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HAROLD LEWIS
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Caltex Oral History Project

Harold Lewis

Interviewer: Dr. Ronald E. Marcello Date of Interview: November 8, 1985

Place of Interview: Greenwich, Connecticut

Dr. Marcello: This is Ron Marcello interviewing Harold Lewis for the Caltex Oral History Project. The interview is taking place on November 8, 1985, in Greenwich, Connecticut. I'm interviewing Mr. Lewis to get his reminiscences and experiences during his employment as a long-time member of the Caltex Petroleum Corporation.

Mr. Lewis, 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. Lewis: I was born on July 23, 1917, in Lincoln, Nebraska. I was raised in Indiana and went to school at Purdue University, where I got a B.S. and M.S. degree in chemical engineering, graduating in 1939.

Dr. Marcello: I see from the record that in 1939, you went to work for Standard Oil of California. Was that right out of graduate school?

Mr. Lewis: Right out of school. As a matter of fact, I was hired during

my senior year at the university by Ted Lenzen, who was very well-known to Caltex. I went to work for Standard Oil of California, as it was known in those days, on September 1, 1939, which, as you recall, was the day that Hitler marched on Poland.

Marcello: At the time that you took that job with Standard Oil of California, was the economy more or less picking up relative, at least, to the oil industry and so on? I still think of the late 1930's as being part of the Depression.

Lewis: Yes, it was still part of the Depression. The industry was hiring engineers out of college, but I don't think the economy had picked up any great amount. As a matter of fact, there was concern about what was happening in Europe.

Marcello: Why did you decide to take employment with Standard Oil of California? I guess what I'm asking is, did you have other offers besides the one from Socal?

Lewis: Yes, I had several other offers--one with Esso and one with DuPont. I took the offer with Standard of California because I thought California sounded attractive (chuckle).

Marcello: A logical reason. Who did you say was the person who hired you?

Lewis: Ted Lenzen. He was a long-time director of Caltex and eventually became one of the top officials in Socal.

Marcello: You went to work for Standard Oil of California at the Richmond refinery, first of all. Is that correct?

Lewis: Well, actually, I was hired to go to work in the General Engineering Department of the San Francisco head office. But when I got out there on September 1, their work had slowed down, so they farmed me out to the Richmond refinery in the Materials Laboratory Section, which really was a part of the General Engineering Department. So I spent my first year in the refinery.

Marcello: What kind of work were you doing there?

Lewis: I was doing some metallurgical testing, a lot of plant inspection work, and some laboratory work.

Marcello: Were these the kinds of things that they normally started a rookie in?

Lewis: No, I think I had somewhat of an unusual start, only because of the circumstances of the time.

Marcello: I think that during that employment with Socal, you also spent some time in both San Francisco and in Alaska, did you not?

Lewis: Yes. After the first year, I came back to the General Engineering Department. About that time, certain projects for the government were beginning to take hold, and the Engineering Department got a little more busy. Eventually, by the time of Pearl Harbor, we were very much involved in aviation gasoline projects and things of that nature, mainly for Socal's refineries. After the war broke out, we started to work on expanding the Bahrain refinery. That design work was handled in San Francisco.

We also undertook shortly thereafter the construction of the large refinery for Aramco in Saudi Arabia. A year or so after that, Standard Oil of California became involved in what was known as the Canol Project. I served as consultant in the Bechtel, McCone, Parsons office on the design of the Canol Project. This project, as you probably know, involved a crude pipeline, a small refinery, and product pipelines in operating in and out of White Horse, Yukon Territory.

By this time it was 1944, and the Canol Project was finished and was starting to operate, and the company sent me up there to be assistant chief engineer in the fall of 1944. Then, of course, the war in Europe was drawing to a close, and that refinery was shut down and mothballed. It only operated for about six months.

Then I came back to San Francisco, where I was offered the opportunity of going to Bahrain in the Operating Department, which is something I had wanted to do for some time.

Marcello: Why was that?

Lewis: I wanted to get the experience of running a refinery rather than just being an office engineer. In the summer of 1945, I arrived in Bahrain. I think it was probably at the end of July or early August. I left White Horse in April, when it was well below zero, and I arrived in Bahrain in July,

when it was over a hundred degrees.

Marcello: Let me back up a minute here. By this time, had you been transferred from Standard Oil of California to Caltex?

Lewis: That's a good point, and I'll come to that in a minute, because it's interesting (chuckle). I spent about six or seven months in Bahrain. By this time, the war with Japan had ended. They called me into the office one day and said that New York had become involved with an entrepreneur in Australia and wanted to build a small asphalt plant down there, and would I be interested in going to Australia. Of course, I was. Australia is very much more appealing than Bahrain at that point in time (chuckle), because during the war Bahrain was pretty grim. So I went to Australia and arrived there in March of 1946.

Somewhere along the way I got a letter from New York saying that, incidentally, I am now working for Caltex and not Standard Oil of California (chuckle). That answers your question. That's the way it came about.

Marcello: In other words, you had absolutely no input as to whether or not you stayed with Socal or went with Caltex.

Lewis: I suppose I could have quit (chuckle). I have no regrets. I've enjoyed all my experience with Caltex, but it wasn't a matter of choice in the beginning. As a matter of fact, Standard Oil of California was pretty much responsible for the design and operation of Bapco in those early days.

- Marcello: As you look back, do you think that was a significant development in your career? In other words, had you stayed with Standard Oil of California, would you have had the same opportunities that you had with Caltex?
- Lewis: That's hard to tell. Maybe I wouldn't have because Standard Oil of California is such a big organization. I must say that with Caltex I've had enough opportunity to see a lot more of the world and probably enjoyed myself more than I would have if I'd been residing in San Francisco that whole time.
- Marcello: You mentioned that in the latter part of 1945, you were assigned to the Bahrain refinery. Give me some background on that. Why were you being sent to Bahrain? What was going to be your specific assignment in going there?
- Lewis: I suppose, really, when you get right down to it, when this big organization in White Horse folded and Standard Oil of California had all these people available, they were looking for jobs. I had requested several years previously to be transferred to the Operations Department because I could probably have more future than just staying in engineering as such.
- Marcello: If you had stayed in engineering, would all you have been basically doing is designing refineries and things of that nature?
- Lewis: Probably. I was sent to Bahrain as an operating foreman of their new alkylation-isomerization unit. Of course, when I got to Bahrain, I found that they had two people

for every job at that point, so Dan Kerley and I were jointly foremen of the two units.

