When I came out, I went and worked for him. I guess I worked half a day for him and part of the day for the general counsel of Caltex, who had an office across the street. We had an office across the street.

I went back to Hong Kong for the express purpose of being available to go into Shanghai to relieve Blaine Hollimon, who was ill. It was said that they would not

let anybody out without somebody coming in. So I went back to Hong Kong to process an entry visa. That went back and forth and was considered at various levels in Shanghai. That's the one that Zi Ding-fong had to do with pushing it through. I guess Zi Ding-fong made it possible for Hollimon to leave, even though I didn't come in.

While in Hong Kong awaiting that, I did various other chores, including working in acquiring the terminal site in Bangkok. We purchased a piece of property in Bangkok just down the river a bit from the city, and it had title clearances mostly having to do with old waterways on the property that had silted up through the years but still theoretically belonged to someone. So I was back and forth to Bangkok.

Marcello: Getting back to Hong Kong and what was happening on the mainland again, how were you financing these guys that were interned? What funds were they living on?

Voss: Well, some funds were left--some hidden away. In the time before the Communists took over, on a program basis the company had bought silver dollars--big head and little head silver dollars. The business of testing silver dollars is a great art done by a Chinese who thumps them and spins them, and he can tell almost as fast as he touches them whether they're the real McCoy or whether they're maybe a fraud. Some gold bars were left with all the guys that

were still there, and some arrangements were made for them to draw funds from other local foreign banks, not U.S. banks. I think the bank that we had the most to do with was the Dutch bank, and I think it was through the Dutch bank that we sent the remittances to D.F. Lee through the years. He had to go to the bank personally and be personally recognized to get his money. He finally had to get Treasury approval from the United States for that, although I think we did it without it for a while. So there were ways of getting the money to them.

I'm not precisely sure how much the Communists let the local guys draw, but they let them draw something out of the account to support themselves. Of course, everybody had his money paid at home, anyway, so to the extent that they wanted to sign a check and convert it or change to money, they could do so.

Bear in mind, we didn't have anything left. The Communists took over everything. They gave us receipts for everything, but they took it all over. It was all theirs; we had nothing. They kept these four guys around so they'd have something to pin the tail on.

Marcello: So very quickly you can see that you're not going to be able to do business with these people.

Voss: That's true. You can very early see that you're not going to do business with them. Then the emphasis was to try

to get the guys out.

Marcello: What part did you play in the efforts to get them out of China?

Voss: Virtually nothing.

Marcello: You were gone by that time.

Voss: I was gone; I was in Hong Kong. We sent some supplies. There were some ships running the blockade into Shanghai. These were largely British ships, and from time to time, by arrangement, we would put supplies in the hands of the captain to turn over to "Mac" and his friends in Shanghai. Mostly, they wanted cheese. I've forgotten that they wanted anything other than cheese. I do know that on one occasion, we had sent some cheese to the ship that went out and stayed outside the Yangtze and couldn't get in. It waited and stayed at anchor for a month or so, and then it came back to Hong Kong, and our cheese was returned to us. God, it was ripe! It was a very huge cheese. I've forgotten what kind it was. I hope it didn't start out as a blue cheese; otherwise, it would have been walking. In any event, we finally gave it to an order of priests who came and looked at it and said it was quite usable, and they took it away (chuckle)..

Marcello: Let me ask you a very cynical question at this point. Were the careers of those four guys helped any by having made what, I guess, would be called a sacrifice? Is that a fair

question to ask?

Voss: Yes, it's fair. The only answer would be that, I think, they were assured lifetime employment by having done that. As it worked out, it really didn't...I'm going to tell this as it is. If some people read it, they might not be happy. In McMillan's case, he was very highly thought of, and he was very able. He was a great salesman in all respects, and he knew how to run a company. The company was high on "Mac" when he left. So they put him into a slot they thought he deserved, which, I think, was the number two or number three position in the Philippines, after he'd taken his home leave. "Mac" got a generous settlement from the company. They paid them all some special money after they got out. It was a very generous settlement.

"Mac" bought himself a fancy Jaguar. When he was reassigned to the Philippines, he took that Jaguar with him into the Philippines. I don't know all of this for a fact, but I got the echoes that the established group in the Philippines were reluctant to receive McMillan in the first place because, you know, "the old China boys are not so good in the Philippines." But more particularly, he was putting on airs with this goddamn Jaguar (chuckle). So he didn't prosper. I'm not sure that that would have anything to do with China, but I'm just giving you one case.

"Mac" went on to other things. He went on to Europe,

and he did other jobs, but he didn't get any outstanding boost from this thing that he did.

Rockholtz was sort of toward the tail-end of his career...not the tail-end, but George had limited ability. He ultimately ended up in Germany working in an organization, and he had been trying to de-Germanize himself for years and really didn't want to be associated with Germany or Germans. So he was very unhappy. He was not well-received by the Germans, who suspicioned him because he'd been in this long service overseas. So it didn't help George.

"Stu" Marshall, who has now passed on, had limited ability as a shipping man. It was thought that he had more ability than he did. He later worked for me in Japan; I became his boss after he'd been in Japan for a while. So he came to Japan and began to work in the shipping end of the business. I must say he grew with his job. He ended up being acceptable in Japan and working with the Japanese, but he was not wanted in New York by the shipping people. He didn't fit them.

The other one, Blaine Hollimon, went to the Philippines. He did a lawyer's job, a very good one, in acquiring real estate for the refinery. He remarried, had two or three kids, and embarked on a new life. He then actually retired and came back here and died in San Antonio. Blaine didn't really grow much beyond being what he would have been had

he stayed.

On the other hand, you have a rewarding of Bieling from the first occupation.

Marcello: This is from the Japanese occupation.

Voss: Yes, the Japanese occupation. Bieling was put in the upper echelon of the company after the war, and I don't think he would have been had it not been for taking the rap in Shanghai. I think Phil LeFevre figured he owed Bieling that.

Marcello: It seems to me that at this stage, Caltex is really on the verge of busting loose. Is that safe to say?

Voss: To grow?

Marcello: To grow, exactly.

Voss: Yes, but they didn't think so when China was overrun.

Marcello: That's true. But we're getting into that period of pretty rapid growth and pretty rampant expansion. At this stage, let's talk about some of the policies that were developed that were really going to project Caltex into a major force so far as oil in the Far East and the Orient is concerned. Earlier, for instance, you talked about the development of the tanker fleet. Why don't you discuss that a little bit?

Voss: I was not part or parcel of the central planning forces in New York at the time that some of the final decisions were made. I was out in the field. It had to be obvious to everyone in the late forties that with the resources known to exist in the Middle East, we had a great potential to

expand Caltex, certainly in Asia and Africa. All of this clearly required the mass movement of product. At that particular point in time, I think everyone would have been thinking in terms of product, not in terms of national refineries.

An early decision was made to buy T-2 tankers from the U.S. government. I'm not quite sure when this decision was made, but over a period of years, these T-2's were delivered, commissioned, and manned. Various types and kinds of crews were put aboard, including some Chinese crews. A lot of the early T-2's actually were manned in Shanghai, which would have meant that they had to be coming into the fleet in 1946, 1947, and 1948. There was a steady stream of them that came in, and there were some Chinese boarding masters that put Chinese crews on board these ships.

This facilitated the early movement of products. The big bulk movement was facilitated by the T-2 acquisition, which, indeed, was a wise one. We didn't really begin to build any ships until, I suppose, about in the fifties. We just acquired these particular ships, although we may have built some in England. I'm not real sure.

Anyhow, the next problem to be sorted out, of course, was the fuel oil problem. The world needed a lot more gasoline than kerosene than you could run on a balanced basis with

fuel oil, so you had to begin to think in terms of catalytic cracking and reforming in order to increase gasoline and white product yields, minimize fuel oil; you had to begin to think in terms of moving fuel oil. Indeed, we began to make these moves first in Shanghai and then into the Japanese market, where it was clear by any standard that Japan was going to have to have underboiler fuel for the future. That, sort of, is the position we were in, I suppose, about the time China fell.

When China fell, there was a great hanging of crepe in Caltex to some extent because there was a feeling that... the most lucrative market, up until that time, had been China. Perhaps it was artificially lucrative because it was being supported by the United Nations and U.S. funds in their U.N.R.A. (United Nations Rehabilitation and Relief) program. In any event, it was highly, highly profitable.

Then, without too much of an interval, begins the pressure for national refineries. Obviously, if you have fuel oil to get rid of, you might as well take it on to market and use part of it as your own underboiler fuel in local refineries. I don't know where you start on the thing. There were pressures in Australia for local refineries. Everybody in the world seemed to think in terms of wanting their own refinery. As a matter of fact, it became a current sort of conversation that every backward country

wanted an opera house, an airport, and a refinery.

Marcello: And a steel mill, too, probably.

Voss: And a steel mill, right. Anyhow, certainly you have to segregate out Japan as being something different and special. In Japan a determination had to first be made as to whether or not Japan would be permitted to support itself. The treaty and the other papers surrounding the treaty either stated or implied that Japan would never be permitted to have a refinery again. They would be forced to use product because refining gave them a war potential, and also the same thing applied to steel mills and many other things.

Obviously, you had a choice. You either put the Japanese on the dole, supported by the taxpayers in the United States, or you let them take care of themselves. If you let them take care of themselves, they had to be permitted to rebuild and minimize their foreign exchange expenditures. It was in this direction that all countries began to think in terms of their own refineries to eliminate the refining portion of the cost of petroleum--to make that a local expenditure instead of a foreign exchange requirement.

Needless to say, MacArthur deserves a great deal of credit for relaxing the rules in Japan. Quite before it was ever officially done, MacArthur had indicated that this was the only sensible thing to do, and this is when Caltex began to think in terms of refineries in Japan, fuel oil

potential in Japan, etc.

This all began to gel. Caltex originally had a consignment agreement with Nippon Oil Company for the sale of product. We consigned it to Nippon Oil Company so that they would not have to pay for it until it was sold. This was a very forward-looking and daring facility, I might say, because the Japanese used the credit, and we had almost a year's credit extended on a lot of product in Japan in at one point in time, which was bad business--except that it paid off. The Japanese, at least my generation of Japanese, will never forget that. The present generation probably has forgotten it--that line of credit. Most of that petroleum was paid for by Government Army Relief Funds or whatever, something like that, and programmed into the stream by a petroleum division of the economic-scientific section of SCAP, in which Herb Fish worked, Lyle Stone worked, Chris Livingston worked, and a guy named George Jilson worked. Jilson was a lawyer, a Washington lawyer. He's retired in Washington now. Anyway, these guys all worked later in Caltex. They were aware of this transition. Then people left the government and went over to Caltex--in place, so to speak. Anyway, our first contract was to supply Nippon Oil Company on a consignment basis with all of the product that they could get exchange allocations for through government. We did that.

Part and parcel of the consignment account that was written with the Japanese...and I must tell you it was the most one-sided Japanese...and I must tell you it was the most one-sided agreement that I ever had anything to do with. We had all the rights, and they had none, so to speak, except that we didn't use it that way. The credit was there. But they agreed in that that they would buy their requirement of crude and products from us on an arranged basis whenever we got around to formalizing it. In other words, it was a contract to make a contract, and they said, "We'll buy everything from you when the time comes that we can rebuild our refineries." I've forgotten the exact wording. It was a contract to engage in a contract, which they finally did.

Marcello: Why would Nippon deal with you as opposed to Shell or Esso?

Voss: They would deal with us for one principal reason--we trusted the same middleman.

Marcello: Who was this?

Voss: A fellow named Shunkichi Nomura. Shun was a very special person. He looked like an American Indian. He looked somewhat like the Indian on the nickel, but without the braid. Shun actually passed himself off as an American Indian from time to time with the girls in his earlier days in the United States. Shun was very able, very knowledgeable, and trusted by the Japanese. He had a

facility of inspiring trust on the part of foreigners.

Marcello: How did he come into the picture?

Voss: He was there; he had his own business. He had purchased petroleum supplies from both Texaco and Socal before the war. He had an association with a fellow named John Black of Standard Oil of California. I don't know where he and John first met, but Shun had known John before the war and had done some business with him, either buying or selling. Shun had also been, at one time, managing director of Mitsubishi Oil Company, which he had helped form. His whole story is a quite lengthy one, and we can go into it in more detail later. He was that cog that counted at that particular point in time.

Marcello: I do want to go into his story later because I think it's an important part of the Caltex story in Japan.

Voss: The other thing that I have always contended--and maybe some people would say it's not true--is that Caltex had no built-in expertise in dealing in Japan. We had no great linguists. We had some people who spoke Japanese, such as "Robbie" Robinson, but we didn't have the highly-educated, elite Japanese scholars that Shell had and that Standard Vacuum had. We were the new boy, and we didn't know. We didn't know what obligation and counter-obligation meant. We didn't know how to act as Japanese, and these other guys did. We only knew how to act as American businessmen

who didn't know much. We were quite willing to think in terms of a 50-50 partnership. At that time our competition was not willing to think in those terms because they thought a partnership with the Japanese would be disastrous: "How can you have a partnership? You have to have control." So the others embarked on 55-45 ventures and on wholly-owned subsidiary accounts and one thing or another.

Marcello: Why did you guys decide on a 50-50 arrangement?

Voss: Because it was the only opportunity we had. We didn't have a position in Japan, you see. We had no position in Japan; we were going to come in. Shell and Esso and others had been competitors of Nippon Oil Company, after all. They were in the marketplace to some extent, although on a fairly small basis. So when we come in, the obvious thing to do is to try to do something with the big guy.

Very soon--the Japanese are pretty smart--they knew before too long that we had a better position. First off, they could buy crude only from us. Everybody in Japan was buying crude from Caltex because we were the only guys that had it available and for sale from the Persian Gulf. So when the crude first starts coming into Japan, we were selling crude oil to everybody on the block. After the restructuring of Aramco, you have a situation where Caltex, through Texaco and Socal, had an entitlement to 60 percent of the crude from Arabia; Esso and Mobil, between them, had an entitlement of

40 percent. They had to use a lot of that crude for their own purposes in Europe and didn't have as much available for resale in Asia, as we did in Caltex. This is the reason that after we really got started, after the rehabilitation of the refineries, we sold crude to Daikyo, Maruzen, Mitsubishi, Koa, and to Nippon. There may have been some others, but I think that's about all of the oil companies. We occasionally sold some to Shell, too.

Marcello: What exactly was your particular role in developing Caltex's joint interests in Japan?

Voss: I went to Japan in August of 1950--midsummer of 1950, about the time the Korean War broke out. My first job in Japan was to work on the Okinawan project, in which it was being proposed by the military government in Okinawa that a petroleum company, a Ryukyu Petroleum Company, be formed and that there be the commercial distribution of some sort of petroleum in Okinawa to relieve the Army's problem of supply.

At that particular point in time, there was the beginning of the discussions about the opening of refineries and refining projects and joint ventures in Japan. I was traveling back and forth between Okinawa and Tokyo, and I began to work on the paperwork of a joint venture concept in Japan. I was sort of doing the "what if" scenarios on a whole lot of cases --what kind of documents to draw up, what kind of companies to have--and I began to look into and study the foreign

investment law and the foreign investment regulations as promulgated by the occupation forces. So I had several projects that were totally consuming. One was working on the Okinawa thing, and the other was working on the various joint venture scenarios.

The first of the joint venture scenarios to come to fruition was the Koa one, and it was almost sort of an accident. It sort of fell into our lap, so to speak. Suddenly one day, the founder of Koa, communicating through Shun Nomura, said, "Give us some credit on crude oil, give us a cargo on crude oil, and we'll sell you half the company," or something like that. Well, they didn't really have a hell of a lot to sell, and the shareholders were sort of fictional. But they were, nonetheless, shareholders. Koa had put together the old refinery at Marafu with borrowed and stolen equipment from the old arsenal, which had been bombed, next to them. Nonetheless, they had a crew still in operation, and I think there maybe a cracker. In any event, they had the refining capacity, but they had no money, and no one was allocating money for crude oil at that time. I've forgotten the exact details, but it's my best recollection that a cargo of crude oil on the Rum River, which is one of the Caltex T-2's, was essentially gifted to Koa...not really gifted, but we discharged the cargo before there were clearances to buy it, and we gave Koa credit.

Marcello: Why did you decide to enter a joint venture with Koa? From what you've said, this outfit didn't seem to have much going for it.

Voss: They had a refinery; they had real estate and some people; and again, there was Shun Nomura's persuasiveness. Actually, the purchase of Koa first, before Nippon Oil Company, was troublesome in that it got us into antitrust problems that we had to sort out. It actually delayed the finalization of the Nippon Refining Company venture. In any event, the Koa one had to be done in a hurry. Everybody decided they'd do that, so I think the amount of money that changed hands was...I'm not sure, but I think Caltex paid \$275,000 for half-interest in Koa. This was done, I believe, just before the close of the year.

There's an interesting story about that, and a very human story. There was a fellow named George Knox, who worked with Caltex, and he was in Japan at that time. George was part-Chinese and part-Portuguese, I guess, but he was one of those fellows that was a so-called "physically attractive" Eurasian-type, and a real hell of a fine guy. George went down to Koa to monitor the discharge of the Rum River--this cargo of crude oil. This was a great event, and Mr. Noguchi, the chairman of Koa, was there to monitor the event, too.

You have to remember...it's hard to remember in these

times the poverty that was Japan at that time, but it was indeed poverty for all. Everybody could stand another piece of bread, so to speak. Anyway, George was there, and the old man, Noguchi, came to George, and he had a bento box. I don't know whether you know what a bento is, but a bento is a sort of a little box with a packaged lunch in it. It has a base of rice, and in this case there was a bento box with rice and an egg on top. Noguchi spoke very little English, and George spoke very little Japanese; but as a gesture, the old man came over, took his chopsticks, cut the egg in two and the bento in two, and he took half and gave George the other half. This has some kind of a symbolism to it. I don't know what the hell it is, but certainly it was a feeling of sort of one for the other that is hard to translate.

Then after the Koa thing, we went into very hard negotiation on the Nippon Oil Company one in the succeeding year. Most of that was troubled by lawyers--American lawyers--who, I always say, couldn't get a job at home so they were out there, but maybe that's not true. Maybe that's the reason I was out there (chuckle). They were bureaucratic lawyers that depended on waves for recognition, so they contended early on that it would be a violation of the antitrust regulations for us, after having acquired Koa, to acquire another competitive Japanese oil company. But we had

structured the Koa thing to where we thought we could do it legally, and eventually we got it through, got it passed. You had to pass two sets of regulations, which made it very difficult. Number one, you had to get clearance of all of the economic and scientific section of SCAP and the blessing of the commander-in-chief, so to speak. Then you had to run it through the Japanese counterpart hierarchy that was established to do business with these guys. You had to carry the ball in two different places.

We finally got there and formed the joint venture in which Nippon Oil Company threw in all of its Pacific coast refineries, and Caltex put in \$6 million in cash and agreed to lend some money to rebuild the Yokahama refinery. The amount of the loan funds, roughly, was--if you looked at all of them--between \$25 million and \$30 million. The cash that we put up for shares--the \$6 million--in part we siphoned out by buying a tanker. We took in \$6 million and paid \$2 million to Caltex to buy a tanker that we transferred to the Japanese fleet. We had the beginning of Tokyo Tanker with this one tanker, and added to that were other tankers that came along.

Marcello: What else can you tell me about the formation of the Tokyo Tanker Company?

Voss: Nothing, really. I formed the damn thing and wrote the articles. It was not as easy to do as you would suppose

because there are certain legal requirements. For instance, the main problem in transferring a tanker to Tokyo Tanker Company occurred because the Japanese Maritime Code states that for a Japanese ship to be a Japanese ship and to have a registered Japanese flag, 100 percent of the directors of the company must be Japanese. It does not address itself to the ownership of the company, as we thought it might, so we had to finesse that one. We were going to own half of this company in the beginning, you see. Nippon would own half; we would own half. But we had to give up our right to the directors that went with our half in order to make it fly in Japan, and that wasn't so easy to sell to New York, you know. But anyway, that was the first obstacle.

Tokyo Tanker Company began by being managed by a company called Nippon Tanker Company, which was a separate company. It was run by a guy named Matsuda, who was a great character, too. Matsuda had been chief of the Japanese tanker fleet during war years. He'd been the boss of the consolidated tanker fleet that the petroleum industry had. He ran the whole thing as a pool, and he ran it after the war in the same way. He had previously been in Nippon Oil Company before he ran the Nippon Tanker Company fleet. So he and "Stu" Marshall began to work together at that particular point in time in creating this company.

Again, you have to be thinking in terms of the hard

currency component of the trade. The Japanese cannot afford to pay out dollars for freight if they can have their own freight for which they could pay yen. They had not yet developed any dollar-earning capacity, so that's the reason for the development of the national flag freight component.

Marcello: We talked about Shun Nomura awhile ago, and from time to time, we've also talked about human interest stories in the history of Caltex. Again, tell me a little more about Shun Nomura because obviously he played a very important part in Caltex in Japan.

Voss: Well, I'll tell you as nearly as I can the accurate story. I'll check it to be sure later. Shun was an attractive man; he would have been attractive in any nationality in any place. He went to school in Kobe--finished in Kobe. I think it was Kobe Business College or whatever else. His father had been chief of the South Manchurian Railway at one particular point in time, and this is where Shun comes from.

Shun married the female heir of the Iwasaki family, who were founders of Mitsubishi. Three brothers, who were Iwasakis, and one daughter...the daughter married, and her daughter and Shun married. His wife was both of the Iwasaki family and Baron Matsukata...his wife's name was Matsukada. Shun's wife was a Matsukata, and Matsukata was the female line of the Iwasaki family. So he had

particular relevance to Mitsubishi originally.

At some particular point in time, Mitsubishi wanted to have an oil company, and there were some conversations. The fellow came out to Japan to nose around; he was working with the old Associated Oil Company, which later became Associated and Tidewater. Tidewater and Associated joined together and became Tidewater and Associated and then later was Getty. A guy came out, named Cottrell. Cottrell was a very interesting senior citizen when I finally knew him, and he laterally had worked with Standard of Ohio in the sale of boron after he retired.

Cottrell and Shun began to talk about forming an oil company in which Associated and Tidewater would have an interest. Indeed, they did form a company and set it up as Mitsubishi Oil Company. Shun became, at a very early age--I think while in his middle thirties--the first managing director of Mitsubishi Oil Company. Maybe because of some alleged indiscretions or otherwise, people began to say that Shun was the managing director only because of his family connections. This, to say the least, pissed him off. You can put that on the tape, too, because I'm sure that's exactly how he felt about it.

So he bolted Mitsubishi and went to work for Mitsui. They say that he's one of the few men that ever had a senior position with one of those great houses and then went to

another one. It was with Mitsui, then, afterwards, that he did a lot of work in the United States and developed some of its first contracts with the California people and others and became an independent crude broker in Japan. He worked in this country for Mitsui, and he also worked for Baron Matsukada in buying him some oil property in Texas in the very, very early days when they thought all the oil in the world was in Texas. So that's the thing where he comes from.

He also was a great sportsman and well-known in all arenas of sports, but more particularly in golf. He's probably the main booster and father of the great golf thing in Japan. He was a seven-handicap player until his death at age seventy. That was his background.

He had some very famous stories that he told, and I would like for you to keep this piece of it classified. I don't mind putting it on the tape; I just don't want it broadly published. He was a long-time friend of Admiral Yamamoto. Yamamoto, as you know, was a distinguished Japanese naval person and had had a good deal of U.S. training. I think some of it was actually at Annapolis. In any event, he had a thorough-going knowledge of the might of the United States, and Shun did, too. Needless to say, they saw disaster. Both of them, I believe, saw disaster when Japan was getting committed to this conflict.

Shortly before Pearl Harbor, Yamamoto went to sea, so to speak, which meant he didn't see anybody anymore.

He wrote Shun a letter, and I believe he saw Shun. But the letter that he wrote Shun said, "You know and I know that we're embarked on a precarious course of action. The end of it has to be disaster. We know the might of the United States and its ability to retaliate," or whatever. Whatever he said, I'm not sure. He said, "In any event, I'm putting to sea. I'll do what is my duty as a Japanese to do. I will acquit myself well, but I can see that it isn't going to come out all that great. Will you please keep tabs on my wife and see that no disaster overtakes her or whatnot." That occurred, and Shun did take care of Yamamoto's wife, in a very quiet way. I am told that the letter is still among his personal effects. I think it's a story worth somebody knowing some day. If the family wants to keep it in the family, we'll take out this story.

Among other things, Shun in his private papers and collection has a great many letters from American ballplayers and a baseball signed by Ruth and Gehrig and all the rest. He played on the first pick-up baseball team to invite an American pro team out. The team came out with Babe Ruth, Lou Gehrig...who the hell else? Well, he's got a baseball signed by all of them, or did have. I wanted to steal some

of them after his death, but I didn't know how to go about it (chuckle). In any event, there's that part.

He was always involved in the committee to handle American professional athletes, and there are some interesting stories about that. He said he was in charge of women for Babe Ruth, and it goddamn near killed him (laughter). He said he'd never seen anyone in his whole life that could use as many women as Babe Ruth. But then he later got acquainted with Samuel Jackson Snead. Snead was the same damn way; he was an absolute, total womanizer.

Marcello: There were two other things that you mentioned about Shun Nomura, and I want to get it into the record through your explanations. In our pre-interview conference, one of the things you said about Shun was that he was "very Japanese." What did you mean by that?

Voss: Well, just that. What I meant to say was that in spite of his passing comfortably with foreigners, you could not make the mistake of misreading it to say, "He is on our side culturally and intellectually and so on." He was comfortable with foreigners, and he understood foreigners; but whether he understood it or not, he was for everything Japanese, and he was Japanese and there was never any idea that he was a bridge or a middleman. I said that, I guess, because a lot of people made the mistake of assuming that he was less Japanese because he had served so many years overseas.

I think it's true of all Japanese--they never get less Japanese. They really don't, for some reason.

Marcello: There was something else that you said in our pre-interview conference, and I want to get your thoughts on it. You also mentioned that Shun Nomura was "a very special man," and I believe you meant that in a personal sense.

Voss: Yes, in the sense that he was a very close personal friend of mine--yes. I would have trusted him with anything and everything. As a matter of fact, I suppose, if you want to put it on tape, he almost felt that I was in the nature of a son--in the nature of a son because, I suppose, age-wise I could have been or maybe could have been. We had a very special relationship, one that permitted us to joke about the serious and also that permitted us to have violent disagreements without blowing the roof off. I had a very personal relationship with him, as did Steve Van Nostrand, who is here, and perhaps MacIver did, too. I think Lyle Stone did, too.

Marcello: Herbert Fish also spoke very highly of Shun Nomura.

Voss: Yes, yes. Shun would have a higher regard for the others mentioned than he would for Herb. I don't know why. Anyway, they were very compatible, too.

Shun, of course, did many chores for many people. He made a survey for the Japanese government, just before Pearl Harbor, of lube oil supplies on the China coast.

Again, having easy access, he went to Tientsin, Shanghai, and Tsingtao. He saw Phil LeFevre and, indeed, I think, bought a big stock of lube oil from Phil just before Pearl Harbor. I don't know whether it was shipped or not, but it didn't need to be shipped because they were going to seize it, anyway. I think it was a question of selling it before they took it. In any event, Shun did that kind of a chore.

After the war, he was very close personal friends with the prime minister, Mr. Yoshida. You know, Mr. Yoshida is about this high (gesture).

Marcello: A very short man.

Voss: A ruddy complected prime minister. I got to know him fairly well, and in latter years I went out and met with Yoshida on behalf of John Rockefeller to give the initial funding of the Japan Society Building in the United Nations area.

Several people came to Caltex as consultants at the request of the prime minister to Shun. One of those people was Mr. Kadawaki, who someone may have told you about--a most distinguished man and a vital part of the latter-year relationship. He was present, too, in the latter part of the formation agreement, but he was not well then. Mr. Kadawaki was the charge' in Moscow at the time the war was over and therefore was a senior Japanese diplomat and was put in prison in

Moscow. Actually, he had been en route home from France. He had been, I think, maybe charge¹ in France. He was a career person in the diplomatic service, and he had been coming home through Russia because that was the only way to get there. The Japanese ambassador, seeing the way things were going, was getting the hell out of Moscow himself. So he left Kadawaki in charge, although he was a sort of a temporary assignee. Anyway, Kadawaki was charge¹, and he was in prison camp until 1951, I guess, or thereabouts, and he was coming home.

By this time, of course, the Japanese government has a limited number of jobs. Certainly, they don't have many jobs for foreign service people. Kadawaki had tuberculosis, I guess, in prison camp, and I think he had a lung operation of some sort shortly after he came back.

In any event, he is disabled, he needs a job, the government doesn't have a job, the government doesn't have funds to pay people with, you know, and so on. So Yoshida said, "Here's a man with special skill. You guys have got to give him a job. Make him a consultant." So Kadawaki came as a consultant, and this, of course, helped things move and helped Caltex.

Kadawaki was later to become vice-minister of foreign affairs and then later still, the ambassador to Moscow (Japan's first ambassador to Moscow after the peace treaty

was signed with the Russians). Then still later, Kadawaki comes back and is our delegate on the Koa board and on the N.P.R.C. board as well. Also, he became, at the government's request, the president of Otani Hotel Corporation. He ran the big Otani Hotel in Japan for a number of years, as a second career.

He was a very, very special man. He came here to visit me two or three times. He had the respect of all the Japanese diplomats. My friendship with Kadawaki was paid ten-fold over because anybody that knew that I was friend of Kadawaki's knew that I was all right. But you can get Steve to tell you about Kadawaki--another very, very special person that fits into the niche of one of the biggest damn companies in the world, because that damn joint venture was tremendous and it was doing about two million barrels of crude oil a day before the prices of the oil...what do they call it now... the oil fright...not oil fright...

Marcello: ...the embargo.

Voss: Well, that's sort of rambling, but that gets a lot of nonsense into the record that we can pull out and tie down if you want to do it.

Marcello: We were talking about the names of some of the Japanese that were prominent in the development of Caltex and Nippon Oil and Koa in Japan. Why don't we continue along that line of thought. Who were some others of these people?

Voss: I think probably it would be useful to take them by companies. In Koa's case the founder and chairman was Mr. Noguchi, and his son presently is the chairman of Koa today. Mr. Noguchi's active right hand--perhaps it's a mistake to say that because the man was a very vital man in his own right--was Mr. Ousui. Ousui had a great deal to do with bringing Koa into the Caltex group, serving as an intermediary with Shun Nomura. He talked to Shun about what Noguchi was trying to do with Koa, etc. Ousui was a very famous man in Japan because of his involvement with the great scandal. Toward the end of the war, it was clear to Ousui and many others that the ships were going out and no ships were coming in. So he, in order to provide some kind of support for the employees of the company that was still somewhat dependent on the old Koa organization, contrived with the military to ship phantom goods to sea, but actually keep them at home. The ships were always lost, so it didn't matter. He was apprehended and put in prison and tortured very severely, but he never revealed his accomplices, which was a matter of great honor and important to one's reputation in Japan. He also was a very famous black belt judo champion. Ousui was the number two man; he was the managing director under Noguchi. He, along with others, had been associated with Noguchi in Noguchi's earlier venture in Sakhalin, which is now occupied by the Russians.

Out of that Sakhalin atmosphere also came Mr. Jiochi, who followed on behind Noguchi, after Ousui's death, as the number two man in Koa. Jiochi was a very honest, reliable, dedicated man--very easy to get along with. Most of the Koa organization had been in Sakhalin, and most of them spoke Russian. It was that organization of old Sakhalin oilfield workers and refinery workers that put together Koa during the war years an additional refinery for the support of the military. The Koa refinery never really got started because almost from the very beginning it was harassed by bombardment, and it never produced very much during the war.

Those were three very vital men in the Koa organization, plus Takiuchi, who was the son-in-law of Noguchi. Takiuchi was flexible and learned English quicker than the rest and was useful. As a matter of fact, he was originally introduced to us as Koa's lawyer. Takiuchi knew nothing about the law, but anyway, he represented Koa, supposedly, in negotiations with myself and others in doing the paperwork in creating the new company and so on.

On the other side, Koa had, of course, a full board of directors, but most of them were inside company directors.

On the Nippon Oil Company side, the leading figure from the Japanese side, sort of the founding father of this company, was a fellow named Y. Sasaki. Sasaki was especially

able for an Asian man. He spoke very little English initially, but he developed an English ability as time went on. It was necessary for Sasaki to convince his fellow directors in Nippon Oil Company that an alliance, a permanent alliance, with a foreign oil company would be useful and vital, even though they had been battered to their knees, so to speak. The Nippon Oil Company was really and totally bankrupt and out of capital. Of course, that was true of everybody in Japan. There was a lack of capital. It was a stipulation at the end of the war that all capital would be wiped out. There was no money for any purpose because of inflation.

In any event, Sasaki had to convince his fellow directors that they were not necessarily giving up their role as the largest and oldest Japanese oil company by joining with a foreign one. They could still maintain a feeling of total national independence if they kept the marketing 100 percent and formed a refining venture in which the two companies met--one with a big market and one with the crude oil. It was natural to create a middle company with a refining capacity--one became satisfied with crude sales, the other needing the product off-take. That came to plague us at a later point in time when both Mr. Follis and Mr. Long decided to try to buy an interest in Nippon Marketing Company, which was a very abortive effort and for which I was the executing agent.

I'll give you a brief description of some very significant men on the board. There was a fellow named Horie, who was a marketing director--a very knowledgeable, gregarious Japanese with great ability. He was thought to be too Japanese to do business with, but through the years he proved to be a friend who was trusted.

The original founding family of Nippon Oil Company was still on the board, and his name was Mr. Yamaguchi. His son has just recently retired from the board. But he was a very traditional Japanese. I had always been told that he had had little contact with foreigners, but I later discovered that he had gone to Harvard for a few years, anyway. Yamaguchi was the big shareholder, still, in Nippon Oil Company at the time we did business with them.

