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Interview with  
MURDO MACIVER  
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Place of Interview: Ridgefield, Connecticut  
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Caltex Oral History Project

Murdo MacIver

Interviewer: Dr. Ronald E. Marcello      Date of Interview: November 9, 1985

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Dr. Marcello: This is Ron Marcello interviewing Murdo MacIver for the Caltex Oral History Project. The interview is taking place on November 9, 1985, in Ridgefield, Connecticut. I'm interviewing Mr. MacIver in order to get his reminiscences and experiences during his long career with the Caltex Petroleum Corporation.

Mr. MacIver, 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. MacIver: I was born in the north of Scotland in the small village of Bonar Bridge.

Dr. Marcello: When were you born?

Mr. MacIver: On December 21, 1901.

Dr. Marcello: Tell me a little bit about your education.

Mr. MacIver: I was educated at the Bonar Bridge public school and the nearby Tain Royal Academy, graduating from the latter with a certificate which would be the equivalent of the first two years of college.

Marcello: What particular areas did you specialize in there at Tain Royal Academy?

MacIver: Accounting and finance.

Marcello: And did you then proceed into the marketplace from that point?

MacIver: Yes, because there had been talk at my home of my going to Edinborough University to study medicine. But at that particular time, the First World War had just ended, and we were told that we would have to stand in line for six months or a year until the returning army people went through and finished their courses.

In the meantime I joined the Bank of Scotland in Bonar Bridge, or rather its small branch in the village of Ardgay, a few miles south of Bonar Bridge. I intended to find some foreign assignment, but the Bank of Scotland had no branches outside of London. I applied for foreign service to three banks, the Bank of British West Africa, the Hong Kong and Shanghai Banking Corporation, and the Royal Bank of Canada. I got offers from all three, very similar in their terms, but not knowing much about either one, I tossed a coin to decide which one I would accept. I eliminated the Bank of British West Africa first and then the Hong Kong and Shanghai, and I was accepted and went to London to join the Royal Bank of Canada in the securities and foreign exchange trading divisions of

that office.

I spent about two or three years in London, when they said, "Well, you should be ready now for foreign service." Along with two others, I was transferred to Cuba, where the bank ran the major private financial activities of that country. I was sent down the country to the cane fields, where the Royal Bank had some twenty to thirty branches for the handling of sugar cane and tobacco, and in Oriente Province, coffee. I got malaria in Cuba, and after three or four years--that would be around 1927--I came over to the United States on an occasion and visited distant cousins in Dallas.

Two years later, I left Cuba and came to Dallas, where I endeavored to get rid of the malaria. However, the advice was that the Dallas climate was not conducive to someone with malaria, and I went out to El Paso, where the altitude and the dry atmosphere helped me recover from the malaria. After six months or so of taking the sun and exercises there, I felt ready to go to work again and joined the A.S. & R., American Smelting and Refining Company, in their mining department in El Paso.

Marcello: What kind of work were you doing with American Smelting and Refining?

MacIver: Accounting and checking the returns of the mining units in Mexico. I spoke fairly good Spanish and

could write fairly good Spanish, and this was of great benefit to me in the work I was doing with American Smelting. However, the time came when they wanted to send me down to Mexico to Angangeo. This was one of their mining units in the isthmus of Mexico. I had to turn this down because, for one thing, the operations were up in the high elevation where it rains everyday--heavy tropical rains--and the doctor advised me against that because of the possibility of a return of the malaria.

About that time, I learned of the Paso-Tex Pipeline Company. There was a Paso-Tex Refining Company that had just completed the refinery outside of El Paso. The Paso-Tex refinery and the Paso-Tex pipeline were subsidiaries of the Standard Oil Company of California. The Paso-Tex Pipeline Company was formed to take care of the pipeline from Winkler County to the El Paso refinery, and speed was of the essence in that the company was due to lose substantial amounts of money every day that the pipeline was not in operation because the crude was coming in tank cars all the way, two hundred miles, across the western desert to El Paso.