Marcello: What were these particular units that you were going to be working with?

Lewis: Alkylation and isomerization.

Marcello: Did you have anything to do at all with the production of aviation gasoline there?

Lewis: These were primary components for aviation gasoline.

Marcello: They really didn't get into that until the very end of the war, did they?

Lewis: Well, that's true. I suppose the plants were completed and put onstream probably early in 1945 (just from memory). When I got out there in mid-1945, they had been operating. The isomerization plant operated until mid-1946 and the alkylation plant operated a bit longer.

Marcello: In taking over that function, what particular problems and so on did you encounter? Was there anything extraordinary that was occurring?

Lewis: There were very difficult climatic conditions, and we had very little air-conditioning in those days. We had native help, with expatriates to run the units. It was quite an experience. The plants were new. We had a lot of fun.

Marcello: Describe, if you can, the atmosphere or what the morale was like among the people that had been there for a while. I don't know if we can call them the old Bapco hands or what, but like we pointed out in our pre-interview discussion,

some of the people had been there for a long, long time.

Lewis: Most of the people I associated with, when I was there, were the people who had been hired or brought to Bahrain within the preceding twelve months. These were all people from the shareholders--Texaco and Standard Oil of California. A lot of them had come down from the White Horse refinery. There were a lot of other Canadians who had been hired and trained. Really, the people I dealt with were pretty much a new crowd, and they were pretty rough.

Marcello: Can you expand upon that?

Lewis: Oh, no. We didn't have any problems. We got along all right.

Marcello: You were only there a short time, but I'll ask this question, anyhow. During your period there, what kind of a relationship did you observe existing between Bapco and the ruling family?

Lewis: I really can't comment on that. I wasn't close enough to it. In my six months there, I was very, very much involved in the work because it was all new to me. I think I only got to Manama once or twice the whole time I was there.

Marcello: You mentioned that you were in Bahrain for just a short period of time, and then you received this assignment to Australia. When did this occur?

Lewis: As I recall, it must have been about March, 1946. At least that's when I went to Australia--March, 1946. I guess maybe

they talked to me about it a month or so before that.

Marcello: Why were you being sent to Australia? What was the purpose of your going there?

Lewis: Caltex had agreed to participate in a venture which was promoted by an Australian entrepreneur, David Craig. David Craig wanted to set up, manufacture, and market asphalt. He claimed he had an agreement with the government of New South Wales that gave him exclusive right to sell asphalt in the state of New South Wales. These were entrepreneurs; they were not engineers. They had never been in the business before. Looking back on it, it was kind of a slim deal and probably one that Caltex should never have gotten into.

Marcello: Can you expand upon that?

Lewis: These people were promoters. Eventually, they set up a public company. They had no market; they had no expertise. All they had was the idea and kind of a verbal understanding with the government.

I went down there, along with two other people. This was the first refinery that Caltex had ever been involved in. The basic design was done in the United States, and we built the thing in the field without a general contractor, which was quite an innovation for Caltex. We bought most of the equipment down there, built the plant, and put it into operation. It went into operation about October,

1948, and started up successfully. We filled up the tanks with asphalt but had to shut the plant down because they really had not developed the market. In the meantime, regardless of their understanding with the government of New South Wales, Shell had also built an asphalt plant in Sydney. The market available to Boral, as the company was known, then was limited.

Marcello: How did Caltex get involved in this? You said it was one of those ventures that they really probably should not have gotten into.

Lewis: The promoter came to us with the proposition, and we agreed to go ahead with it. At that time, we took a 40 percent equity interest in the company, Boral. Our participation was paid for by the first couple of cargoes of crude oil. In the initial stages this was a synthetic crude which was made in Bahrain. It was simply the asphalt base stock cut back with gasoline. Caltex agreed to take all products from the plant, with the exception of the asphalt, i.e., we agreed to take the gasoline. Any other distillates that were made were used by Boral in blending.

This arrangement went on for a couple of years until the Boral management decided that they could make a better deal somewhere else. They chose to install a catalytic reforming unit to upgrade the raw gasoline cut and then bought Iranian crude oil from B.P. (British Petroleum). This broke all

the contracts, and our relations were badly severed at that point.

Going ahead on that particular theme, a few years later, we were able to mend our fences, and we got our crude contract back with these people. Then we sold them crude oil and bought back the gasoline. Through the years this arrangement deteriorated insofar as our economics was concerned, because Boral kept increasing our yield of gasoline by installing "cat" crackers and even a hydro-cracker. The price of crude oil kept deteriorating so that the margin between what we made on the crude oil and what we might have made on the gasoline, if we'd made it ourselves, deteriorated to where we were losing money.

By this time, we had our own refinery constructed-- a 100 percent-owned refinery constructed--across Botany Bay. We were able to supply enough product from that refinery to take care of our total market in Australia. At that time, I renegotiated the arrangement with Boral, and we cancelled the crude contract and the product off-take contract. This is the late sixties when that happened. Eventually, Boral sold the refinery to Total (Australia), and after a few years Total sold it to Ampol. The last time I saw it, which was last year, the plant was completely shut down and was being dismantled.

At the time we built the plant, it was one of the

largest industrial undertakings in Australia. We got all the heavy materials--the columns, the pressure vessels, tanks--made in Australia. This was something new.

Today, Boral is completely out of the petroleum business, with the exception of LPG sales, but they are one of the largest industrial concerns in Australia. From their asphalt and road-building activities, they developed stone quarries, where they got their crushed rock for road use. They went from there to ready-mix concrete and building supplies. Today they are a big building supply company.

Marcello: Awhile ago you mentioned that this was the first Caltex venture into the area of actually constructing a refinery. Am I to assume, then, that in the past, whenever any refinery construction or expansion had occurred, it was really being done by some outside contractor?