The number two man in Nippon Oil Company was Mr. Kurita. Kurita was a very curious little man. He concentrated on the classics and on the traditional historic Japanese arts. He was dwarf-like; he was crippled on one side, and he had a rather large head that was totally bald. He was sort of like a gnome-looking fellow. He later gave me a decoration after he became the president of Nippon Oil Company--after Sasaki's death. Caltex had given a special discount on crude oil retroactively, and I had to go to New York to get the indulgence on this thing. When I came back, Nippon Oil was then able to make its dividend because

of this rebate. He gave me a medal that was previously awarded to Japanese generals for valor, a long-discontinued medal that was the Order of the Golden Kite. He wrote a little letter thanking me for what I had done and saying they felt that I should get a medal, and that he had secured this for me as a present because I had done what people should do to get such a medal. At the very tail-end, in his English (he did this thing himself) he said, "I am imposing this medal. This is the medal, if any, that you should get." That, of course, was good for a chuckle.

In any event, he was very important, too, and he was assigned the chore of being president or the chairman of Tokyo Tanker Company, which he took very seriously although the rest of us tried to treat Tokyo Tanker Company as a subsidiary in the wing that we controlled from the refining company. And indeed, we did. But the tanker company got so big that it had a great existence in and of itself, with all the big ships. That was one other vital character.

Of interest, too, as we're talking about the tankers, there was Tsuboi, who was very interesting. Some of this is just following along as I think of it, not in any sequence. When Tokyo Tanker had progressed to being a fairly large company, it became clear we were going to have to get somebody that knew about shipping and who had a special ability who could run it, and that it could no longer be run by

personnel supplied by Nippon Tanker Company. In the search, it was very hard to find someone, except we found Tsuboi, who was under a cloud. He had been the number one aide and secretary to the minister of transportation, Murata. Murata was accused of stealing a lot of money somehow or another, or taking bribes. Actually, Tsuboi was the bag man and was the one stuck with the thing as they began to try it. So he was out of the job, and we had the opportunity to employ someone who was competent and who, indeed, had served in Washington in the Japanese embassy in the postwar years as a maritime specialist. We thus had this opportunity to hire someone who was quite competent but who was under the cloud. We also, in looking around, could see that we weren't going to get anybody else to work for this foreign tanker company. So a great consideration of compromise occurred, with our eyes wide-open and after a little salving. I don't think the New York supervisory people were ever happy with it, but we engaged Tsuboi. Tsuboi was ultimately indicted, tried, and found guilty, years later, while he was working for us. But then it was appealed, and he got amnesty and whatever else. Anyway, he was very special and very good, and a wheeler-dealer.

So when you get down to a situation where we were, in latter years, dealing with people like Ravi Tikoo, who had the two big 470,000-ton tankers that were built and chartered

to Tokyo Tanker Company...he was a Kashmiri, and his father had previously been a finance minister in India at one time. Tsuboi could hold his own with a guy like that or with someone like Y.K. Pao, who is presently the owner of the largest tanker fleet in the world--Worldwide Shipping out of Hong Kong. He also was very sharp and a big man, big in the sense of having many interests. Anyway, Tsuboi was a very valuable person in all of that.

Then you had a second individual, a very important individual, named Fujii. Fujii was later vice-president of Nippon Oil Company and would have become president of Nippon Oil Company--he was everyone's selection--except for poor health. He had to retire. But Fujii was my counterpart in negotiating all the agreements and all the inventory exchanges and financing to put these companies together.

Going back to Nippon Oil Company and talking more about their directors, they had a very colorful director named Sakamki, who featured that he was very cosmopolitan. He had a hairline moustache that made him look mysteriously Oriental, like somebody's detective. He struggles hard in his English and did a pretty good job. He was a great "threat" because he mixed various types of booze together in special cocktails that were really lethal.

Horie was the silent director; he represented the Ogura Oil Company. Nippon Oil Company itself was an amalgamation of the Ogura Oil Company and Nippon Oil Company

which occurred just before the war. Old man Ogura put it together with Yamaguchi.

You had another director named Oka. Oka was an engineer and became the acting head of Nippon Refining Company. He, too, was a rather thin Japanese with a moustache and heavy glasses. He was very able in a technical sense.

Then you had a fellow named Kamimura, who was sort of a general affairs-labor relations-type. He later became head of Nippon Oil Company sometime after Kurita's death.

Those are some of the names to be remembered. There may be another one or two, but those are the names that I remember.

I think it might be interesting to comment that the same man that represented the Japanese government in making the surrender on the Missouri was the principal guest and government spokesman at the dedication of Nippon Refining Company's new Yokohama refinery when we finally launched the company--Shigemitsu. You probably don't know the story about the surrender...maybe you do. Did I tell you the other day about Shigemitsu?

Marcello: No.

Voss: Well, this is a deviation, but it's worth getting down because this man was a friend of ours and did honor the formation of the company by being present. At that time he was a senior government official and a candidate for prime minister when he came to Yokohama for the new refinery

dedication. Shigemitsu was in China, at the race course in Shanghai, when a terrorist Chinese threw a hand grenade. He lost his leg.

At the time of the surrender, Shigemitsu was sort of called up. He had no senior position in the government; I think he had been somehow attached to the imperial household. In any event, he was the one that had to don the top hat and go take the surrender.

I have heard from the other side that there was a conversation between MacArthur and others as to whether or not they should put down the float and the gangway to bring the Japanese aboard the Missouri. It is said that he said, "Let them come up the rope ladder." He may have said that. I think if he had known the facts, perhaps he would not have said that. Shigemitsu, of course, had a wooden leg that was not a very good one. It had been fabricated in the war years. So he really had to drag that leg, and he had one hell of a time getting up the rope ladder without falling off. Everyone in Japan knew this; no one ever said anything about it. It was never mentioned in the press or anywhere that poor old Shigemitsu had to climb the rope ladder. But it was in fact noted by many as to whether or not the humanity of man had fallen a little bit short that day. Anyway, that was Shigemitsu, and Shigemitsu did come to the refinery dedication of Caltex.

You had a whole spate of younger people who for one reason or another hadn't gotten killed in the war. Probably most of them had to stay home and do special engineering chores. Shimamura, a very able engineer who later became the president of Nippon Refining Company and had only recently retired, had a good command of English and was able to get along with Caltex negotiators on technical matters. They found out that he knew a hell of a lot, and the Japanese knew a hell of a lot, more than they thought they did. That doesn't by any means cover all the people, but it covers some of them.

On the Caltex side, it should be noted that significant contributions were made by LeFevre in sort of an overall way that we should get in business and do business. Perhaps the first early contribution to understanding and getting along with Japanese was really made by Lyle Stone, who was an interesting and sometimes volatile man. Sometimes he was given to alcoholic excesses but was lots of fun. Anyway, Lyle, indeed, made a material contribution, as did Chris Livingston. Both of these fellows had served their time in India and had served their time working in the MacArthur administration in petroleum.

Les Carson was the titular head of the company at the time I went to Japan, but he was on home leave and didn't return. So the measure of his contribution I'm not

sure, except that he left government and became the head and established the Caltex office at Naka #9 Building in the middle of the city.

Later on, Bieling was present in Japan for a brief time. He came to Japan at a point in time when I'd been in an active capacity, doing the top work, because no one was there. Anyway, Bieling came, and he didn't stay long enough to make much of an impression, although he certainly did not disagree with the theory of Japanese expansion.

The problem we had in Japan was that no one would believe the forecasts and the plans to expand. They were always too big, they were always nationally too much, company-wise too much; but they always hit their goals until the very latter years when the petroleum crisis occurred. Then they had obviously overestimated national consumption.

I already mentioned "Stu" Marshall and the tanker company. Oh, in the refining company, of course, Hal Lewis came out to manage refinery construction. There was some trouble--early procedural problems--that I was aware of but had no part in, because Hal had been told by his functional boss in New York, Howard Nichols, that when he went to Japan, he should, in all respects, follow the integrity of the Caltex Central Refining Department and not let those "kooks" out there butt into the business. This immediately set up a conflict between Lewis and LeFevre,

Lewis and Stone, and Lewis and others. Eventually, it was sorted out, and I don't think it caused anybody any trouble except Lewis. You know, it wasn't his fault.

Maybe I should sort of proceed to talk about what was done in the period of time beginning in 1951 to the current period in the way of business expansion in Japan. The first thing that was done after the creation of the joint venture was the rehabilitation and modernization of the Yokohama refinery, which had been the old Nippon Oil Company refinery. We built the first "cat" cracker built in Japan. That particular "cat" cracker utilized Western technology--not Japanese--because the Japanese had not had any foreign advancements in refining techniques for a number of years during the war. They weren't sophisticated in the fields of reforming and catalytic cracking and so on. So we built the first "cat" cracker. We also expanded and built a new crude still; we built some de-waxing facilities and lube manufacturing facilities. Part of this was a program to accommodate Indonesian crude, and for the first time in Japan, we had to build insulated tanks--insulated piping--for the storage of crude in steam trace pipe so that we could accommodate this heavy, waxy, Indonesian crude.

Marcello: When was it that Japan began to receive large quantities of the Indonesian crude?

Voss: The first quantity, I think, arrived in about 1952.

Marcello: So up until that time, then, Japan was still utilizing oil that was coming from the Gulf.

Voss: Gulf area, yes. Well, they would still continue to some oil in the Persian Gulf. Anyway, that refinery, I suppose, when it was finished, would have had a capacity of less than 50,000 or maybe 50,000 barrels a day. It's my belief that the real capacity was only 25,000 or 30,000 barrels a day.

The other refinery that Nippon Oil Company had--Kudamatsu, which was down on the Inland Sea--was rebuilt and refurbished, and it really had a capacity of only about 10,000 or 15,000 barrels a day. It was difficult to get through with big ships.

So these two refineries were redone, and this was the beginning thrust of Caltex or of N.P.R.C. Added to that was the Koa Marafu refinery in Iwakuni, which was also on the Inland Sea, not far from Hiroshima. That was rehabilitated at the same point in time. It's my belief that the starting capacity of the Koa refinery--and these can all be verified, but this is from recollection--would have been not more than about 15,000 barrels a day. So you would have embarked on a crude processing base of less than 100,000 barrels a day.

The story that became evident in all five-year plans of Japan was one of continual expansion, and it's tied in

with the ability of Japan to expand with a cheap new source of energy. It was found that underboiler fuel--the heavy fuel oil as an underboiler fuel--was tremendously less costly than coal. It could be easily processed and gotten to, could access smaller plants, and so on and so forth. So the conversion from coal to oil became standard. The steel industry had converted largely to oil; the cement industry converted entirely to oil; the power industry changed almost entirely from coal to oil. All of this required increased refining capacity as time went on.

Marcello: And this was certainly one of the major keys in the expansion of the market in Japan.

Voss: Right, the fuel consumption in Japan. That, of course, was the key to all of Japan's success--the availability of cheap raw materials, in part from the underdeveloped world--copper, zinc, lead, and iron ore, just to say the least. The Japanese could enjoy the iron ore laid down in Kyushu at much cheaper prices than iron ore laid down in the central U.S. from the big mines in Minnesota. To get them there in a big ship--to a big port--instead of across the lakes and down the rail lines was so much of a savings as to give them a natural advantage in all respects.

Anyway, then came the next two refineries to be added to the chain. One was the Negishi refinery in Yokohama, and the other was the Hokkaido refinery in Muroran. The

one in Hokkaido became a political thing. The people in Hokkaido were saying, "We need our refinery, too. We don't want you to send us finished products; we're having to pay too much for them." So people, politically, began to talk of government support and government assistance in putting a refining industry in Hokkaido. Caltex didn't want to do it. They said it was ridiculous to fragment your refining chain. We could expand at Yokohama so much more easily using the same labor force. Why create this extra overhead? Well, it finally reached the break point. The Japanese--Nippon Oil Company--were either going to do it with us or without us, so they acquired the land at Muroran.

At that time, I made a trip to New York to try and convince the board of directors to commit Caltex to take up its half of this refinery because we didn't want to see the partnership fragmented. We knew it shouldn't be, but largely the people who were calling the shots in New York were people who had no great knowledge of Japan and who had really not worked overseas. Some did. And from an engineering standpoint, of course, they were right--it was easy to expand the existing refinery and why do this other thing. Politically, though, if the competitor is going to take advantage of the government subsidy and a protected market...you can't let that happen.

Anyway, one of our competitors--I think it was

Idemitsu of Asia Oil--announced that he was going to build a refinery in Hokkaido at Hakodate, which is just across the ferry landing from Honshu in the sound of Kaikyo. Our refinery was up the coast at the big port at Muroran, which was a bigger port than most of them.

Anyhow, when I got to New York, it was with the proposition that if they agreed to participate, they would send me a cable. I had to return to Japan because the formal ground-breaking ceremony at Muroran was to take place on a certain day--great preparations, government visits, and all the rest to launch the thing. Mr. Oka, the president of Nippon Refining, was going up to dedicate it--to break the ground. He would either do it as the president of N.P.R.C.--Nippon Refining--or as a director of Nippon Oil. This had been talked about and agreed, but we'd run out of time. So when I started back, I didn't know until I got to Tokyo whether we were in or out.

We were in, and I transferred to a plane and went to Hokkaido and to the dedication. Thereafter the Muroran refinery was expanded. I've forgotten what its capacity is. I think it's about 200,000 barrels a day now. It pretty well serves all the needs of Hokkaido and perhaps even more.

Sort of simultaneously--and I don't quite recall the dates--the Negishi refinery was put into the grid. The

planning of Yokohama, the forward planning of both the prefectural government and national government, was that part of Yokohama had to be freed for further port development. For instance, it was not a necessarily good place for a refinery to be where our Yokohama refinery was, which is in the inner harbor of Yokohama. So there was this great plan to develop a larger outer harbor at Negishi Bay. Negishi was south of Yokohama. The program was one of reclaiming the land at a big bay. So you had to sign up and agree to participate and pay the cost of reclamation. Then after you reclaimed the land, the government would deed it to you. All of the people that were going to be part of the reclamation project were cleared before the reclamation project took off. The land was allocated while it was still water, so to speak. So we engaged in that.

There, too, there was the reluctance on the part of New York to agree. Again, we had to use the device locally of Nippon Oil Company acquiring the right and assigning it to the joint venture later. There were several stages of that. The first was the original land piece and its reclamation. Hand in hand with all of this went MITI approval, which is the Ministry of International Trade and Industry, to what the land is going to be used for. So when you start out on these things, you have the government's program permitting a refinery of this type to be built on

this land. The government of Yokohama actually reclaimed the land under their blanket and dedicated it for these purposes. That's the way the Negishi refinery went.

Actually, there were three stages of expansion, and in all three of them...well, I can tell you. The expansion was undertaken and well underway before it was ever approved in New York. In one instance, we kept the thing clean by keeping everything in Nippon Oil Company's name until the New York head office approved. After that, we just simply kept it a secret, so to speak. We had to make evidence of going forward or actually make commitments going forward. We couldn't wait for New York's approval.

The Negishi refinery was a big one and still is the largest refinery that we have in Japan. It, too, at one point in time, was geared to handle Indonesian crude with "cat" cracking ability. More significantly, it was built to take larger ships. I suppose now it would take 200,000 deadweight ton ships or thereabouts. The other refinery at Yokohama could only take 40,000-50,000 ton ships. So the need for the big one was there.

Yet another refinery was built in Koa's own ambition to have a refinery in Osaka. I didn't think much of the Osaka refinery--this was long after I left Japan--but it came to pass anyway. Koa had its own separate existence with reference to the government structure, which meant

that some things Koa could get from government, in the way of indulgences to expand, that Nippon couldn't get and we couldn't get. That's the way it was. It would have been better not to have had it all under one tent, but it didn't work that way. Anyway, Koa built a sizable refinery in Osaka which, I think, could take 100,000 deadweight ton ships, but that's no longer necessarily a vital factor since there's the big ocean terminal down in Kyushu.

Anyway, when you finish with all of this, you have a refining capacity, I suppose, of around a million barrels a day or more. Including the Nippon Oil Company refineries in Niigata, I suppose the installed capacity would be a million-and-a-half barrels a day. The actual presently usable capacity is probably just under a million barrels a day. So you're looking at something that went from less than 100,000 barrels a day to a million barrels a day in fifteen or twenty years maybe; you have a shipping arm that went from standard 15,000-ton T-2-type tankers in regular voyages from the Persian Gulf to three ships that were about 476,000 deadweight tons.

We also went to the very large storage depot in Kyushu that is size-wise, hard to comprehend unless you go and look at it. You have tankage that's 100,000 tons. I think that's what the individual tanks are, and there are some bigger ones now. Anyway, there is storage there that

accommodates...I wish I could remember the figures now. It would be worth checking them out. I guess it's maybe twenty million barrels or something like that. The size of the discharge lines--you could walk through them. The big ships come in and discharge, and the smaller shuttle ships--100,000-ton coastal ships--take it to the refineries. In part, this was originally built as an effort to save money. It was expanded as strategic storage. But it was built on the economics of bringing crude oil to Japan in very, very large ships and then being able to shuttle it to ports. Normally, in those early days, they were only taking 40,000-ton ships. So you can see the economics of a 40,000-ton ship all the way from the Persian Gulf as compared to 100,000 or 200,000 to 300,000 to 400,000-ton ship to Japan and then shuttle it. So that represented the total physical investment and plans in Japan, size-wise.

Marcello: Where was the financing coming for all this expansion?

Voss: The financing came from several sources--a great deal of it local, some of it from foreign banks but extended on the credit of Nippon Refining Company and on the credit of Koa, not necessarily of Caltex. There were also a series of loans put in by Caltex through the years. The first big one was with Nippon Oil Company, and then there was one with Koa. I've forgotten the size of the Koa loan. The Japanese

government called these impact loans. I'm not sure what an impact loan is. I've forgotten what it is. In any event, the first big loan was to Nippon Refining, and it approximated close to \$30 million over the period of construction. We were borrowing money in the New York banks on our own credit at an amount of 4 1/4 percent in those days, and we were lending it to the Japanese at 4 1/2 percent. This compared to money that they could get at 10 to 12 percent effectively locally, if they could get it at all. The Japanese rates were always sort of artificial because if you have a 9 1/2 percent rate or a 10 percent rate, which was fairly standard in Japan, the effective rate would be 2 percent more than that because of compensating deposits.

Marcello: In other words, it was to Nippon's interest to have Caltex borrow money in New York and then in turn lend it to them.

Voss: They didn't know that they were borrowing it. In any event, that was part of the financing, and then part of this is that the Caltex philosophy in those days was to leave everything in the country, declare no dividends, use whatever you made to plow back into the company, and expand it in order to sell more crude oil. That laterally comes back to bite Caltex because these days in Japan refineries must make a refining profit--a big refining profit--and so must marketing make a profit. Every phase of the company must support itself,

and you must declare dividends and more dividends from these companies. In the old days, I sat in Japan and resisted their efforts to declare dividends because we didn't want the refining company to have its assets depleted by taking the cash out. So we plowed back in everything, which is part of the reason you could expand in the fashion we're talking about.

Marcello: So you were reinvesting profits locally, in other words?

Voss: Yes.

Marcello: What tax advantages would this have? Would there be any?

Voss: To Caltex?

Marcello: Yes.

Voss: Well, that's a sort of different thing. The concept of Caltex's total operation overseas, including Japan, was one to minimize taxation in the United States particularly so as not to fritter away your cash. The philosophy of the crude sale thing was to keep the cash in the subsidiary companies; expand, expand, expand; don't declare dividends; don't bring it back to the United States; keep the cash out there in these countries. That practice was followed until very recent years.

The idea of financing, also, was don't put a lot of equity money into these countries. Put loans in, because a loan is a recognizable instrument, it has a repayment date, you can prove you put in the dollars, you can prove

the right to take them out when you're repaid, you get interest on an ongoing basis. So that plan was followed in Australia--borrow everything you can locally. That was followed in Australia, Japan, India, Africa, and throughout the whole organization. In the early days, all of this was funneled into a Bahamas company. The Bahamas company held all of the subsidiaries overseas. Of course, all of these things, to some extent, changed. Indeed, the business is something else today. But for many years, crude sales was the whole story.

Marcello: Am I correct in assuming that all of these things that we're talking about were essentially 50-50 ventures?

Voss: In Japan?

Marcello: Yes.

Voss: Yes, all of those in Japan were 50-50 ventures. Tokyo Tanker started as a 50-50 venture because it was owned 100 percent by N.P.R.C. Then, because of Koa, N.P.R.C. or somebody had to sell Koa some interest in it. So Koa got an interest, Nippon reduced theirs and I guess we reduced ours. So I guess Tokyo Tanker is somewhat less than a 50-50 venture. At the present time, Tokyo Tanker is owned in part by N.O.C. directly--they own about 7 percent, I think--Koa has 32 percent, and N.P.R.C. the rest. We have half of Koa, half of N.P.R.C., but not part of N.O.C. So we have an indirect equity of less

than 50 percent. The big terminal in Kyushu, the ocean terminal, is 50 percent Nippon Oil Company and I guess 33.7 percent N.P.R.C., and 16.3 Koa, so I guess we have 25 percent interest in the big crude depot. Of course, Nippon Oil Company is 100 percent Japanese.

Nippon Oil Company has broad assets in Japan. They have both an advantage and a disadvantage in the current market. They have old, traditional dealer organizations that they are intensely loyal to. Some of these dealers and agents have been in the same families for generation after generation--people who wouldn't think of doing business with anyone else, so to speak. That sort of stymies you when you get into gasoline wars, that they're going to have self-service pumps and many other things. Shell and Exxon and Mobil--who have direct stations--can do some things in gasoline merchandising more easily than we can do.

Marcello: You mentioned something that I've been thinking about as you've been talking. In the case of Japan, there really are no Caltex stations, is that correct?

Voss: There are no Caltex stations, but they have the Caltex logo on them. No, they're Nippon Oil Company's stations. The real estate in Japan is so tremendously valuable that you could almost say that no piece of real estate in Japan can support a service station, or should support a service

station. The facts of the matter are that there are service stations on valuable pieces of property, property which is not going to be sold if its ultimate most economic use, because the family doesn't want to sell it because of taxes. It's almost impossible, because of tax structure in Japan, to profit through the sale of real estate. So land that has been dedicated by a syndicate or a dealership or agency for a particular use is going to stay in sort of that use. Therefore, if you had to go into Japan now and buy service station land, you simply couldn't buy it.

Marcello: At this stage, I'm going to stop the tape. This is Ron Marcello continuing the series of interviews with James Voss concerning the history of Caltex. This interview is taking place on January 10, 1986, in Cedar Creek, Texas.

Voss: I think, briefly, it would be useful to look at the total nature of our partner in Japan, Nippon Oil Company. What did they have beyond this big dealer organization, beyond service stations, beyond head office? Nippon Oil Company has a great deal of real estate in Japan that it acquired years ago. They have two office buildings in Tokyo. Aside from that, their internal transportation system is quite extensive. They have an interest in Nippon Transportation Company, which owns trucks, railway tank cars, etc. I'm not sure but what they own the whole of Nippon Transportation Company. But this is a company that transports product from

plant to customer. They're probably the largest owner of railway tank cars in Japan--Nippon Transportation is. This is an interesting thing because a great deal of petroleum moves in Japan by tank car at night because of the difficulty of pipelines--the structure of the country with mountains, stream, and bridges. And the population is so dense as to sort of militate against the pipeline structure. So a great deal of what moves into Japan in great surges and big ships is dispersed in barges, small coastal tankers of one thousand tons, railway tank cars and tank trucks at night. So Nippon owns that kind of a network of things in two or three companies. They have an interest in Nippon Ink Company, which manufactures printers ink, and has for many years, for the newspaper industry and others. They have an ownership in a road-building company, which was originally conceived of as an outlet for asphalt. They also own Nippon Petrochemical Company, which is a large, separate complex--very large naphtha-cracking facilities to manufacture ethylene and related products.

In that respect, Koa Oil Company owns...I don't know what the interest is now, but at one time it was 10 percent of Mitsui Petrochemical--at my time in Japan. I was in Japan when Mitsui Petrochemical was first built, and they built their first plant next to the Koa refinery at Marafu. Koa was given 10 percent of the new company--the Mitsui

group, including Toyo Rayon, Mitsui Chemical, and Mitsui Bank.

Life gets more complicated as you get down the line. Texaco had a small joint venture with Mitsui Petrochemical Company—if you want to look at the incest involved. Texaco had about a 45 percent in Texaco Mitsui Petrochemical. You can sort of do it this way—Caltex owns half of Koa; therefore, Caltex owns half of Koa's percentage in Mitsui Petrochemical. So we would say we own 5 percent indirect equity in Mitsui Petrochemical. Mitsui Chemical owns part of this subsidiary company out here. So you end up with Texaco owning part of itself out here and Social owning part of itself on a very fractured, indirect basis. Most people couldn't follow that line of things.

Anyhow, there are these big petrochemical plants, and we had an opportunity early on to make the Nippon one an N.P.R.C. venture. I wanted to do it. I was then in Japan. I argued with the head office that we should allow them to do it and we should let it be a half-interest because we were going to be selling them feedstock, anyway. Maybe it was just as well we didn't because the petrochemical venture has been alternately profitable and not profitable. But it's big. It's a big thing. It's got big plants, and it employs a lot of people. That's good in Japan, you know.

That venture also has done some business directly with Chevron. There is a Chevron joint venture in an isopropyl alcohol plant...and acetone. I guess they make isopropyl alcohol and acetone. They started with the single plant manufacturing ingredients for detergents. Chevron owns part of it; Nippon owns part of it. This was sort of isolated out here. A troublesome thing in the joint venture is that it's separate, but yet it can't be. Chevron has a special position in talking to these people in this plant that Caltex doesn't, but yet we do.

The Texaco plant with Mitsui was troublesome, in part, because the joint venture depended on kerosene--cheap kerosene--as a feedstock to be profitable. Texaco wanted it cheap, and we wouldn't sell it cheap because we were half-Socal. You can't make anybody understand that. I think John McKinley, the current chairman of Texaco, was the one who negotiated the Mitsui joint venture in Japan, and he was very annoyed with Steve Van Nostrand in the early days when we wouldn't sell special-priced kerosene to Mitsui. I don't think he's really ever forgotten it, although he may have by now. You know, there are many cross-currents when you get into all of these areas of indirect ownership of things. So there are those other interests out there.

Going to another thing that occurs to me now--I'll touch on it because I might forget it otherwise--the real

wealth of Caltex in Japan and the hold it has in its position in Japan is that it's the indirect owner of some of the most valuable commercial real estate in the world: the large land-holding at the Negishi refinery, at the old Yokohama refinery, at the Muroran refinery, the holdings in Kudamatsu, at Marafu, at Yokohama, and the one piece of property that we own in our own right would be the Tsurumi terminal site--these are in the great harbor areas of Japan, where the population concentration exists and where the factories are and must be. If you can't use them for refineries, you can use them for something else. If the business isn't going right...I've counseled many of the present, active people in the business that you try to make it go right, but if you can't make it go right, don't throw in the sponge because you own something that at some particular point in time is going to be tremendously valuable. I think the Tsurumi terminal is on a piece of land that probably should be a container depot. It's right in the center of Tokyo Bay. Of course, at present it's being used by the U.S. military as their principal storage for jet fuel, but that could be changed. Anyway, that is, in fact, the case, that we have a tremendous plant and we own a large hunk of Japan's commercial real estate.

Marcello: It seems that here in Japan, the company also initiated a policy of buying into no more than 50 percent of the company

as opposed to 60 percent or 70 percent.

Voss: Yes.

Marcello: Why was that done? Why 50-50 as opposed to 60-40 or 70-30?

Voss: I think the rationale that I told you about that Sasaki had to use in selling this thing to his directors and perhaps to the government...here you have a Japanese oil company, Nippon Oil Company, founded in Niigata, where they first found oil. It started as a lighting kerosene company, and they were by far the biggest company in all of Japan. There were some foreign companies that were there and that did business, but they were very small. These people were national and very proud, and they didn't want--immediately after the war--to sell their birthright, so to speak. They wanted to remain Japanese.

So we talked to them, and I did, myself, in all this period of time about a 50-50 partnership. We needed to sell crude oil, and they needed crude oil, and they needed product. We needed the market; they needed the raw material. We were the largest holders of that raw material. I talked to them about the advantages of being associated with Caltex, which was owned by two of the largest crude reserve holders in the world, so they'd get the benefit of 60 percent of Persian Gulf availability as opposed to Exxon having 30 percent and Mobil having 10 percent. Again, you meet in a partnership at the central point, which leaves Caltex free as a supplier and Nippon somewhat free in the market

in their own country.

The point of sensitivity, too, at that time, as I detected it, was one of the Japanese being receptive to doing what they had to do, but you kind of felt that if you wanted an agreement that would be enforced after the occupation euphoria, you had to make it visibly fair and not forced. I think that we could probably have gotten 55 percent in the joint venture if we'd held out for it, but it would have been troublesome. So I think we made the right decision.

We've talked about the papers not being of any great consequence between us through the years. We were, in fact, partners. The facade was a corporation, but in all respects we had to keep the equities. Many times through the years, when refining was more profitable than marketing and marketing was in trouble, we would make retroactive adjustments in selling price in order for marketing to come out at the end of the year. We didn't have to do that, but had we not done it, we could not have carried on the partnership concept.

Marcello: So there were all sorts of practical reasons for 50-50 ventures, and this was a pattern that proved so successful in Japan that it was carried on in many other places as well.

Voss: In Japan, early on, Standard Vacuum went the 55-45 thing, but they ultimately had to abandon it, under pressure, and

went to 50-50, too.

Marcello: But the 50-50 pattern does become a more or less standard Caltex pattern, not only in Japan but in other countries as well.

Voss: Well, we didn't have that many additional 50-50 ventures. Australia is a totally different picture. But our concept was, yes, we would do some 50-50 ventures in other areas. We did in Korea, for instance. This was the next big follow-through.

Marcello: Is there anything else relative to Japan that you think we need to touch on and that we haven't mentioned at this point?

Voss: I guess not. I think maybe we should correct some of those figures I gave you.

Marcello: Okay.

Voss: I checked with Steve Van Nostrand, and he's going to call me back and give me some more accurate figures; but he reckons that the refining capacity--peak refining capacity--of all the refineries was 830,000 barrels a day in about 1970. The main refinery, Negishi, had a capacity of 320,000. He also confirms that the Kyushu crude dump was not the twenty million barrels that I talked about, but was in fact forty-two million barrels of storage capacity. He has available a lot of dates when you get around to talking to him, such as the date Sasaki came to New York to talk on some of the

finals of the Nippon joint venture, the day that certain refineries opened, the date that certain agreements were signed. Those might be worth putting into the record when you get around to talking to Steve.

Marcello: Obviously, three of the other important areas that we need to discuss relative to this area of the world would be Korea, the Philippines, and Australia. Before we get to them, do we need to talk about the development of Caltex in Indonesia and then come back and talk about Korea and Australia and the Philippines?

Voss: I think that maybe we should talk briefly about Indonesia as it affects that Caltex distribution network. The development of Indonesia was a progressive development that parallels, to some extent, the development we've been talking about in Japan. It was clear that in central Sumatra we had a fairly substantial field. It was also known that the crude was a very waxy crude--high gravity, but very waxy. It had to have special handling and special refining techniques if it was to get to market.

First off, it should be noted that the first Indonesian crude was programmed to move down the Siak River in small tankers. This all requires a simultaneous development of things. As you develop the crude fields, you've got to improve the facilities to get it to the river mouth. So two tankers were built in Japan; I think they were about

5,000 deadweight tons. They were very shallow-draft ships that were both built at Inno-shima Island--the Inno-shima Hitachi Works in the Inland Sea. I say shallow draft because the Siak River had floating logs and debris in it, so these particular ships had to be able to sort of bump along. Anyway, these were special ships. The special ships had to be developed in order to improve the availability of the oil. Refineries also had to be built in order to facilitate a reasonable manufacturing path.

So you have all of this developing in central Sumatra, with the Minas field being expanded, plus ships being programmed and built to improve the flow of oil, plus three refineries--Philippines, Yokohama, and Australia--to handle Minas crude. The Minas crude thing was the project that went into several countries.

I'm sure it will be noted somewhere in the record, but it's interesting that the Japanese discovered the original Minas field. Before the war there was preparation to drill at the discovery site. The rig was there but never had spudded in, and the Japanese drilled it. Actually, during the war the Japanese produced Minas crude, and I'm told that they took it down the river as a solid in baskets on some occasions. I'm not sure that that ever occurred.

It might be interesting to say that Japan didn't need any Minas crude. It was really not good planning for the

Japanese to have a Minas refinery. The reason for that is that Japan, at the point in time that we built the Yokohama refinery, had no problem with high-sulfur fuel oil, so they didn't need Minas crude for its low-sulfur quality. Japan really didn't need to manufacture extra gasoline, either. If you crack Minas crude, you get a high gasoline yield. They didn't need a high gasoline yield. So it can be said that we gave them a crude that they didn't necessarily need to run. However, I guess we must have priced it right with the origin differential for freight and otherwise. In any event, the Minas-type crude refinery suited Caltex more than it did the Japanese, and perhaps even in the Philippines this is true. In Australia it's somewhat different because Australia needed lots of gasoline.

Marcello: So in essence, then, with the development of the Minas field, you have a source of crude that's obviously even closer than the Arabian crude.

Voss: Right. As a matter of fact, it's really an ideal crude from the Philippines because you can almost barge it. The freight cost is practically nothing. I think it's probably only two days steaming time maybe. Of course, Indonesia then later had to further develop in order to get more crude to the loading port by putting a pipeline in. I guess the pipeline was about a thirty-inch pipeline. It was

built by Bechtel. Again, all of these were simultaneous expansions--expanding in Japan and Australia--for taking crude from Indonesia, for increased production in Saudi Arabia, etc.

Marcello: What is most interesting to me about that pipeline, as I recall from one of the other interviews, is that they simply, among other things, cleared back the jungle farther and allowed nature to heat the oil so it would flow along.