When I went in to interview, Mr. McIntyre was in charge of everything outside of refining. He said, "The only job we have open today is that of a welder's helper at five dollars a day," I said, "That's fine with me." "Have you

done any welding?" "No, but I can help." He took me on and told me that I would have to take a small pickup truck and deliver light materials to the welding crews out in the field who were working on three shifts. I had to bring welding rods and supplies--food, alcohol--and the only thing they wanted that I couldn't supply were women.

We finished that whole line in record time, and I went into the office and set up the accounts which had to conform to the Texas Railroad Commission's system.

Marcello: So in other words, you did go from the field into the office.

MacIver: Yes. Just about as we were getting things under control on the pipeline and getting the records and systems set up, the Depression hit us, and that's when the headhunters came down from San Francisco to reduce the whole scope of the operations by some 30 or 40 percent. Mr. McIntyre gave me the job of coming up with a report on the pipeline as to where 30 percent could be cut in operations and in the financial thrust of running the remaining oil, because the refinery was reducing its demand, too. I assisted in working out a system of traveling crews for the pump stations instead of stationary crews. There were five pump stations in the two hundred miles of desert country that the pipeline came through.

When I submitted the report, the first item on the list of eliminations was my own job. I had divided it into three

parts and allocated to other employees. The head of the group from San Francisco asked me what I was planning to do, as I had eliminated my own job. I told him that I had enough funds to keep me for a couple of years, and I wasn't afraid of any kind of work; and being single and without financial burdens, I thought that the married men should have the first opportunity to qualify for work. The result was that I went back to San Francisco with the headhunters and was supposed to work with them on cutting back certain operations in southern California.

Marcello: Now that would have been about 1934 maybe?

MacIver: Yes, 1935. It may have been 1934.

Marcello: I knew you went to Vancouver in 1935.

MacIver: Well, then it was in 1934. However, I never had a chance to work with the headhunters because Mr. Letcher was in charge of accounting. I can't remember his title. It was functionally that of controller, but that may not have been his title at the time. In any case he felt that I should remain in the accounting, and I was assigned to a group estimating the company profits for the quarterly dividend. This gave me an opportunity of visiting all the major divisions of the company to get their opinion on the forward views as to prices and recoveries.

After nine months or a year there, I got a call from the "18th Floor" to come up and discuss my going to Vancouver,



British Columbia.

Marcello: If I may interrupt here for a moment, you've talked about the eighteenth floor. Now I've heard that Fred Dittus also talked about the "18th Floor." What was the significance of the "18th Floor?"

MacIver: The "18th Floor" was the home of the directors. I think only the directors worked on the eighteenth floor.

Marcello: And I gather that nobody went there unless one was invited. Is that correct?

MacIver: That's correct. It was a very holy spot, and the knobs of the doors had special buttons that you had to press before you could get in. The front desk at the "18th Floor" elevators was manned by a crew of blacks, and you never could go directly to anybody's office without the attendance of one or another of these fellows at the front desk.

Marcello: Was this the first time you had ever been called to the "18th Floor?"

MacIver: Yes, I think it was, although I almost made it once when I had prepared an especially optimistic forecast of the earnings, which, incidentally, turned out to be very close. This was due to a close contact I had built up with the marine people in the Marine Department, and they had, seemingly, information which backed up a very generous increase in marine earnings.

I accepted the transfer to Vancouver and was attached

to a unit going up to start up the Standard Oil Company of British Columbia, which had just been formed for the purpose of breaking into the British Columbia market, which at the time was largely controlled or serviced by Imperial Oil Company.

Marcello: What was going to be your specific function relative to the establishment of the Standard Oil Company of British Columbia?