Lewis: I think all the wholly-owned plants that were built after that were designed in the States, and a large contractor assumed the over all responsibility for building the plant.

Marcello: What was your specific assignment there in Australia?

Lewis: When I went down there, I was an engineer assigned to the construction manager. By the time the plant was completed, I was the project manager or construction manager. I assisted with the start-up of the plant, too.

Marcello: After that Australian assignment, I gather that you were

sent back to New York.

Lewis: Yes.

Marcello: Give me some of the background and purpose of that.

Lewis: I had hoped to return to Australia, but when I got back to New York, they said, no, that they wanted to keep me in New York. I was made administrative assistant to the vice-president of manufacturing. Really, I guess we were kind of the start of the Refining Operations Department. There was no one else there. I was in New York from 1949 to the middle of 1951. During that time, the company bought into the Japanese refineries, and we were involved with some preliminary work with that arrangement. Also, the company entered into the construction of the refinery in Holland, in France, in Spain, and in Italy. I was involved with the very preliminary phases of planning and organizing those plants.

Marcello: Is it true that back in that period that the Engineering Department, if that's what it was called, of Caltex was more or less in its infancy?

Lewis: Yes. Their first job, probably, was the Boral job, but their main job was to handle the construction work in Europe.

Marcello: This is more or less your first assignment back in New York at the seat of power, so to speak. What were you learning about the company and its long-range goals and

strategies during this period? You were there for about a year-and-a-half or two years. What were you learning about the company and its plans for the future? What seemed to be its goals?

Lewis: This was an expansion period for the company. We were moving ahead fast; markets were expanding fast; we had plenty of good, cheap crude oil. It was an expansion period. We were all very busy in those days.

Marcello: What were you learning about the inside operations of the company during this period? It must have been some sort of an education for you, since you'd really not been back in the New York office before this time.

Lewis: I don't know that there's anything I can say to that, really.

Marcello: In 1951, like you pointed out awhile ago, you were being sent to Japan as manager of refining.

Lewis: Yes, this was mid-1951.

Marcello: That must have been a pretty important assignment because I would assume that potentially that was going to be a huge market there for Caltex.

Lewis: Oh, yes. I was sent over there and set up a refining department. I had a process engineer and a mechanical engineer, and our purpose was to assist the Japanese in modernizing and expanding their refineries. The reason why the Japanese associated with Caltex in those days was that they wanted some expertise in modernizing their

plants; they needed financial help, and they needed an assured source of crude supply. Caltex could offer all three of those things. My position was to take a look at what they had and offer them advice, not only on facilities but on operations, accounting methods, management methods, etc.

Marcello: What were some of the special problems that you encountered in carrying out these functions?

Lewis: They were just getting back into operation, and they were running sour crude for the first time. We had to set up sweetening plants. They had all kinds of mechanical problems with the old equipment that they had. Of course, part of the whole program was to not only modernize what they had, but to expand what they had. In all the plants, we had to put in gasoline upgrading facilities, and in the Yokohama plant we expanded their lubricating oil manufacturing facilities and put in "cat" cracking to further increase their gasoline production and also to make it possible to run low sulfur waxy crude oil, which we had available in Indonesia.

Marcello: Considering that this was still very close on the heels of the end of World War II, I would assume that in many cases you were starting from scratch in developing the Japanese market and Japanese facilities.

Lewis: We were, of course, associated with the largest of the

Japanese oil companies, Nippon Oil. They had established dealer relationships and had pretty much an established market. As a matter of fact, when I first went over there they had, as I recall, about 30 percent of the market. As time has gone by, that has deteriorated as newcomers have come in and other things have happened in Japan. But the whole venture with the Japanese grew very quickly. Their economy grew quickly, and their oil consumption grew very quickly; and we got up to one point in time in the early seventies, before the oil crisis, when we sold Japan a million barrels a day of crude, product and LPG.

Marcello: Describe the relationship that developed during your time there between Caltex and Nippon Oil.

Lewis: We worked very closely with them. In those early days, I and my associates spent time down in the refineries. We'd go down and stay for a week at a time at their plants. We got to know the people very well. We had free access to the plants. We attempted to be useful and to be helpful to them. I think they appreciated our efforts. I think they basically understood what we were trying to do.

Marcello: Describe what it was like dealing with the Japanese in a business relationship.

Lewis: The Japanese, I found, are quite reliable. I think they are basically honest. In day-to-day relationships with them, I found them to be straightforward.

Marcello: This seems to be the impression of the other people I've interviewed who were in Japan, also. I thought I'd ask you to get your opinion of it. I would gather that most of the refineries and so on that were being built there in Japan were 50-50 deals for the most part. Is that correct?

Lewis: All the arrangements that Caltex had...well, firstly, with Nippon Oil Company, we set up a separate refining company which was a 50-50 deal, and that was called Nippon Petroleum Refining Company. We also had an arrangement with Koa Oil Company, where we owned 50 percent of Koa Oil Company.

Marcello: One of the people that came up in previous interviews relative to Caltex operations in Japan, was a Japanese by the name of Shun Nomura. Do you know him or anything about him?

Lewis: Sure, I knew Shun Nomura very well.

Marcello: Tell me a little bit about him.

Lewis: I think you'll find that Jim Voss could give you a better history on Shun. Shun, as I understand it, was the go-between who really got Caltex together with Nippon Oil Company. Shun had been with, I think, the Mitsubishi group before the war, and he'd had associations with Standard of California.

At the end of the war, he arranged for Caltex representatives to meet with Nippon Oil, and he was more or less the catalyst that got us together.

Marcello: Did you have any personal associations with him during your time there in Japan?

Lewis: Yes. Sure. We played golf together. When I first went to Japan, one of the first things we wanted to do was to set up an executive committee to have some kind of arrangement whereby we could sit down and talk on a regular basis and have some means of regularizing investment expenditures and activities. So we set up an executive committee for both Koa and NPRC, and Shun Nomura was one of the members of that executive committee. He was in on everything that we did.

Marcello: Over the years, how important was it to have people like Shun Nomura in these operations? Not just in Japan, but I'm sure you could find his equivalent in France or wherever else Caltex operated. How important were those kinds of people?