Voss: That's true. I think sometimes, when they had unusual weather in Indonesia--they might have a little extra rainfall--sometimes the crude would sort of bunch up and flow rather slowly. But in general, Minas crude, because of the temperature in Indonesia, was fluid where otherwise it would be a solid. It had to be, for instance, transported in tankers that had steam coils. Not all tankers had steam coils in the early days; they weren't going to transport anything that wasn't fluid.

Marcello: Let me also ask you this about Indonesia. Politically, that must have been a pretty rocky situation in the 1950's and even going into the 1960's with Sukarno and that crew in power. What effects did that Sukarno government have upon the operations of Caltex?

Voss: Well, you have to remember that whatever the government, it needs money. Whatever the politics, Caltex was beginning to develop a very vital source of national income. As a

matter of fact, I suppose it was the greatest source until recent times. Probably, Caltex earned more dollar revenue for Indonesia than any other single enterprise in the country, so even Sukarno had to be kind and let the oil flow, so to speak.

As you've probably heard from many people, the effect of the uprisings and the moves by China to try to exert some control of Indonesia and the resulting bloodbath that the military carried on that were almost beyond description. We lost hundreds and hundreds of employees, and we didn't know where they went or anything. We know some were killed and some weren't. It was a tremendous bloodbath in the country. A lot of people saw what wasn't really photographed by anyone.

In all of that period of time, we had the services of another very unique fellow, Julius Tahija. He was the Caltex and/or Texaco-Socal middleman in Indonesia. He was the chief executive officer until recent times and still is active, although he's supposed to have sort of retired. Julius had been in the military during the war and escaped from Sumatra to Australia. He worked for the American forces and Australian forces in and out of Sumatra during the war years. Laterally, because he had been in the military...I have forgotten what his rank was, but I think we referred to Julius as "Colonel." When Sukarno was

thrown out and the military took over, Julius was able to follow sort of a middle path; he had the protection of having been in the military.

First off, too, I think you have to know that central Sumatra is a long way from Java, so the politics of Djakarta and Java are way over there. In any event, they were able to finesse the politics throughout and continue on in expansion. Of course, it's been a tremendously profitable venture to Texaco and Socal--their interests in the crude oil. At some point in time it may have been as much as \$600 or \$700 million a year--gravy to Texaco and Socal. I guess gravy isn't the right word.

Marcello: It's probably a pretty good one, I think (chuckle).

Voss: So there's that part of the Indonesian thing that fits in. But the thing spurring all the growth is the recovery of Asia and the rebuilding of a lot of Asian countries, as well as the simultaneous expansion in Europe, where a lot of the Arabian crude was going. Do you want to talk about Okinawa, or do you want to talk about Korea? Should we put Korea into the picture here?

Marcello: I think we definitely should put Korea into the picture, for sure.

Voss: Well, I'll give you a history of Korea. This could be kind of long, but maybe it would be better to see the whole piece, not just the big joint venture we finally ended up with. In the prewar years, we had business in Korea; it

was largely case and can, lubricating oil business.

At the outbreak of the war, we had an American family living in Korea--"Robbie" Robinson, who is a separate story. But "Robbie" was in Seoul with his wife when the war occurred, when the Japanese came in. "Robbie" had an American wife; at that time she had American papers, so I guess she had been European originally. "Robbie" himself was in the process of becoming an American citizen, but was, in fact, a Japanese citizen. So instead of being put in prison camp, he was put under house arrest, which, you might say, was a great advantage. But it really wasn't because had he been put in prison camp, the Japanese would have had to feed him. When he was put under house arrest, no one was responsible for feeding him--not the Japanese, not anyone. So he survived all through the war years by gratuities that were thrown over the fence or food that somebody had sent in--old dealer organization people or whatever. Anyway, after the war, "Robbie" was going to be treated as a Japanese and repatriated to Japan. He was arrested by the Americans, of course. He'd lost a son, in the meantime, in the American Army.

So "Robbie" was at work for Caltex largely in Manchuria in the early days for the old Texaco (China) organization. His initial history goes back to the Bonin Islands. His grandfather had settled in the Bonins as

a sea captain, and his father, too. He was part-Japanese. The Japanese, as you know, took over the Bonins and assumed sovereignty, I guess, back in Abraham Lincoln's time. Anyway, he was a mixed-up national in all respects.

I'm only reciting all this to say that at the beginning of the war, there was a Caltex presence. The dimensions of it and exactly what they were selling besides lube oil and kerosene, I'm not sure. But we had enough business to have a guy there.

At the end of the war, there became the problem of how to supply these nations that were being freed up from aggression. There was a series of storage companies formed to work with the military. There was a company called Kosco, which was the Korean Oil Storage Company; there was Josco, which was Japan Oil Storage; there was Posco, which was Philippine Oil Storage. As it happened, all of these companies were manned by Shell, Standard Vacuum, and Caltex. The Standard Vacuum man was the top man in Japan. We were designated to run Kosco; and I think maybe we ran Posco, too, in the Philippines, but I'm not sure about that.

There was an organization called Kosco in Korea that received oil from the military and allocated it to the dealers and agents that were being developed. They had a compound in Seoul. The head man was a Caltex person, but there was a Shell man and a Standard Vacuum man and others

that worked with it. That continued on and was in existence, really, at the time of the first invasion. There was a number of Caltex people there, including two families that barely got out.

Marcello: You're referring to the beginning of the Korean War in 1950?

Voss: Yes. Kosco still continued during that war. After the war, or after a stalemate, sort of, consideration was given to a national refinery. The first national refinery was promoted by, it is said--and I'm not quite sure who promoted whom--by General Van Fleet. Park Chung-hee...I guess by then it is Park Chung-hee, although it might have been Syngman Rhee, asked that he arranged to get some Americans to build a national refinery. I guess maybe we'd had people talk to us, but I'm not sure. In any event, the first refining venture, or effort to make money out of oil in Korea, was sponsored by General Van Fleet. He'd been a hero, you know, in the Korean War. The refinery was built by a southern California construction company. In any event, the refinery was built and financed by the original constructor, by the government, and perhaps with some promoted money by Van Fleet. Anyway, Van Fleet was brokering it.

We looked at it. The government asked us if we wanted to bid on it to buy, as Kosco might come to an end and so forth. We looked at it, and the price on it was far too much. We could have built a refinery for half as much as

they wanted to sell it for. We figured that there were too many people taking too much of a cut out of it, so we fiddled around and didn't buy it, and Gulf did. It was Gulf's first effort to break into, really, substantial foreign marketing. They needed to, because at that time they had a very big availability from Kuwait. This was before nationalization and all the rest. Anyway, we missed the first opportunity. The government, then, had a 50-50 venture, I guess, in Koco with Gulf, Koco being Korean Oil Company...Korean National Oil Company, I guess they call it. In any event, Gulf went into business with the government.

In the meantime, I was back and forth. I was in Japan, and I went back and forth; Steve Van Nostrand went back and forth. We had Lyle Stone going back and forth to try to keep up with things, because we didn't see that reasonably we should give up the Korean market, having been in charge of Kosco for all those years. We were going to look for how to come in at a later point in time. As a matter of fact, I had wanted us to take the Gulf refinery, but I couldn't advise it very strongly because you would have to say it was totally political. It was buying an entry card; it had nothing to do with the value of the refinery.

Then we began to get signals about various people being the designated people to build a new refinery--a

private enterprise refinery. The reason for the private enterprise refinery became apparent, because the government-Gulf operation was so totally shot through with politics as to be visibly inefficient in all respects. The government, I was told by Koreans at the time, decided that they had to do something to set a standard of business performance. They had to get somebody into the act in competition. So we gyrated around. Mobil was very active. We were told that Lotte might be the selected investors. I don't know what the Korean name is, but they are big candy manufacturers in Japan--Lotte chocolates. They have a big Lotte Hotel now in Seoul. Lotte has been very prosperous. This is a Japanese-Korean family. Now they've become more Korean than Japanese, I guess. Also, it became apparent that there were some other people such as the Lucky Chemical Group, which had some assets. Principally, they were still making money, and they were making money out of things that people normally do in low-income economies--soap and toothpaste and a few things like this. These were their main lines. They also, in their Goldstar division, were manufacturers of telephone equipment and the like. In any event, that company was run by, and perhaps formed by, I.H. Koo, who had a number of brothers, including P.H. Koo, who is the present chief executive officer of Honam.

In any event, there was active dealing back and forth,

and Lyle Stone and Leo Jagoe went out and very quietly opened up an office for us in one of the rooms of a hotel. They opened up an office and continued to try to probe this thing of who was going to build the refinery and which of the Korean factors, you know, had the "ding-dong" and which one had the "bell." Anyway, Lyle Stone and Jagoe and Steve went back and forth, and we kept the pot boiling for several years until we finally got to a point where it seemed that we were going to be able to do business.

At one point in time, finally, I went out...I've lost track of time. I don't know whether I was president of the company by then or whether I was just president of the East company. Whatever, for the final sort of closing session, I went to Korea with Lyle Stone for a final session with I.H. Koo. P.H. Koo, his younger brother, was there as a translator. P.H., I'm sure, didn't know a damn thing about the oil business. He does now, of course. There was also a guy named J.K. Sur, and J.K. becomes a very vital character in the Korean picture because he, in fact, was a silent partner--an undisclosed partner--in all of this. He was a close confidante of the president--President Park Chung-hee.

Anyway, we sat for a long period of time, and they then said, "We'll do business." I guess they'd agreed to, anyway. Of course, Mobil tried to sue us because they said they had an agreement with Lucky, but they didn't have. It's almost

the Texaco case, except we told Mobil to go get stuffed. Indeed, Mobil had let the ball fall, because they were supposed to give Lucky an answer by a particular date and they didn't give them the answer; they gave them more questions. Anyway, we did have to defend against them. That caused me a lot of trouble because the chairman of Mobil wrote me nasty letters then. I saw him two or three times, and he was going to sue us and all that nonsense, but they didn't.

In any event, almost before you know it, I find that we're off to the Blue House--I.H. Koo, Lyle Stone, myself, and I guess maybe P.H. Koo. The Blue House is the White House in Korea. We went to see Park Chung-hee, who said that indeed the government had given its blessing. So we did the Korean thing, and we did it on a 50-50 basis.

You wouldn't recognize the Korea then compared to the Korea now. There was practically no real hotel that you could stay in in Seoul. The Chosen was still there, but it was in pretty sad shape. The streets were quagmires in the rain. Now it has a thorough underground subway system with great, giant buildings and underpasses and overpasses and throughways. It's beyond any comparison of what it was then.

Early on, it became a question as to where this refinery that we were going to build should be located.

Marcello: To get the record straight now, you are in a 50-50 venture

with Lucky Chemical and Goldstar.

Voss: Well, it's the Lucky Chemical--Goldstar group. I would have to go back and look at the agreements. Maybe it was a joint venture with Koo, but I think the original contract was with Lucky Chemical. Lucky Chemical was the owner of Goldstar, I believe. This was the beginning of a venture in which we continued to grow very quickly after building the refinery, and we began to expand the refinery and again began to build a tanker fleet to service the operation, much the same as in Japan. I might say that I think our success in Japan, which was visible to the Koreans, helped us in doing the deal in Korea.

Marcello: This refinery is built at Yosu?

Voss: Yes.

Marcello: Were there any construction problems involved in the building of that refinery?

Voss: Yes, they were pretty tremendous. Actually, there was a great argument that went on before we finally settled down to building the refinery at Yosu. We were saying that it was a remote location. It's down on the southwest coast, at the bottom of the peninsula. The market is in Seoul, or it's over in Pusan, but there's not much of a market in the Yosu area. So we tried to rationalize that maybe the refinery should be somewhere else. But for two reasons it was built where it was. Number one, this was the president's

home prefecturate--Park Chung-hee's home place.

Marcello: So he's putting on the "big squeeze," so to speak.

Voss: Maybe he is. The other thing, which makes sense, is that he wants a refinery as isolated as possible from the North Koreans. He wants it down on the south coast where it would be more secure and more protected. I suppose that's right. A refinery in the Inchon area would have had some problems anyway because the harbor of Inchon has some of the greatest tidal surges in the world, so you would have some special problems there.

The nature of that refinery, of course, is that it's again totally grassroots. There's no supporting artisan of any type in that area. The only people in the area would have been fishermen and poor farmers. There were lots of fishermen because they have some of the most beautiful shrimp and crab in the world in that area. But to launch the thing--to begin to build a refinery at this particular location--required the use of landing craft. LSTs from Japan were chartered and equipment and steel put aboard LSTs and then put on the beach in order to build the pier to take the ships that had to bring the stuff in. There was absolutely no housing available. You had to build some housing right away for Americans or others that might be there. In any event, it was a great and total grassroots venture, and a very successful one. Now Yosu is a great

industrial area. It has a very large petrochemical complex. I guess it's one of the principal petrochemical complexes in the country. It has some very large power generation. It now operates on both coal and oil, I guess, for interior Korean consumption.

Marcello: So once more, Caltex is coming in on the ground floor, so to speak, and in the case of Korea, it's going to grow as Korea grows.

Voss: Yes. And the Korean refinery that was conceived and started in those days...again, I should have the capacities available, but I think the refining capacity at Yosu is about 350,000 barrels a day or maybe even more than that. Some of it is not needed right now; I think there's some surplus.

Then the corollary development of service stations all over the country occurred. Some of it was very expensive. We had lots of arguments about whether you pay this much money for this piece of property. Of course, Korean inflation has been a problem from time to time, but all things considered, it's been a highly profitable operation. It's been highly successful for the country. Again, it was one of the principal ingredients in Korea's remarkable industrial expansion to where they are today. I suppose today Caltex, or Honam Oil, is probably supplying 45 percent of the national needs.

Marcello: Now once more, relative to the service station structure in Korea, is it following a similar pattern of that in

Japan?

Voss: No.

Marcello: This is altogether different here. These are Caltex stations.

Voss: Well, they're Honam stations, but they're half Caltex.

Marcello: I see.

Voss: They have their own logo, which is the Caltex star and... I want to say a candle, but it's not a candle. It's a torch, I believe--a Caltex star and a torch. It's a square logo that has sort of two pictures on it. It's a very big company today; it has lots of big ships. It, too, has lots of real estate. Our partners are one of the top five or six industrial conglomerates in the country.

We have some problems of nationalism with the Koreans today. Obviously, they don't need us as much now as they did before. It's not quite as bad as it is in Japan. They certainly need us very little in Japan, either as suppliers or technical assistants or whatever. We have been transformed to some extent from participants in an operating oil company to investors interested in a yield from an operating oil company.

Marcello: Once more, the bulk of the crude being used in Korea is coming from those Sumatran fields.

Voss: No.

Marcello: It's not?

Voss: No, it's coming from Arabia.

Marcello: Was that true in the very beginning, or is that still the case?

Voss: Korea was never a Sumatran outlet. They did buy some Sumatran in latter years.

Marcello: Why was that?

Voss: Price, I guess. The virtue of the Sumatran crude to Japan --one of the reasons it moved to Japan in increased quantities--was that as the industrial complex of Japan developed, atmospheric pollution became an ever-increasing problem. In the early days, the use of fuel oil with a moderate amount of sulfur in it or even high sulfur fuel oil was no problem because the total emissions weren't great enough to pollute the whole air. As Japan becomes more in the nature of a total factory, it may become increasingly sensitive to the sulfur content of fuel oil. So you have to begin to think in terms of desulfurizing fuel; you also have to think of scrubbers at factories to clean out their stacks. You also have to think in terms of alternate fuels that have zero or very little sulfur. Sumatran crude is sort of zero sulfur, so you could bring Sumatran crude in and burn it as underboiler fuel without any effect on atmospheric pollution.

Now you're developing in Korea a slower pace at a later date, so in Korea they have not reached a point of

saturation that needed a pure, cleaner fuel. In Japan, in order to accommodate atmospheric pollution standards, we early on introduced burning whole crude from Sumatra and also naptha burning, which is clean. Also, it was the beginning wedge of refrigerated LPG in large quantities. For instance, in Tokyo Bay, you simply can't accomodate any emission that increases the impurity, so Tokyo Electric and Tokyo Gas very early began to use imported LPG, which goes back to another period in Japan. Caltex introduced the first refrigerated LPG carrier and LPG storage plant at Nippon Gas Company. An old T-2 was converted, and it really is the case that the first movement of refrigerated LPG commercially was done by Caltex.

Marcello: Caltex really got its money's worth out of those T-2 tankers, and then some.

Voss: Yes, that's right. I'm going back to the Japan thing only to show that it is somewhat different than the Korean needs at a different point in time.

Marcello: That certainly explains it because on surface you would think that in terms of distance, there's not a whole lot of distance between Japan and Korea relative to the Sumatran fields, so there had to have been some other reason.

Voss: Yes. Well, that's the Korean picture.

Marcello: Let me ask you one other thing relative to Korea, because we haven't really covered this in talking about China or

Japan. How does one go about establishing a service station network in a country such as Korea? Was this something that was in your area of expertise or first-hand knowledge?

Voss: No. I think that in Korea you're not establishing a service station network in an existing market. You're creating a service station network as the need for service stations increases. In the prewar years, you would need maybe one service station in Seoul or two service stations in Seoul. There was very little in the way of private automobile transportation, etc., and very few roads. So you're creating something that's in a country which is itself being created. You couldn't possibly create a service station network as a newcomer in Korea today. You couldn't get the real estate; you couldn't find a place to put it; you couldn't afford to do it. Nor could you do it in Japan. You might be able to build one or two here and there for some special purpose. We're talking about a point in time where a country has no refineries in the first instance, and then it has refineries. If it has refineries, it then has some roads, but mostly no roads. Now it has many roads and adequate refineries, so it must have service stations. So the service stations required new people going into the business. I think maybe that answers your question, but I'm not sure.

Marcello: How do you go about selecting people to run these service

stations for you?

Voss: The Koreans do that. We wouldn't have the capacity to select them. That's the reason you have to have a partner in any market. I mean, who can sell oil to the Koreans? Only the Koreans at the retail level. That's one of the philosophies of Caltex, too. We have never tried to say that we had the only marketing technique in the world. Maybe we have in Australia, but that's because we're more akin to the Australians.

Marcello: You were mentioning earlier in our interview that Okinawa played a significant role in the development and advancement of Caltex. Give me some of the background on that.

Voss: I guess it was in 1950. There had been, early in the year, an interest expressed by the military government of Okinawa, in relieving itself of some of the responsibilities of providing civilian requirements and in simplifying their own life, to find a commercial company that would come in and create a new company or an Okinawan company that could run an oil business and relieve the military of its needs to provide. At that time, the military in Okinawa had two hats. They were both the military and the military government. The supreme commander was both the commander of the several forces, but he was also the military governor.

A curious quirk in the need to get forward with some

kind of thing occurred. As you probably know, the military gets an appropriation of funds for petroleum purposes in their budget from Washington. They came to the end of their fiscal year in 1950, I believe it was, and they hadn't spent it all. They wanted to commit the money or spend the money so it wouldn't revert to the general fund and they wouldn't lose it. I've forgotten the exact arrangements, but in negotiations with Chris Livingston and George Jilson, who was an attorney, it was arranged that Caltex would receive a commitment of several hundred thousand dollars. I've forgotten what the figure was. Maybe it was a \$100,000 or \$200,000, which was designated to start a civilian petroleum depot in, I believe, Naha. But whatever the device was, this money was committed for this purpose. Caltex was the recipient of it, and this began the negotiations to find some kind of an agency for both distributing petroleum to the military and the civilian population.

So we contracted for and undertook contractually to establish Ryuku Oil Company and train them and to handle product with them on a consignment account basis in all respects and supply all of the product at a markup. I've forgotten what the markup was now; it may have been a 5 percent markup. At one time we talked of a quarter of a cent per gallon. I actually negotiated this contract, finally, myself. The military didn't know what they were

doing; they were actually giving us more cents per gallon than we could afford to take on public audit. But we finally agreed in establishing a Ryuku Oil Company.

Now finding a Ryukan who was still alive and who could read and write was no easy job. We finally got in touch with a fellow named Inamini, who is now retired. Inamini was a Japanese who had been born in Okinawa, but whose father had worked on the South Manchurian Railway. I think he, himself, had been involved in working on the South Manchurian Railway for the Japanese during the war years. Anyway, he was sent back to Okinawa as an Okinawan, and he was fairly bright at that time.

In Okinawa they have this great structure of things like only a government and an army could do. They had a great high command, which was the military government with its financial division and planning division. Mind you, the island was pretty small, and that's all there was to it. They had a Naha district of that agency, which had a mayor. Colonel Schaeffer was his name--a great rotund fellow, very nice guy, but strictly military and no brains. He was sort of the Naha governor counterpart. None of this had any structure, really, and, indeed, there was no law in Okinawa. There was no civil code; there was no way of governing except the military. We were supposed to create a civil thing in a jurisdiction that had no civil law. We very soon recognized this but decided

that we would, in all respects, incorporate this Ryuku Oil Company in accordance with Japanese law, although it was not really applicable. So that we did.

We then built a terminal. It was really a "piece of cake" for many years, and I use that because that's exactly what it was. I think we did not take undue advantage of it, but out of the gross proceeds that we were able to charge for the product--and we set the prices at the marketplace with the approval of government--we paid our own expenses and our own salaries to the people we sent down there, and we built some houses for ourselves. We got agents and others to build them. We also did many things for the military that they couldn't do for themselves. We established a very efficient distribution system that supplied the PX with its gasoline from overseas. Well, we had a monopoly, and every oil company in the area began to complain and raise hell. Ten or fifteen years later, it was changed.

But Okinawa was a very profitable, clean piece of business in which we wore two hats. We were a contractor with the military to do all these things, and then later, of course, as there came to be an Okinawan government, we had the same pressures for the refinery. Eventually, the refinery was built, although it never should have been except for national purposes. That refinery we still have.

We put it into Nippon Oil Company--NPRC. We'd like to close it, but for economic pressures, the Japanese government won't let it be closed right now. There are a number of people that could tell you about Okinawa. Steve Van Nostrand was in residence and in charge of Okinawa for a while.

I might say that our relationship with the military, for many years, had been a very special one. It was very special both with reference to the New York contact...its principal point was a fellow named Walter Uhle who was the executive vice-president. Walter was a unique sort of an "old shoe" supply man who'd grown up in Texaco's supply and distribution system. He maintained a relationship with the Pentagon and the military. In those days, you had to be able to...all throughout the Asian area and, indeed, in Europe, too, there was a hierarchy of POL officers (Petroleum, Oil, and Lubricants). There were specialized officers in the Supply Corps that handled this, so you went back through the hierarchy to Pentagon headquarters, which was separately housed, actually, for the Petroleum Division in the military, which was a world-wide network of supply for both our own military and our allies in the early days.

Marcello: Speaking of that, it seems to me that Herb Fish, among others, had been in the service with POL prior to moving into Caltex.

Voss: That's true. He had been in that position in Japan, as had

Lyle Stone, as had Chris Livingston, as had Les Carson, as had George Jilson (another fellow who participated in the Okinawa thing in the early days).

The relationship with the military also builds from the fact that Caltex was in the best position to supply the volume requirements for the military, especially in Asia, for many, many years.

Marcello: Again, when you say it was in the best position, was this because of the Indonesian fields once again--closeness of supply?

Voss: No, this was because of, originally, our availability of refined products, principally gasoline. In the early days, it wasn't even jet fuel; it was hundred-octane gasoline from the Persian Gulf--from Ras Tanura (and by then we have participation in the Abadan refinery, in which we were drawing some supplies, too) and the Bahrain refinery. It relates more proximately to the Bahrain refinery because after the war the great requirement for the Navy was for Navy Special Fuel Oil. This was a fuel oil that was heavier than diesel, but lighter than Bunker C-type fuel--a special specification. Early on, Caltex made a contract with the Navy predicated on supplying fuel oil at a very competitive price in order to propel the Navy into using large quantities, in order that we could keep the Bahrain refinery going to produce gasoline and light products. The price that was

variously talked about in those days...the Navy had the benefit of a dollar a barrel for fuel oil. It sounds like you're giving it away at that price. We may or may not have talked about it before, but because of the inability to get rid of fuel oil, from time to time we pumped it into the pitch pond in Bahrain in order to keep from shutting down the refinery. So we'd do anything to dispose of fuel oil, and the first big step in disposing the fuel oil on a program basis was to make a contract with the Navy.

From that genesis and from our willingness to serve in Kosco, Posco, and Josco and the Okinawan thing and all of the other things, we were very much involved in Army contracts and Navy contracts and negotiating them. Caltex, of course, from the close of the war until recent times, was the largest supplier of fuel and products to the military, most of it going to Asia in support of two wars. You could say that Caltex supplied most of the jet fuel that was the driving force in Vietnam, and we supplied most of the aviation gasoline in Okinawa for the American military and for the Korean military. That was a very vital part of the growth of Caltex, especially moving the heavy fuel oil until the industrial markets began to develop for the use of fuel oil.

Marcello: There's one other thing that we didn't touch on, and it really doesn't have anything to do with what we've mentioned thus far, but I'd like to get your comments on it. What policies

had Caltex been developing relative to the training of nationals for responsible positions within the company?

Voss: In the early years, there was no visible program, except there was the need to have people who could do the job as cheaply as possible. Obviously, expatriates are expensive items to send out from the United States. Laterally, as we began to get a pattern of national companies in all of these countries, it became increasingly clear that we had to become more a part of the country and less a foreign company. So efforts were made in that direction early on --the training of Filipinos and so forth. In Japan we didn't have to train Japanese. The Japanese training programs were ample. On the other hand, we did have, as you know, in Caltex annual training conferences and programs for young people that were drawn from all over the Caltex network all over the world. Laterally, we had a program of trying to bring in nationals from overseas to work one or two years in the head office and then go back home. That's worked very well. We've had a lot of foreign nationals who've become American citizens. You can just look in the Caltex head office and see Indians and Chinese and Filipinos, etc., in positions of leadership. So there was a program.

It wasn't broadly pronounced, but it was there. I say it wasn't broadly pronounced because you have to remember

another thing--in the evolution of Caltex in the early days, the head office was very anxious to keep it divided. They didn't like intercourse between chief executives of countries. They didn't want anybody coordinating product sales or shipments between field companies; they wanted that all to be in one channel to New York. Even if you were in Japan and wanted to get some lube oil from Hong Kong, they didn't want you to call down and ask somebody to get you a few drums of lube oil and send it. Actually, it was the case that they wanted to keep all these stray cats away from one another.

It wasn't until after I came into New York that we ever had the first conference of chief field executives. The first time it was semi-secret and held in Hong Kong. This was after I got to New York, and I did it with the approval of Alec Singleton, who had been with the other school and who was then president, on the basis of don't publish it. Go ahead and have a meeting; get all the guys that work for you to come out there. This was when I was president of the East company. Get them all to come and share information and talk about things, but don't, for God's sake, publish it. So it was held. It's standard now to have an annual chief field executives' interchange. In spite of the head office thing, the guys in the field have always managed to send smoke signals to one another, anyway.

So that relates to the reason there was no, perhaps, published policy in the early days about central training for field people. Everything was between New York and Australia, between New York and Japan, and New York and India. There wasn't anything between India and Japan, for example.

Marcello: What were the advantages and disadvantages of this kind of operation or this kind of policy?

Voss: I think it was a lack of trust in the field people to follow company policy, perhaps. It was also, in my own opinion, an effort on the part of those in New York to continue to preserve their power and their jobs. As far as I was concerned, in my early days in Caltex, I came to realize that the people that could best run the Philippines were the people living in the Philippines; the people who could best run Japan were those living there. In my days in the field, I referred to the head office as my greatest opponent, I guess, in a way of speaking.

Marcello: Do you think this was a general attitude among your colleagues?

Voss: Oh, yes. In those days there was definite feeling: "Oh, hell, he's a New York guy." There was a great camaraderie between the field staff. People who lived and sweated in the field, although they may have enjoyed great and gracious lives, felt they were sharing the hardships of the world, while the guys that lived in New York had it soft.

I wanted to say something about the military relationship

more than I have, but I can't remember what the point was.

Marcello: The last thing we were talking about, of course, was the supplies of fuel that Caltex provided for both the Korean and Vietnamese wars.

Voss: Well, I'll probably think of it later. Anyway, a big part of Caltex was this relationship with the U.S. military in great volumes of fuel oil. We even supplied fuel from the Persian Gulf all the way to Hawaii, although technically it was supposed to be part of the U.S. I think, even without disclosing it to our parent companies, Caltex supplied some fuel into Hawaii that Standard Oil of California or Texaco might have supplied directly into the United States.

The thing I wanted to tell you about was the rigors of living in the war years in all these countries, where Americans were very much at risk. The Caltex people followed the North Korean campaign all the way down the spiny mountains, making supplies available to the military to the point where they were finally backed up and had one terminal left, and that was at Pusan. I very well remember that there were a lot of people involved in this effort. A fellow named Gordon Churchwell, Fred Schmidt, who was one of the operations managers, and others had a hard time keeping supplies laid down to sustain the U.S. military.

I might also tell you that one of the principal staging areas for product shipments was in Japan, and part of it was

at our Tsurumi terminal, where we were constantly receiving drums by LST, revamping them, filling them, and sending them back to Korea. In the latter part of the war, when the North Koreans almost took the whole peninsula, the only supplies going into Korea to keep the military alive--that's both the Americans that were there and the South Koreans--were drum supplies landed in LSTs that were largely serviced from our commercial terminals in Japan. So this again is a part of the fiber of the relationship with the military--knowing that people in the military knew of the efforts we made. Of course, other companies did, too, but ours was the biggest.

That, to some extent, was true in Vietnam. I went to Vietnam a number of times. As a matter of fact, I was the last American to see Diem alive. I had a meeting with him and left the day of the revolution, wherein he was captured and, I guess, the next day killed. There were some people in Caltex--one presently here--that were wounded. He was stretched out by the swimming pool at the French Club in Saigon; a curious thing occurred. Somebody had shot...a piece of stray ammunition fired in the air hit him in the chest. Where in the hell is he now? He's in Africa somewhere. We had people in Cambodia and Indonesia; we had people in Saigon when Saigon was taken.

Marcello: For the record, what were you doing in South Vietnam relative

to the relations with Diem?

Voss: At that particular point in time, I may have been president of the company, or maybe I was president of Caltex East. I'm not sure. I regularly went to Vietnam because there were people there. I figured if there were people there, I should be there from time to time. And I did. I made several trips in order to see what kinds of things we would want to do there. We had a terminal on the river; it was bombed several times. We rebuilt it, and it was bombed again. They lobbed some shells from across the river. We had an office with Americans and Frenchmen in it, and we even had a Cambodian office.

The last time I went...I guess it was the last time; I may have gone a time after that. On one occasion that I went, I was making a general tour in the Far East with John Green, one of the Texaco directors. He was looking at Japan and the Philippines and some other areas. I went to see Diem at his request, actually. I had seen a lot of government people, and the war was at a grim point. He was launching a program, as he explained it to me in these meetings, of supporting the villagers so they would be happier. As a matter of fact, they had a local program which involved people donating specific sums of money to buy ten chickens and two pigs and something else and giving them to a given village. Caltex was doing some of that in local participation.

I don't suppose the then Vietnamese government of Diem knew what this was all about; they just knew that they had to fight. These guys up in the north were fighting and they were fighting, and they hoped the people would be on their side. He made some great and impassioned pleas about the kind of things that the United States should do--instead of criticizing his policies they should be more affirmative in trying to help the economy of the country and many other things. I'm not sure what all it was about, except that it was an exceedingly long interview.

I went to his office early in the morning. Things were visibly tense in Saigon. There were extra machine gunners, etc., at his palace. I spent all morning with him. He philosophized about many things. He was trying to communicate with the United States, and as frequently chiefs of state do, if they can get a businessman that'll listen, they figure he'll repeat the story. So he was giving me the whole story of his woes and his troubles and his problems. He was dead the next afternoon. As a matter of fact, I have here a copy of the paper...the paper is dated the day that I was with him. My picture is in the paper with him. The next day he was killed.

Lots of people in Caltex, through the years, exposed themselves or permitted themselves to work in hazardous situations without really ever giving too much thought to it.

Maybe they gave a lot of thought to it, but did it, anyway. That was true in the Korean War and the Vietnamese War and in the Chinese thing and the Philippines. In the Philippines you had Americans staying until the eleventh hour when the Japanese came in. You had some taken and put in prison; you have some that went to the country and became radio operators, etc., I guess in support of guerilla activities. You had those same kinds of people in Indonesia as well.

To sort of close out this session a little bit, maybe I should talk very briefly about the Philippines and then skip to Australia and New Zealand. I say talk briefly about the Philippines, because I indicated to you before we started going on the tape that there were two empires in Asia, or maybe three even, that were certainly maintained with some separateness. I would say that it was the China one after the war, which was an area of influence that belonged to P.F. LeFevre; there was the Filipino one that belonged to Roesholm. Quite separately, and in another arena, was India. People after the war sort of belonged to one or the other of those in Asia. I served, in one way or another, directly in all of the markets in Asia after the war and until I left the area, but I did not serve in the Philippines. So those things that I say about the Philippines will be recapitulations or recitations of hearsay to some extent. There are a whole lot of people that were actively involved

in the Philippines who could give a better account of the pros and cons and where they went.

I would say that the Philippines developed some very special leadership. Roesholm was a very unique and controversial character, but he must have been good. He was able to survive through the war without being in prison, and he was able to lend some assistance to the Americans and the others from the company that were in prison.

Marcello: Do you have anymore background on Roesholm as to why he was not in prison?

Voss: He was a Danish citizen, principally. His wife was originally Australian. If she had been American, it might have been different. I don't know. He was able to buy his peace and stay out of prison because of his citizenship, I would suspect.