MacIver: Well, there were five of us. Swan Nord was the president. He came from the marketing operations of Social in Seattle and was familiar with the Vancouver setup through which Social had been doing a minimum sales job through a distributor there, Louis Diether. The other members of the group were Walter Hales, who was in charge of the refinery they were proposing to build. "Wally" Singleton was in charge of retail marketing, including Standard stations, etc. Ray Miilu was in charge of wholesale marketing, fuel oil sales, lube sales, and generally everything in marketing outside of the retail business. I had charge of everything else, including the accounting and cash controls and credits, and legal contacts. I don't remember all the various little bits and pieces that came my way.

Our chief difficulty was the problem of getting employees in Vancouver who knew something about the oil business other than from the competition. We had great difficulty in getting anybody in from the United States.

As a matter of fact, the five of us were the only ones who were allowed in for the first several months.

Marcello: Why was that?

MacIver: Protecting the local work force. We had to show that there were no people in Vancouver with the particular expertise that we needed. I was fortunate in that I inherited Tony Wilson, who was an ex-Price-Waterhouse man and a first-class accountant.

Marcello: How was he helpful?

MacIver: He was helpful in that he knew all the inner-workings of the import of products for the first year, because we were building a refinery at that time and he had charge of the costs. We were also building plants up and down the west coast of British Columbia for handling the fisheries and the lumber companies of which there were several very large corporations.

Marcello: I think it's kind of interesting that Standard Oil decided to expand in 1935, which to me was still in the midst of the Great Depression.

MacIver: Yes, that's true. While we had a very rough time the first year there because of the lack of skilled people, I gradually built up a good relationship with the head of the immigration service there. What was his name? He had been a very famous hockey player. He became aware of my difficulty and relaxed some of the very tough restrictions on bringing people in. At the

beginning they would only allow them to come in for a few days or a few weeks at the most to train some Canadian in their particular field of expertise, like, for instance, pricing products or dispatching processes.

I remember one particularly interesting item that came to me as a surprise at the refinery that was just beginning to operate. On the phone was the dispatcher from a large lumber mill on Vancouver island that we just had gotten their business for lubricating oil, and the clerk was writing down all the various barrels of oil that they needed including saw oil.

Marcello: Including what kind?

MacIver: Saw oil. That's for lubricating these big saws. He said, "Oh, I'm sorry, Mr. So-and-so, we haven't any." Then a hand came on his arm and told him, "Yes, we have the oil. How many barrels do you need?" So he told him, and afterwards the man from Seattle said, "You never say we haven't got any product." "But we haven't got it," the clerk said. "Yes, we have it. It's diesel oil, but for this purpose it's called saw oil." (chuckle) I don't know that we need to publicize that particular anecdote.

Marcello: I think that's a pretty important part of the story. How was the financing of that refinery arranged?

MacIver: The financing was arranged by us not paying for our crude oil. In the beginning, of course, before the refinery was

calling for heavy funds, we were getting transfers from the parent company.

Marcello: Could you explain what you mean when you said it was in part being financed by you not paying for the crude oil? What do you mean by that?

MacIver: Well, the crude oil was imported from California and charged to us, but the cash flow didn't permit us to pay for it. Not that we didn't have a payroll.

So we gradually got everything in shape and running smoothly until I was able to go out with "Barney" Jackson on his star boat two afternoons a week. This was in May, 1938, when somebody from Mr. Davies's office--then in charge of the British Columbia operations--decided that I wasn't busy enough and asked me to come down to San Francisco to discuss the possibility of joining Aramco. I had by this time turned over much of the running of my end of the business to Tony Wilson and had no fear of his not being able to take over.

When I got down to San Francisco, I was told that instead of Aramco I would be going to New York to replace Joe McDonald, who was then controller of Caltex. That was in May of 1938.

Marcello: Let's just back up a little here. Caltex had been formed in 1936, and it would have been, I guess, during that period when you were in Vancouver. In the meantime, when you were

still back in San Francisco, did you ever hear any hints or any rumors of the possible formation of Caltex and why it came about?