Lewis: That's somewhat of a difficult question. Shun was very useful in Japan, no question about it. In another circumstance, maybe a person like that would not be as satisfactory. Sometimes people in that position can be a problem.

Marcello: During the time that you were in Japan, the Korean War was on. How did that affect the operations of Caltex relative to what it was doing in Japan?

Lewis: Caltex was one of the suppliers to the military, and I say Caltex because I think this product came from the Arabian

Gulf. I don't think there were a great amount of sales in the early days by the Japanese to the military. Of course, the military was everpresent in those days in Tokyo and Japan. By and large, it didn't have a great effect on us because we were dealing with the local economy.

Marcello: What do you know about the formation of the Kiire terminal, relative to the Nippon Oil Staging Terminal Company? Was that done during the period that you were there?

Lewis: No, that was done later. That came along in the early seventies, I would guess. It really is an outgrowth of the growth in the size of ocean tankers. The most economical way to haul crude oil is by the largest-sized tanker you can manage through the oceans. To accommodate the large tankers, you had to have a terminal to receive them. You normally needed the deep water to accommodate the ship's draft, and you needed the storage to off-take the crude oil or the product, as the case may be. In Japan, this was a trans-shipment terminal whereby the crude came in, was stored, and then loaded out again on smaller ships that went into the refineries.

Marcello: You were there for approximately four years.

Lewis: That's right.

Marcello: What kind of a relationship did you see developing or evolving between Caltex (Japan) and the Caltex office back in New York?

Lewis: Again, that's a loaded question (chuckle). I think my reply to that is that during that period of time in Japan, I was very, very much involved in the operation of these plants and in the new construction that was going on. I did not really get too involved in any politics that might have been going on or differences in philosophy that might have been involved.

Marcello: Let me come at that topic from another angle. I wasn't referring to internal politics that much. Did New York keep a tight rein over what was happening in Japan, or did the people in Japan have a great deal of latitude in making independent decisions and judgments during this period?

Lewis: I think that New York would like to have had a tight rein over what went on in Japan, but in the end I think they gave, and had to give, a large degree of autonomy to the people in the field.

Marcello: In 1955 you returned to New York. Give me the background on your return. How did it come about and why?

Lewis: I'd been over there a long time without leave, and I'd asked to come back to New York. We had really gone through the initial phase, and all the plants were modernized, expanded, and operating.

Marcello: What particular function did you have when you came back to New York? What were you doing?

Lewis: I guess I was assistant manager of the Refinery Operations

department. Then in 1967, when the company was reorganized into the East and West operations, I became manager of Refining East.

Marcello: That was 1957, wasn't it, as opposed to 1967?

Lewis: Was that when the reorganization was?

Marcello: I believe it was 1957.

Lewis: Yes, you're probably right.

Marcello: There was another reorganization in 1967 relative to what was being done in Europe.

Lewis: That's right. It was 1957. You were right.

Marcello: During this period immediately after you returned to New York, were you still basically concerned with the technical end of Caltex's operations, or were you moving into marketing and those areas by this time?

Lewis: No. When I came back to New York, I was still in the technical end of Refining Operations. During that period we went ahead with further expansions in Japan; we expanded the Australian refinery; we expanded the Philippine refinery; we built a new lubricating oil refinery in Australia. So we were quite busy with the whole expansion of the company.

Marcello: This is still part of that overall general refinery expansion that took place in those postwar years.

Lewis: Right.

Marcello: Is it safe to say that if any single strategy is being

developed--and I think it was always there--it is increasing market share?

Lewis: Yes.

Marcello: And anything to create the means to increase market share.

Lewis: Well, perhaps market share is not exactly the correct term. With the economies around the world and the oil consumption increasing so fast, just to keep up with the increase in consumption, we had to do a lot of expansion. True, in some areas, we did increase market share, but generally speaking, we did well to hang on to what we had.

Marcello: In 1957, like you mentioned, you were made manager of refining for Caltex East. Let me ask you this question, first of all, before we actually get into that. What do you know about the reorganization of Caltex in 1957 into Caltex East, Caltex West, and Caltex Services? Give me the background and your knowledge of how that all came about.

Lewis: Again, I can't comment on that. I don't know what was behind it. I think that management felt that the company was growing rapidly and that it would continue to grow rapidly, and they felt that some reorganization should take place. They called in an outside expert, whose name escapes me for the moment, but he was one of the better-known ones. I think this whole reorganization into the four operating companies was the outside expert's advice, and it really set up another layer of top management people.

Marcello: How did it work relative to Caltex East, with which you were associated?

Lewis: I think it worked fine. We were a close-knit group, and I think it worked all right. Of course, the question is, was it necessary; and was it the most efficient operation? I guess you'd have to say that it was not the most efficient way to run a business. It was someone's idea.

Marcello: Can you expand upon that?

Lewis: No. When you see Caltex today and the fact that they're operating with 350 people, I believe, in Dallas, or something close to that...I imagine in Caltex East alone we must have had 250 (chuckle).

Marcello: What was the nature of your job with Caltex East during this period?

Lewis: I was manager of their Refining Operations Department until early 1961, when I was asked to go to the Philippines in a new capacity as vice-president and general manager of marketing, which, of course, appealed to me.

Marcello: Why was that?

Lewis: Well, I felt that I had accomplished everything that I could in the technical side of the business. I felt I should broaden myself. Through the years, particularly the Caltex East years, we were a very close group. I worked very closely with the marketing people, and I guess I established myself

as part of their team, so that's why they asked me to go to the Philippines.

Marcello: Backing up a little bit, you mentioned that during those years at Caltex East, you did work closely with the marketing people. Give me some more details on the relationship between your department and the marketing people. How did that come about?

Lewis: I think that in the early days of Caltex, there was a real division between the refining side of the business and the marketing side. There were always frictions.

Marcello: Why was that? How did it come about?