But you had some outstanding leadership that developed, some men that were very good and knew what they were doing in digging into the Philippine politics. You had Roesholm, and you had a fellow named Monical that made a marked contribution; you had Gene Menefee, who made a major contribution to the stabilization of our relationships in the Philippines and the development of a more meaningful political tie with government. I think Menefee made the first real steps of an American to do that. Then from Menefee you had Jim Wolahan, who was there in residence for a period and made a great contribution. Then you had one of the chief financial

officers of the company, Frank Zingaro, who cut his teeth in the Philippines in the early days as chief accountant and chief financial planner. He then came back to New York and became one of the two senior vice-presidents that took care of things when I was chairman. All of these people cut their teeth in the Philippines, as did Ray Johnson, the current president of Caltex.

Marcello: What is the significance of the trade in light products relative to the Philippines?

Voss: The trade in light products? Do you mean the gasoline, kerosene?

Marcello: It seems to me that in our pre-interview conference a couple of weeks ago, you mentioned the trade in light products relative to the Philippines and that it had some significance.

Voss: I'm not sure what I was talking about, to tell you the truth (chuckle). Well, early on the Philippines was like all of the other markets in Asia in that it didn't have a great fuel market because it didn't get too cold down there, and they weren't generating all that much in the way of industrial activity. So you did have a broad market for gasoline and kerosene and not much for fuel oil. In order to relieve that, we did the same thing in the Philippines that we had to do in other areas--we made the arrangement with Meralco, before it was even sold to the Filipinos, to be the supplier of the largest power complex in the Philippines. This was

a major contract. We eventually had a refinery pipeline from our refinery right to their big plant. The Philippines had been organized early on in the same fashion that the China market had. You had a head office, so-called general office; you had district offices, a Manila district and a Cebu district. Then you even had, from listening to the guys that were there, station offices as we did in China, too. I believe Davao was a station office in Cebu. Anyway, you had pretty much the same kind of emergence in the Philippines, except you had a whole lot of violence to deal with. So you had to begin to have inter-island trade on a developing basis.

Marcello: What do you know about the agitation for a national refinery in the Philippines?

Voss: Then?

Marcello: Yes.

Voss: In the early days? Before we came in?

Marcello: Not before you came in; after you came in.

Voss: Well, the Philippines was a country in which there was a great deal of profit-taking and wealth accumulation by people in high places, and frequently there was the buying of influence. The big family groups, a lot of them, were agitating for something they could get their hands on in the way of a national refinery. First off, we have a Caltex refinery. That was the first refinery in the Philippines,

and we were able to get a good deal of the blossom of being first. We had a very high percentage of the market, and this helped us solidify that position against Shell. Ultimately, Shell built a joint venture refinery with--I've forgotten which group--a family group. Then Mobil and Exxon, or Standard Vacuum, built a refinery. Then I guess the national refinery was a buy-out of the Gulf refinery--Penoc.

Marcello: When does Batangas come along?

Voss: Batangas is the Caltex refinery. It was the first refinery, and I believe it came into existence probably around 1955 or 1956, maybe. I've forgotten; I don't know. That's why I say you'll have to get a better fill-in from others. Anyway, most of the companies, because of national pressures, have now bailed out of the Philippines. Exxon is gone; Mobil is gone. There's left in the Philippines only Caltex and Shell and Penoc, the national refinery. I suppose that that will be a continuing pattern. I don't think the government will move in the direction of totally nationalizing of refineries. This, as you know, has been done in India; there is no competing refinery in India. That's a mistake, too, because they have no measure of commercial efficiency. They ought to have one that's strictly commercial. Otherwise, they're going to fill their refineries and their marketing operations with brothers-in-law. Anyhow, that, I think, is about what I could or should say about the

Philippines, except for many years I came and went as a head office-type of guy and developed a relationship with the president and saw him many times; and I saw the other people who were leaders. I've entertained Filipino presidents in New York and Washington. So my main contact with the Philippines has been sort of in a supervisory, overall political context for a number of years.

That would have been true, also, with reference to India. India developed its own group of people. A lot of people who were in the China organization and in the Philippine organization had also done service in India. The previous chairman of Caltex, Pinkard, had been chief executive officer in India and in the Philippines in the prewar years. Pinkard, I think, preceded Roesholm maybe briefly in the prewar years.

Of course, there's Bahrain out there, which is a whole other story. That's something that was originally developed principally as a refinery thing. We can talk about Bahrain later.

If we wanted to skip in the Asian section to another country in which I had personal involvement and personal knowledge, we would have to go to Australia and New Zealand. Then we can pick up the story of what I might know about Caltex from a head office point of view later on. At the end of 1959, I went to Australia. I'd previously had some conversations with Alec Singleton, who had been out in Japan

as the executive vice-president of Caltex, but while in Japan he was made president. It was published that he was made president of Caltex. At that particular point in time, he told me that they wanted to take me out of Japan and give me some marketing experience in preparation for using me somewhere on a broader base. They were thinking in terms of either sending me to Australia or sending me to England to work in the Regent Oil Company offices. Regent was then run by a fellow named Simon Vos. In any event, as it finally occurred, I did go to Australia as managing director of Caltex (Australia), the marketing company. At that time, there was a Caltex (Australia), and there was another company that was 100 percent Caltex, called AOR--Australian Oil Refinery Proprietary, Limited. Then there was yet another later--Australian Lube Oil Refinery Proprietary, Limited.

Marcello: Let me ask you this, first of all. What were your feelings about leaving Japan? You had spent a good part of your career with Caltex in Japan.

Voss: I spent nine years there. I hated to leave in a way. I made a lot of friends; I was very comfortable in Japan, which I hadn't ever thought I would be. I was reluctant to go to Japan initially because I'd spent the war years in China in direct contact with the Japanese--on the other side. Some of my friends were casualties. But I think in those days you didn't question your employer quite as much

as you do today. You didn't ask, "What the hell do you have in mind?" "You say you're going to broaden me for some purpose. What purpose?" You didn't ask those questions in those days. You were happy to be noted, that somebody had paid attention to you. I didn't like to leave Japan, but I'd met many Australians that had been to Japan for ship purchases and otherwise. I'd met some of their principal business associates in Japan, so I knew some of the people that I would be seeing in Australia.

So, I went willingly, I guess. In those days--I'm not sure whether it's true now--in order to get a work permit in Australia, you had to indicate whether willingness to become an Australian citizen and enter as an immigrant, which meant that you had to have all the chest X-rays and all the things that pronounce you a sound citizen. There's a long procedure, but you've got to get the right entry permit if you're going to be a boss kind of guy in an Australian organization. I think that's changed now. I think you can get work tickets of sorts. But you couldn't in those days. So I entered Australia as an immigrant with the intention of naturalization and all of that crap. Anyway, that's the form it takes.

I relieved a fellow named Homer Faulkner, who was quite a character. Homer's dead. He was a great, great character, and I think I should say something about this

guy--a little bit--because in taking over from him, I found out that he had an invariable pattern of living. Number one, he was quite a martini fan, so he had a few of them every evening. He also smoked a lot of cigarettes and had a horrible cough that should have killed him long before I ever met him. He always arrived at the office ill and late, so you could count on what time he would come in. I got to know his old secretary really well, and she disclosed some of this to me. And I observed some of it as I was taking over from Homer. Homer would arrive at the office looking ill and harassed and coughing--every morning. He would say to Pat, "Pat, is there any way that I can get some coffee around here?" Of course, Pat said, "Oh, I think I can get some coffee." Then he said, "And rolls." Not sweet rolls, but those hard rolls. Then she said she thought she could. He would then retire to his office. Pat would bring him a cup of coffee and a piece of bread; then he'd cough some more and close his door and say, "Give me fifteen minutes, and I'll be ready to answer the phone." He did that every damn day. He must have been a professional "hooper" at one time in his life, because he was one of those loose-jointed dancer-types--a little, rotund person. Anyway, Homer was a great character; everyone loved him. You'd just better get out of his way when he started coughing.

Anyway, Homer was going home, and very reluctantly.

I did a tour with him when he was saying goodbye to all of his friends in Australia before he went home and introducing me, and it damn near killed me. Homer was pretty old; he was getting close to retirement age. I was a relatively young man, but the pace--the drinking and the partying with these two-fisted Australians--will get you. Anyway, that's sort of an aside, but there were so many characters in Australia that a separate book should be written about Homer Faulkner. A book should be written about the Englishman that ran the company, a guy named Fields. I heard a story of Fields. He was a rather formal Englishman and ran the company for many years. There was another character, Walkly, who formed Ampol Petroleum with whom we did business. He was a character. He was chairman of Ampol. There was Elton Griffin. Elton was the managing director of Boral, but had been the driving force as general manager. He created, made, and directed Boral, which is Bitumen Oil Refining Products or whatever. It was a company in which Caltex had some interest. Then there was the Honorable Tom Murray, who was the chairman of Boral. Tom was also one of the great evening drinkers and a very, very charming man, but inclined to really get "in the bag" in the evenings. Even John Higgins, the Caltex shareholders' representative at the time I went, was a great one in the drinking department.

In my early introduction to Australia, I went to a number of the luncheons with Elton Griffin, sometimes Tom Murray, sometimes with Walkly and "Mac" Leonard of Ampol, and with John Higgins. A three martini lunch in New York is for the kids compared to what these guys did. I would get back to the office...all the people involved are dead now, except me. I don't know why I'm still alive (chuckle). This wasn't every day, but it was very frequent. You'd start by having a dozen Sydney rock oysters. You might even have a steak, but this is long after you've had so much to drink that you've got to put something in your stomach if you're going to go back to the office. Most of the time, I went back to the office and had a nap. Then, the invariable ritual in Australia--maybe you won't be able to publish this part of the report--the invariable procedure in Australia in the days that I was there, which was in 1959, 1960, 1961, the standard procedure is that at the close of the day, you go by the boss's office and he'll open the bar, if you were a top executive in the company. In the Shell company, the bar was in the director's room. In Caltex there was a bar in my office which was there when I got there. It was automatically supplied with booze, and I never saw the bill for it. It was just standard that they kept a spread of booze and beer in the refrigerator. John Higgins had one in his office, as the shareholders' representative, which was down

on another floor. Usually, I didn't open my bar. Occasionally I did, if somebody came by about five o'clock and I was still there.

I was usually summoned down to John's to come down and talk to him. See, John Higgins was the first Australian to be in charge of the total operation in Australia. He had two Americans reporting to him; he had Julius Pfeiffer, who was the head of the refining company, and he had myself, head of the marketing company. We were two separate companies, so to speak, but John was the coordinator. John had an executive committee meeting once a week of top executives--Pfeiffer and myself. In those days, too, there was a big expansion program at the refiner, so the construction superintendent would usually come--a guy named Lonnie Bell.

Caltex had several businesses in Australia. Number one, we were, as a company, supplying Ampol and Sleigh. We were supplying them with product from the refinery--from ALOR. Ampol was in competition with Sleigh, and Sleigh with Ampol, and both of them with Caltex (Australia). So the three of us, competing, were drawing from the same refinery.

Marcello: Is this what you referred to in our pre-interview conference as the Bahrain Group?

Voss: The Bahrain Group--that's right. The whole group was referred to as the Bahrain Group. We were supposed to not talk that way. I made some mistakes when I first came down by thinking

you could talk about it. I was soon corrected: "Don't tell people in Caltex that there is a Bahrain Group that we're supplying Ampol and Sleigh." There was a sensitivity in Caltex that perhaps the refinery did more for Ampol than it did for Caltex and so on and so forth. So we were carrying water on more than two shoulders, and successfully so. We had about a third of the Australian market, all told.

But it began to get a bit troublesome because Ampol had aspirations to expand beyond us, and Sleigh had aspirations to expand. As things developed, I suppose, they turned out as well as they could. We finally brought Sleigh in, as you know.

The Sleigh organization was a very interesting one, headed by Sir Hamilton Sleigh. His father founded the company and first started purchasing case and can goods from Caltex in the early days. Again, that was the genesis of the business.

Ampol did pretty much the same. Ampol and Caltex had a joint exploration venture in the west and had one successful oil well that damn near broke the bank. They drilled the well--one successful well--and never had another one.

Marcello: I'm going to turn over the tape at this stage.

Voss: In any event, Australia had developed some outstanding ability in its organization, as you can see. John Sutton,

who's just recently left, has been in the head office as one of the top financial people here. We've had people in and out of the New York office that were Australian; we've had people in and out of Bahrain that were Australian, we've had Americans in and out of top jobs in Australia. So it's been an exchange thing in and out of Australia to the mutual benefit of both countries and both companies. I'm talking about the Australian company and Caltex Proper.

In my short period in Australia, we were in the process of catching up. The service station industry had gone into an agreed rationalization program in which everyone agreed as to how many new service stations they would build. This was with government sanction, I think. In any event, we had a rationalization system, but a lot of people had cheated on it and had built a whole bunch of service stations real quick before the total system went in. Caltex woke up and found out that we'd been left behind. So during my period, along with recommendations of our Allen Cameron and Dudley Braham, we hurried up to try to catch up in a retail way, no matter what the cost. It created some excitement and some criticism, and I got in a little bit of hot water with New York management because of unauthorized conduct, but it didn't hurt my career any, ultimately.

We did a silly thing in those days--silly to Australian training. We contracted to supply from Sydney fuel oil to a

big cement manufacturer in Adelaide. Adelaide's on the bottom coast of Australia. It sounds ridiculous to haul crude oil from the Persian Gulf, below Adelaide, around the Horn, to Sydney; and then you haul fuel oil back. The truth of the matter is that the tankers are going back empty to Bahrain, and you can do a back-haul thing. Based on back-haul statistics, I did a thing with one of the major cement companies and agreed to meet the price of coal. This caused us much trouble with the big coal industry. Probably, we shouldn't have done it, but it was good business, and so we did do it, and it set off another era of competition.

Caltex had strength in the marketplace. It has been there a long time, and it's all-Australian, really. Finally, we're in a position where I think we can survive in that we have sold part of the company to Australians. I had agitated a sale of an interest for many years, and no one would listen, until finally, somehow or another, it happened. We in part bought into the coal industry, and this is after the oil industry begins to look not so good.

Marcello: Everybody was diversifying or trying to find ways to diversify.

Voss: Yes. The time came when Texaco and Socal prepared to let us sell some of the company, and it has assured us of a future. Australia is going to mature; it's going to grow. It isn't going to grow as fast as the Australians think it will, and they are the main impediment to this growth (chuckle).

They really don't want to let the barrier down and let anymore people in until they're sure they have the infra-structure to support them and all that business. The resources are there; it only take time and people to develop them. As those resources develop, Caltex (Australia) can become a real major, separate company. The 25 percent interest sold to the public assures Caltex (Australia) of some degree of corporate independence that it wouldn't have if it were owned by Texaco and Socal.

Marcello: Again, for the record, we have to keep in mind that this occurred much later, does it not? This does not occur while you are in Australia?

Voss: No, much later. I'm skipping from when I was there and saying that we had to repair the marketplace. We were still expanding the refinery; we were still building tankers; we were accommodating the national pressure to build Australian-built tankers. We did all those things on a pressured basis in Australia. We have always maintained very close contact with the prime ministers and cabinet members--almost on a first-name basis with the top officials.

Australia is a very curious country in many respects. I'm not sure what the ratio is now, but 25 percent of the people in Australia were employed either by government or by government-controlled companies at the time I was there. The one sad piece of our picture in Australia is that we

did not get in on the Tasman Sea oil find that Exxon did. So while we had markets, we were having to buy a lot of Exxon and government crude. It's neither here nor there anymore; where you get the stuff isn't the name of the game. Now we've got the markets. We also have a viable--I think it's breaking even--coal deposit.

The pattern in Australia of getting away from the wholly-owned concept is sound, and it's going to serve us well.

Marcello: We've mentioned this several times, I think, in the course of our interview thus far, but where does the Kurnell refinery fit into the picture?

Voss: It's located on Botany Bay, where Captain Cook originally landed. At the time we built that refinery, Shell and Mobil already had refineries near Melbourne at Geelong. We built the refinery both for ourselves and the Bahrain Group. The idea is that you build the refinery in Sydney, and you're able then to exchange for product in Melbourne with Shell and Mobil and Exxon. I guess the Kurnell refinery's original capacity was about 50,000 barrels a day. It was tied to Minas crude. I think it was running almost entirely Minas crude in the early days. At the time I came down, they were busy duplicating the refinery to go to 100,000 barrels a day. The refining capacity today must be 150,000 to 200,000 barrels a day with the sophistication of the big lube refinery nearby.

The pattern of distribution in Australia is that Shell and Exxon have product in Melbourne; there's also a Mobil refinery in Adelaide; there's a B.P. refinery in Perth; there's an Ampol refinery in Brisbane. So all of these refineries in these principal capital cities exchange product to supply the national needs. There are now pipelines that go from Sydney to Newcastle, which was a place that was hard to supply in previous times.

There are many things that are unique about the Australian market that I found out when I was there. Number one, there's a special trade in the countryside. Tobacco farmers, for instance, get after-harvest credit terms. They start out getting product--diesel for plowing and sowing and all the rest--and after the harvest, they get oil for seasoning and drying the tobacco, for instance--the tobacco farmers. They don't pay until they have it, and this was a very ticklish thing in the countryside. The country salesmen would come in from the oil companies and try to tie up the wheat belt by giving special credit terms and all the rest. So one of the things you had to do was to be alert to meet this competition real quick so that it didn't get out of hand. In industrial accounts it was somewhat the same. It was the "old school ties" way of doing business.

Marcello: The record seems to indicate that you were only in Australia for about a year. Is that correct?

Voss: No, I'd say I was there more than a year, but less than two years.

Marcello: Do you think that was long enough to get you immersed in the whole business of marketing?

Voss: No, but, you know, the mystique about having to have a great education in marketing...it was long enough for me to get a review of the basics of what constitutes an adequate service station location--what kind of a traffic access do you need and how far ahead do you have to look and how much should you pay for real estate, etc.

Marcello: Like you say, it doesn't take very long to learn that sort of thing.

Voss: No. It'll get you used to the idea of whether you can have a service station with or without a canopy. In areas where it rains all the time, you've got to have a canopy; but also in areas where the sun is so damn hot, you have to have a canopy, too.

Toward the tail-end of my career in Australia, I was in and out because I'd been called back to do some work in New York and Japan. I was traveling the circle for a while. I arrived in Australia, I believe, in January of one year, and I left in November, so I was there almost two years (less than two years). Of course, I've been back many, many times since then.

That kind of runs us out of those things. There's

no use in talking about South Africa, although it was part of the whole Caltex thing even before the European piece that we might talk about. I think, in general, I've covered those things that I was involved in in my development stage in the company and had first-hand knowledge of.

Marcello: What I thought we'd do is stop here, since that's a convenient breaking point and since we've been going at this hot and heavy for quite some time. We'll cut it off here, and hopefully I'll be able to come back another time, and we can finish up on the interview.

Caltex Oral History Collection

James Voss

Date of Interview: April 4, 1986 Place of Interview: Cedar Creek, Texas

Interviewer: Dr. Ronald E. Marcello

Dr. Marcello: This is Ron Marcello interviewing James Voss for the Caltex Oral History Project. The interview is taking place on April 4, 1986, in Cedar Creek, Texas. This is the third in a series of interviews with Mr. Voss to get his reminiscences and experiences and memoirs concerning his long career with the Caltex Petroleum Corporation.

When we stopped the last time, we had just gotten into the subject of Australia and that portion of your career that dealt with Australia. One of the things that I was kind of interested in was finding out a little bit more about the Caltex ventures in Australia, not only what Caltex was doing wholly on its own, but also in some of the joint ventures that it undertook there. What can you tell me about those?

Mr. Voss: At the time I arrived in Australia, the company had matured substantially and consisted of, really, four independent pieces of business, all treated as one. There were two supply accounts that we supplied product to, and had been supplying product to, from the Persian Gulf--the Ampol Petroleum Company and H.C. Sleigh. In addition thereto,

there was the Boral business, which manufactured principally bitumen and paving cement, but also turned out some quantities of cleaning solvents and industrial solvents. They had their own refinery, and we had an interest in that company. We did not have a share interest in Ampol or in Sleigh, but we supplied all of their petroleum requirements and most of their lube oils. The Kurnell refinery that was built in Botany Bay outside of Sydney was built to serve the needs of Ampol, Sleigh, and Caltex.

This company locally was sometimes referred to as the Bahrain Group, because it had been serviced in its infancy and in its beginning from Bahrain. The Bahrain Group would have had some 30-odd percent or more, I suppose, of the Australian market. Caltex itself, as I recall, had 14 to 15 percent direct with service stations and other sales in Australia.

The refinery at Kurnell was also built specifically and originally to handle Minas crude from Indonesia, which was--as we've reviewed before--a very heavy, waxy crude which required special catalytic cracking in order to manufacture a salable gasoline at commercial margins.

That, then, was the nature of the business in the early 1960's, when I went to Australia.

Marcello: How would you describe the nature of the relationship that existed among Caltex and Ampol and Sleigh and others?

Voss: The relationship was different at different times. There was, for instance, a high point in the relationship between Ampol and Caltex, and that is when the joint venture exploration company in Western Australia brought in Rough Range Number One, a well that looked like it was discovering a new oil field. Ampol Exploration had a seventh interest, I think, in the oil field, and Caltex, I guess, had the rest. The only thing that happened from the late fifties into the sixties and seventies was the balancing of a situation in which Caltex was both a competitor of Ampol and Sleigh and a supplier to Ampol and Sleigh. This required a great deal of finesse, and even then there were some rocky times.

Marcello: How do you handle something like that, other than very careful?

Voss: That's about right. The structure of things in Australia had a resident shareholder's representative, who was not the titular or executive head of the Caltex marketing company, so that he could try to chastise the Caltex marketing directors if they got too competitive with Ampol and Sleigh. The result was that Ampol and Sleigh generally bought their product from the refinery, which was wholly owned by Caltex, at more favorable prices than Caltex (Australia) was able to buy. As time goes on, you will have talked to others and will learn that Caltex eventually bought out Sleigh and folded it into the Caltex group of companies. This was in order to achieve

synergistic savings. Also, the industry had gotten much more competitive, and it was harder for Sleigh to make profits. Then additive to the total Caltex venture was the coal mine that was purchased.

Marcello: That was quite a bit later, was it not, in 1981, I believe?

Voss: Yes. I was trying to bring you up to date on the things that existed and what was added to it.

Marcello: Sure, that's fine.

Voss: Finally, there was the sale of 25 percent of the Caltex venture to the public, which I was very interested in, because it gives Caltex a separate identity in Australia. Texaco and Social are not exactly interested in this part, but it gives Caltex an identity separate from Texaco and Social in that you are really responsible for what goes on in Australia to 25 percent of your shareholders, who are Australian. By this device, too, you acquire a nationality to some extent, which is part-Australian. You're not quite as much a foreign company.

Marcello: This is pretty important in Australia, is it not, where nationalism runs fairly high?

Voss: Yes. It's wilder than Texas nationalism (chuckle). I would say that Caltex is now well-positioned in Australia with the 25 percent local equity and that its future is bound to be good. Australia is a great country with great natural resources, and its progress is only limited by its population.

The population is going to grow, and has been growing, with more lenient immigration rules. The Australians themselves say that they are like the United States fifty years ago, that they're beginning to mature and develop. To some extent, I buy that. That, as far as the corporate future of Caltex is concerned, brings you up to the present.

Marcello: Let me go back and fill in a couple of more things here. In looking through my notes on the research that I've done --this is projecting forward quite a bit--1981 seems to have been a rather important year relative to the activities of Caltex in Australia. For instance, you mentioned the sale of equity interest to the public. That occurred in 1981. Then Caltex purchases the Bayswater Colliery in 1981. Then it also purchases the Golden Fleece service stations in 1981, I believe. All three of these things occurred in 1981.

Voss: They occurred then, but they had been in process for a number of years. We had been talking to Sleight about acquisition for years. We had, at one particular point in time, offered Sleight an interest in the AOR refinery. ALOR was the lubricating refinery in which they did have an equity and in which Ampol did have an equity as well. I had, during the course of my time, innumerable offshore meetings with both Sleight and Ampol to talk about amalgamations--quietly and secretly--but always there was something that prevented it. They wanted too much, or we weren't able or willing to

give enough. So all of those things had been in process.

I would expect that ultimately Caltex may buy Ampol. Ampol exists separately now, but they can't be very profitable as a separate entity.

Marcello: What was the reaction of the parents to the proposal to sell an equity interest to the public in Australia?

Voss: For a number of years, they had resisted it. I'm not quite sure why they finally did agree. Perhaps it was because we had suffered the throes of the first oil shock, so the parents weren't quite sure what the future in Australia was going to be. I guess, however, they finally yielded to the logic of the fact that if we were going to live and prosper in Australia on a long-term basis and share in the growth of that country, it would be good to acquire a mantle of nationalism of some sort.

Marcello: I'm assuming that this is one of those things that you had been in favor of and had advocated for some time.

Voss: I had advocated it for a long time. I suppose we had a number of conversations in the early seventies, and in the late sixties I had some very serious conversations with "Mac" Leonard. I actually met him in Fiji on one occasion so that it wouldn't be known that we were meeting in Australia. At one particular point in time, Leonard and myself agreed that his evaluation of what he had and my evaluation of what he had to offer for a joint venture or a purchase were so far

apart that as friends we'd better forget trying to do business together. We'd just call it all off, and we did for a number of years. Ampol is still separate.

As you know, not only is Caltex run largely by Australians, but a lot of Australians from the organization have been senior people in the head office, and are presently so. John Landels is a prime example of someone who had a great deal to do with moving the company in the equities phase. He, of course, is vice-president in Dallas.

Marcello: We also mentioned a moment ago that the deal was consummated in 1981 whereby Caltex acquired the Bayswater Colliery. How did that come about and why?

Voss: It was again an effort toward looking at the future and knowing that there was going to be a diversification in energy supplies, so we decided that we were in the energy business per se, not just in the oil business, and we might as well see what we could do about acquiring a position in coal so that we wouldn't be totally left out. A lot of studies were made. I guess the most intensive studies were made under the auspices of Tertius DeVos, who was a very bright fellow. He was a South African by birth, and it was a great loss to the company when he died of a heart attack in Australia. He was a very young man; he was one of the promising young leaders of the company. He did a great deal in the way of pioneering those studies. We also had some other studies going on to

buy into the position that Sleigh had in another coal company, but we never got around to that. I think the coal company probably is making money now, but with the drop in energy prices, it's a whole new ball game. It can't be profitable now. It was profitable then, but there's no way it can be profitable now.

Marcello: Before we get you out of Australia and back to New York, which, I think, is what occurred after your brief tenure in Australia, there are a couple of other things that I'd like to get your thoughts on. Obviously, the immediate post-World War II period was characterized by refinery expansion wherever Caltex operated. How was that refinery expansion financed? Can you talk a little about that?

Voss: A lot of it was financed by bank borrowings at that particular point in time.

Marcello: Why borrow rather than using equity?

Voss: There's a very simple reason. In the period following the war, the problem of all countries overseas was a dollar shortage--hard currency shortages. People had their own local currency, but when they had to buy foreign goods, they were short. They hadn't earned money in dollars; they didn't have the dollar reserves. I think every country had an exchange controller who parcelled out exchange for purchases of technology, but even more particularly, he would parcel out exchange for the remission of dividends or profits. So

if you had equity in a country to be serviced per se, in a form of dividends, you'd be running into these exchange authorities forever. The obvious way to do it, if you were expanding, was to put in loan money. The countries themselves, being anxious to get the inflow of hard currency, were inclined to approve of these loans and also were inclined to approve a program--even if they were programmed in advance--of repayment of the loans and certainly of repayment of interest on the loans as they occurred. If you put in a loan, you in most instances had a guarantee of the convertibility of the repayment. Then, as your refinery was amortized and profits were made, you could pay off the loan without having the battle. That was the pattern that went throughout the Caltex system. In the early days, as distinguished from the present, the major source of steel, the major source of refining technology and the pumps and compressors and all the other things that went with the refinery, was the United States. Major payments had to be in dollars.

We borrowed locally for local costs. In Japan, for instance, we borrowed dollars in New York for local purposes rather than borrowing yen locally because of the difference in interest rates. I recall that the interest rates on some of the earlier loans that Caltex paid to a syndicate of New York banks was about 4 1/4 percent at a point in time when borrowings in Japan effectively, with compensating deposit

requirements and others, would be 10 to 11 percent on yen. So these are all things that militated toward heavy dollar loans.

As an aside comment, the borrowings of Caltex and others, but particularly the borrowings of Caltex during this expansion area, fueled the growth of a number of banks, including First National City Bank of New York. Caltex was their principal overseas customer for many years. Chase Manhattan was as well, and to some extent so was the Bank of America. Chase Manhattan and City Bank of New York were beginning to lend money increasingly overseas. Originally, the banks were going overseas because they could get higher rates of interest. They were not especially concerned about the security of the loans, which has carried them a bit too far and into trouble these days. Does that cover that? Does that answer the question?

Marcello: Yes, I think so. Let me ask you another question concerning a significant activity during this period. This would have occurred while you were still probably either in China or Japan. Right after the war--1947, to be exact--Caltex purchased Texaco's European and North African distribution and marketing facilities. What were the reasons for that? What were the events leading up to it? Again, what you're telling me here perhaps is secondhand.

Voss: Of course, they had the option in the original agreement to

take a look at and buy Texaco's European properties at some later date. The reason, of course, that they purchased Texaco's properties in Europe was to avoid conflict. Already, in the very beginning days, we were moving some crude to Japan at rates which could have been higher or lower than that that we moved to in Europe. With the covenants to meet competition, we were setting up a two-hemisphere pricing kind of thing that could have caused us trouble. More particularly, the urge was to sell more and more crude oil. It was known that Aramco had more crude and that it was going to have more than it could sell.

So the same reason that impelled Caltex to buy the Texaco property, to exercise its option, is the same one that impelled them to sell part of Aramco to Mobil and Exxon. Number one, they were going to have to move more crude to Europe; number two, they were going to have to build a "Big Inch" pipeline 1,100 miles long. All of those things dictated that there had to be more oil sold in Europe. There had to be a greater investment in pipeline facilities to get the oil to the Mediterranean because in those days the size of the tankers were 15,000 to 20,000 deadweight tons. At some later date, with the super tankers you could economically transit Africa. But this was an earlier time. That's the reason that Caltex bought the European properties. I'm not sure that Texaco was keen to sell at that time, but they did.

Marcello: I'm sure this indicates ignorance on my part, but why didn't Texaco simply maintain what it had in Europe and move crude from Saudi Arabia?

Voss: I'm sure Texaco might have wanted to do that, but they'd given an option earlier. I think Socal and Caltex were anxious to exercise the option and felt that that would be a better growth pattern. Also, you see, Socal was not in Europe. If they entered Europe, as they might well have done, by buying crude from Aramco, this would have been another competitive element in an already too competitive European market. In the European market, Exxon, Mobil, B.P., and mostly Shell were the well-established (although B.P. wasn't quite as big in the early days). I can comment on the state of the European thing at the point in time that I came to New York and began to know a little bit more about it what the state of it was.

Marcello: You've kind of gone into the question I was going to ask you next. As you look back upon that decision to enter the European market, how would you assess it?

Voss: It was good. It should have been done, and there's no reason that Caltex couldn't have continued to prosper in Europe. As a matter of fact, the great mistake that was made, in my opinion, was the selling back of our division of the European thing between Texaco and Chevron. I'm sure Chevron didn't want it, but Texaco more or less forced it. In a

market where there was stiff competition and where you needed consolidation, it was precisely the wrong thing to do to fragment the Caltex market in Europe at the point in time when they spun it off.

Marcello: That is something that I did want to hold, and we'll talk about that a little later on. Let me ask you another very general question here before we get you back to New York. What's happening in Bahrain and with the Bapco refinery during this immediate postwar period? Describe a little bit about the evolution of Bahrain and Bapco during the postwar period. Let me start with a more specific question. What was its importance in the overall scheme of Caltex's operations in that postwar period?

Voss: It was very vital in the very beginning because it gave us a source of product that was close to the eastern market, as did Ras Tanura. But Ras Tanura initially was really a topping refinery; it wasn't a very sophisticated refinery. But it gave us a source of product in the same watershed as the Abadan refinery in Iran and the Shell refineries in Singapore. Shell had a small refinery in Singapore, which was perhaps the only refinery in all of Asia right after the war. In any event, Bahrain was a source of product.

One of the facts of life that emerged is that we protected Bahrain through our purchases by national companies all over Asia. I'll give you an example. The price at which we would

have imported gasoline into Hong Kong was the posted price. Nobody bought at the posted price, but Caltex bought at the posted price from its sister company, the Bahrain Petroleum Company. Now you can say, "What the hell difference does it make? We pay the posted price, and we take the profit out on the Bahrain side." That was true, except that this built up a false feeling on the part of the Bahrainis as to what the profit margins in the business really were. Had Caltex, in all cases, done business at a totally realistic transfer price, we would have made bigger local profits throughout the whole system and smaller profits in Arabia and Bahrain.

The importance of Bahrain faded a bit as national refineries became the order of the day and as the crude movements took over instead of product movements. But there was a basic problem in dealing through the years with Bahrain--the false hope and expectation of higher profits than were there.

Some of the early movements of Bahrain product occurred with Caltex as the middleman selling to the United States government. We particularly supplied large...you know, we had several wars in Asia which caused a booming product market. One of the early areas in which Bahrain product moved was to Okinawa, where we had a monopoly and were under contract with the military government.

Marcello: Did most of that product come from Bahrain?