MacIver: Yes. The operations in Arabia were under Cal-Arabia-- California-Arabian Oil Company--and there was much discussion about where the oil would be sold. Johnnie Black was then in charge of moving the oil, although there wasn't very much to move in the very early days of Cal-Arabia. But it wasn't long before the volume of Arabian crude in prospect was so great that more definitive plans had to be made for its disposal.

Marcello: In other words Standard Oil of California had a lot of oil and no place to sell it. They had no markets.

MacIver: Yes, they had no markets. At the same time, Texaco had markets in Australia and the Far East and Africa, South Africa particularly. I don't remember if they had much in Europe. I doubt it. Well, they did have subsidiaries in Europe, but they weren't very big. The off take there wasn't very big. The rumors around were that Texaco's exports from Port Arthur and Socal's crude oil possibilities in Bahrain were more or less complementary.

"Cap" Rieber, as he was known because he had been a captain of one of Texaco's tankers, and Socal's Kingsbury got together for breakfast one day and sat down and with the help of the back of an envelope sketched out a proposal

merging the complementary effects of their respective situations. Shortly after that the plans were put into high gear, and Caltex was formed with some two hundred people recruited-- mostly from Texaco except for the Bahrain operations, which had been started by Standard of California, and mostly Social people were assigned to that phase of the operations.

Marcello: Now like you mentioned, you were assigned to Caltex in 1938. Did you have any kind of a choice at this stage, that is, either of staying with Standard Oil of California or going to Caltex?

MacIver: No, I didn't assume that there was any choice available to me. Besides, I had in the meantime got married. There's a little story about that, too. I was married in Seattle. I came down to meet my future wife in Seattle when she came up from San Francisco. The wedding was performed on Halloween night at the home of one of the Standard Oil of California fellows who had been up helping us in Vancouver. In the middle of the ceremony, the door opened, and half a dozen trick-or-treaters came in in false faces or otherwise decked out for Halloween. The minister told them to sit on the floor and be quiet while we finished off the "I do's."  
(chuckle)

Well, to get back to Caltex, that was the year 1938, and two items stand out very distinctly in my memory. One was the sight of a human body hurtling down outside my window

in the Chrysler Building. I don't know if it was a suicide, but that's probably what it was.

Marcello: Was it probably related to the Great Depression?

MacIver: It probably was. That was the assumption, that it was somebody who had lost everything.

The other was the great hurricane that devastated Long Island, and that day we had closed the office at lunchtime, because the seventeenth floor of the Chrysler Building where most of us were located...the directors were up on the twenty-seventh floor, but the seventeenth floor was mostly accounting and purchasing and the foreign marketing division offices. The divisions were set up with glass and steel partitions, and the Chrysler Building would swing over to one side with a loud, creaking sound, and you wondered if it would ever come back, but it always did with the same, creaking sound, on the other side. Bill Kunstadter, who was my boss and vice-president of accounting and finance, and I left in his car to go to a hotel on Central Park South. I can't remember the name of it. Going along 57th Street, the force of the wind pushed the car completely across the wide avenue of 57th Street and onto the sidewalk. We barely made it up to the hotel. I don't know what happened to the car, but the people from California that we were to visit had just got in, beating the hurricane by an hour.

Marcello: Now when you first went to work with Caltex, did you detect



any friction or rivalry between the Texaco people and the Social people who were working there in New York?

MacIver: Well, as you can see, that was in the very early days of the relationship. That was May, 1938. Yes, there was some. The people from California were trying to have some of their ideas and procedures adopted, but the whole of the staff being more or less from Texaco, they used the forms they were familiar with at Texaco. Also, Arthur Anderson and Company, public accountants, audited the accounts and all the procedures in general, so there was very little opportunity for making large or important changes in the system. But I was aware of considerable friction in the upper executives' quarters.

Marcello: What kind of friction? What issues were at stake?

MacIver: Oh, mostly relating to production and broad policy with which I was not too knowledgeable, the policy being usually promulgated from the Texaco side and subject to the review of the Social people. They consisted of Mr. Moffet, the chairman, Mr. Thornburg, refinery operations, and Mr. Morrison, producing operations.