Lewis: I don't know. It was just the way the company had originally been set up. There was lots of crude oil and refining capacity and the refining people thought they could just turn out whatever they could, and someone would have to get out and sell it. There was really no great thought about what the market could absorb and to work from that angle. Just basically, there were frictions in the early days. Then, as we grew and during the Caltex East days, again, as I say, I did work closely with the marketing people.

At this time the refineries were put under the field operating companies, where previously they had not been. They had previously reported directly to New York to a refining vice-president. Under the new setup, the refineries were firstly brought under the control of the local management.

The local management then reported to New York.

Marcello: While you were with Caltex East, what particular long-range strategies were being developed during that period relative to the operations of the Refining Division?

Lewis: I guess the main strategy was simply to continue to expand our facilities to meet the growing market demands.

Marcello: Which areas looked like the especially hot areas during that time? Do you recall?

Lewis: The developing countries always showed the greatest growth-- Japan, Korea, the Philippines; and the Southeast Asian countries had the greatest growth. As far as stability is concerned, of course, Australia was always there, and it was a big market. South Africa was a big market and a growing market. Our strategy was to keep up with these markets, maintain our market percentage if at all possible, or if the opportunity presented itself, to expand the market share if it was economical to do so. We also built lubricating oil plants--plants where we manufactured lubricating base stocks, and then blending plants to make finished lube oils.

Marcello: I usually think of this period as one where there is a rising tide of nationalism. The independence movement had taken place in Africa and some of the Asian countries. How did this affect the operations of Caltex during this period?

Lewis: They were very worrisome. In some of the East African countries, for instance, we were threatened with being bought out or taken over by governments. In certain areas we might have been expropriated. We dealt with them. We resisted being partners with these governments and really didn't do any of it. We put the question off until the oil crisis of the early seventies, and then the governments dropped all their ideas of getting in the oil business.

Marcello: Is Caltex developing any long-range plans to meet these kinds of situations, or essentially do they just deal with them as they arise?

Lewis: I think we deal with them as they arise. I don't see any other way of handling it. There was always a crisis somewhere.

Marcello: Relative to refinery expansion during this period when you were with Caltex East, are most of the ventures still 50-50 ventures for the most part?

Lewis: No. Our big and substantial markets, with the exception of Australia, are still 100 percent Caltex-owned. Our only 50-50 ventures are in Japan and Korea, as I recall, at the moment. In Australia, of course, we now have 25 percent outside equity. In no case are we involved with governments as partners.

Marcello: During this time you were back in New York for the most part.

Lewis: Yes.

Marcello: Describe the relationship that you observed during that period between the parent companies and Caltex.

Lewis: There was always a great interest on the part of the shareholder companies to become involved in Caltex operations because Caltex was a substantial profit-maker for them. Caltex operations were large, even in comparison with the shareholders themselves. Any executive of any company wants to know what's going on. He will demand to know what's going on in anything he's responsible for. Always, there's a great tendency on the part of the shareholders to want to be completely informed on every damned detail. But I think that they finally realized that that was not possible, and gradually they backed away.

Marcello: I also gather that from time to time--and I think this was especially true in 1967, which is a period we'll talk about a little later on--there were frictions between the two shareholders. I guess my question is, how did those frictions filter down to Caltex?

Lewis: Oh, I don't think I can comment on that. There may have been frictions, but they weren't obvious to me.

Marcello: You mentioned that in 1961 you were assigned to the Philippines--Caltex (Philippines)--as vice-president and general manager for marketing. Again, give me a little more of a background on that appointment and just exactly what your function was. You mentioned that you had gone just

about as far as you thought you could go relative to the technical end, and it was time to do something else. Pick it up from there.

Lewis: I went over there, absolutely green as far as marketing is concerned, and I learned in a hell of a hurry. I found it to be highly interesting. I got to know the Philippines very well. At that time we had a good 30 percent of the market in the Philippines, and we were making good profits. It was a pleasant place to live--a pleasant climate--in those days. As happens, about the time I got on top of the job there, they transferred me to Australia in 1963, I guess (chuckle).

Marcello: You mentioned that Caltex had a substantial portion of the market in the Philippines when you were there. What did you do about expanding that market, and how did you go about expanding the market during your period of time there?

Lewis: Caltex had a very good reputation in the Philippines. As a matter of fact, as you probably know, in the United Kingdom and also in Australia, when a woman speaks of a vacuum cleaner, she uses the term Hoover. They go out and "Hoover" the rugs. In the Philippines, when somebody went to buy kerosene, they'd always take their can and go down to the corner "Caltex." So most service stations were known as "Caltex." That was kind of the reputations we enjoyed. As far as expanding the market is concerned, here again it

was a rapidly growing market, and our general policies were to maintain what we had. We weren't attempting to expand the market.

Marcello: How do you go about maintaining that reputation and holding on to the market that you have? What's the key to doing that?

Lewis: The key is to spend money. You've got to have facilities for the manufacture and distribution of product, and you've got to have outlets to sell the stuff. You've got to have a percentage of the number of total outlets in a country which pretty well matches your marketing percentage. In the Philippines we did better than the other companies in that regard. We had a better piece of the market than we had percentage of outlets.

Marcello: You mentioned kerosene awhile ago, and I've always been curious about it. It's a very, very important product in the Far East, isn't it? Or at least it was during this period of time.

Lewis: It was. It was used for lighting in some cases, for cooking mainly, and, I suppose, heating in some places, too. A lot of that was replaced by LPG bottled gas.

Marcello: But it was a substantial portion of the product distributed and marketed in the Far East back during that period?

Lewis: Yes. Back before World War II, that was the principal product that was sold in places like China.

Marcello: I can also remember Jack Fosque talking about its sales in India.

Lewis: Yes. Oil for the lamps of China (chuckle).

Marcello: During this period that you were in the Philippines, what effort was the company making to train nationals for managerial positions and things of that nature? I guess we need to go back and talk about the overall Caltex policy relative to this.

Lewis: Well, our policy has always been to develop the local nationals. We certainly did that in the Philippines. Many of our top people in those days were Filipinos, and today, of course, the company is run by Filipinos. I don't think there's an expatriate there at all. There may be, but the managing director is a Filipino. That certainly was the program. I personally feel that it's important that as an American company we have some American presence. Perhaps in some places we've gone too far in that respect. To develop locals to run the business is not only necessary, but it's the thing to do.