- Voss: It came both from Bahrain and Ras Tanura, and some from Abadan as time went on. You'll recall that one of the talking points that I used in selling joint ventures in Japan and in Korea particularly and in some other areas as well was that Caltex was positioned better than anyone to supply a multiplicity of crude options at competitive prices. Indirectly, we had access to 60 percent of Aramco, our parents each owning 30 percent. Before, it was even a better story than that. Each of our parents owned a 7 percent interest in the Iranian consortium, so we could say we had access to 14 percent indirectly of Iranian production. Then we had access to all of Bahrain's production, and we had access to all the big production in Indonesia. This made a very salable package, and it was true.
- Marcello: I want to come back and talk about Bahrain again in a minute, but there's something that you mentioned here a moment ago that I've picked up on. I can recall at the last time we met, you were very eager to talk about Okinawa and what it meant to Caltex. Here again, you just mentioned Okinawa a moment ago, and you seemed to imply or maybe directly say that Caltex had a monopoly of the Okinawan market.
- Voss: That's true.
- Marcello: It must have been a very, very profitable operation for Caltex.
- Voss: Yes, it was, because you were not only supplying the indigenous

requirement, which wasn't very much, but you were supplying the whole military establishment. The nature of the Okinawan agreement--and we didn't design it this way; it happened this way--was one in which we would undertake to establish a viable petroleum business, train Ryukyans, and ultimately turn it over to them. We had a term contract originally. I've forgotten whether it was ten or fifteen years. Whatever it was, it had ample margins. We were to manage it; we were to build service stations; we were to pay ourselves for the product; we were to pay all bills; and if we had a surplus, it was profit. Anyway, we were to keep the prices adjusted reasonably competitive.

In Okinawa we built up very quickly a very large--visibly large--business. We built homes out of the operation to house our own people so they weren't dependent on the military government. The military government then said, "Why don't you build us some houses, and rent them to us?" We were running a big business that the government had an interest in. The chief of commerce and industry was looking over our shoulder; he was an American-appointed civilian. Because these were unappropriated funds, the government auditors had no call to look into them. So we did a lot of special things that benefited the Okinawan economy other than the petroleum thing, because people said, "Why don't you do this, why don't you do that?" It was not exactly the

oil business.

It was a very interesting period, and it was a real "cash cow" for Caltex in the very beginning. You're making immediately big money in Okinawa. You weren't making big money immediately when you were building refineries in Australia or building refineries in the Philippines. You were making big money almost at once in the sale of crude oil in Japan, but you were putting a lot of that back in in the form of loans and money for expansion. You were making good money in Okinawa.

Getting back to Bahrain again, the existence of the Bahrain refinery discouraged the building of certain national refineries that we might have otherwise built. We might have built early on a processing refinery in Singapore, which finally we ended up with. We ended up with an interest in an island processing refinery there. A lot of us advocated building a refinery in Singapore a long time earlier. But when you looked at the economics and backing out Bahrain crude, why do it? Also, there were some people who were interested in Indonesia that said, "If we're going to build a refinery, we should build it in Indonesia." That never matured, either. Anyway, the existence of Bahrain discouraged refineries in Malaysia and Singapore until very late in the game.

Back to Okinawa--or wherever we were--we eventually

ended up building a non-economic refinery in Okinawa for political reasons, largely to counter the activities of Exxon, which got tired of our having a monopoly. They attacked us in the Congress, and they attacked us everywhere because of this damn thing.

Marcello: You predicted my next question. I was thinking that your competitors must have really been squealing about this sweetheart deal that you had in Okinawa.

Voss: That's right. But everybody had a shot at it. We wrote the book. I wrote the damn contract myself, in longhand, so I know what it's got in it (chuckle).

Marcello: Back to Bahrain again, describe the evolving relations that took place between Caltex and the ruling family there.

Voss: I would suppose that the ruling family, in their inner heart of hearts, knows where they were before Caltex and where they were after. We, after all, discovered the oil. Our forebears or parents discovered the oil; we were the first to bring a reasonable level of revenue to the government and to the emir. So the relationship was very personal and very close, and I think it still is, although the dialogue of some of the younger ministers wouldn't indicate it.

We built the city; we built a camp; we built a refinery. We really built an economy in Bahrain, and in the early days this was very significant. The levels of production in Bahrain were close to 60,000 barrels a day with the refinery.

This was indigenous crude, not crude coming from Arabia, as some of it now is.

We did all the other things. We took care of the rulers when they came to the United States--they'd never been here before. The present ruler's father came. I suppose he was the first to come, and the present ruler, of course, has been here many times. His son went to school in the United States. His son, who is presently crown prince, is the Minister of Defense at the moment. His idol is the King of Jordan. He even dresses like him. Anyway, is that the kind of thing you were searching for? It's a very personal thing.

Marcello: I have just one last question concerning Bahrain. I would assume that Bahrain also serves as a source for a lot of expertise for these other refineries that were being built. Is that true? In other words, are personnel from Bahrain funnelled out into these other refineries, at least in their initial phases, in order to get the locals trained?

Voss: That's true. There were a lot of refining people that came out of Bahrain. A reasonable number also came from the parent companies early on. Again, most all of the refining people in Caltex had some extent of experience in Bahrain. Later, of course, when you began to have the Japan refineries, you very quickly developed your own expertise in Japan. Of course, we used a lot of American contractors in construction.

We used Fluor, and we used Bechtel; and we used Chicago Bridge and Iron very extensively for tankage and other things. Who else? Arthur G. McGee from Cleveland did the first Yokohama refinery expansion; Stone and Webster did very substantial work for us. Babcock and Wilcox and all this hodgepodge came together in all these refineries that had to be built, and indeed pipelines that had to be built in Sumatra and other places.

Marcello: I have onemore general question before we finally get you to New York. How did the bringing in of Exxon and Mobil into Saudi Arabia affect Caltex? In other words, at one time, of course, Texaco and Socal had a monopoly of the Saudi Arabian crude. Then I guess it's in 1946 or 1947 that Aramco was put together, and you had Esso and Mobil moving in. How does that affect Caltex?

Voss: I'm not sure. It would be hard to plot it. Immediately, however, it gave those companies, especially the old Standard Vacuum Company, that were established in our eastern markets a source of product at better prices and a source of crude on even prices with Texaco, Socal, and Caltex. So you could say the immediate result was to intensify competition East of Suez. They both had access to Iranian crude. You might have had more drilling in the Trucial States early on if you hadn't had all of the oil in Aramco. Or they might have very well bought a piece of Kuwait

or some other thing.

The real reason for letting them--the overriding reason, I guess--was that everyone said, "Caltex can fend for itself, and Caltex can compete. Caltex is well-established in these markets and can do as good a job as Standard Vacuum, and better. So let's not worry about that. What we have to worry about is the ever-increasing availability of oil in Saudi Arabia and the need to get it to market." The need to get it to market was to get it to Europe. At that particular point in time, because of the state of the art of tankers, a pipeline was the only answer. So the big thirty-inch pipeline across Arabia had to be built, and in those days it was a tremendous undertaking. People at that time didn't manufacture pipe that size. You had to develop a whole new technique of building it, and also you had to finance it. That's where Exxon and Mobil came into the picture. They had finances. Had we not built that pipeline at that time and had the Saudis gotten unhappy with the amount of crude being moved, something else might have occurred. The pipeline had to be built in order to suit the expectations of the Saudi Arabs, because they were beginning to learn about things.

Marcello: In other words, they wanted to sell more oil, and they figured they could sell more oil by bringing in two more partners.

Voss: Yes. I think this was a decision of Texaco and Socal. Anyhow, that was the reason for it. The pros and cons of whether it was going to hurt Caltex was not really debated because of the other overriding considerations.

Marcello: I'm looking at my notes, and you were moving fast from 1961 to 1964. You come back to New York in 1961, and you're appointed as a divisional vice-president. In 1963 you're made vice-president, and in 1964 you're president of the company. Let's go back to 1961, first of all. What was your reaction to being transferred to the New York office?

Voss: I was surprised. And it was quite inconvenient, really, because I'd been in Australia for just about two years. I had some inkling that they wanted to move me. As a matter of fact, in Japan a year or so before, the president of the company, Alec Singleton...as a matter of fact, he became president when he was out visiting in Japan on one occasion. He talked to me about the fact that I was going to be moving and that they wanted me to get my affairs in Japan in shape so that I could turn them over to someone. They tried two or three things that didn't work, so I was delayed leaving Japan beyond what the company had planned. Originally, Singleton had said, "We want to give you some direct marketing experience and then probably bring you back to New York in some capacity. So we're thinking of either sending you to Europe as general manager of Regent in London or to Australia.

Those two things are being considered. We haven't decided yet which one, but you might as well fasten your seat belt." So I was aware that some kind of change was taking place.

In retrospect, I know that there was another...I think that somebody had already put the mark on me. I don't know who did. In part, it was because of the amazing success of the businesses that I had been associated with--the "cash cow" in Okinawa and the great bonanza of Japan. I will confess that I contributed to doing and arranging those things, but the success of those two areas was so outstanding that whoever ends up getting some of the credit, I suppose, is thought of as leader of the company.

In any event, there had also been some conversation, I'm sure, about the need to get Caltex away from parent company domination in the sense of having the Caltex brand management. I know that there had been some conversations between Mr. Follis, the then chairman of Socal, and Mr. Long, the chairman of Texaco, so there was a program involved that I don't know anything about. I'm not sure how firm it was. The program also involved Mr. Singleton becoming chairman and Bramstedt going back to Socal.

In any event, these things happened so quickly, as you say, that I wasn't even aware of them. I really was pretty naive at the time. I thought, "Now they're going to give me this job, and I'll be able to run this goddamn business

the way I think it should be," because I was definitely a field man and always poking at New York and saying that they were a bunch of paper tigers back there, that they didn't know about the oil business, that they didn't know about the marketplace. I thought that if they'd just leave us alone and take the profit, we'd be a lot better. That's the attitude of everybody that served in the field. Everyone who served any long period of time in the field was a natural opponent of the head office. There's no question about it.

Marcello: That's a general opinion that I think I've gotten from everybody that I've interviewed for this project. Let me ask you this, and it's kind of a personal question. Is there somewhere around this period--let's say between 1961 and 1964--when maybe you thought to yourself, "I can become the chairman of the board of this company?"

Voss: Oh, yes, yes.

Marcello: Is that an ambition that you deliberately had and you deliberately set out to achieve, or is it one of those things that just happened?

Voss: No, I don't think I was...I'm not overly modest. I intended to get the next job and the next job and the next job until I ran out of new jobs to get. To that extent, I was going to be chairman at some point in time because I was going to be battling to get the next best job that I might be in

line for. Of course, when they put me in charge of Caltex East, it was like a piece of cake because I knew all of that market. It was much easier for me than the New York brand of people.

Marcello: You come back to New York in 1961, and you are appointed as the divisional vice-president. That's all your vita said, and I'm assuming this was Caltex East.

Voss: Yes.

Marcello: Let me ask you a background question at this point. Here again, this is something that would have happened when you had been in the Far East. What do you know about the decision to reorganize the company into Caltex East, Caltex West, and Caltex Services?

Voss: I want to be clear that I had nothing to do with that (chuckle). It was the development...first off, McKenzie and Company had some advice. I know some of the McKenzie people, and they're probably better today than they were then, but even now they're reorganizing people's businesses that they don't really know anything about. You couldn't have done anything worse than they did--not in making a Caltex East and a Caltex West or whatever, but in establishing three separate empires which were catering to senior people who were peers, one with the other.

You have to talk about them in terms of people; otherwise, the thing doesn't make any sense. You had Andy Nielson, who

was a tanker man--a charming, tall, articulate kind of man. He spearheaded the drive to acquire all of the government T-2s, which was great and good and the proper thing to do at the time, whether it was his idea or somebody else's. Anyway, he was in charge of that. So he obviously was a hero. He came from Socal, I guess. You had Howard Nichols, a refining specialist, who was vice-president in charge of refining--a very able man. These were head office-type people. You had Murdo MacIver, chief of finance, but Murdo had no ambitions except to be chief of finance. He was a most charming man. He had come from Socal. He was of Scottish descent; he was born in the Hebrides, Scotland, and he trained in the banks in Canada and then later came into the oil business. Anyway, you had these sort of positive people. Then you had Bramstedt and Singleton. You had some other people that maybe I'm missing, but that was the... then you have George Ferguson and Jack Fosque, who in the field had had similar experience--both articulate and knowledgeable men. So you had those guys.

At one time, we had a very large board of directors in Caltex. That became unmanageable, really, because all those people were there, including the general counsel. So they reduced the size of the board, and they reduced the size of the Executive Committee in order to hasten the decisions and eliminate so much debate. So you had to make happiness

with all these other people, and you had the outside consultants telling you how to do it and that you had many businesses that weren't related.

You ended up with these things, each of which had its own functional organization. The East Company had its chief of finance, and then you had a central chief of finance. The main accounting function is in the Service Company, but with a chief of accounting East and a chief of accounting West, this meant a great duplication of people, and it was wrong. It also perpetuated the magnetism and leadership of people like Andy Nielson. Everybody competed for the right kind of office space. I used to hear all these rumors. Anyway, it was too bad.

Part of it was catering to people instead of cutting the buck, and part of it was taking the advice of the outside consultants, and part of it was just a function of plain prosperity. Caltex was rolling and making money faster than they could waste it. So we ended up with a top-heavy organization in New York doing business with itself, with "one on one on one" decision-making. It was useless. It was a great mistake.

At the time I came into New York, the level of employment, I think, was 1,800 people at 380 Madison. Now we have 450 people in Dallas doing bigger business and more complicated business. It was a kind of empire building on the part of a

lot of different people, and prima donna personalities were involved.

Marcello: How long did that organization continue? It begins when— 1956, 1957, or sometime around there?

Voss: I'm not sure. It was in place when I came back to New York.

Marcello: I believe it was 1957.

Voss: Yes. It was in place when I came back into New York, and it very quickly disappeared because of the disappearance of the West Company. Then you end up with only one regional company, and the Service Company was eliminated.

Marcello: Let's talk a little bit about the European operations. I think, to some extent, we've covered some of your activities when you became the divisional vice-president, because we've talked about Korea and all of those things in the previous interviews that we did. Let's talk a little bit about these European operations. This is a very general question. How were they different from the operations East of Suez?

Voss: They were different only in the degree of market penetration. We had smaller market penetration in the European markets than we had in any of the East of Suez markets.

Marcello: Were there any differences in establishing market position in Europe as opposed to East of Suez?

Voss: Yes, very much so. Maybe it would be useful to outline

what was the European market--what did it really consist of at the point in time that Caltex took it over and at the point in time when I first arrived in New York; what was there.

We had a market penetration in Italy; we had a refinery ownership--part-ownership--on the Adriatic, down the river from Milan. That was Italy. In that original operation, Fiat owned half, and we owned half. Conflicts occurred, and later Fiat sold to us. Anyway, that was the Italian thing.

In Spain, we had Repesa. We owned part of the Repesa refinery. Of course, in Spain, Campsa was the marketing monopoly; they were the only ones permitted to market. Our relations in Spain were largely political. They had been established by Jose Alvarez and by "Cap" Rieber in the early days of the Franco dictatorship. That was Spain, and later we parlayed that into some exploration work in Spain. We had Spain, really, as a purchaser for Arabian crude, and they were one of the big purchasers. They bought all Arabian crude, so it was a big Caltex outlet for Arabian crude. That was Spain.

In France, we had a joint venture with a government company. We had very sparse representation in France, but we did have the small refinery in Ambes. So the business was there, but it wasn't very big compared to anyone else's.

We were selling a good deal of product into this joint venture with the government. That was France, and we had plans for building bigger refineries at the time of the spin-off, et cetera.

In Germany, we tried to acquire some market position. We had an office in Hanover. We were developing some service station outlets, and we built a refinery in Frankfurt to service that, all of this to be fueled by pipelines from Europort in which we had some ownership participation. Our position was respectable but not big, and it needed to be expanded. Of course, the refinery in Frankfurt was, to some extent, dependent on feedstock supplies to Farbwerke-Hoechst. So we were somewhat dependent on them. They were always trying to get us to expand to give them cheaper feedstock and all. It wasn't too prosperous, so Caltex in Germany had to expand or quit.

In England, we had a respectable position in Regent, which was 50 percent owned by Caltex and 50 percent owned by Trinidad Leaseholds. It was run by a very sharp guy named Simon Vos. I can tell you an interesting story about that, but I'll tell it to you later. As a matter of fact, I might as well tell you now; I might forget it. It was said that Alec Singleton was having a conversation with the early chairman, Herron. This was back, apparently, when I was beginning to move around a little bit. Herron says to

Singleton, "Voss? He isn't any relation to that son-of-a-bitch, Simon, is he?" Alec says, "No, no, no." Herron says, "Check him out, for Christ's sake. If he's any relation to Simon, let's fire his ass right now." (laughter) Actually, Alec went on to assure him that Simon's name was V-O-S. Anyway, that was England, and it was a respectable market. We were building the Pembroke refinery.

In Denmark, we had an interest in a coal company and an independent market position acquired through this energy company. In Brussels, we had our own small Caltex company that wasn't really going anywhere.

Then we had our big company in the Netherlands. The refinery was quite respectable and large, and we had also the Dutch Tanker Company, which related to Indonesia, really, because of the close identification of things Indonesian with the Dutch in those days. We had a reasonable participation in the Dutch market; we had some very bad long-term contracts with some supply accounts. That was Europe.

In all cases, Europe needed to be doctored up or souped up in order to make it worthwhile. Out of all that in Europe, there was some unrest. We were all right in some markets, and we were badly placed in others. In Germany, you had to expand or bust, and, of course, that was part of the fuss that occurred with the parent companies. Ultimately, of course, Texaco bought the big German company, Deutsche Oil,

and did expand. Maybe they're making good money, and maybe they aren't, but they're not really coining it. Anyway, that was the nature of the European market at the time.

Marcello: Let's talk about some of the specific countries here.

Voss: I must tell you that my advice early on from Alec Singleton, when they started fighting over Europe...Alec called me up and said--and this was even after he left--"Stay the hell out of Europe. Let McAfee and Lilley go; let them go to Europe. You tend to the East Company, because you're going to get nothing but trouble with the parent companies fussing the way they are." So quite by design in my early days in New York, I stayed the hell out of Europe. The only time I made a trip to Europe...except to go to London and talk to Shell because I knew all the Shell people. Shell was always sort of a stabilizing price influence in the East to some extent. I went to Germany to preside at the dedication of the Frankfurt refinery when it was finished. Otherwise, I stayed away from Europe.

Marcello: Again, in gathering background information on that phase of the Caltex operation, it does seem as though there is always turmoil there.

Voss: Yes. Of course, the ultimate thing that occurred was the purchase by Texaco of Trinidad Leaseholds. They squabbled there. After that purchase, there's nothing but trouble because Caltex owns 50 percent of Regent; Texaco owns 50

percent through Trinidad. So Socal really owns 25 percent, and Texaco really, indirectly owns 75 percent. Naturally, Texaco wants to call the shots; naturally, Socal wants to assert its Caltex 50 percent interest. There was argument-- and I heard both sides--that Mr. Long offered to sell half of Trinidad to Follis, and that they actually agreed to a price. Then Follis wanted to pay in "monkey money" of some sort--it's said on the Texaco side--not just cash. The Socal side would say that Gus Long secretly acquired Trinidad Leaseholds and never intended to give any piece of it to Socal, and that he didn't really agree on any realistic price offer.

Suddenly you have a great war declared, and Texaco begins to dump product in Europe through brokers and disturb the market, and away we go. Actually, I'm quite sure that Texaco intended to make life as miserable as possible for Caltex until Socal agreed to sell, which is what finally happened.

Marcello: So in other words, what you're saying is that maybe this decision was made by Texaco in an effort to get back into that European market once again, and eventually get Caltex out of there.

Voss: When they bought Trinidad Leaseholds?

Marcello: Yes.

Voss: It could be. They acquired a refinery, of course, in Trinidad

and some crude oil in Trinidad that might have been beneficial. I don't know the economics of it at the time. Certainly in its operation, the purchase of Trinidad Leaseholds, which gave them a disproportionate interest in the Regent joint venture, was the beginning of trouble.

Marcello: So if you're sitting on the Social side, it looks like there's some sort of a violation of the partnership understanding.

Voss: Yes, that's the way Social felt.

Marcello: Is it not true that among the people in the industry, Texaco has always been regarded, more or less, as a bastard or the S.O.B., and perhaps Social is run as a "gentleman's club?"

Voss: Yes. It's not telling tales to say that Texaco has really prided itself in being tough and in not running along with the industry and, to some extent, being a maverick in the industry. It's understandable that that, in fact, would be the case because when Texaco came into being, the old Standard Oil trust did everything to try to smash them. After Texaco discovered the Spindletop oil and had all this oil down in Texas, they had no place to go. That is precisely the reason they went overseas. They marketed in the Texas and local areas. They couldn't get a foothold in the eastern seaboard because of the Standard Oil trust, and so immediately they had to be tough in order to merchandise their oil. In any event, Texaco did have such a reputation, and they revealed in it to some extent, and they have right up until now.

To some extent, it is said...well, I can say it myself. One of the reasons they got a bad shake in Houston [in the Pennzoil suit] was because of that reputation and the fact that Houston was the home of independent oil people who had done business with Texaco through the years and had found them to be tough, hard-nosed, "talk-to-the-head-office" kinds of folks. On any jury in Houston, you're going to have people related to independent oil people and service company people. In the independent oil patch, so to speak, there would be sort of a presumption of guilt: "That Goddamn Texaco probably did do that; it's just like them." So it had some influence.

Socal's supposed to be, also, gentlemanly fellows out in California, and to some extent they are, but not really. They've got the same kind of people running their business that Texaco does. Some of them are arbitrary and pretend to be gentlemen. Certainly in the Caltex group, Socal was always trying to be the good guy. They did, in fact, go along with more things proposed by Caltex than Texaco would or wanted to go along with. Yes, there's a good guy-bad guy kind of a feeling.

Marcello: Would it be true, as you look back, that Texaco perhaps seemed to interfere more with the operations of Caltex than Socal? Wasn't Texaco itself always a very, very tightly controlled organization?

Voss: Yes.

Marcello: It was also ponderous, slow-moving in many ways.

Voss: Yes. There was one guy that ran Texaco for many years, and he could give you a quick decision, and frequently did.

I don't know. Certainly Texaco did do some arbitrary things that prevented Caltex from growing in Europe. As a matter of fact, they were just about to sign...Hal Hose was in Germany, and I think maybe he had signed the contract moving some large quantities of fuel oil in Germany in association with...maybe it was with _____; I've forgotten who it was. Anyway, we were about to enter into a new phase, and Texaco decided we shouldn't, and they had to call the whole thing off at the eleventh hour.

At some point in time, Texaco wasn't inclined to agree to anything in Europe that was constructive, but that, I think, was part of a program to bring about the division.

Marcello: You talked about Texaco's purchase of Trinidad Leaseholds and their 50 percent interest in Regent. Where does Simon Vos--coming back to him again--fit into this scenario?

Voss: He was chairman of both Regent and Trinidad Leaseholds, and he obviously offered Trinidad Leaseholds to Gus Long. A lot of people said that Alec Singleton knew about this, and Social believed it to be true. But Alec said--and I believed him, because he was a man of great integrity--Alec told me that he had never had any inkling. Although he was a personal

friend and saw Gus socially and frequently, he had no idea that Texaco was going to buy Trinidad Leaseholds until after the fact. I believe that to be the case. I know the Social people always kind of felt that maybe Alec had some knowledge of it. Because Alec was so well-received in the European and the London market, maybe that had something to do with it because Simon is a friend of his, long-standing.

An interesting aside is, of course, that Gus Long and Alec Singleton both worked for the old Galena Oil Company in Ireland, which was a Texaco-owned company. At one time, Gus Long worked for Alec. Alec was the young manager of the old Irish company. Both of them spent a lot of time in Europe, and that's when they became friends in the Texaco service. Both of them had been hired by "Cap" Rieber.

Marcello: You've touched upon him many times. Give me a character sketch of Alec Singleton. I'm asking you to that because you did an excellent job in our previous interviews in giving character sketches of some of these individuals that we've talked about. What sort of man was Alec Singleton?

Voss: He was very "strung-out" with the proposition that he was a very natty and, indeed, immaculate dresser. He always looked like a million dollars. He wore the right shirts, and they always blended correctly with his ties and suits and whatever else. He had sharp blue eyes and very gray hair from a very early age. He was a typical Irishman--very

handsome. He had a non-nonsense brain. He didn't like to clutter his mind with peripheral nonsense. He had a knack for sensing what the market was; he was a natural marketer. He was a very plain-spoken man. He wouldn't say "yes" to be popular. Some of us called him the "Gray Fox." He ran his office on a "closed-door" basis. He went in with the reverse of what mine was, because I thought it needed a turn in the other direction when I came in. Alec always did his homework; he was careful when looking at propositions.

He, in fact, ran the company when I got back to New York by consulting with only four people, and I was very quickly taken along to some of these meetings early on. Alec had a marketing meeting in his office that included George Ferguson and Jack Fosque, who was in charge of the East Company when I came back. He met with those two--Alec, George, and Jack. There was no one else except Hal Hose, who was senior vice-president or a vice-president. Hal Hose came from Texaco and was in charge of the general bulk sales portfolio and government sales and outside sales. As I say, if you wanted to see Alec, he didn't deny you access, but you had to talk to his secretary, who had to open the door. That, I think, gave him a lot of time to do his work.

He was a very human man. He was very entertaining. He had a good voice; he could sing. As he said, he only sang, "When Irish Eyes Are Smiling," but he sure sang it good.

He was also a very stubborn man. I'll give you an example of his stubbornness that I happen to know about. At a point in time, they talked to Alec about becoming executive vice-president of the company. They were going to make him executive vice-president, but they said, "You carry an English passport, and that isn't good for a company that's owned entirely by Americans. You're responsible to American shareholders. We'd like to make you executive vice-president, but we'd like for you to institute proceedings to change your nationality and become an American." He told them right away they could "shove it," that nationality was something you couldn't tamper with. If he wanted to, he would; but he didn't want to, and he wasn't going to have any of that. Well, they made him executive vice-president, anyway. Then you would think that they would have done the same thing--they would have consulted him when they made him president. But they didn't. They made him president, anyway. After he became president, he did what he was going to do, anyway--he became an American citizen because he'd been in New York for a long time and developed a cadre of friends over here. There were fewer people back in London, so he became an American. But there was no way anybody was going to get him to do it, or make him do it.

So he was a unique man. There are a lot of people that don't have that same view. Obviously, I do because I

prospered under his leadership. In appearance, he was a magnificent man and the life of the party in a very, very special kind of way. He had many very, very personal friends.

Marcello: He's the man that's kind of caught in the middle of these tugs and pulls between Texaco and Socal relative to the European situation.

Voss: In part. Well, the break occurred after he retired. That's when the real blood-letting occurred.

Marcello: That situation in Europe must have played hell with Caltex's management, did it not, in New York? These must have been difficult times.

Voss: Yes. You had two sides waging war in house. The two new fellows who came on the scene about the time I came back to New York were McAfee from Socal and Neal Lilley from Texaco. Neal came back to become president when Alec was made chairman, and McAfee was made executive vice-president. So in their way of thinking, they acknowledged that Singleton was Caltex and not parent company. But McAfee and Lilley were both very carefully still tied to Socal and Texaco with reference to retirement allowances and everything else. They both got very interested in Europe because of the tug-of-war and their own loyalties, and that's why I stayed away from it all. Later, they made me an executive vice-president to sit alongside McAfee. Still, during that period of cleavage, Lilley and McAfee

got along very well together--socially, in particular--but with each of them watching the other one and each of them watching his own company's interest in Europe and each of them dealing with the business in that sort of relative sense. The same was true with all the fellows working in the West Company.

Incidentally, I didn't mention Greece as being part of the West Company. It was, in fact, and we had a deal there with Restis, a rather slick Greek joint venture arrangement that existed in the West group.

Marcello: Let's just follow through on this spin-off.

Voss: Did I give you enough of a character sketch on Singleton?

Marcello: Yes. Let's just follow through with the spin-off to the shareholders of the Caltex European operations. You had these problems over Trinidad Leaseholds and Regent Oil Company and so on and so forth, and eventually this does lead to the decision to get Caltex out of the European operation. What do you know about that decision, beyond what you just mentioned, when it occurred in 1967?

Voss: Well, they finally agreed that they would do it, or try to do it, and try to get together on values. Of course, that was part of the problem. You know, who gets what and who buys what and who sells what? Among other things, they were going to take away the whole tanker fleet, and did. By that time, the East Company had its own very substantial

tanker fleet in Tokyo Tanker Company and in Honam Tanker and in Australia, too. So the disappearance of the parent company tanker fleet to service the East Company was not that vital.

They agreed to do it, and they appointed two men to try to get together on values and on writing an operating agreement. Those two men were Otto Miller, the then-president of Socal, and Marion Epley, the then-president of Texaco. These two fellows, working together, were supposed to finalize some kind of arrangement, and they finally did. There were teams of people that went to Europe to make appraisals and do all the rest. It was endless and tedious. There were problems of people and who would go with the thing and who wouldn't go.

Before we ever got to that, we had some real troubled times. You see, for a long period of time, I was the casting vote on a divided board, which was most troublesome. One side and then the other would press an issue and would press it until the vote, trying to anticipate that I would vote on their side or not vote on their side. We did have some of those votes, and we had one very sad instance when it ended up with great, angry words and a request for my resignation, and a request for everybody else's resignation. Naturally, when you got down to the wire, Lilley was going to vote the way Texaco told him, and McAfee was going to

vote the way Socal told him. And I was the only other one, because there was a board of seven--McAfee and Lilley and two each from the parent companies and myself. In most cases, we held out one way or another and avoided these votes. But in several cases we had to do it, and I voted honestly. In one case, you've got to make one side mad or the other side mad. It was hell to pay, and if they could've agreed on my successor, I'm sure they would have canned me.

Marcello: This goes back to something that you mentioned awhile ago. You're the only strictly Caltex man on the board, isn't that correct? You had two from Texaco; you had two from Socal; and you have Lilley, who came up in Texaco, and McAfee, who came up in Socal.

Voss: Yes, that's right. I was the only Caltex man.

Marcello: Now by this time, you're president of the company, is that correct?

Voss: Yes, by that time I'm president of the company.

Marcello: In 1964 you became president, and the split occurred in 1967. When that decision was completed, how did it affect Caltex? Obviously, you're now only operating East of Suez once again.

Voss: In some cases, we lost some people that we thought we should have kept that were necessary for the growth of Caltex. Some people left because they saw bigger opportunities with a prime company. They were supposed to not raid Caltex people who were in the East Company, and they didn't. But

in the few years when they needed extra personnel in Asia to help out, I had agreed to transfer some people from the East Company to help out in Europe. One was Thomas, who ran Holland laterally for Socal. Another was Bob Chisolm, who was in Sweden at the time of the split, who had been a protege of mine and had been a tanker man, a very bright fellow. He was a loss to Caltex in spite of the fact that they'd made commitments that we could keep who we needed. Bob Meness left us. He was the executive assistant to the chairman, a very bright young man. He reached a point in Socal of considerable leadership, but he could never make it to the top, so he retired early not too long ago. He would have been right for Caltex if he would have stuck around. He could have been chairman, perhaps, in later years. So we lost some people that in retrospect we probably didn't need, anyway. But we felt that we'd lost some valuable people that knew about our operations and that we should have kept. Since McAfee was going to run Chevron Europe, he was very sneaky in trying to cabbage on all the people of ability that he knew in New York. Lilley didn't. Texaco took Bob Chisolm in as their number two tanker man, and he got fed up with Texaco later on and quit. He then became the tanker man for Phillips Petroleum. He was in general marketing. I'd taken him out of transportation and put him as manager, first

in Pakistan and then in Sweden.

Then there was the great trauma of diminishing size. We're no longer in Europe, no longer that big; so everybody's unhappy, and there are grim days.

Marcello: On the other hand, how did you feel personally about what was occurring, that is, after the split?

Voss: I was tired of fooling with the whole damn thing. I was happy that it was gone.

Marcello: Plus, in one sense, the company was now concentrating in an area that I'm sure you felt much more comfortable in dealing with.

Voss: That's right. I'd done a lot of things with reference to Europe. I had an understanding and a camaraderie with Jose Alvarez and the Spanish thing because it was something I liked. But the rest of it was time-consuming, without as many rewards as you would expect.

In any event, the trouble with the split was the open sores--the auditing and the reauditing and the suspicion that somebody was cheating or not cheating.

Marcello: There's no way such a thing can be done in a "civilized" manner.

Voss: No.

Marcello: Since this is as much your story as it is Caltex's in general, what I was curious about was the situation on the board whereby they were ready to "can" you. Would you care to

discuss that?

Voss: There's no reason why I can't discuss it, but I'd like to keep this classified for a while--this piece.

Marcello: Okay.

Voss: Among all the other battling that was going on in Europe, there was a tug-of-war going on in Belgium. The head of the Belgian operation was a fellow named Pierre Jaspar. I had met him; I knew him. He had not been a part of my background. Also, a fellow who I liked personally, a fellow named George Gaynor, was working in the Belgium office, technically under Pierre Jaspar but as part of Caltex. I guess he was maybe the number two or maybe the number three man in the Belgium office.

I guess I'd better explain the background of Gaynor a little more. Gaynor had originally been a male secretary in Texaco years before, and I think he had actually worked for "Cap" Rieber as a male secretary. He came to Caltex, but his wife's father and mother were the largest shareholders of Texaco at that particular point in time, or were very large shareholders. His wife's father was a Chicago banker. He had a lot of shares in his own right, and he was on the Texaco board. Norris was his name. So this shows you how the dice were weighted already.

George Gaynor suspected Pierre Jaspar of taking bribes, especially with reference to the chartering of barges on the

Rhine River and so on. Perhaps he did. Anyway, there were some lawsuits filed and some information passed. This didn't come to my attention until later because George Gaynor came in and reported it to Neal Lilley, and it got all turned around.

Anyway, this wouldn't have been so great, except it was a period of high feeling between Texaco and Socal. So Socal was going to take any side that Texaco didn't take. Texaco and Gaynor asked that we "can" Jaspar or file suit against him, and he developed some testimony. Without going into the merits of the things, it got extremely nasty because of the two parent companies.