Marcello: Now that period between 1936 and the beginning of World War II was a period that was marked by a great deal of expansion so far as Caltex was concerned. There was a lot more after the war, but there was still a period of expansion before the war.

MacIver: Oh, yes. The force grew very rapidly after I came to New York, and expansion into India was one of the big items there when W.H. Pinckard was responsible for the fast and extensive expansion in India and Ceylon. Very little was done, as I remember it, in the way of expanding local refineries. The refinery at Bahrain was expanded instead.

Marcello: I guess at this stage the big emphasis was on establishing markets. Is that correct?

MacIver: That's correct. It was all markets, and what expansion there was in refining and in transportation was at the big refineries like Bahrain and Abadan and Shell's operation in Holland.

Marcello: In other words, whatever market expansion was occurring during that pre-World War II period, it could be handled from Bahrain and some of the refineries already in existence.

MacIver: Bahrain and the two parent companies. They supplied Caltex requirements on an equivalent basis.

Marcello: Would you say that that was the major strategy or thrust of Caltex during that pre-World War II period, that is, the establishment of markets?

MacIver: Oh, yes. I would say that would be the main thing. There were no pressures or demands on the part of the importing countries at that time. They had ample dollars and were paying for the finished products--gasoline, diesel oil, and kerosene--in dollars because Aramco needed dollars to buy

the gold which the king insisted upon, King Ibn Saud.

Marcello: In your operation as controller, did you have any contact, either direct or indirect, with the ruling families of some of these Arabian states, whether it would be Saudi Arabia or Bahrain or any of these other places, or was all that handled locally?

MacIver: It was largely handled locally, but the policy was coming from New York. I made one visit to Bahrain in that period and was a guest of the ruler. I had to eat the sheep's eye handed to me by the ruler. That is a mark of friendship and honor. I won't call it a problem, but it was something that I hadn't previously experienced or had any idea why I should feel that the sheep's eye was anything worse than the sheep's kidneys or any other part of the sheep. But that was the extent of my visits to Arabia and Bahrain.

Marcello: Now during that early period, what kind of policies were being established in the financial end in New York relative to what the people in the field could do and could spend?

MacIver: The annual budget was decided upon on the twenty-seventh floor and was implemented by appropriations which represented the financial control of the expansion in the subsidiaries. The budget and the appropriations between them and the reports coming in every month among the three of them represented the control on the expenditures of the subsidiaries.

Marcello: I would assume that given the transportation and communications

of that period, people in the field would have had a significant amount of freedom of action within certain financial constraints.

MacIver: I suppose that is true. In retrospect it didn't seem to me that they had very much authority.

Marcello: Okay, this brings us about up to World War II and the eve of World War II, and my notes indicate that, among other things, in 1940 you were appointed as the controller for Caltex.

MacIver: That is the result of the death of Mr. Kunstadter from a heart attack during a visit of the board members in New York to San Francisco. They alternated board meetings between San Francisco and New Yoark. Bill passed away suddenly during one of the these board meetings, and I was moved up to vice-president in his place.

Marcello: I would assume that in many ways the nature of your job really didn't change any except that perhaps you had a little bit more authority, is that correct?

MacIver: Yes. I became more involved in the financing end of the business and less involved in the accounting. I was constantly involved in trying to cut back on the voluminous reporting from the field to the New York office, especially since the time lag was so great. The operations for the month of May, for instance, would be closed out in the field office of, say, Sydney, Australia, in the middle of July;

and by the time it got to New York, another month might have elapsed, making the reports quite useless or minimal in their function of controlling the operations. The amount of detail submitted was, in my opinion, quite inordinate. The beginning of the war resulted in the elimination of many of these reports and the speeding up of the data so that some use could be made out of it.

Marcello: Let me ask you a general question at this point, Mr. MacIver. How did the operations of Caltex change as a result of America's entry into the war? More specifically, how did the operations of your office change?