Marcello: What sort of a relationship developed between Caltex and the Filipino government during that period you were there?

Lewis: During the period I was there, we were very close to the government. We had no problems. We had some price controls, and we screamed from time to time, but things usually sorted out. Things were fairly calm when I was there. Shortly

after I left in 1963, the government's wish to have all land owned by Filipinos started to pop up. I think the government problems came after I left.

Marcello: This is not a loaded question, but when I think of the Filipino government, the word that comes to mind is corruption (chuckle).

Lewis: I think that's always been the case in the Philippines. One administration comes in, and they always accuse the previous one of being crooked. I don't know that they were corrupt, but every top politician in the Philippines always retires as a wealthy man (chuckle).

Marcello: Were there ever any attempts by Filipino government officials to shake down the company? That's probably not a good word to use.

Lewis: I think it's a good word, and I think there probably were attempts. There certainly were in later years. Our policy at Caltex has always been never to get involved in that sort of thing, never to make political donations or become involved in payoffs or bribes or try to buy our way into anything. It's basically immoral, and, secondly, it gets you into trouble.

Marcello: I'm sure it's self-defeating.

Lewis: It's self-defeating. There's no end to it, so you just don't do it.

Marcello: I would assume that if you would get into something like

that, you're always going to make somebody angry at you.

Lewis: Yes.

Marcello: In 1963, you in essence went to Australia as the shareholder representative there.

Lewis: Yes, that's what I went down there to be, and then shortly thereafter, they decided that the title shareholder's representative might be interpreted as the American company doing business in Australia and might be suspect from a tax point of view. So they changed my title to chairman of the Australian company.

Marcello: And what exactly was your purpose, then, in going to Australia? What were you doing there?

Lewis: I was the chairman. I was the top company representative in Australia. I dealt with the marketing company and the refining company. We had a separate refining company at that time. As a matter of fact, we had a lubricating oil refining company ALOR, which we owned 50 percent of; we had 100 percent of a refining company, AOR; and we had 100 percent of the marketing company, Caltex Oil (Australia). In addition to this, we still had a relationship with Boral. At that time, they were buying crude oil, and we were buying product from them. We also had supply arrangements and a small ownership in both Ampol Petroleum Company and H.C. Sleight, and I dealt with them.

Marcello: You were only there for a short period of time, were you not?

Lewis: I was there for a little over a year, I guess, during which time I was told not to get too settled (chuckle), and then I came back to New York.

Marcello: Why would they send you there for just a year-and-a-half? It almost seems like it would be self-defeating in a way. About the time you get your feet on the ground and get acclimated to the job, they're going to send you some other place.

Lewis: Well, things were moving fast in those days. This was about the time that people were retiring, and I guess they felt they needed me back in New York.

Marcello: Where would you rather have worked--Australia, the Philippines, someplace overseas, or back in New York?

Lewis: I think the answer to that is that I'd prefer to work in New York, prefer to live in the States. But I've enjoyed every assignment I've had overseas. Even the early days right after the war in Japan weren't too bad. The Philippines was a very pleasant place to live at that time, and Australia I consider as almost a second home. As a matter of fact, I go down there every year now.

Marcello: I guess the reason that I asked that question was that in interviewing some of your colleagues, especially those who had been overseas for years and years, it was almost a traumatic experience to be transferred to New York. Now that may be nostalgia on their part, but some of those people, I guess,

developed a disease called "localitis" or something.

Lewis: The company made a mistake, in my opinion, in leaving people overseas too long. In many cases, people stayed in areas like Japan or Pakistan or the Philippines for ten to fifteen to twenty years. I think that's a mistake in that the person loses contact with the parent company and begins to feel that he's a little bit autonomous to the rest of the operation. I think it's wise--and I certainly followed this policy for all the people who worked for me--to move them around every four, five, or six years. I think it's a mistake to move a person too quickly, and I also think it's a mistake to leave a person too long. I think a lot of those people who didn't want to face up to coming back to New York...they'd been overseas for so long in top jobs that they just didn't want to come back and get involved with an organization. Although I've been on assignments overseas and have spent a good bit of time overseas, I was always back and forth enough that I knew what was going on in New York, and I never objected to the regimen in New York. I actually, really, preferred to live in the States.

Marcello: In being overseas for extended periods of time--fifteen to twenty years--does one kind of develop a "them against us" attitude?

Lewis: I think that happens, yes.

Marcello: The idea is that "New York doesn't understand what we're doing out here."

Lewis: I think that's probably right. Also, you must remember that it's only been until the last fifteen or twenty years that facilities for transportation were available. I remember my first tour to Bahrain in 1946 when I went down by Army transport. When I went to Australia for the first time, I went out with a plane that was being ferried by Douglass Aircraft to Australia. During those three years in Australia at that time, we never had one visitor from New York. No one ever came out to see us. Actually, it was difficult to get out there. You could only go by boat. During the early days in Japan, we never had visitors. It was only until the middle of the 1950's that people started to travel to Japan. Now, people travel all the time. The executives in New York try to hit every area at least once every two years. So there's a better exchange of ideas. I think the executives in the field no longer feel so isolated as they maybe did in those days.

Marcello: I guess, given the lack of transportation and communication in those early days of the company, those people in the field did have a lot of leeway relative to making independent decisions and judgements and so on.

Lewis: They had leeway. They had to have that. They certainly didn't have anyone looking over their shoulder and second-

guessing them.

Marcello: In 1964, you came back to the States, to the New York office, and you were made division vice-president of Caltex East.

Lewis: Right.

Marcello: What exactly were your functions in this capacity?

Lewis: I had line responsibility for all operations, including refining, marketing, whatsoever, in about one-half of the Caltex East area.

Marcello: Is this organizational setup that had occurred earlier still functioning fairly smoothly?

Lewis: Yes, it was.

Marcello: One of the things that stands out in this period--it would have been toward the latter part of your assignment here, I think--would have been the decision by Texaco and Chevron to reenter the European market as competitors.

Lewis: Yes.