I tried to stay out of it, but I chatted with George occasionally. He had been carrying his tales to Neal Lilley, and I still tried to stay away from it, but it was going to come down to a vote. I looked at it all. I think perhaps Jaspar had been stealing a lot of money maybe, and maybe Gaynor had caught him.

To make a long story short, they wanted to press the matter to a vote and ask for the dismissal of Jaspar. It was requested to dismiss him as managing director of the Belgian company. The two lead directors on the Caltex board--one was John Green from Texaco, and the other was Ted Lenzen from Socal--tried to press this thing to a vote in several board meetings, and in one way or another I

finessed it and got away from it. But it comes down to pressure again from the Texaco side to do this. Lenzen then agreed with Green that--and they made all this known to me; I was privy to this thing--if I voted to remove Jaspar, then at the next succeeding meeting, Texaco would move to withdraw Gaynor from Europe, or Caltex would offer Gaynor back to Texaco, and they would take him. This was the agreement. On that basis, we came to a vote.

I voted to ask Jaspar to resign. Lilley was the chairman, so he didn't have to vote, except in case of a tie. I think McAfee abstained. So Socal voted to remove Jaspar, which they didn't want to do, and Texaco voted.

Then we come to the following month. I have an agreement with Ted Lenzen. It's obvious that Texaco is going to dig in and not let Norris's son-in-law down. John Green was caught; he had made a commitment. They told him back in Texaco that they didn't give a good goddamn, that no one was going to take Gaynor out of Belgium. John knew that I had made a commitment to Lenzen. I went to Lenzen and said, "Why don't you let me off the hook? Why don't you forget it? It's not worth all the trouble it's going to cause."

In the meantime, Socal, in their anger, had retained Jaspar as their consultant right after he was discharged, which made Texaco mad, I'm sure, when they found out about it.

Anyway, you can see how this thing is flaming. At the next meeting, we were able to put it off. Again, I went to Lenzen and tried to get him to drop it. There was no way he was going to drop it, and as a matter of fact, he said, "We're beginning to doubt your pledge of honesty in this matter." I said, "That's not an issue at all. What I said I'll do, I'll do. But why, why, why have all this bloodshed?"

I transmitted all this back to Texaco through Alec to some extent. Alec tried to convince me that it wasn't worth my honesty: "You've got to avoid it." I couldn't do it. They pressed it to a vote, and I voted.

The next morning I had a cable from Howard Rabin, who was then the chairman, asking for my resignation. I still have the cable. There were some other harsh words in it. He also asked for Lilley's resignation and McAfee's resignation for this "dastardly deed," and that's the story.

There were some other cases, too, of where I had voted. I had to vote on some other issues involving this fight-- not this particular one, but the split--having to do with some patent rights and the use of trade names. I voted honestly. My decision was respected in those cases because I was, in fact, right.

Anyway, this was a very troublesome thing. It affected my personal life in a very real way; my wife was ill at the time. Anyhow, that's the truth of the matter.

Involved in all of this--in all the squabbles and fights--and after this particular incident, Follis asked to see me and told me that no matter what happened in Europe --and he wasn't trying to buy my loyalty in any way--he thought I needed to have some assurance that I would be taken care of, that I would have a home in Socal as senior vice-president anytime I had to leave Caltex. I don't know if Texaco knew about it or not. It didn't make any difference because about the same point in time, I had an offer from Gulf to move to Pittsburgh, so I ultimately would have ended up working for Socal.

Anyway, that's the story. It's unreal. It's really unreal that you would have George Gaynor, who was a nice guy socially...we buy our clothes at the same place; I know his tailor (chuckle). He's a real nice guy, and his wife is a very nice person. I have seen them since at various people's funerals. He's very wealthy, of course. But to think that you could spit in the eye of a major shareholder and get away with it...well, you couldn't, but these two directors had made an agreement, and I was privy to the agreement, so what are you going to do?

Marcello: Again, I think it shows how the problems between the parents just affected everything and everybody that were involved.

Voss: Yes. It was a very painful time, I can tell you.

Marcello: That's a pretty good place to stop, I think. We've gone at

it for two hours. I'm going to not only turn off the tape here, but I'm going to let my transcriber turn over the tape. [tape turned over] I have a couple of questions I want to ask you relative to some specific countries in the European operations. Of course, I guess this would still be a part of Caltex West. Germany is one that comes to mind. There seemed to be delays and problems relative to really getting started in Germany. What are your thoughts on this?

Voss: I think it's very costly to start afresh in any market. It's going to cost you money with reference to any return you're going to get. We were in a market which had been highly developed by Exxon, B.P., Shell, and to some extent Mobil, who had prewar existing outlets. More particularly, I think that for one reason or another, we weren't prepared to pay a big price to get a market position in Germany early on. To get a market position meant buying out somebody. We had proposed to buy out several companies. You'd get down to a deal of some sort, and you just couldn't get board approval to do it because of the money. Whether, in fact, there was a reluctance to put the necessary money into Germany to get a reasonable market percentage, or whether there was something behind it, such as not wanting to build up Caltex if you think in terms of one or the other of the parent companies taking over, there might have been a little bit of both of those things involved.

But we approached the German market on an "on again, off again" basis, that's for sure. We got up a head of steam, then we backed away. We had another deal, and then we sort of backed away. We started on the cheap trying to build a big refinery that would move crude oil and be partially dependent on petrochemical feedstock so that we wouldn't have to merchandise the whole barrel. That's the only explanation I can give for the slow start in Germany.

Marcello: Why was it that Texaco didn't have much of a market in Germany?

Voss: In the prewar years?

Marcello: Yes.

Voss: Number one, they didn't have a great source of crude. They didn't need a big market in Europe. You have to recall that it was only really after the war that they became participants in Iran, when the Iranian consortium was formed. So the whole of crude product was from people like Exxon, who had Venezuelan crude in great quantity and other Atlantic source crudes. So Texaco didn't have any real great cry or nearby source anywhere. Other than that, I can't think of any other reason.

Marcello: Another country that comes to mind relative to European operations is Spain. I can recall in one of our earlier pre-interview conferences that you talked about the history of the relationship that built up in Spain and, first of all,

established Texaco and then, of course, later Caltex. Give me some of the background on that history, most of which, of course, I think we need to indicate on the record was secondhand knowledge so far as what you know.

Voss: There were a number of Texaco people involved, but the main one was "Cap" Rieber, who was president of Texaco, and as such did some leadership things in Europe. He had originally been a Scandinavian sea captain at one particular point in time before he got into the regular oil business. Anyway, "Cap" had some political ties in Spain and was very anti-Communist. I don't know what, if any, personal relationship he had with Franco at that time. Laterally, he saw Franco many times. In Franco's deepest hours, when his armies had run out of petroleum, Texaco supplied them with not only product but credit, which sealed them into a very special position in Spain.

An old friend of mine who was with Texaco--a fellow named Jerry Shapiro, who was a unique character, too--was in charge of one of the early deliveries to Spain in which they delivered lube oil in the hull of small tankers and actually put it ashore on the Mediterranean side of Spain. So that relationship with the national oil company continued ever thereafter. There is, somewhere in the file, an account written by Jose Alvarez as to that relationship. Have you run across it?

Marcello: No, I haven't. I was going to ask you next about the role that Jose Alvarez plays in the establishment of Caltex in Spain.

Voss: He was involved as a young clerk, more or less, at that particular point in time. I don't know exactly the growth intervals or what, but Jose continued on forever and ever and became quite a confidant of the government in high places himself as time went on. But his original connections were ...I'm not quite sure, but it's my recollection that he was sort of one of the guys that worked for "Cap" Rieber. "Cap" trusted him and gave him some special jobs and missions. Jose Alvarez was, in fact, Caltex (Spain) in the latter years and could do many things with government that other companies couldn't do.

Marcello: Did you have much of a personal contact with Alvarez?

Voss: Yes, I did through the years. I had a special contact with him because we were the two principal witnesses at the Onassis-Saudi Arabian tanker arbitration. He represented Spain, and I presented the Japan case as to why the Saudi Arabs couldn't force their customers to use their ships, that is, Saudi Arab ships, which were, in fact, Onassis's ships. Very curiously, the Saudi Arabs agreed that we carry out the arbitration in Switzerland. So Jose and myself had the principal briefs to make about two nations which were, in fact, also maritime nations who could not and would

not tolerate special arrangements which would bridge their right to pick up their own raw materials and transport them in their own ships. Aramco won the arbitration finally. I don't think it was formally won; I think it was finally dropped.

Marcello: Let me ask you to do the same thing with Jose Alvarez that we've done with some other individuals. Give me a character sketch of Jose Alvarez.

Voss: Jose was very Spanish. He spoke with a bit of a classic accent. For many years he was a chain smoker. He was very gregarious, a nice guy. He didn't drink very much, but from time to time he had a few. He was very nationalistic, and very devoted to his family. He did not exactly work hand-in-glove in the Caltex organization in that his considerations were national first, I think, which is appropriate. He was like me--he was always griping about the head office.

Marcello: That's kind of a transition into the next topic I wanted to talk a little bit about. Obviously, we have been mentioning this from time to time, but when you moved back to New York in 1961, first as divisional vice-president of Caltex East, how did your perception of the New York office change?

Voss: I'm not sure it changed any. I exhausted myself in New York in trying to simplify decision-making and trying to eliminate one-on-one decision-making and trying to centralize responsibility and give somebody the responsibility and credit

for doing things. I tried to institute a system that would keep everyone informed and that would take decision-making away from committees.

Marcello: While you were vice-president of Caltex East during that period, what were the trouble spots, if there were any, in that operation? What were the problems in that operation at the time?

Voss: As vice-president of Caltex East, principally because of the troubled times with Japan, I was devoting myself principally to Japan, to a lesser extent to things Australian. We had Kuhn, who was also a vice-president, on a continuing basis. His principal concerns were Australia and New Zealand. So the trouble spots...the trouble I had to deal with was to restructure part of the organization and get rid of some of the old deadwood that was standing in the way of progress. That meant treading on some older people's domain and toes and retiring early some people. I would say that the principal problems in Caltex East were rather organizational and personnel problems in the early period.

Marcello: Let's next talk about some other aspects of what was occurring back in the New York office. Why don't you talk a little bit about the evolution of the relationship between Caltex and the two shareholders? We've touched upon this a little bit relative to the problems that Texaco and Socal were having, but over the years could you see any changes occurring

in the relationship between Caltex and the shareholders?

Voss:

After the agreement between Texaco and Socal and the definition of how the business was to be run in the future was outlined in an operating agreement that was signed by both of the parents--perhaps it was even signed by Caltex--it was outlined that there would be a Caltex. It would have seven directors--two each from the parent companies and three internal ones from Caltex, so that Caltex would have the ability to vote with either side in order to make a decision in the case of a stalemate. This broke the old problem. It was outlined and talked about in that way; and it was also outlined that it was the intention of both shareholders that Caltex be a strong, vital company with the opportunity to grow and mature and reach out on its own, and that it was not to be stifled in any way and so on. Those things are all written into the final statement when the European division was split off.

For a while I think that persisted, and perhaps we did have a honeymoon of sorts; but it didn't take very long for special interests to again develop, and you found yourself in the throes of either shareholders trying to agree outside of the boardroom on what they wanted to cause you to do or else trying to prevent you from doing something. You couldn't ever quite get away from the fact that there was a parent-child relationship, and the parent always thought he was

smarter and knew more about things. So the only way to deal with it was to deal with it by making an issue of those things that weren't right, and we did with a good deal of success. I don't think there was ever any genuine change. There perhaps was a period of change when Bill Haynes was chairman of Social in that the degree of trust that he was willing to give Caltex was somewhat more than before.

Very soon on, we get into troubled waters again in the battle over moving the office. One parent wanted us to move; the other was dragging its heels.

Marcello: You talked a moment ago about the problems in this parent-child relationship. I'm assuming that the problems were simply compounded or multiplied by the fact that you had two parents.

Voss: Yes. Well, I'm not sure. The structure of Caltex was that of a corporation with a board of directors which was able to function. We took things to the board that were reasonable, that the parents were not willing to informally approve. It worked pretty well.

Marcello: Who were the three board members from Caltex? What positions would it be? Obviously, the chairman and the president...

Voss: We had seven positions, but because we didn't want to give up the extra one to Lewis and/or Zingaro...we needed two or none more, so we only had six.

Marcello: So you had...

Voss: Tucker and myself were on the board, but we got permission

for Zingaro, Lewis, and Yergin to attend all directors meetings as though they were directors. They also served on the Executive Committee, and the Executive Committee was theoretically the executive of the board. Although they were not board members, they functioned as though they were board members.

Marcello: Another topic that I'd like you to discuss here is the changing relationship that was occurring between Caltex and its various subsidiaries. For instance, when we were initially talking about the beginnings of Caltex and so on, we mentioned that the subsidiaries had a certain amount of autonomy and independence in their operations due to communications, transportation, and so on. Discuss how that relationship changed over the years, that is, the relationship between New York and the various subsidiaries.

Voss: I think that the subsidiaries throughout gained more autonomy in running their own affairs as time went on. Certainly, I was inclined to the view of giving it to them and insisting on trying to let everybody more or less run his own business overseas. Initially, the thought of Caltex was that there be a chain-of-command from New York to each subsidiary, and no contact between the subsidiaries per se. As time went on, there was more dialogue between the subsidiaries and the field--exchange of information. In general, the whole thing, during my administration, became much more autonomous

in the field.

Marcello: Why was it that New York initially didn't want the interchange between the various subsidiaries in the field? Did they feel, in a sense, that it would lessen their control over the operation?

Voss: No. They were selling at different prices. They were selling for whatever they could get, wherever they could get in. They didn't want one manager to know what another one was buying his product for. They didn't want one manager to know what other concessions another manager might have gotten. In part, it was job protection on the part of New York people. They wanted the dependency; they wanted information to flow only through them to the subsidiaries and not around them. This is very true of some of the people that I got rid of in the East Company when I got to New York.

Marcello: How did the company's policies toward the obtaining of crude change over the years relative to the various subsidiaries?

Voss: Initially, of course, we were tied to, and would want to be tied to, our own parents' source of crude, and we bought no crude anywhere else. But time goes by, and for various reasons we don't have the supplies, but we have customers that have to be serviced. So we started buying crude from others or wherever we could get it. That's still pretty much the score. We would buy, generally speaking, from

associated companies, but we're free to, and need to, buy crude in the open market from time to time. We departed from the old single-source crude in many instances, token purchases of crude from China, for instance, just to start the ball rolling. Then, too, the sale of the crude to Caltex became somewhat less vital to the parent companies because of the curtailment of the profit margin to almost "zip." The Saudi Arabs were making all the money out of crude, not Texaco and Socal.

It hasn't been that broad of a change in policy. It is, of course, true that the name of the game is not selling crude oil for a profit; the name of the game is making a profit after you've gotten the crude oil, which is totally different from what it was originally. Then, if you moved the crude, you made the profit in the crude; now, you can move all the crude in the world, and you may make nothing if you don't have efficient marketing and refining and organization.

Marcello: Again, this all more or less comes about because of the decision by the various Arab countries to get a bigger take at the wellhead.

Voss: Yes, that's true.

Marcello: That kind of leads me into my next topic. Let's talk a little bit about OPEC. Obviously, OPEC has to play an important role in the overall Caltex picture. First of all,

what do you know about the formation of OPEC and the reasons for it?

Voss: Obviously, OPEC was organized in order to get more favorable prices. There had already been a movement, however, by the producing countries to get more of the take by revising their contracts with the individual on-takers, such as Aramco and others. There were rumors for many, many years that the OPEC thing would get started, and it seems that maybe that would be a good idea. The price of crude continued to be cut and cut and cut. Before the OPEC formation, there was light Arabian crude being sold as cheap as \$1.30 a barrel. That would be Persian Gulf oil, which is a very low figure indeed. It had deteriorated from around a \$2.00 level, which was thought to be a reasonable price at one time.

I guess the politics of getting OPEC together to firm up the price finally matured. It did get together, and that was the whole name of the game--to increase the price. It worked for a long time, but it was also carried to great excess. Crude prices should never have been permitted to go as high as they were. The world cried out and said, "No matter how high it goes, it's really a question of recycling the dollars." We now know that what recycling meant was that the world could handle that kind of cost. But they recycled it in the form of Arab loans to banks and bank loans to the consumers, such as Brazil, Argentina, and

others. The recycling wasn't realistic because some of the money that was being recycled was never going to be repaid.

In any event, the relative price of the commodity went much too high and forced a lot of corrections, such as the use of alternate energy and a cut-down in consumption levels to levels that people previously wouldn't believe real. Then the high price of oil spurred the search for oil in areas where it was expensive to look, such as the North Sea. The success of those operations finally rose up a surplus of oil, and the prices tumbled again.

No matter what anyone says or no matter what OPEC does, I think OPEC will sort of muster itself, and there will be a price firming in the next month or so. There may be a need for some kind of price discipline in the marketplace that will bring Mrs. Thatcher around and the U.S. government around. We may even see increased duties on imported crude as part of the package, both as a revenue measure and as a measure to protect our local industry so that they don't shut out all of their stripper wells and so that they don't quit looking for oil in the continental United States.

Right now, product consumption is increased in the marketplace. It's just plain supply and demand. The cheaper the oil goes, the more it's going to be used. The price of fertilizer, the price of synthetic fibers, and the price of plastics have all gone down very drastically now.

Things are being manufactured now which were discontinued because of the high price of crude oil. So a low price of crude oil is good for the world economy, and it's good for the world manufacturing endeavors, but it also stimulates increased use of oil. The increased use causes a greater need for more quantity, so it will go the other way.

Certainly, it was thrust up to a arbitrarily high price that should never have been permitted, but no one would do anything about it. We all sat around while OPEC gave us the goose. OPEC will be back again. I think, myself, that there should be some discipline in the marketplace-- some plus or minus area that crude oil should be stabilized at.

Marcello: How does all this affect Caltex?

Voss: Again, we may be dealing with less per barrel, but we're going to be selling more barrels because there's going to be stimulated use. More barrels will make some more money over the present level. I will predict that Caltex will have some trouble in making its profit margins in the next few years, but it's doing a very good job because we have lived through some times when we've been buying high and then selling at profit. So Caltex has the discipline of living within its means that neither of our parents have. If Texaco faulted in the marketplace, they could make it up in crude oil supply. If Caltex faults in the marketplace,

it's lost in the market.

Marcello: How did the coming of OPEC alter the relationship between Caltex and Japan?

Voss: It didn't alter it. A lot of things altered the relationship between Caltex and Japan. Number one, as time went by, the Japanese needed less of the things that we had. They didn't need a great deal of engineering assistance; they didn't need any proprietary knowhow; they didn't need any marketing expertise; they didn't need the great quantities of finance that they had in earlier times. They became more sophisticated in dealing overseas and had more people trained to move about overseas so that they could do their own buying if need be. The Japanese sort of grew up from being, to some extent, a dependent of ours to being equal and now perhaps "better than." Who know? Some of the new people in our associated companies in Japan would say they could really quite easily do without Caltex.

On the other hand, on a national basis, Japan has to recognize that we own part of a very large venture in Japan, just as they own some very large ventures in this country. If we're not permitted to survive and profit simply as an owner, not as a contributor of some free gifts—just as a historical owner...we own a piece of Japan; we bought it back at the right time, but we own a piece of it. That ownership has to be recognized and rewarded on a

continuing basis, or else we have to be bought out.

The OPEC decisions, of course, had some effect because when the Arab boycott went into effect, as you recall, we were able to work out a special deal to get most of the oil that Japan wanted. Although the western world and the United States was supposedly boycotted, they didn't quite carry it out to the "T." They put some of our "in" customers in preferred positions, so we were able to get supplies to them. But the Japanese and others began to see the light, that crude oil was controlled by national governments and not just by the oil companies, so your stroke--your bargaining position--becomes much less.

Marcello: You become chairman in 1970.

Voss: I guess it was 1970, yes.

Marcello: Was it more or less a foregone conclusion that, assuming that you kept your nose clean, so to speak, you would become chairman after you had become president, which occurred in 1964?

Voss: Yes. I think it was in the wood. When I became president, it was pretty clear that if I didn't foul up that I would become chairman.

Marcello: You came back to New York in 1961; you were there until 1970, at which time you became chairman. During that period between 1961 and 1970, as you were in the thick of things in New York, did you begin to form any kinds of ideas of

changes that you would like to make if and when you became chairman?

Voss: Only one, I guess. First off, I ran the company when I was president. The chairman was not in good health. He had some progressive disease similar to Parkinson's; he didn't have his equilibrium part of the time. He got increasingly worse.

Marcello: We're referring to Mr. Lilley.

Voss: Yes. He had a bit of slurred speech, especially late in the day when he was tired. He didn't have the enthusiasm for running Caltex. Occasionally, with a flair, he would. I guess by default I was really chief executive officer of the company from the time I became president.

My chief aim in life was to be sure that information wasn't monopolized and cornered by anyone, that at the appropriate levels there was a fairly free exchange of information. To that extent, we broadened the base of the Executive Committee and had a once-a-week (Wednesday) review of everything with all the vice-presidents. We invited special people so that we could discuss matters. In the morning of that particular day, all of the developments were exchanged. Everybody had an opportunity to tell what his problems were so that without writing memos and all the rest you kept everybody sort of advised. That was, to my mind, a point for exchange of information. Then we had

the other meeting, the Operating Committee--the next level down group--which met on Thursday, again to exchange information. These two meetings were vital, I think, in the operation of the company because I tried to head off all these kinds of things: "I wouldn't have done this, but he didn't tell me," or "I didn't know that he was going to do that," or "I didn't get a copy of that." I tried to preach the doctrine that you're responsible to get the information and to know what you have to know, and if he isn't giving it to you, go take it away from him. The exchange of information in the weekly Executive Committee meeting, I think, was a vital type of thing for Caltex, and they're still doing it.

Prior to that time, there had been no such meeting. There was Singleton's marketing meeting with a limited number of people; there was a formal Executive Committee meeting which met to approve of things that had to be approved when the board was not in session. But there was no general information meeting among the top people of the company.

Another thing that I tried to do was to not disturb success in the interest of academic training. If you had a man who was obviously doing a marvelous job in Japan, maybe you shouldn't prepare him for a top job in New York. Maybe you should leave him there forever. Prepare someone to take his place, to be sure, but simply to keep everybody

circulating around and about so that everybody will know everything about the business so they can fill any job anywhere wasn't necessary. To that extent I left a lot of people in position for long periods of time. I left Steve Van Nostrand in Japan. He stayed there because he preferred it. He had an opportunity to come to New York and be a vice-president; he had an opportunity to get in the promotion chain. He knew he could do it. He also knew that he could stay where he was and be promoted in position and make as much money as he would doing the other things. So that's what we did with Steve in Japan. To some extent, we did the same kinds of things in Korea, but not for such a long period of time.

Marcello: That's interesting that you mention that, because some of those guys that had been in the field never could adjust to New York when they came back, could they?

Voss: No.

Marcello: I think of Fosque, for instance. I don't think he ever really adjusted to life in New York.

Voss: No. A lot of them never did. A lot of them who had worked in the field were able to finesse their lack of knowledge, too, because they weren't under such close scrutiny, particularly if they were a number two or a number three man and if the number one man in the field was a kindly sort. He'd do their work for them, and they could stay

there and protect their position forever. Some of my friends that came back to New York, that I knew very well in the field--and I knew how no-good they were--they really became "croppers" in New York.

Marcello: Another thing that just came to mind relative to changes that perhaps occurred when you became chairman was that there was initiated, was there not, a closer relationship or more intercourse among the various directors of the subsidiaries and so on?

Voss: Oh, yes. We instituted annual managers' meetings--exchanges--and we had them all over the world. The first one we had in Hong Kong for the old East Company. I think I told you about that. The then-president, Alec Singleton, approved my doing it if I didn't publicize it. In fact, you'll find that we made it appear that it happened almost as an accident. We wouldn't headline it as a new Caltex meeting to be set up. We did it, and it was very successful and useful. It was a beginning. It still is a very useful tool.

Marcello: You told me some of that information off the record, and I'd like you to get it on the record. Why was it that Mr. Singleton didn't want it publicized that there would be this meeting of the Caltex East regional directors?

Voss: Well, I don't know why. Did I say why earlier? I don't know why. I just know he was opposed to it because the philosophy had been before that you dealt as New York and

the field, New York and the field, New York and the field, and it was not necessary. I think Singleton himself was not opposed to it, except it had been going on and everybody would criticize it, including perhaps the parent companies. It was part of the old mushroom thing--keep them in the dark. Really, that's what it was.

Marcello: What would be some of the topics and issues and so on discussed at those meetings?

Voss: First off, there was a general view of the political situation in the countries in which you would do business. In Asia you're all part of one big thing, anyway. We'd have swaps of information in training techniques and service station design and shortcuts in operations and refinements--you know, a general exchange. Everybody presents his own little paper, his own little story about what he did last year and why, how much money he did or didn't make, what new things he observed in the marketplace, what his reading of his competition was (were they behaving themselves or not behaving). So this gives a cross-reference for others. Then, of course, from the New York side, there was a general expose' on the objectives of the company and where we thought we were going --those kinds of things.

Marcello: By the time you got to New York back in 1961, the whole process of expropriation and nationalization had begun. For instance, in 1962 and 1963, this occurred in Ceylon.

Then later on--1969, I think it was--it occurred in South Yemen. Then, of course, in India in 1976, which would be during the period when you were chairman. Is there any way, in general terms, that Caltex could have prepared for this eventuality? Or is it something that you simply have to deal with as it comes up?

Voss: I don't think there was any way we could prepare for it. I think in general we can always foresee that there is going to be nationalization somewhere to some of the business. The nationalization in Ceylon was borne out of the radical political change in the country and the great turmoil in Ceylon itself. We had a thing called the Hickenlooper Amendment. Do you remember the Hickenlooper Amendment?

Marcello: I remember Hickenlooper, but not the Hickenlooper Amendment.

Voss: It was the Hickenlooper Amendment that said they'd cut off trade to anybody that nationalized American property, or something like that. As a matter of interest, when we were in the process of being nationalized, they were invoking the Hickenlooper Amendment--the State Department was or whoever. However you invoked it, it was being invoked. Yet the government really didn't want to invoke it because, after all, what's a couple of oil companies down the tube to the federal government? Anyhow, I had gone to Washington to confer, along with Exxon's chairman.

Marcello: You had been with Caltex East when that occurred in Ceylon--

1962 or 1963?

Voss: Was it 1962?

Marcello: Well, you came back to New York in 1961, and I think you were in Caltex East.

Voss: In any event, I was down with other members of the industry in the State Department with Averill Harriman, who was under-secretary of state, discussing the Hickenlooper Amendment and its application and why we should. I was speaking for Caltex, and I think Page, who was chairman of Exxon, was speaking for Standard Vacuum at that time. In any event, we were in that meeting when Kennedy was assassinated. You always remember where you were when he was assassinated. They passed a note into Harriman, and suddenly everything stopped at the time.

As far as India is concerned, their problems are so immense and their distrust of the westerner is such that they were going to try and figure out a way to nationalize us if it appeared profitable to do so. One of the very interesting things about the Indian agreement is that in signing the agreement the government renounced its right of sovereignty, in the sense that they agreed that they would not for any reason nationalize the refinery for twenty-five years. Of course, they didn't keep that agreement. The agreement itself...I was always tickled with it because you get one government to agree that they'll never nationalize

you, and the next government comes in and says that was another government. That's exactly how it happened. I don't think you could have stopped India from doing it. They needed us when they needed us. We built their refinery. Maybe we made enough profit. We made some profits in India on some things; we lost money on some. They did pay us, I think, actually about \$16 million for the refinery. There were some other things that were involved, and they supposedly carried it up to about \$20 million. Finally, they did pay what they agreed to pay, but it took a long time.

Marcello: That still must have been rather sad to have this thing happen in India, since Caltex and Texaco together had been there for forty years maybe. It was something like that-- a rather long time.

Voss: Yes. So had Shell and everyone else.

Marcello: A lot of people in Caltex had cut their teeth in India, hadn't they?

Voss: Oh, yes, an awful lot. We once had a managing director in India who was rather colorful. Has anybody told you about him?

Marcello: Which one?

Voss: The one that was a little bit gay.

Marcello: No.

Voss: We had a gay manager for a while. Most of the fellows that know for sure about it are now dead, except maybe McMillan.

McMillan knows about him. This guy was as queer as a three dollar bill, really. A very pleasant and nice guy, though. They finally got the goods on him and had to let him go, but nobody ever said why. I guess India's a good place for that type of activity, anyway.

Marcello: I reckon.

Voss: We had another great leader in India who was an alcoholic. We've had some characters in the Caltex organization. There was a whole slate of alcoholics, but alcoholism never seemed to incapacitate anyone then.

Marcello: In other words, they were functional alcoholics (chuckle).

Voss: Yes. But I don't know that you can do anything about nationalization. In a Third World country that has an unmanageably large population, has a low level of education, is trying to feed itself, educate itself, clothe itself, you can't expect that they're going to adopt in all respects the free enterprise system of doing business. They're going to slam the door on you when it's useful for them to do so, and they'll have so many reasons for justifying it.

You have a reverse of the Indian situation in Korea. We entered Korea because the government of Korea was dissatisfied with the national monopoly, which had become unwieldy and inefficient. They asked another company to come in order to create competition with what they owned themselves. This was precisely what they did do, and this is precisely

what happened. They got in Korea, after we went in, in a highly competitive industry. Now we're the only ones there.

Marcello: Do you see the possibility that this trend might even be reversed some day or perhaps is already in the process of being reversed?

Voss: Which one?

Marcello: The trend toward nationalization. Do you see some of these countries coming to the realization that these government-run monopolies aren't working and that they will eventually invite in...

Voss: That's true of China.

Marcello: ...private enterprise.

Voss: That's true of China right now. We have opportunities more than we're willing to pick up because there's really no profit on them just yet. There has to be a new level of ability to pay in China before you can lash out there. Certainly, they realize that a free enterprise system of some kind that has incentive compensation is the only kind of thing that works in this evil world. People just don't work to serve others; they work to serve themselves. This is the reason China couldn't build any boats after the war. The welders all got the same pay, whether they made a good welder or bad welder. Ships' hulls didn't stay stuck together from bad welds.

Marcello: In this situation where there was a likelihood of nationalization or expropriation occurring, does the company have

any leverage? I think of Indonesia, for instance. Caltex was making quite a bit of money for the government, was it not?

Voss: And for itself, too, a tremendous amount.

Marcello: Sure.

Voss: Our contracts have been changed in Indonesia, as you know, and are less profitable than they once were. Every one of these countries is its own thing, its own separate type and kind of politics and culture. I think the problem for Caltex in the Caltex area where there are developing countries is the national consideration of whether or not we can afford a prosperous oil company in our country. Even if they create the prosperity themselves, maybe we should trim it back and take it away from them. I don't think any of that is going to change very much. I think we'll win some and lose some; and we'll be nationalized, and time will go by, and we'll go back. After being nationalized in Egypt, we did more business with Egypt than we ever did before. We sold more.

Marcello: Explain how that came about.

Voss: We just started selling crude oil on an enlightened basis to their national refineries, and product, too. We sold it to them through a different company, not the Caltex that was there, and they rented their own terminal from us. They didn't take the terminal away. So the government rented our old terminal. They took our marketing properties away,

but we had an ocean terminal down on the Red Sea. We trained Egyptians and had been training them for many years. We trained their technicians in the Pernis refinery. As a matter of fact, the minister of energy married a Dutch girl. He met her in Holland when he was in training with Caltex at the Pernis refinery. So simply by good training...this was something done by Mid-East Crude Sales, which was run by a rather inventive...inventive isn't exactly the word...

Marcello: Enterprising?

Voss: ...enterprising guy, Jack Newland, who was a raving alcoholic at various times during his career, and later a guy named Joe Triska. These guys were real entrepreneurs. They got with the Egyptians on the Egyptian basis and through a company called Mid-East Crude Sales, which was 100 percent Caltex, but had a different name and different invoicing to throw people off the track, and we virtually did all of the Egyptian crude business. We also did a lot of business with others, too, through Mid-East Crude Sales. I remember Jack Newland very well. He was always referring to the immutable laws of the Medes and the Persians, whatever the hell they were (chuckle). I don't know.

Marcello: It seems to me that one of the highlights, at least so far as I'm concerned, of your tenure as chairman was the reentry of Caltex into China, more specifically, the People's Republic of China. Discuss how this all came about.

Voss: How we got an early invitation to go back?

Marcello: Let's start with the early invitation and the opening negotiations and your visit there in 1977.

Voss: Was it 1977? It was earlier, wasn't it? I made several visits. Was 1977 the first one?

Marcello: I don't know if it was the first one, but that was the one I saw in the Caltex information that was given to me.

Voss: I made three trips into China since the war. The first one may have been in 1977. When did Nixon go?

Marcello: That would certainly have been earlier than 1977. Yes, in April of 1977, you made your first visit to China in thirty years—April of 1977.

Voss: Okay. We let it be known through one source and another that we would like to take a look again. I'm not exactly sure... S.H. Chow, who was a consultant for us in Hong Kong...I guess first off, when it was almost a violation of national security to talk to the Chinese, I went in the early 1970s to call on the China Resources Corporation in Hong Kong. This was the office that they opened in Hong Kong to front for the People's Republic. They did some trade, and we sold them some lubes in Hong Kong. I took my hat and coat and went over and knocked on their door; the old China National Bank Building is where their headquarters were. I called on the top guy. We sat and had tea under Mao's picture. I got indoctrinated, and I presented my credentials—fine. I sneaked out the back

door for fear it might be publicized. At that time it would have been unpopular with my parent companies, I'm sure. It wasn't fashionable at that time to do those things.

Marcello: You mentioned that you had let it be known that you were interested in talking through certain sources. Can you be more specific? What sources would you be using?

Voss: China Resources Corporation, I guess.

Marcello: In other words, you would have contacted somebody like S.H. Chow, whom you mentioned awhile ago.