MacIver: Well, the communications were very haphazard. We would get reports of China's operations in a mailing in New Zealand through somebody making that connection, and very often we would go two or three months without any reports at all. Then the figures that would come in were very curtailed and represented the best the local management could do, using retired policemen and housewives who had never done much accounting work to handle what must have been to them very complex functions.

Marcello: Well, in one sense I would assume that the operations of Caltex in China and the Philippines, for example, came to a virtual standstill as a result of World War II. Obviously, those were areas the Japanese had taken control over.

MacIver: Yes, well, China was washed out, and several of our people got out by the skin-of-their-teeth, including Mr. Roesholm

and Mr. LeFevre and some of the others who were attached to the Chinese operations. The war period came home to me through the financial operations rather than the accounting, because in accounting we weren't using it for anything except recording history. It had ceased to function as much of a control other than assuring that the inventories were under control and that the major capital controls were in hand and being looked after.

The financial functions were a different matter. They were done mostly by cable with Citibank being the number one medium through its London office for the handling of the sterling area currencies, like, Australia and New Zealand and Singapore and Egypt and South Africa, of course. The sterling area countries were funneled through London, and a close relationship between my office and the Citibank's petroleum division in New York resulted in a very good and timely control of the area's funds. In places like Holland and France, there wasn't much in those areas at that time, but they were handled directly. The Lend-Lease operations or the institution of the Lend-Lease system helped us considerably to recover dollars.

Marcello: Can you explain how that came about?

MacIver: Well, we worked out plans on a six-monthly basis with the importing companies forecasting the dollars we could get from them, and this was amended every two to three months

and required visiting these countries quite frequently to have sessions with their Central Bank and the Bank of England. The sterling being the single biggest currency movement, the the Ministry of Fuel and Power, the Bank of England, Citibank, and the representatives of Caltex in London and myself would sit down and work out a proposal for the ensuing three months, at the same time supplying them with copies of the actual movements over the past three months. We developed a very good relationship, and this was largely a result of the Lend-Lease to the Bank of England. It enabled the British to furnish us enough dollars. As the process became refined and we were able to use sterling and the other currencies in our operations, we were able to get enough dollars to pay for the crude oil from Aramco or the parents, who stood between us and Aramco.

Marcello: It seems to me that also one of the principal activities during this World War II period was the expansion of the refinery at Bahrain.

MacIver: Yes, the latter part of the war saw us start construction of a large aviation gasoline plant there with a special deal with the Reconstruction Finance Corporation. This was done while the war was going on and was a very difficult operation in that we needed dollars to build the plant, so we tried to get as much material out of Germany, Holland, and England so as to minimize the call for dollars. This

meant that we had to put pressure on Aramco and our own engineering department to use continental screws and the metric system rather than the usual criteria that we had been using in shipments from this country.

Marcello: So that refinery expansion in Bahrain took place under the auspices or because of an agreement with the Reconstruction Finance Corporation.

MacIver: Yes, we got a loan from them. When the war was over the refinery had just been finished, and we had to go down to Washington to make an agreement to get some of the money from the RFC because we couldn't use the aviation gasoline without very considerable rearranging of the whole refinery structure. Mr. Dittus can probably give you more information on that. I was a member with Howard Nichols, who was head of our refining, vice-president of refining. Nichols, Al Van Dusen, and I formed the team to deal with the RFC people.

Marcello: With who were you dealing? Jesse Jones was out of RFC by this time, wasn't he?

MacIver: Yes. It wasn't he. One was John Muir, and there were several others who came in sequence. It took us a year of up and down to Washington before we worked out a deal that supposedly was fair to both sides.

Marcello: What was the big hang-up?