Marcello: Give me some background on that decision, that is, what you know about it and how it came about.

Lewis: Again, I was never, too much involved in the European operation, only in the very early days of building refineries over there. So I never really participated or got involved with the policies in Europe. It's my understanding that the shareholders felt that it was an area that was going to require a lot of money to develop because Caltex had a very small market position in most of those areas. The shareholders

felt that they could do it themselves--each doing it separately --better than if it were done by Caltex. That's what I've understood, but I've never really participated in the decisions that were made.

Marcello: What effect did it have on the operations of Caltex East, if any?

Lewis: Very little. People became available. Those people that the shareholders either didn't want or take or those who didn't really have any great amount of experience in the Western European operations became available to Caltex East, and we took them.

Marcello: I would assume that from this time on, then, Caltex was doing more or less what it always had done best, that is, operate in South Africa, East Africa, Asia, Australia and so on.

Lewis: That's right.

Marcello: Do you think that in the long run, so far as Caltex is concerned, that that was a good decision?

Lewis: Do you mean, do I think the decision to take back the European operations was a good decision?

Marcello: Yes. Did it work to Caltex's advantage?

Lewis: It may have worked to Caltex's advantage, but I think the decision was not a good one from the shareholders' point of view. They immediately went into Europe with large organizations, large overheads, and proceeded to do even

worse than Caltex had done. In hindsight I think if they had left the European operation to Caltex, we probably would have done a little better than they did. What's happened is that both of them have sold off a lot of facilities. Chevron has more or less gotten out of Europe.

Marcello: I think Texaco, in fact, has bought a great deal of Chevron's marketing operations in Europe.

Lewis: Yes. I think that Caltex could have done a better job there, and I think they were doing a better job when it was split up.

Marcello: In 1967 you were made regional vice-president of Caltex, and also you'd become a member of the executive committee.

Lewis: Well, the regional vice-president had the same duties that I'd been handling all along. It was operations vice-president, and that encompassed everything within certain areas.

Marcello: When you got up into the late 1960's and, of course, into the 1970's, one of the things that always comes to the forefront are the conflicts that occur now and again in the Middle East. How did they affect...you're probably in a position now, being in a New York office and moving up in the company, where one has to be very cognizant of these Middle East tensions and so on.

Lewis: Absolutely.

Marcello: What kind of strategies and what kind of plans do you develop to deal with this kind of thing when they come up? One of

your principal sources of crude is Saudi Arabia.

Lewis: We had a couple of practice runs with the Suez situation. You simply have to reschedule operations. With the crisis, of course, in 1973, it just requires a lot of patience and hard work to keep going. That's what we did. We borrowed crude oil and borrowed product, and we kept our operations going. We eventually got things running smoothly again.

Marcello: You referred to 1973. Of course, you're referring to the oil embargo. Give me some background and details on this because I think this is a very important part of the Caltex story. How do you meet a situation like that, when the supplies of crude are cut off, at least in one particular area? How did you do it in that time? Give me some details on that.

Lewis: We simply picked up crude and bought crude wherever we could. We ran down the storage of crude (where we had any in storage). We actually loaded ships and had them floating around and slow-steaming--just as storage--in order to keep things going. It was kind of a hand-to-mouth situation.

Marcello: Where were you picking up crude? You say you were picking it up wherever you could. What were some of your sources?

Lewis: From West Africa and from new crudes being developed in the Middle East--Oman and Dubai. Of course, we have a field in Indonesia; we drew heavily on that. I think that's probably the story. One of the problems, of course, is

that these crudes are not all the same. Indonesian is a heavy, waxy crude which requires special facilities to process, so that was a scramble.

Marcello: Is it safe to say that up until that time, almost all of the crude that you were using came from either Texaco or Standard Oil of California? Or by this time is the company getting its crude wherever it can at the best price it can?

Lewis: At that time, or prior to the oil crisis, we were getting more of our crude from two sources--Aramco and Indonesia. All the crude offtake in those days flowed through Caltex. We actually scheduled all the liftings of crude from Saudi Arabia, and although it might be earmarked as "This is Chevron's" or "This is Texaco's," we were doing all the work. Then, after the oil crisis, we had begun to buy--we were forced to buy--on the outside. I guess, really, it wasn't until the Saudis nationalized or bought out Aramco and raised their prices to such a level and also put restrictions on the crudes that could be bought that it became necessary that we really look to the world market as a whole in order to keep going.

Marcello: How did the formation of OPEC affect the operations of Caltex? Let's go back to the beginnings of OPEC. Did the company have some hint or information that that sort of thing was in the process of being formed?

Lewis: Yes. Sure, it did.

Marcello: Did you expect it?

Lewis: Yes, it was growing. There wasn't any question about it. It probably took fifteen years to develop, but nationalism was growing in the Middle East. Along in the late sixties, we went into marketing in the Arabian Gulf area. As you may recall, we went into the Trucial States. We had always marketed Bahrain. We operated all through the Gulf area. We sold lubricating oils in Kuwait; we had service stations down through the Trucial States; we went into Saudi Arabia in a partnership with a Saudi firm, and we sold lubricating oil in the open market. So we were becoming more closely associated with the peoples and the governments in that area than we had ever done before. Previously, all political contacts with the Saudis had been handled by our shareholders, and they were only concerned with one thing--keeping the oil fields running.

In picking up the local newspapers and getting translations from the vernacular press, it was obvious that these people were talking in terms of "oil for the Saudis" and "oil for the Bahrainis" and that if the oil was there, it belonged to the people. That was coming; we could see it. We knew that we had a limited life. Even when we went into the Trucial states, we went into Abu Dhabi, and about six months after we got our service stations set, the government bought us out--took us over. So it was just a matter of time.

Today, I guess, everything is completely national all through that part of the world.

Marcello: What plans or strategies were being developed to meet this eventuality?

Lewis: There wasn't anything you could do about it, really, other than maximize your profitability while you're there and not invest too much money. You knew it was coming; it was just a matter of time. We did make some deals with some of the quasi-government agencies on bunkering facilities and lubricating oil sales and arrangements like that, which in the Middle East today you've almost got to do.