Voss: No, S.H. worked for Caltex.

Marcello: I see.

Voss: All the Chinese talked to one another; some of them are Communists, and some aren't.

Marcello: I see.

Voss: They had trade representatives in the United States that you could drop a word with from time to time. I called several times just to chat and then had a dinner party or two with these people. As time went on, it was said that they would like to give me an invitation to come to Peking, but they wanted to condition it on my doing some things which I couldn't very well do.

Marcello: Such as?

Voss: I had been a trustee on the China Medical Foundation, which was a Formosan thing--an honorary kind of thing. I had been a trustee on this. It was originally an American doctors'

thing. They asked that I resign from that. As a matter of fact, I had already done so...no, I hadn't yet, but I'd put Tucker in already. He was going to those meetings; I wasn't going.

Marcello: Were there any other pre-conditions?

Voss: There were some other things, and I just couldn't buy them. About this time, very interestingly, the CIA got in the act. They found out that I was being courted to go, so they had me come down, and they wanted to give me a briefing as to what I should agree to and not agree to before going. I actually went to the Chinese embassy in Washington and sat and chatted with the ambassador and all of this hokey-pokey.

Anyway, an invitation was issued, and I went to Hong Kong. I was picked up in Canton by a government escort, and S.H. Chow was with me. I was housed in a government guest house. They permitted you to pay for your food in all these government houses, but it wasn't very much. I went to Peking, and I had meetings with every minister there was, just around and around. They took me to their refinery, which was the first time anybody had seen their Peking refinery.

Marcello: What were your impressions of it?

Voss: It was oversized for its capacity. The Chinese engineers, not being sure of their metallurgy and their pressure vessels and what kind of strength they should have for a 10,000-barrel-a-day crude still, made it about twice as thick as

they needed to. So it was big and oversized. Also, they had put it in a very awkward place in the hills to protect it from fighter attack--a most awkward place to have a refinery. It was very expensive to have it there.

Marcello: What was the state of their technology?

Voss: It was fine. They could refine oil. Remember that the Chinese had no refineries prewar at all, or after the war, until they built this one.

I got acquainted with the people that we did principal business with--the Ministry of Technical Import...was that the name of it? I can't remember the names of the various agencies, but anyway...so we talked about everything--about joint lube refineries, about exchanging crude oil (exchanging their sweet crude for sour crude and using their sweet crude in Japan where it would get a premium and selling the sour crude in South China where all they needed was something to burn underboiler, anyway). After that, they took me from Peking to Kuei-lin, which is where I had been stationed during the war, and they knew this. So they took me to Kuei-lin and entertained me. I stayed in the same quarters that Nixon had stayed in in Kuei-lin, so I came out after Nixon's first visit. They were beginning to emerge, but everything was still a bit rustic. Always the hot water system was slow to get fired up in any of these places.

Anyway, we then made the big river trip out of Kuei-lin.

Quite curiously, I was never able to go to the site of the air base that I'd served at, a place called Yang-tung. I asked if I could go to Yang-tung. They said they didn't know of any such airfield. I said, "I know where it is; I can show you. I know exactly how to get there from here." "No, you can't. There's no road that goes that way." It was only after I was leaving that they admitted to me that there was a place, and it was over there, and maybe that's the one that I was talking about. Why they didn't send me, I'm not sure. I think they were actively using it as a fighter base for their Vietnam fiddling-around, and they didn't want anybody to see it.

This was very interesting. Out of it all, I left a lot of presents. I've forgotten what they were. I receipted for all of them--some small radios and hand-held calculators and all that crap.

Marcello: By this time, Texaco and Socal obviously must now about what's going on.

Voss: Yes, they do know.

Marcello: What was their reaction when you approached them as to the possibilities of reentering the China market?

Voss: They were beginning to get interested in the possibility of the South China Sea. I went back with them for the conclave in the middle of the winter in Peking. I've forgotten when.

Marcello: This was in 1979, I think.

Voss: Was it?

Marcello: Yes.

Voss: These were the beginning meetings for their South China Sea entry. God, it was bitter cold...miserable, miserable weather. Of course, they make you go to the Great Wall of China whether you've been there four million times or not.

So China was an interesting experience. My assessment of China was then, and continues to be, that we have to keep the ball in the air. We are known; we are respected for what we've done in the past; and there will come a time. That time has already come to some extent. We have a respectable presence in the international settlement out of Hong Kong.

Marcello: Is this the Shenzhen Special Economic Zone?

Voss: Yes. We've gotten our piece of the offshore land; we sell them a respectable quantity of lube oil every year. We've bought a few cargoes of crude, but this was more just to keep the act of trading going. We've talked about the movement of their crude to our Korean refinery and the need for a peaceful coexistence with Korea, so that may someday take place.

On my first trip to China, I talked to them about sending six young men to the United States for training. If they would send them, I would get them into the University

of Texas School of Petroleum Engineering. This was in process...it took damn near two years for them to take up the invitation. As you probably know, there were about four classes or five classes of these guys. I still get letters from some of them, and a lot of them come here to the ranch. That, too, has built long-range bridges. Maybe it's putting a chip on double zero. I don't know. It could happen.

Our position is to get as good a break as any out of trade with China when it opens up, and it surely will.

Marcello: During the initial negotiations and meetings, did the subject of reparations or compensation come up?

Voss: No, I was very careful to avoid it. I certainly wasn't going to bring it up.

Marcello: So in other words, you had never been compensated for what you lost in 1949, and no claims were ever resubmitted at any time during these negotiations.

Voss: We had receipts for all the properties that they took over, but nothing but receipts. Those properties were very substantial, you know. We had an office building in Shanghai, a whole lot of housing, and a big ocean terminal in Shanghai. We had an ocean terminal in Hankow, one in Nanking, one in Fu-chou, one in Canton, one in Tientsin, and one in Tsingtao, and little bits and pieces of property all over the country. I don't think that that aspect of the thing would ever count for anything, except that under certain circumstances, I

could see where they might say, "Why don't you open up and do some business in the country again, and we'll give you back your office building in Shanghai? Why don't you just take your old office building back?" We are positioned to take advantage of a maturing China, and the forecast for that is that you can't tell.

Marcello: What kind of activities do you have taking place in the Shenzhen Special Economic Zone? Do you have filling stations or anything of that nature?

Voss: We have filling stations and an ocean terminal. This is all very, very recent. I haven't seen them yet, and may never.

Marcello: From a personal standpoint, did you have any special feelings in going back to China after having been away for thirty years?

Voss: Yes, I did--to see what you've seen once before, after the great bloodbath that had been suffered by China and that you read about and knew about, and you knew a lot of people that had gotten knocked off by it. I was interested to go back to the place where I had lived in Shanghai, and they finally took me back there. I had to find it again because there were no road maps, and the road had been closed. I had lived in a little garden cottage in the countryside that a Dutch family had previously used as a place to keep their horses; and they stayed there in the summertime. That had

been turned into a pig farm. It was refreshing to see my little home as a Communist pig farm (chuckle).

Of course, the size of Shanghai, compared to its previous size, was amazing. I had lived in the country, out Hung-chiao Road, toward the edge of town. It was, in fact, the edge of town, where it was surrounded by rice paddies. That's all city now. Shanghai city extends everywhere. Everybody went to town, I think, when the revolution came.

Marcello: Around the same time that all of these activities were taking place in the People's Republic of China, there also seemed to be some activity taking place in Singapore, in Malaysia, and that area. For instance, you open a refinery in Singapore in 1978, isn't that correct? You arranged an agreement there in 1978, at least. Why was Caltex so late in entering the Singapore market?

Voss: I think I mentioned it to you earlier...

Marcello: You did this morning, yes.

Voss: We had been selling product in South Asia from the Bahrain refinery, so to build a refinery in Singapore would take away a sales opportunity from the Bahrain refinery, and that's really the reason. When we got down to the wire, we deferred the refinery construction year after year. We had early opportunities to go in on a much better wicket, but we didn't do it. So we finally bought into the existing refinery, as you know, and expanded it.

Marcello: Another area of the world that we haven't talked very much about--and I'd like to have your thoughts on this--is the Republic of South Africa and Caltex's activities there. That's always been a pretty profitable operation for Caltex, has it not?

Voss: Yes.

Marcello: Discuss the evolving relationship that developed in South Africa.

Voss: We were there early on and had good leadership and built a market. Again, with the spur for moving crude, South Africa isn't too far from Arabia. We built a refinery in Cape Town. To that point, there had been some refineries, but they were in Durbin--the local refinery--and I guess there's an Exxon refinery in Durbin. There's a Mobil one, and a Shell one.

The early entry into South Africa, again, was an entry by Texaco. It was in the watershed, if you please, of the old Port Arthur refinery in Port Arthur, Texas. The early product that moved out of there, that had no home in the United States, went to East Africa and South Africa. This was a natural kind of trading area for Texaco. That was the same old story repeated again. Texaco went abroad because it couldn't find a market at home. Their big refinery was near their big source of oil, and then they moved the product out from there to South Africa.

South Africa is an example of highly intelligent white leadership, if you please.

Marcello: Racial policies aside, is it somewhat similar to Australia, perhaps?

Voss: Maybe, yes. The racial restrictions in Australia are more stringent than those in South Africa, but they don't have the same dimensional problems. The South African thing... I'm highly prejudiced because I've been there many times, and I've seen the problems of the country. I know that South Africa is the home of a refugee black population fleeing from the north. It wasn't there originally, when both the Dutch and the English moved in. As a result of the Zulu tribal wars and tribal wars in the north, in Rhodesia, Zambia, Tanzania, and Mozambique, all these refugee blacks came to South Africa to save their tails. It's not their native land, particularly. I don't know whose native land it really is. Certainly, the Boers think it's theirs. Up in the Transvaal, I reckon they'll hold it.

In my conversations with the prime minister the last time I was in South Africa--I had a long personal conversation with him--this is Botha--he talked about the problem of his country and of his administration as being the problem of two countries. He was both the prime minister of a highly sophisticated industrial economy of farmers and manufacturers and people with technical and financial skills--he had that

kind of a country--and he was also the prime minister of an underdeveloped country with overpopulation and lack of productivity and lack of skills. It served no useful purpose to take away from the "haves" and give to the "have-nots" because there wasn't enough to go around. You would then destroy initiative and growth and all the rest. It was impossible to divide the wealth to mend the problem. You could only gradually suffer in order to increase the training and the job opportunities of the masses. I guess that's really true; that's the problem.

No one will give you time to solve it, and perhaps he's taken too much time. Certainly, he's taking too much time from a public relations point of view. The enlightened South African, if you would engage him in a searching conversation, will recognize that an opportunity for growth in his country rests with the education and schooling of the vast labor pool, which is there and available at a reasonable price. But it's not much use untrained, and there's a limit as to how many you can train at one time and how much progress you can make against all these social pressures and all the social cleavage.

The defense of South Africa is not perfect, but it's pretty real. If given time, I think they can solve their problem, but their problem overlaps into the unsatisfied desires of American blacks who'd rather keep the pot boiling because they have not received satisfaction enough in the

United States. We really shouldn't be...anyway, those are my views on South Africa.

Marcello: What have been the company's policies over the years relative to the customs and official policies of apartheid?

Voss: In South Africa, as in the other countries, we have had to live within the rules proscribed by the local government, so we've tried to live with those rules. However, we were given to understand a long time ago that--unpublicized--some of the apartheid rules could be violated by private business, and, indeed, would have to be if they were going to make progress, and the government would not prosecute us and not cause us trouble. That's what's happened. For instance, there were certain jobs that are on the reserve list--reserved for Caucasians or whites or whatever. Those were truck drivers' jobs, for instance, and they were supposedly sensitive because they were dealing with so-called dangerous goods, the conveyance of dangerous goods. You had to have white truck drivers. You had to have more trucks than you needed in South Africa, anyway, perhaps, because you made a series of short hauls. You couldn't make long hauls with your trucks, because they competed with the railroads, and the railroads were government-owned. In the early days, frequently our managers would have to go down to the county jail and bail out alcoholics who were in the cooler to try to get labor forces to drive their trucks. The white scum of the earth,

so to speak, was available to drive trucks and do certain other things that were on the reserved job list.

So we began to use first coloreds and then blacks in those jobs, and we got away with it. Now those things are no longer on the reserve lists, so real progress had been made before the rules were changed. It was hell to run your business in the early days because there weren't enough schooled whites to take the jobs that you had to do.

Now, in Caltex, we have whites working for coloreds, and we have coloreds working for blacks and whites working for blacks in our structure. That's largely in the manufacturing area of the refinery, where it's not visible to everyone. We have made amazing progress in all the departments with reference to the use of sanitary facilities and joint eating arenas and the whole thing. We, as well as a lot of other major enterprises--such as General Motors--have pretty much run our business there as we would here. Of course, we can't control the housing opportunities and the social life of everyone away from the job.

Marcello: How do you get crude into South Africa for refining? In certain cases, aren't there embargoes?

Voss: There were at one time. When that occurred, we moved in Iranian crude. I don't know whether you know it or not, but the Shah of Iran's father had a summer place in South Africa that he visited in the hot weather, and he lived in

South Africa half of the time. So did the Shah to some extent later in life. So when the Saudi Arabs shut off South Africa, in part because the South Africans were being armed by the Israelis, and there was a real reciprocal exchange between the two...these embargoes simply don't work, anyhow. You've probably heard of the reconstituted crude oil available in Italy during the Arab blockade. Literally, they would run Arab crude in Adriatic refineries and take the product and put it in a tanker. The refinery would show the sale of gasoline and maybe diesel oil and maybe something else, and they'd mix it all back up in another cargo. It would then be Italian source crude that could be sold in South Africa for a very high price. In all these periods of uncertainty, remember that the price of gold generally goes up. In the pain and strain of uncertain times, the price of gold goes up, so the South Africans are able to pay more during those periods of time for whatever they needed to bring in. There were ships that went to South Africa and were later scuttled.

It's too bad that in these times the heat should be directed to South Africa. I don't know. I think South Africa will get sorted out. It's a hell of a problem.

Marcello: You were followed as chairman of the board by Bill Tucker and then later on by Howard Yergin. Tucker, of course, was an engineer by training--a technician by training--and Yergin

was a finance man. Correct me if I'm wrong, but Yergin would have been the first finance man to have become chairman of the board. Is that correct?

Voss: Yes.

Marcello: Was there any special significance, from that standpoint, in his appointment as chairman of the board?

Voss: When I was getting ready to retire, I had a lot of conversations with the parents about who my successors should be and what should happen in the future and many other things because by that time I'd been running the company for seventeen years or some damn period of time. So we talked about a variety of things.

There was at one time a question as to whether we should make a clean break and go to a new, younger age group, since Tucker and Yergin and myself were somewhat in the same age group. Maybe we should "cut the buck" and go to a younger group of guys.

We reviewed the line of succession and came up with the final agreement--the parent companys' directors and myself--that Tucker would succeed me as chairman; and that Howard would succeed me as president but that he would be talked to before and told that we would make him president, but that he could not become chairman because we couldn't suffer two short tours of office by two chairmen. We needed to make it a longer period of transition. On Tucker's

retirement, Johnson would, in fact, become chairman and Cy Miller would be president. This was agreed to.

I talked to all of the principals involved, including Tucker. I talked to Yergin, and Yergin agreed that he had no great aspirations to be chairman, anyway, and would like early retirement. I talked with Ray Johnson because I didn't want him to bolt and run in another direction. I talked to Sy Miller and told him he had a chance of becoming president, but that he never would have a chance of being chairman. He said he would be happy with that. So everybody was happy with the plan.

When we got finished with Tucker's tenure, which I think was only seventeen months--I'm not sure, but it was less than two years--the parents felt a little uncomfortable, I guess, about making a transition to the younger group; and they felt more comfortable if they left Howard around as a sort of a caretaker for a while, until they could see what was going on. They felt very uncomfortable because of some of the strains and pains of the business, I guess. They chatted with Howard, and Howard, of course, was flattered with the offer and yielded to being seduced and being chairman and whatever else. I still think it was wrong. It was not wrong for Howard--don't misunderstand me. It was wrong for it to have been done that way because they should have made the transition so that they would have had a

period of longevity for management instead of a seventeen-month tour. I guess Howard's was less than two years, too. So you got two chairmen in quick succession.

They have now equivocated, and Sy is vice-chairman; and they will do what they're going to have to do and select a young president before too long. There are two or three candidates. Yergin's tenure was one of sort of comfort in troubled times, I guess. Anyway, that's the story of the line of succession.

Marcello: I have one other topic that I want to talk about, and then one last question, and then we can probably end the interview. Give me the background relative to the decision to move from New York to Texas. We've talked about it a little bit here and there and so on in the course of our interviews. Let's pull it all together and talk about the move of the company to Texas.

Voss: Okay.

Marcello: Why move it?

Voss: There were two or three reasons for moving it. The one principal reason for moving it is the desire of the one owner that we not be so close to the other owner. Social had been interested in moving the office for a number of years. It had been talked about and variously agreed to and disagreed to.

Texaco was going to move at one point in time to

Houston. They were about to sign up a whole industrial complex in Houston. The day before it happened, they canned Howard Rambin--a name you picked up this morning--who was getting ready to sign the agreement. As a matter of fact, Rambin was going to Houston the next day to sign the agreement. Gus Long moved back in, and the directors threw out Rambin and put Gus in charge temporarily even though he was a retired chairman. So the thing swayed back and forth, depending on that kind of thing, and Texaco then later starts to move to Harrison.

The Caltex move gets all horsed around in all of this, but the pressure for a move is always there by Standard Oil of California. I began looking at the thing as being something that should be done at some point in time for those political reasons and also for the fact that Texaco was exerting undue influence by their proximity to Caltex--by people seeing one another from both companies back and forth. Especially when they were over in the Chrysler Building and we were at 380 Madison, people were popping back and forth.

Marcello: Texaco people would "just happen" to pop in.

Voss: Yes. Socal had a legitimate gripe in that direction. A move to California was unthinkable because the income tax situation and general taxation in California. For a company that had no business in the United States to subject itself

to domestic taxes of one kind or another that you would have had with the unit rule in California just didn't make sense, so we couldn't move to California. The question was, then, why move at all?

So we scouted around and looked. Houston wasn't the answer. In Houston you're sort of away from the international thing. Looking at Dallas, you're looking at a great transfer point aviation-wise, and you're not completely out of touch.

Marcello: How about Denver?

Voss: At one point in time, an agreement was reached on moving to Denver, and I refused. "Butch" Granville and Bill Haynes agreed that we would move to Denver, but Denver was not the answer. It was difficult to get in and out in the winter, and it was going to have water problems in the future. It had an energy component in its commercial makeup, but it wasn't that substantial. If you were going to move, it was just not a good place to move. Maybe it was a good place for people to live; that might have been all right.

Actually, my own feeling always was that New York was the center of everything for an international company. You were right at the United Nations, and you saw the comings and goings of foreign ministers and finance ministers; they went to Washington, and you went to Washington. For Caltex, perhaps, New York was still the best place to be, but you were paying a pretty high price for it. Had Texaco

not been there in those same environs, you might have defended keeping Caltex in New York because of the international nature of the city and the finances of the city and all the rest. There were some deep tax problems in New York, and more particularly there were the problems in New York about conforming to affirmative action programs. We got slapped in a lot of those that we didn't need to be, and shouldn't have been. We're probably the most racially liberal group in the world. That was all part of it.

Anyway, the die was sort of cast finally, and the heat's building up for us to move. Studies showed that Dallas is probably the best place to be. Also, it was obvious that business was going to be a little tougher, and it was obvious that we needed to cut staff some more and to streamline.

Everybody went and assessed it before I did, and I tried to stay away from it for a number of reasons. I didn't want people to say, "He's trying to move the goddamn company down to the country where he comes from." That's got nothing to do with it. By the time it's moved, I have to pay my own damn moving expenses to Texas; I don't get to move from Dallas and then here. I pay a lot before the move takes place.

We finally did agree. Texaco dragged their heels for two years on Texas as a place to move, citing non-existent tax rules or tax risks. The reason they were settled with

those non-existent tax risks is because at the time they changed their mind about moving to Houston, they needed an excuse. Their legal department and tax department had to write a "scare" brief for management to present to nullify the move to Houston.

Marcello: I'll bet now they wish they had moved to Houston (chuckle).

Voss: Yes. But the people that gave that opinion were stuck with it when it comes to the Caltex move down here. That's the whys and wherefores of the move.

Obviously, if you come from New York State, with a very high personal income tax levy, and if you are in a company like Caltex, which is a collection of executives--we're mostly bosses; we don't have too many workers--you can obviously save a tremendous amount of money because you don't have to pay the 15 percent New York state income tax. The work ethic in Dallas has proven to be much better than in New York. You get more time out of your people. In New York, you have the difficulty of getting lunch. It takes more time to get a lunch if you don't have it in the office. It's harder to get to work. The subways sometime fail; the trains are on strike; there are commuting problems. You're lucky if you get your whole work force there everyday. All of those things entered into it, plus the fact that we got a pretty good deal from these guys.

The part that I didn't like quite so much is the fact

that they offered a golden handshake to more people than they should have. They offered people an opportunity to come and, if they didn't like it, to go home. My approach to it was that if they don't want to go, then we don't need them; and we can get by on a hell of a lot fewer people. Both Yergin and Tucker, I think, were fearful that we would lose vital people in the switchover and that we wouldn't be able to run the business. I would have taken the chance and not offered the agreement to return after two years on a subsidized basis (packing all of your goods and taking them back to New York). I wouldn't have given that option. Maybe we would have lost thirty more people. But those people who have backed down, we don't miss them.

The move has saved money. In terms of Caltex as presently constituted, it is a good place to be. In terms of Caltex in its growing period internationally, before its investments were made and its national character determined in the countries in which it does business, New York was the right place to be. It's my conviction that Caltex should be a series of self-run operating companies overseas, and you can have the head office in Timbuktu if you want to. You're not trying to impress finance ministers and so on. So that's the whys and wherefores.

I had always approached it with mixed feeling because I was very much a part of the New York political scene

in my years there. I had worked very closely with John Rockefeller in a bunch of his foundations. I was vice-chairman of the Japan Society, a trustee of the Asia Society, a member of the U.S.-Japan Businessmen's Advisory Group for a long time; and I was involved in many other of the political and public sector things in New York. That helped, I suppose. It helped to be able to entertain the president of the Philippines in New York and to see the comings and goings through there. So I had mixed feelings about it initially.

But the Social desire that we be away from Texaco and my conviction that Texaco was inclined to try to move in a bit on Caltex more than they perhaps should have because the opportunity was there made the move necessary. Then there was the fact that I could see that we were going into another era with computers and information. To be in Westchester County is no better than being in Dallas. Westchester County is just as far from downtown New York as Dallas is. So I resisted a move to the suburbs in New York.

Tucker was of a different point of view and wrote a dissent, after he had written his original recommendation. It was one of the few differences of opinion that I ever had with Tucker. My difference of opinion was that he wrote his dissent after the die had been cast and it had been determined that we would move.

Marcello: I have one last question. On several occasions, probably

more off the record than on the record, you mentioned that there have been several occasions over the long haul, Caltex has "carried" the two parents. Can you elaborate on that by explaining what you mean and perhaps provide some specific instances when that occurred?

Voss: I'm not sure that we carried the parents. We carried them to a higher level of profitability than they had dreamed of. The great windfalls in all of that were when the parents began to move Arabian crude in great quantity after the war. Caltex was able very quickly to provide markets for that crude, particularly in Japan. And we were selling the crude at high profits. On every barrel of crude that we sold in Japan, the parents would be making \$1.00 to \$1.20 a barrel when the price was a \$1.90 a barrel. So you had the generation of a great deal of income from Bahrain and from Ras Tanura. A lot of this was flowing back with tax advantages, so the money derived from Caltex was never taxed in the hands of the parents and accordingly was available just as pure net profit to make dividends or whatever.

Part of my comments in this regard come from disclosures from the parent companies themselves. You can compute the amount of money that the parents made from Caltex. You know, from looking at Caltex's books, how much they made, and you see what their announced results are, and you see that many times what they received from Caltex was more than half of

their earnings. The parent companies on a number of occasions have told me that...well, one of the senior Social people freely commented that they took the profits from their Japan crude sales and bought Standard of Kentucky. You can go to the records--you can take the annual reports of Texaco and Social and Caltex--and see how much money is coming from where. One of the great profitable areas, too, was Indonesia. There were very large profits in Indonesia that flowed directly to the parents. Well, those flowed through Caltex. There were some years in which the Caltex profit from Caltex (Indonesia) to the parent companies was in excess of \$600 to \$700 million a year. The Caltex profitability has been a major contribution to the parents and in some years has been more than half of their income.

Marcello: I'm sure that profit has been especially significant in the light of recent acquisitions made by both parents, whether it be Getty or Gulf.

Voss: Yes. For many years, the flow of money to the parent companies was through the crude account. They were making it in the crude. In the latter years, Caltex is actually paying dividends. Last year they paid over \$500 million in dividends--\$550 million to Texaco and Social--which is a pretty substantial piece of change because it has no tax involved. This year I would speculate that, even with bad times, Caltex will make maybe \$250 to \$300 million after

taxes. That's a pretty good piece of business, you know.

In years gone by, both of our parents have wasted money, and they're now correcting that. For instance, Texaco wasted money in their campaign to be the only company that you could buy Texaco products in all fifty states and all that nonsense, which meant that there were subsidized service stations out in every part of the United States that they were losing money on like mad. In Alaska they sure as hell were losing money, and in many other places. Now all that's being corrected. The companies have given up the national image and decided that they will sell where they have reasonable market percentage and they're close to their own crude and have a product source. Socal is selling off its holdings in the Northeast, and Texaco has already pulled out of most of the Northwest.

So that's what I had in mind when I said we had made a major contribution and had carried them. In some years, I think that statement would be correct. We have in some years helped them bridge a period when they would not have had very good profits at all.

Marcello: I said that was the last question. I have one more question. I've heard several of the retired executives with whom I have spoken talk about the so-called Caltex family. Do you feel there is such a thing?

Voss: The Caltex family?

Marcello: Yes.

Voss: Oh, sure.

Marcello: I think they were talking about the closeness of the people who worked for the company.

Voss: It's a family joined in part by common cause. It's not just the common experiences of living and being overseas and going through bad times and good times together. Part of it is a pulling together of the Caltex family against its owners, which sort of sets you apart. You join in defending your action against obstreperous owner interference.

You have a Caltex loyalty, particularly during troubled political events, that is amazing--in the adversities in Lebanon, in people volunteering to stay in China while the Communists are coming in, in people staying on in Korea until the eleventh hour and getting shell at the airport when the North Koreans are coming in, in people staying in South China until the Communists really pushed you out, and in all of those things. People are inclined to take a risk because they don't want to see the business go down the tube.

There is definitely a Caltex family, and it's both male and female. One of the things that I tried to instill in my top executives was that, as far as I'm concerned, anytime you have to go make those trips overseas, at least once a year you should take your wife with you. Never mind how much it costs or whether you want to save money, you should

take your wife. First off, it's a pretty good device for keeping you out of bars and brothels if you have your wife along on these overseas trips (chuckle). Also, it adds a dimension to the social life of all those people who live and work overseas. They like to see a visiting wife because if a visiting wife comes, there have to be parties that include women.

Yes, there's a Caltex family. You should sit around here and listen to my telephone. I get telephone calls from a lot of guys that just want to visit and know what I'm doing today: "Lost touch!" "Didn't hear from you!" "Don't know what you're doing!" "Where've you been?" And so it goes. Yes, I think there is a Caltex family.

Marcello: I think that's a pretty good place to end this interview. On behalf of Caltex, I want to thank you very much for taking time to talk with me. You've given us an overall view from one who served at the top for seventeen years. I'm sure that your comments are going to be quite valuable when the history of Caltex is written.

Voss: Before we're finished, I will try to focus more clearly on the significant firsts and significant trends and give you an outline of it--you know, when we were a product company, then a crude company, then another kind of company. The name of the game and the objectives changed, and I think it would be useful to characterize the company in certain phases for whoever it is that's going to pick it up and look at it.

Caltex Oral History Project

James Voss

Interviewer: Dr. Ronald E. Marcello Date of Interview: June 20, 1986

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Dr. Marcello: This is Ron Marcello interviewing James Voss for the Caltex Oral History Project. This the last in a series of interviews with Mr. Voss concerning his long-time career with Caltex. In today's interview, we plan to look at the long view and more or less wrap up and generalize concerning the information from the previous interviews.

Let's take a look at the significant trends and influences and strategies that Caltex developed over the years. Let's take it back to 1936 when the company was formed. Draw together the reasons for its coming into being, and then what its major thrust was at that time, what its major goals were.

Mr. Voss: Well, of course, the reason for the joint venture undertaking in 1936 was the awareness of the new discovery of crude oil in the Middle East that really had no natural market and the need to find a market closer to that source of supply. When Social sold its interests in the prospective oil fields, it bought Texaco's marketing expertise and marketing installations in a number of Asian areas and African areas with an option

to later buy Texaco's European interests if it was decided to do so. At the time of that purchase, the old Texas Company's marketing facilities in Asia, Australia, New Zealand, and elsewhere were largely "case and can" and drum supplies for products refined in the United States. Very early, then, after the construction of the Bahrain refinery, there was a developing "case and can" movement from Bahrain.

But as we know, the war quickly overtook commercial movement of crude and product in the Persian Gulf, so it was not until after the war that the new marketing thrust was turned loose, so to speak. It started again with the large supply of drum stock. The "cases and cans" had dropped out of it to some extent, but there were still very large shipments of product to Asia in drums.

Marcello: Let me ask you this. Were these same procedures being followed by competitors at that time, or did Standard Vacuum and Shell have bulk terminal sites and things of that nature already in place in Asia?

Voss: No one really had big bulk stations in existence. Shell had a few, and Texaco did, too. We had bulk depots or so-called "terminals" at ocean ports in China and in other places. But the shipments had been in very small tankers. The big tanker in the prewar years was 5,000 dead weight tons, which is nothing by today's standards. After the war, however, there began the great bulk movement of product in tankers;

and Caltex, as you know, acquired a fleet of T-2 tankers by purchase from the U.S. government at very favorable prices. These were placed into the clean products trade--aviation gasoline, kerosene, etc.--from the Persian Gulf. The T-2 tankers were 15,000 dead weight tons. There were a few other tankers in the market. Caltex, for instance, had one tanker of its own that was about 20,000 dead weight tons. But all the rest were 15,000. So there began a bulk movement of both kerosene, gasoline, fuel oil, and diesel oil in this size of ship.

Marcello: At that time, again, the movement was almost strictly product, not really crude, because of the refineries in that section of the world.

Voss: That's true. Later, there were some refineries that perhaps could've been started up right away, but in the case of Japan, by treaty it was restricted that they not rebuild their refineries. That restriction was not removed until about 1950. So there was a whole period in the 1940's in which Japan couldn't run existing refineries even if they were able to repair them.

So you have the big movement of product from the Persian Gulf, although Bahrain still shipped some drum stock. That was the beginning--the 15,000 dead weight ton ship from Ras Tanura, from Bahrain, and from Abadan. Shell, I suppose, had the earliest going refinery in the East of Suez area at Singapore. That, admittedly, was an export refinery, one

to which they would take crude, make product, and take it to other areas nearby.

The pressures, because of the cost of energy...I'm talking about the relative cost. Energy per se was very cheap in those days. A barrel of crude, as my first recollection, was worth about \$1.75 a barrel ex-Persian Gulf. But its relative costs to importing countries was high because of the high dollar component. In Caltex's case, when we took product by T-2 to one of the Asian countries, our bill would've been dollars for freight, dollars for crude. All of the nations of the world were sensitive to their U.S. dollar costs. In terms of dollars, everyone was in deficit, and dollar exchange was very carefully allocated in all countries in Asia.

So there is a great movement by every nation to have its own refinery so that its refining costs would be yen costs or peso costs or Australian dollar costs and not U.S. dollar costs. Almost immediately following that was the pressure for national bottoms to carry the crude oil, so the crude oil's freight costs would be largely a yen cost or a peso cost or a Hong Kong dollar cost, etc.

Marcello: What was the reaction of Caltex to the demand for these national refineries? I guess what I'm saying, in effect, is, did at times Caltex build refineries against its own better judgment? Were there occasions when that occurred?

Voss: Well, there was always a point of balance. We didn't want

to do the Bahrain refinery out of business, or the Abadan refinery out of business, or the Ras Tanura refinery out of business for product. However, the total increase in the consumption of petroleum was moving at such an increased pace that there was room for new refineries without shutting down the production in the Middle East. In the judgment of the Aramco partners in Caltex--Socal and Texaco--the driving force was to move crude oil, and we were willing to some extent to give away the freight and to give away the refining profit in order to move that crude oil. If incremental crude oil could be moved by a national refinery, then we would put the national refinery in. Then, I think, realistically we knew that we were going to have to yield to these national pressures. What was good for the Filipinos had to be good for a Filipino oil company, and we had to consider that we were a Philippine oil company. So we built the first refinery in the Philippines--the first one that the Philippines ever had. We then bought in and enlarged the Japan refineries and later built refineries in Korea and had joint venture refineries all over the lot, everywhere. We ended up with half of a South African refinery, with a partial interest in an East African refinery, with an Indian refinery which was later nationalized, with a Singapore refinery, an interest in Thailand's refineries, an interest in a New Zealand refinery, and so on.

Sandwiched into all of that growth pattern was a transition requiring an increase in fuel oil sales. The great market in the early days was for light products with very little fuel oil moving. A balanced yield from a barrel of crude gave you more fuel oil than you could sell, so we had to go about converting power plants that had been burning coal to more economic oil, and we also had to build refineries which gave larger yields of gasoline per barrel and less fuel oil. This required some expensive refineries here and there. For instance, in Australia originally there was no market for fuel oil at all, so we had to build a refinery there. I have forgotten the exact figures, but I think the Caltex refinery in Australia—the initial one—produced 60 percent white products, and the rest was boiler fuel and boiler feed.