MacIver: The big hang-up was the supposed benefits that Bahrain



was going to make from this refinery. The government thought that we could make more use of some of the units than we were prepared to accept. Of course, the overheads that were involved in the way of the New York office's expense for engineering and for purchasing and for the expertise of the parents that we had to borrow had to be considered. These were not according to the cost system used by the RFC. We had to pay large overheads in that the operators in Bahrain had very little experience with a high-pressure aviation plant, and we had to furnish most of this expertise and transport them sometimes around the Cape of Good Hope for long periods at sea because there were no private airplanes in those days. If you weren't an engineer, you couldn't get approval to go there, so we had to deputize some of our accountants to be engineers for the purpose of this trip.

**Marcello:** Now did Caltex borrow funds from the Reconstruction Finance Corporation, or did RFC give Caltex a grant to expand the refinery? How did that work?

**MacIver:** It was a loan, as I remember it. My memory is vague on that, but I think it was a loan that we drew down on. Then we had to pay it back, and this is where all the negotiating came in.

**Marcello:** In one sense, you were going to be stuck at the end of the war with a plant that could make aviation gasoline, and you probably had no place to sell it.

- MacIver: And no place to sell the plant. This was no good without very substantial modification for working it back into ordinary gasoline again, so that's where the problem came.
- Marcello: What sort of lessons did you learn from that experience relative to working with the federal government?
- MacIver: One lesson I learned was that we should never do a cost plus arrangement with the government because nobody in the government will agree as to what is cost (chuckle). That was the chief thing that we learned, that they have to agree on figures--don't have them waving in the air. But I must admit the people that we dealt with were very straight. They just worked very hard for the government, and in a way that was good. They had to be educated to some of the exigencies of operation in a wartime economy.
- Marcello: Okay, once the war was over, it seems to me that one of the principal strategies that was undertaken by Caltex was refinery expansion. Large numbers of refineries were built during this period.
- MacIver: Yes. That arose from the lack of foreign currency by the importing countries. By importing crude oil and using their own people to refine it and distribute it--but particularly to refine it--they could save considerable foreign exchange. So there was a demand by all of these importing countries to build a refinery, and that's when we started with the refineries in Europe and the Far East and Australia and Cape

Town--just one after the other--and I had great difficulty finding money for all these refineries.

Marcello: You anticipated my next question. How did you go about financing that refinery expansion?

MacIver: Oh, it was different in each case, but in almost all cases there was the common denominator of forming banking syndicates to build the refineries and then have long-term loans with insurance companies and other capital institutions to bail out the short-term loans from the banks. That was the way we did it, mostly.

I shocked the people in New York one time after coming back from Japan. I was asked by one of the parent company's man on the board what financing did I do on this addition to a refinery which required about \$6 million or something. I said, "Three-month bills." He says, "You're going to build a refinery and run it on three months money?" "Yes," I said, "that's the only money you can get." I had put a syndicate together of the Mitsui Bank and the Fuji Bank and the Sanwa Bank, and they had assured me on the schedule of drawdowns. There wouldn't be much payback because it would take two years to build this refinery. They were shocked and said, "What happens if the banks decide not to give you a renewal?" "Well," I said, "we drank the sake, and that's the only security you get from them there, a small bow from the waist and a glass of sake." However,

I satisfied myself by going to see Ichimada. Ichimada was the governor of the Bank of Japan. Ichimada told me, "Don't worry about it. We are just as anxious, perhaps more so than you are, to get that refinery finished and paid off. You won't be left in the lurch."

Marcello: Awhile ago you mentioned a syndicate of three banks Mitsui, Fuji, and I didn't get the last one.

MacIver: It varied. The last one varied from the Sanwa. There were two other banks, the Bank of Tokyo, I think, which...

Marcello: You just mentioned something that I was going to ask later on in the interview, but I'll ask now. How did you find doing business with the Japanese?

MacIver: I found that the way to do business with the Japanese is not to be in a hurry. What I did when we first came to make this joint venture, I suggested to Van Dusen, our attorney who was with me, and various other of our people that what we should do was play golf with these people and visit some of the tea houses and don't talk any business until we get to know each other a little better. This applied to the banks, too.