Marcello: I was thinking of refineries and all the refineries that have been built in that immediate post-war period. How long does it take for a refinery to pay for itself and start making a profit?

Lewis: Well, you'd like to see it pay for itself in three or four years on a cash flow basis. Sometimes they don't do that.

Marcello: Obviously, it's going to vary from country to country. I guess I was trying to associate profitability of a refinery and the company getting its money back with the whole business of expropriation and so on and so forth.

Lewis: If a government is reasonable--and many of the Middle East governments are--they will compensate the company in a fairly reasonable way when they expropriate. Some of the earlier expropriations, in Ceylon, for instance, were

real expropriations. It was only when outside governments brought pressure on the Ceylonese that we got compensation. I think that where we invested money in the Middle East, we've gotten something back for it. Also, back on the question of payout for a refinery, there are many times when the governments--Australia is a case--want to build up their own industry. They want the refining done in their own country, and they threaten to impose import duties. Other than the economies of building a refinery, if you're going to stay in business, you've got to build them.

Marcello: How did the formation of OPEC and the oil embargoes affect the business relationships between Caltex and Japan?

Lewis: They brought us closer together, really, because Caltex did have sources of crude oil and could get crude oil, and we continued to supply them on a fairly reasonable basis in those early days.

Marcello: In 1977 you were made senior vice-president of Caltex. Again, give me the background for that appointment and then also what your responsibilities were.

Lewis: I was approaching retirement, and the next level of management below me were people who had really not had much experience in overseas marketing, so it behooved the company to start bringing them into the picture. Otherwise, there'd be an abrupt change at the time I retired. So they simply put me up as a senior vice-president, and the

duties I had had previously were given to newer, younger people in order to develop them. As my responsibilities as senior vice-president at that time, as I recall, I was put in charge of supply and distribution and all technical activities of the company, such as engineering and refining and that sort of thing.

Marcello: How long did you remain in that job?

Lewis: I remained in that job until I retired in 1982.

Marcello: The reason I ask you that is because the vita sheet that I had stopped with your appointment there in 1977, so I had to ask that question.

There are a couple of developments during that period that I'd like to ask you about. For instance, I think it's during that period that the company started venturing into alternate energy sources, is it not? One of the things I think about, since you were so interested in Australia, was the Bayswater Colliery in New South Wales in 1981.

Lewis: Well, I think you'd better talk to others on that. That came about after I was really not involved with Australia anymore.

Marcello: Something else that came up around this time, or maybe even a little bit earlier, was the reentry of Caltex into former markets, and I think of the People's Republic of China. Were you with Caltex when it reentered that market?

- Lewis: No. You're thinking of the entry into this new industrial zone?
- Marcello: Yes.
- Lewis: No, I was pretty much out of the picture when they did that. We had talked about getting back into China, but, really, it's almost an impossibility these days, other than these special deals. I had never been in China; I have never been there. I was always in Australia or somewhere else when people were going to China right after the war.
- Marcello: Did you know anything about another 1981 occurrence in Australia--when Caltex Australia made a public offering of 25 percent equity?
- Lewis: I was, of course, involved, on the executive committee, and we considered all these things when I sat with the board. I really wasn't involved in the development of that project. It's something that had been talked about for a number of years; Caltex is the only oil company which has done that--in Australia and in most countries.
- Marcello: Why did it do that?
- Lewis: I think management felt that that would give us some kind of an advantage--marketing advantage. There is one factor which may be expedited it, and that was our taking over of Sleight's market, which we had an obligation to supply. They no longer could stay in business, and we no longer could supply them on an economical basis, so we agreed

to buy their marketing assets. Sleigh, being an Australian company, the government looked favorably upon our entering some equity in the market as a quid pro quo for their permitting us to buy out Sleigh. Whether we could have gotten around that, I don't know.

Marcello: You mentioned that you retired in 1982. Let me give you a chance to be reflective and expansive at this stage, since we've covered some of the specifics. You were essentially with Caltex since 1945, when you went to Bahrain. Caltex has been a very successful operation, has it not?

Lewis: It has been.

Marcello: What do you see as the key to its success?

Lewis: I think mainly our success has been due to the development of our markets. I think we were a pretty good marketing company. We spent the money necessary to maintain those markets. I think we were aggressive marketers; we had to be. We were in competition with the Essos and the Mobils and the Shells and the B.P.s, all of whom were very large international companies. We were flexible, and I think, using local people and our talents, we were able to be successful marketers.

Marcello: Let me ask you the reverse. In your career with Caltex, what do you think was the company's greatest shortcoming?

Lewis: I wouldn't say they had any great shortcomings. I think we had a lot of growing pains, but I think any corporation

would have that, particularly any company that has two parents that own 50 percent of it. We might have been able to move a little faster if we hadn't had that sort of parenthood. But I don't think it's any great problem.

Marcello: If you had to identify a few key people who were responsible for the success of Caltex--other than yourself, of course--who might they possibly be?

Lewis: You know, I don't think there's any great, outstanding person. We've always acted pretty much as a team. I might pick a previous chairman or this, that, and the other, but I don't think that there's anyone that you could say has been indispensable and been the one who's really done it, because no one man can do anything.

Marcello: I have one last question. This is something that's come up in several of the interviews. I heard some of your colleagues refer to the so-called Caltex family. Have you ever heard that term, and do you think it's a good way to describe the camaraderie or whatever that has developed over the years between the company and its employees?

Lewis: Yes, I think it is, and this comes from the fact that we're an overseas company. We all live with each other--all of us who have been overseas. We've all known each other, and our families have known each other, and we're friends because of the situations we've lived in. It's not like a big U.S. company here, where people are scattered and never see the

people they work with, other than in the office, Caltex has been a small company. It has grown with people who have grown up together, and they've known each other.

Marcello: Mr. Lewis, I think that's a pretty good place to end this interview. I thank you very much for your comments.

Lewis: You're very welcome.

Marcello: You've been most helpful, and I'm sure that these are going to contribute to the fuller understanding of the history of Caltex.

Lewis: Well, when we get the transcripts back, maybe I can clarify a couple of things.