So the fuel oil thing began to expand, and with the great industrialization of Japan, the Japanese found that they could do marvelous things with this cheap fuel oil. They backed out of a great deal of coal production. Japan had a capacity to produce about fifty to fifty-five million tons of coal a year, but a lot of that coal was in very narrow veins and was very expensive to mine. So they began to shut down coal production and increase the oil production. With the transport of more and more crude oil came the bigger and bigger ships until we reached the mammoth sizes that probably won't be built anymore. The 400,000 to 500,000 dead weight ton ship probably is never going to be built again.

Marcello: In doing the background research, I came across that period when, like you mentioned, the Japanese yards were turning out the 400,000 dead weight ton tankers, and then we get up into the 1970's, I guess, and suddenly the biggest thing they're turning out is 100,000 dead weight ton tankers.

Voss: Yes. Well, there again, curious things have occurred as we get to the high price of crude oil. As we talked about it here a month or so ago, we were talking about some very expensive crude oil. Well, there's been this great price drop, and in the meantime we're in a whole new ballpark which is being translated into the industry. But with very expensive crude oil, tanker design itself became troublesome because the big tankers were not fuel efficient. Although they moved a lot of crude oil for a long distance with a minimum crew, they were not the most efficient way. I haven't kept up with the technology as much as I might have, but I do know that today the emphasis is on fuel efficient tankers that are diesel electric, that have diesel engines instead of steam plants.

Marcello: Let me back up a minute and ask some question on the basis of some of the things you've said. On several occasions in our interviews, you mentioned that originally the name of the game was to move that crude. Is that simply because there was so much crude over there in Saudi Arabia that pressure was being put upon the Aramco partners to sell that crude?

Voss: No, not entirely. But if you want to look at the facts, they were business judgment facts. First, the arrangements in the Persian Gulf with the Persian Gulf countries were very profitable ones with the oil companies. They found wells with a great deal of potential per well, more than would have been expected; and their arrangements with the producing countries were fairly generous, wherein the oil company itself got about 50 percent of the profits from the F.O.B. posted price. Second, a great deal of their operations could be expensed, or some of it could be expensed, in the producing country against those profits before you figured the profits. Then after that, the revenues paid to the local government were considered as taxes deductible from any U.S. income taxes that these major corporations might've had. Then, also, there was the ability to write off the depletion allowance. So rightly or wrongly, the Persian Gulf for crude producers in those days was just a plain untaxable gold mine. That's the reason people wanted to sell crude oil, and this is what made Getty rich. It was not because of any great astuteness or wisdom or anything else or profits from the Getty Oil Company in the United States. It was because of his interests in the Neutral Zone—in Kuwait, where he had crude oil available. This is true of Texaco, Socal, Exxon, and Mobil. That was the great motivation.

Marcello: In doing some background research for another interview,

I came across some information relative to Bahrain that indicated that as late as 1949, I believe it was, Bapco was paying the Bahrainis about a quarter a barrel for oil and in turn was selling it to Caltex for \$1.05 to \$1.15 a barrel, and then Caltex would market it from there. I guess that more or less confirms what you were just saying.

Voss: There's no question that any history and economic analysis will disclose that what I have just told you is absolutely true. No one really had too much cause to complain. Take the United States Government. This was a reward for a foreign entrepreneur who had found oil in somebody else's country and was selling it to somebody else's country and bringing money home. It was money coming into the United States. So you could say that it shouldn't have been taxed. But I think that on analysis some people criticize it because some of these foreign tax credits applied against domestic earnings. This is the reason that you frequently hear people say that the oil companies are defrauding the government and one thing and another. It's just a question of point of view, I suppose. It is indeed true that it was the best crap game in town. There was nothing better. You know, the Japanese have an expression, in Japanese, with regard to the selling of oil. The expression is: "Oh, he's very prosperous. He's selling oil." The Japanese had recognized from the beginning of time, back in the days when oil was used for

lighting purposes, really, that it was very profitable. If you had a lead pipe deal, in other words, it was selling oil.

That's not true right now. Selling oil is a very difficult business because most of the producing profits have been taken away, especially the foreign ones, because of the high rates demanded by the producing countries. There's not that much in the producing profits anymore, so it's going to be a fight for all of the oil companies now—I think Caltex is well-equipped to respond—to make a profit out of marketing per se, of refining per se, of shipping per se. Each of those is a function in the sale of oil, and each of them is entitled to a fair return on its investment and a fair profit on its labor involved. So that's what the whole oil industry is trying to do now.

As you probably know, the fashionable thing now in the oil industry is to announce the reduction of staff by 15 percent. There's an assertion that "we're going to get with it, and we will make money no matter what; we're rethinking our priorities." If you read the Caltex mail, you will note that Mr. Johnson announced a week or so ago that there would be no first class travel permitted by air in the United States anymore. He equivocated on the overseas bit, and he should because there are elements of face involved in Asian countries and other places. You don't want your president or vice-presidents to get off on the wrong side of an airplane.

But the name of the game in the oil industry today is that "we're restructuring; we're getting ready for the hard-nosed marketing, efficient marketing, refinery manufacturing." We didn't have to do this before because we had this bird's nest on the ground in the Middle East and in certain other countries and even in the United States.

Marcello: Well, this even explains even more clearly what you said earlier relative to the building of refineries in some of these countries. These were refineries which in themselves might not have paid, but you had that bird's nest on the ground back in the Persian Gulf.

Voss: Yes.

Marcello: Now, it's quite obvious that the key to a prosperity of Caltex in the postwar world was Japan. Here you have a country that had been devastated. I think anybody who had gone there in 1945 or 1946 would've had no doubts as to who won and who lost the war. How do you decide that Japan is going to be a Phoenix that will rise from the ashes?

Voss: I don't think anybody decided. I don't think anybody predicted it. I think it was obvious shortly after the war that there was a work ethic and a society in Japan that would support rehabilitation and growth, and that certainly they would come back. Remember that we began in Japan thinking in terms of a 100,000-barrel-a-day refinery, not the finite sizes that we talked about. Our first "cat"

cracker in Japan, I think, had a 10,000-barrel-a-day capacity. I'm not sure, but I think the Yokohama "cat" cracker was sized to handle 10,000 barrels a day of feed stock. Today they're not economic if they're sized so small anymore. That also is true of reformers and crude stills and other things.

So this is the reason Japan became a perpetual expansion. We started with two refineries--Yokohama and Kudamatsu--and with the Koa refinery at Marafu. The first big expansion was at Yokohama. Almost before it was over, its capacity was being used. Kudamatsu was not expandable to any great extent, but Marafu had such an expansion program that almost before it was finished it was duplicated.

So you had a constant growth. We began to run out of space at Yokohama, so we reclaimed land in Negishi, which is down the coast from Yokohama but which had a major general Yokohama harbor approach. Then, later, we added a small refinery at Muroran in Hokkaido. We thought that was a waste of time at the time--the Americans did. Why were we building the refinery out there instead of just adding something to an existing refinery? Well, Hokkaido was agitating--Hokkaido was a province of Japan--and was insisting on having its own refinery, so we built a small one there. That, of course, became a much bigger refinery later on.

So it was not a question of putting out a program for ten to twenty years according to how Japan is going to grow.

We took it in pieces. We tried to look for five years. We were assisted in that in Japan by a highly efficient forecasting mechanism in the Ministry of International trade and industry.

Marcello: This is the organization usually referred to as MITI.

Voss: MITI, yes. Everyone condemned it, raised hell about it, said nothing could happen without MITI, charged that MITI was a pain and all the rest. In truth, they were pretty good planners, and they did plan--in MITI--the priorities for the growth of the country. Once those priorities were set, then finance followed. If you had approval from MITI to expand your refinery by 100,000 barrels a day, you could get it financed. The banks were all MITI-approved: "If you guys are willing and have an ongoing business, how much money do you want?" It was not quite that easy, of course. In any event that's an answer to your question if anyone really knew Japan was going to take off. I don't think anyone did. Everyone, I believe, in the early days figured that Japan would become a major competitor in the world of soft goods. They would do as they were doing then—make a dollar silk or cotton blouse that no one could compete with. They they'd sell it in great bulk to American merchandisers, and they would do textiles, china, pottery, and many other things. Everyone felt they would be mimickers, as they had been before. They would copy but not have exactly

the same quality. The thing that fooled everybody with the Japanese very early was that quality was part of their catechism. They became quality producers by design, by preaching, or otherwise. I'm not sure exactly, but certainly it was a reversal in pattern from the prewar years.

Marcello: This is kind of off the subject, but it's interesting that that kind of mentality or thinking toward Japan continued to exist after the war. During World War II, they came out with some pretty impressive military hardware. Granted, technologically the country was not nearly so developed as the United States, but nevertheless they did come up with some pretty nasty surprises during World War II.

Voss: Yes.

Marcello: You would've thought that this perhaps might have wiped away some of that kind of thinking. But it still existed after the war to a great extent?

Voss: I'm sure it did. Well, it did as far as my peers and associates were concerned. In part, this is partly the story of Caltex's success in Japan, which I've already told you. All the other companies who had been big in Japan before the war had experts who spoke the language. I knew them all, or got to know them all, and some were delightful men. But they all had fixed notions about Japan which were sort of cemented in them from their prewar experience.

We had at Caltex no great expertise. We didn't have any

great reading of the Japanese character. We didn't really know what we were doing, so we looked at things that we could see; and we could see that Japan was getting back with it, and so we made a deal. I can well remember the advice of some of the old-timers that you had to be very careful and put everything in an agreement because you couldn't trust the Japanese. The statement was, "They will negotiate like hell and be very difficult in getting an agreement. But once they put it down and it's signed, they'll live up to it." That's nonsense, too. It's no more true there than it is here.

Also, I have found in my experience that the agreement that the Japanese are more likely to honor is the unwritten one, the one that depends on relationship rather than definition. I have a relationship in Japan. Part of it is personal; part is business. Mr. Van Nostrand had the same kind of thing. A deceased member of Caltex, Mr. Clark, had that same thing. Maybe a few others did, too. Mr. Stone, who is deceased, had that relationship. There were a certain number of people that the Japanese company, on the other side, would look and say, "Well, Caltex has been making too much money, so let's slip it to 'em." Then they would look and say, "But I can't do that. Mr. Voss still works for 'em. And Mr. Van Nostrand is still sitting here, and it would reflect on Mr. Van Nostrand." "It will reflect on Mr. Clark."

"It would reflect on someone else." That's a relationship kind of thing.

Right now, Caltex has a parent problem in establishing a relationship. Mr. Camarata has only recently taken over. The long-standing relationship has been interrupted.

Now we didn't know all that back in those days. So we said, "Let's enter into a fair and equal contract. Let's establish a joint venture company. Let's write it so that neither side can function without the other. We'll have an equal number of directors. We'll turn the management over to Japanese, to be sure, but on important issues there has to be more than a 50 percent agreement of directors to allow action to occur." This would mean that there must be at least one Caltex-nominated director to vote for something of substance for it to become a rule in the company. Others in Japan would've said, "Oh, you can't dare do that. You have to keep control. You have to keep control." They were wrong. So we did a 50-50 deal rather than a 51-49 deal. Anyhow, we were fools [facetious], and we darted in, I guess, on the basis that we would not understand, would not be able to understand, the total operation of obligation and counter-obligation in Japan, that we wouldn't be able to understand the nuances of Japanese business courtesies and all the rest. So we decided we had to act as foreigners, speak as foreigners, not be delicate or try to state things in a roundabout way

as the Japanese might. But we decided to conduct ourselves as Japanese would expect us to. Anyway, that's a diversion. I think maybe I commented about that before.

I have recently had a conversation with a Swiss who came here from Zurich to see me. He had worked at Caltex in China many years ago--a fellow by the name of Mike Willis. Let me recite a little bit about Mike's visit here because it carried me back to a different period of time. When I first got to Shanghai in 1946, Mike was working at Caltex as a marketing man in the Shanghai district. He was German-Swiss or German--I'm not sure--but he was supposedly Swiss at that time. He was a local employee employed by not only the U.S. dollar payroll, but he was paid in local currency. Anyway, it was a long period between that and his coming here to see me from Zurich. We reviewed a lot of people that we had known and where were they or what happened to them.

But let me tell you the kinds of things that occur that are Caltex history. Also, later, I want to comment on why Caltex people feel different from other people. We talked about that before, and I gave you a rather thoughtless answer, but I have a good one for you. Anyway, Mike came here, and he is retired and living out of Zurich, and I'm sure he's fairly prosperous. He's living in a community where there are a lot of retired people--a lot of oil company people,

aluminum company people, Shell folks, British Petroleum people. You know a lot of Englishmen retire in Switzerland to stay away from taxation in the U.K.

Anyway, everybody gets a pension but Mike, you see. Mike came over to talk to me about why he wouldn't get a Caltex pension. He had it all sized up wrong. He really doesn't get a Caltex pension because he didn't stay with us long enough. But he relates it all to his having once been a local employee and not getting credit for that period of time. I talked to Mr. Johnson on the phone and said, "Mike's here. He's going to come up and talk to your people. I don't think he's entitled to anything particularly, but I think you ought to hear his case. You've heard it before and have turned him down on several things. But listen again." Ray said, "Well, why should we pay that much attention?" I said, "Well, for a number of reasons."

Now where does this guy come from, and what did he do, and why did I say he's entitled to be heard? Number one, he did go to work for Caltex because he thought there was an opportunity, and he did it before the war broke out. Then when the war broke out, he was able to...I think he had both the Swiss and the German passport, but he destroyed his German passport and pretended to be stateless. But in any event, he was accepted as someone who stayed out of prison in Japan when Japan took over that area of China. Caltex

people went to prison--some families and some single people. Those people were able to receive a food parcel every so often. I've forgotten how much or how much it could weigh or anything else. Anyway, during the war years, without any special funding except maybe some funds from people in camp that pulled out, Mike sent food parcels to a fellow named Hans Bieling, who later became prominent. He kept Bieling fed. Who else was in prison? "Sandy" Newton was in prison. A fellow who later worked for us, named Huxley, was in prison, and Mike took care of him. Rockholtz was briefly in prison, but he was repatriated from prison. But in any event, we were reciting the case that Bieling had told me about and which I asked Mike about.

You know, it's an interesting thing, too, that when Bieling came to Japan briefly to take over before I took over in Japan, one of the first things he did was get in touch with the old camp commander from the Pudong camp in Shanghai who was living in Osaka. He visited him. Obviously, the old camp commander had to be somewhat more reasonable than the horror stories you read about. In any event, the name of the game was getting enough food to eat in the Pudong camp. Also, Bieling connived to get out of camp from time to time on leave—I guess to get laid probably. There were ways of doing this. One of the barracks was leaking very badly, and the Japanese had no funds to fix it up. So Bieling went to the

camp commander and said, "Look, I've got some friends outside that I think might fix the roof for us. We have a man here who knows how to do roofing, anyway. I think maybe I could get some of our friends to donate some roofing material." This negotiation continued off and on, and when they had approved the project, Bieling went out of the camp to contact his friend. Mike picked him up, and he stayed with Mike in Mike's apartment. Of course, he had a guard with him. When they got off, Mike gave the guard some money. He said, "You guys go have some booze and food and come back and pick up Mr. Bieling at five o'clock and take him back." So the guards went off to party, and Bieling came back with the promised roofing.

They connived a way of getting booze in. They had a hot water bottle that would fit in the small of his back, and he'd just sort of have it hanging on his shoulders. So everytime he went in and out of camp, he went back in with a hot water bottle of Scotch. I'm sure he sold it to his mates. I know Bieling wouldn't give anything away.

Anyhow, so you say, "What did that fellow do?" He did a lot in terms of those people who rightly or wrongly had agreed to stay on in Shanghai and be interned by the Japanese. Anyhow, that's the story of Mike's activities.

There were some other people in the Philippines who did the same kind of thing that Ray Johnson was talking to

me about. One of the fellows recently got in trouble, and a bunch of the Filipino "ex's" contributed personal money in order to get the problem taken care of. He had had a retirement allowance in cash, and he retired in the Philippines. He had been a local employee most of his life, and he had received an ample allowance when he was paid off. But it disappeared, and he had no place to turn except to Caltex. Ray said that there are all kinds of these stories, and there are. But that's the kind of thing that you have to remember.

Now Mike was an insufferable fellow to work with because he was very bright and he was always brighter than his boss [facetious]. They gave him full status when he came back from overseas. He was serving in New York for a while. Then he went to Indonesia. He worked at a point in time when we didn't really want to do too much in marketing, but we were in marketing because we had the concession. Mike figured that you were marketing because you wanted to expand your markets. He made a lot of lube oil deals that no one really wanted. But he forgets all this. He was always smarter than his bosses [facetious].

So he left Caltex finally. He married the daughter of one of Shell's top executives. This marriage lasted for a while. He was working in Denmark, I guess. Then he became one of the chief planners at Mobil for a few years. Then

later he was in the independent brokerage business in Zurich. Anyway, Mike had a varied career.

Of course, he was asking me questions about people that he had known twenty years ago, before he left the Caltex orbit of things. And I had forgotten people. There were people... "Tiny" Worden. You probably haven't run across his name. "Tiny" Worden was a 6'5" blond, big man, big chest, from Pennsylvania. He had a wife also from Pennsylvania. Anyway, he was a very impressive fellow, and he was one of those great language specialists. He could pick up a language easily. He spoke reasonably good Chinese, Russian, and any damn thing else. There was a fellow named Jack Gregor. Jack is still around. He was a great poker player. He's retired and living in Oklahoma. We talked about Marsalko, who was a lube specialist. Marsalko was Romanian. I think he was a Romanian Jew. I'm not sure. He died in Japan and was buried in Yokohama. Most everybody is dead, of course, that he was asking about. In any event, I thought you'd be interested in that little story.

Marcello: Okay, so we get up to the postwar period. The thrust is still moving product--moving the crude. You had the construction of the national refineries, which actually even continues as late as the 1970's because this is when you really get into Korea to a large extent. Isn't this correct?

Voss: Yes, yes.

Marcello: What are the major trends in the company from that point then? What happens at that point? Obviously, Bahrain is still important but not nearly so important as it once had been when it virtually the sole refinery, the sole refining area.

Voss: What happens from the early 1970's on? When did we have the first embargo? Was it 1975?

Marcello: Wasn't it 1973?

Voss: It was 1973, I guess. Well, that was the beginning of change --the first embargo. We were able to get various reliefs from that embargo. We were able to get special exceptions here and there for the movement of cargoes to Japan, to some other areas. But it was the beginning of the notion that one single source of energy, and only one single source, couldn't be trusted anymore. People began to worry about the Persian Gulf. Japan by this time had converted most of its heavy industries to fuel oil. The entire steel industry-- nearly all of it--was on oil; the cement industry had been converted to oil; the utilities had been converted to oil. People, for national security reasons, began to look for ways to economize.

Then as the price began graduating higher and higher and higher, the economics began to bite, too, and you could then look to the movement of coal and stack scrubbing for the use of coal and special facilities to handle coal. It would

not be expensive to convert to coal burning and all the rest because of the oil price tag. There has never been any movement away from crude totally, but there has been a relative movement away from crude as an under boiler fuel. There has been a relative movement in the use of light products in the economizing of use--smaller engines that burn more efficiently and all the rest--which has contributed to the world's declining appetite for petroleum and has exerted a great deal of the current price pressure. But nothing has really occurred to dry up the importance of crude oil. It's just the relative importance.

Marcello: How did the embargo of 1973 and events thereafter affect the relationship between Caltex and Japan? I keep coming back to Japan because obviously it's so important to Caltex.

Voss: Yes. Well, we got full marks from the Japanese by actually supplying their appetite at the time. We fiddled with it. We had some bad times with the Japanese. We had some times in which Caltex was instructed to tell the Japanese that "this stuff is so vital that we can't let you have any of it anymore. We have to use it in our own systems." As crude oil became a commodity in which everyone was fighting to get his share of it, the partners were less keen to sell it. However, our performance in Japan was noble in total, so we received full marks for bridging that crisis for the Japanese.

Since that early time, we have not been responsive to competitive prices, and we have lost a great deal of our strength in Japan by not being competitive in the supply of crude oil. We have said that we are entitled to supply them, and we were taking advantage of that earlier contract. That's where Caltex is in trouble today. We have been discredited as reliable suppliers in recent years in their memories. We're not the same kind of people that they used to deal with.

Marcello: How did all this come about? What happened?

Voss: The lack of real expertise in foreign affairs on the part of the parent companies. Maybe it's not a lack of expertise. Maybe it's the lack of...maybe that was right.

Marcello: The lack of understanding?

Voss: The lack of understanding on the part of the parent companies in dealing with their obligation to Japan. In my own opinion, they did not live up to their obligation. That's the reason they got their problems. They should not have looked at the small print in the contracts and all the rest. I think everything would've been as it had been. The Japanese had been buying crude oil outside at cheaper prices from time to time, and we had permitted them to do so. That's why there is a crisis in the relationship now.

There's been a settlement in Korea, except Korea's case is a little different because we overcharged Korea, but we

shared the overcharge with them offshore. The local company has been screwed a bit, but there's been an offshore profit. Some of the owners in the local company have participated in it. Well, the local company has participated in the offshore profit.

Marcello: At its peak, how much crude was being supplied to Japan by Caltex? This is something you may have to estimate, of course.

Voss: No. There's one two-month period there that it hit a very great high point. It was over a million barrels a day being supplied by Caltex into the Japan system. I've forgotten when that was. I think it was...I'm not sure, but we were regularly supplying 900,000 to a million barrels a day over a long period of time.

Marcello: When did that change?

Voss: When there began to be conservation measures taken into account and when the Japanese from time to time bought outside because of price. To keep price friction from building up, we said, "Go ahead and buy some of that on the outside." Was it just prior to 1973 that we supplied the million barrels a day? I think it was just prior to the embargo.

Marcello: I know at least as late as January of 1969, Japanese crude deliveries reached about 500,000 barrels per day, and I think it continued up from that point on.

Voss: Yes. Well, there was one month or maybe two months in which

we supplied a million barrels a day. I think the current national consumption of Japan is between two and three million barrels a day. I'm not quite sure, but it seems to me it's in that area.

Japan imports all of its crude oil requirements--over two million barrels a day. Let's say it's 2.5 million barrels a day of imported crude. Then let's suppose the price suddenly drops \$10 a barrel. Suddenly Japan saves \$10 times two million barrels a day, which is a potful of money, and which is the reason that all the other things that they've done to try to balance their payments are going down the drain. The change in the value of the yen, fine, that's going to stimulate more U.S. imports and fewer Japanese exports, so that should help. But when you get something like this energy change, it's a great windfall to Japan.

Marcello: At \$20 million a day for a full year...

Voss: It's a lot of money.

Marcello: ...represents substantial savings, for sure. Since we're skipping around in trying to bring some of these things together, one of the things that we've not talked about is Amoseas and how it was formed and why it was formed and all that sort of thing. Could you give me some of the background on Amoseas?

Voss: Well, yes. Amoseas, of course, has functioned as somewhat a separate company but with support facilities provided by

Caltex on a broader base. The concept of Amoseas was that the parent companies would have joint exploration in the Caltex area through this company so that there would be no developing independent crude resources available to one of the companies and not to the other. Amoseas's original tenure reached from even West Africa--West Africa, North Africa, East Africa, South Africa, and into the whole Caltex area. Of course, the existing concessions were separate in which the two parent companies each had a 7 percent interest in Iran. Each had finally a 30 percent interest in Aramco. Bahrain was in the Amoseas concession, and Amoseas managed the exploration and production.

Also, the more significant early work of Amoseas was done in Indonesia, where the operating company is to this day known as Caltex Pacific Indonesia. I think it was originally incorporated as a Dutch company. It may still be a Dutch company. Maybe not. Anyway, the corporate form is not important. The fact is that Amoseas managed all that.

Also, the West Australian exploration ventures were Amoseas-managed as well. Amoseas was in charge when oil was discovered in Libya and was one of the early casualties to nationalization because we wouldn't put up with Khadafi's terms, I guess.

Anyway, this was the wherewithal of Amoseas, and Amoseas was supposed to be staffed from time to time with senior people

from both parent companies so that it would have ongoing and new expertise. There was always to be a cadre of strictly Amoseas people, however, and there was and still is that. In some of Amoseas's activities, as far as efforts and employment of people, it was very large, of course, in Indonesia. It was large, also, in Bahrain. At one time it was very large in Libya. The Nigerian oil was also discovered during Amoseas's tenure there. There were always other things that Amoseas was involved in, in the Philippines and other areas.

The real reason that Amoseas sort of fell apart...well, its sphere of influence was basically restricted finally to Bahrain and Indonesia, and everything else was to be handled by the parent companies. The reason for that was that there was the feeling that because of the secrecy surrounding drilling and geophysical techniques, neither company was willing to give the best of its advice to the subsidiary. So Socal always had some aces in the hole that they were using on things that they owned, and Texaco presumably was doing the same thing with things that they owned wholly. They weren't going to give that to a subsidiary company where it might get back to the other parent. So that was, quite factually, the reason for saying, "Let's split off these other countries and let Texaco manage one for the account of both and Socal another for the account of both. All of the Caltex area is a joint venture area supposedly. So that's

what happened, except they kept Bahrain and Indonesia in the Amoseas thing. So Amoseas at the moment is largely Caltex Pacific Indonesia, period, which in and of out itself is a pretty big venture area. It's been highly successful. Caltex Pacific Indonesia is the company, or the surviving company, that found the Minas field, after all. We've been more successful in finding and producing oil in Indonesia than anyone else. We produce damn near all the national oil, or at least half of it. So that's the story of the Amoseas thing.

Marcello: Just out of curiosity, do you know anything about the details of Amoseas being forced out of Libya?

Voss: Well, I don't really. Although I was around and heard about it at the time. Caltex was selling some of Libyan crude at that particular point in time and moving it into Europe. I think it was Brega crude that we were selling. It was a fairly low-sulfur crude, but at the time we were selling it, it didn't have much of a sulfur premium. I've forgotten what our production was, but it seems to me it was twenty to thirty thousand barrels a day or something like that. When we were nationalized, I guess we refused to accept on the basis that they were way ahead of the rest of the pack, and we were afraid it would happen in other countries if we caved in. I guess all of us were going to stand pretty firm in rejecting it, but the reason that fell apart was, one, Continental

played along with them and was willing to accept lesser terms, and, two, Armand Hammer was the one that broke the knot on the thing and accepted the terms.

There was a fairly substantial monetary recovery obtained by lawsuit by the joint venture companies later on. Both Texaco and Socal...well, I'm sure whether it was a suit filed by Caltex or not, but we did get a judgement, and we did collect some money for the value of the nationalization. For obvious reasons, we would've been able, with the judgement we had, to attach cargoes of Libyan crude coming out of the country.

Marcello: We've talked from time to time, and sometimes at length, about the activities of the two parents relative to Caltex. Can you perhaps give me some sort of a broad sweep concerning the history of the relationship between the parents and Caltex? I'm assuming that there have been changes over the years in that relationship.

Voss: Well, there've been changes, but I think the economic facts of life generally have been known to parents and subsidiary, and tax relationships have been known and so on and so forth. I think one of the troublesome arenas in the relationship between Caltex and the owners is that everybody in the owner companies features himself as an owner when he talks to Caltex, and an owner is a boss. The understanding at the director level in Caltex can be quite civilized. The

differences in opinion can be at least reasonably aired. When you get to the lower level counterparts in the owner company, however, they speak to the Caltex counterpart as boss to servant. This is continually a cause of trouble in Caltex. This is one of the reasons that all of us through the years, except for the development of information between the parents and Caltex, have tried to restrain policy and working direction at the direct or level and trying to keep it out of the lower level--never successfully so because you got to coordinate studies and a lot of other things. Everybody in Social figures that his counterpart in Caltex is a lesser person because he doesn't work for a prime company, that he works for a secondary company. I don't know if you could ever change it. The relationship is such that you don't have to put up with it. If you're a lesser person in Caltex, you can tell them what you think, and nobody's going to complain. But it does get in the way of rational decision-making from time to time.

Marcello: Over the years, have there been any changed perceptions on the part of the parents as to what Caltex's reason for being is? Has that ever changed over the years?

Voss: Well, I'm sure it has. I suppose one change in perception occurred in the few years preceding the spinning off of Europe, in which it was clear that the position taken by Texaco was that Caltex was not an efficient marketer and

refiner and not a good manager of its European properties and that either one of the parent companies could do it better, so they should divide it up. That certainly was a change, but it was a self-serving change. I think that Texaco really wanted to be back in Europe. This had been the area in which Mr. Long had grown up, and he was the moving force in Texaco at that time. He was sort of sorry, I'm sure, that they'd given Caltex an option to buy the European properties in the first case. So that was a change in concepts.

But I think both of them were eternally grateful for Caltex's ability to move crude oil. I think they were both surprised at the growth of the company in the postwar years. I think to that extent they were inclined to not quarrel with success, but if you ever stubbed your toe in any one country, they quarrelled very, very, very quickly. This is one of the reasons Japan grew in spite of some of the objections from time to time with expansion. If Caltex had followed unerringly the direction of the parent companies on the growth in Japan, we would've missed the boat. So our function was to delay and put it back on the fire and keep it alive and not take "no" for an answer.

A classic example is the Negishi refinery. The right to reclaim the land had been awarded to Nippon Oil Company. At that time Caltex was of the view that, one, we weren't sure we needed another refinery. Anyway, the time for reclaiming

the land came, and we had no approval from New York, so we couldn't pass a resolution to begin the project. So Nippon Oil Company--in their name--acquired the right to reclaim and in their name began to reclaim the land to be later assigned to NPRC whenever it was we decided to come to the party. This happened twice--during the first reclamation and in later years a second reclamation. Years after the reclamation was completed, Caltex agreed that we should do it. In no case was there a technical violation of corporate obligation. This was a great finesse, as you can see.

But it's surprising that the joint venture has worked as well as it has. It has taken the talent of some very talented people to keep it that way. In both cases you have very proud prime companies that really have different standards. Texaco is hard-nosed and proud of that; Socal is conservative, logical, kindly, except they aren't, really. They're also stubborn and opinionated on the Socal side. But they dislike one another, too. Occasionally, there are corporate officers that have rapport between them, but most of that rapport has occurred because of their being on the Caltex board and on the Aramco board together.

Marcello: Of the two parents, which one seemed to give Caltex the most headaches?

Voss: At different times, I suppose, generally speaking, Socal was inclined, as long as things were going pretty well, to accept

the judgement of Caltex on a lot of things. Texaco always wanted more information, more detail. They always had to take it up the chain of command much higher than they had to do in Socal. For instance, the Socal director on the Caltex board--Lenzen, when he was on the board--pretty well had the ability to say "yes" or "no" at anything that came up in the board. Not so in Texaco. It had to be worked over in Texaco. So there was that fact involved. But on the other hand, from time to time, Socal for some reason didn't like the Korea transaction. Everytime we had something to do with Korea, Socal was...maybe they knew too many Koreans. Anyway, Ted Lenzen was very picky on the whole Korean thing. Texaco didn't fault it very much because it was moving crude that didn't impose any borrowing obligations on them, so Texaco was easier on Korea than Socal. I suppose Texaco was always harder on things in Japan than Socal.

Marcello: In the last interview, we had been talking about the existence of a Caltex family, and you had, of course, presented some comments relative to that topic. Both on the record and off the record--a moment ago--you indicated that there were some other comments that you would like to make concerning that so-called family. I'd like you to add those comments if you would.

Voss: I thought about it a little bit after we chatted before. I think you'd start out in the first instance of Caltex being

a family of people who had served overseas. Basically, the togetherness, the oneness, feeling in Caltex comes out of that. In the days when I first joined the company, you went overseas for a three-year tour. You came home on holiday and went back on another three-year tour. For all intents and purposes, you were living in a country three years, depending on its food supply, its medical attention, and its schooling (or private schools might exist in that country otherwise). This was something that you shared with your wife, your family, and your children. So for everybody going into overseas service in those days, and, indeed, almost to the 1960's, the pattern was the same. For people going into that service, you had a wife who had to leave family and friends for three years, and transportation costs were such it was hard for the wife to repatriate or visit home. That might be easier today. So grandparents were deprived of their grandchildren, and children were deprived in some cases of adequate schooling.

Families had to depend on local doctors and local health and local food availability. Sometimes the food was a real problem. Sanitation certainly was. There were bad water supplies. One was required to sterilize the vegetables, salad vegetables and other things. Everybody suffered the same thing.

So when you finally came back in later years to the

head office, when you had been through this regime, there was a togetherness that sort of shut out the rest of the world. So in Caltex early on, there was a feeling between field people and head office. Field people felt that field people should run the company and not head office types that had grown up in New York. However, that's a piece of it only.

As far as Caltex in total was concerned, there was still a total feeling of a family because we were a child of two parents. To some extent we were together as in opposition to those two parents. That situation is borne of something that's quite understandable but, nonetheless, not acceptable to Caltex. The parent companies are, indeed, owners. Owners have certain rights. Every counterpart person in one of the owner companies sought to exercise his own rights as owner. It didn't make any difference that his counterpart in Caltex had the same education, the same pay, the same recognition with this person in the parent company organization. He was bound to be superior because he came from the owning company, the prime company, and not a subsidiary company. That had plagued Caltex since the beginning of the relationship. I'm sure it still does. It's more the reason for communications and decisions in Caltex to be made, if at all possible, at the director level where senior people communicate on a more even basis than permitting the lower echelons to assert the

powers of ownership, so to speak. That was what we had chatted about earlier, I guess.

Marcello: Yes, I think it was.

Voss: You may have run out of hay.

Marcello: You know, I think you're probably right (chuckle). I think we'll stop it at this point, and what I'll do is get the transcripts back to you that we have put together thus far. Maybe as you read over it, you'll think of some other things. But let's stop it here, we'll go from there.

Voss: Very good. I think that would be useful for me to read over what we've covered and then I can see any gaps that might come up. Probably there are a lot of gaps.