Marcello: Did you find them to be honorable business partners in their dealings?

MacIver: Yes, indeed, very honorable--no letdowns during the time that I was working with them.

Marcello: During this period of rapid refinery expansion, is there

one particular refinery that stands out in your mind relative to difficulties in getting a deal put together? Is there one that stands out?

MacIver: I don't think I could put my finger on one that was particularly difficult. Cape Town was difficult at the beginning, but it turned out to be quite acceptable after we got the original idea through. They proved to be very good businessmen, and they could see the benefits to be derived from an early completion of the refinery, and they removed the barriers very soon after that.

Marcello: Ideally, how long after the building of a refinery did New York expect it to begin making a profit?

MacIver: Well, we didn't separate the profit made by refinery in the regular accounting of the companies except for subsidiaries. There would be studies made after the refinery was operating awhile to see whether or not the original proposal was being turned out the way it had been proposed in the original presentation. In very few instances were they not up to expectations. A certain amount of inflation has a bearing on that. But my chief problem in that postwar period was getting enough dollars for the whole of the operation.

Marcello: And how did you go about getting this?

MacIver: (Chuckle) Well, largely we took what we called a "drag" on the parents. The parents stood between us and Aramco and

siphoned off a good percentage of the profits of the crude oil. The actual cost was very low at that time, which gave the parents a substantial margin. It left us without enough money to pay for the crude and also keep these loans paid up, and we were also involved at that time in building tankers, one after the other with great speed. They required dollars, too, so we had to form local syndicates for these operations mostly in Japan and Holland and some in England, too. The English building was so dilatory and so long before they could make delivery that we spent most of our three flag building in Japan. I remember we built the first tanker under the British flag in Japan. The British had always insisted that if you're using the British flag, you build the ship there, but we showed them that we could build one in Japan in six/nine months, when it took them three years to build the same size ship, and we could have the Japanese tanker paid off practically before they could deliver the British flag vessel.

Marcello: During that period of postwar refinery expansion, what was the attitude of the company toward joint ventures? Am I right in assuming that almost all of these refineries were 100 percent Caltex for the most part?

MacIver: Yes, for the most part and excepting Japan. Since then I understand that the Bapco refinery had now been turned over to the government of Bahrain, and Australia has local participation. In the early days they were all completely under the canopy

of the respective subsidiaries.

Marcello: What are the advantages of this arrangement, that is, by having Caltex owning them 100 percent.

MacIver: Well, you have the opportunity of applying worldwide policy without restrictions or barriers that you can have when you have local participation. You can, for instance, run the company at a loss or reduced profit in order to make an overall profit on the worldwide operations. But when you have a minority interest, you have pressure to pay dividends if you're making a profit or answer in some way that satisfies the local participant.

Marcello: Now when you did build a refinery in one of these countries, was it the company's policy to try and find the financing within that country if at all possible?

MacIver: Oh, yes. Insurance companies and sometimes the banks gave long-term or intermediate-term loans, but generally we used the banks for the construction expenditures, and then have the insurance companies take the banks out on long-term or reasonably long-term loans.

Marcello: I would assume that this would also be a way of building local rapport and goodwill.

MacIver: Oh, yes. But you have to remember, too, that you have to import a lot of equipment and expertise that isn't available in the local country, so you have to provide a certain amount of dollars. Whether you send it in the form of engineer expense

or in the form of dollar cash, it comes out in the end that you're financing it yourself to that extent.

Marcello: What would you do in a case of one of the emerging, newly independent countries? Obviously, you couldn't find financing within those countries.

MacIver: In that case you just had to send the money in or allow the subsidiary to drag on its current account with you. In other words, you'd be sending in equipment as dollar capital.

Marcello: Would you also perhaps be working through the Swiss banking interests or something like that?

MacIver: Oh, yes, we used the Swiss and the banks extensively. The Dutch were very broad-scaled operators when it came to that-- that and the Swiss, and later the Germans were very good to us. The Italians, too, made syndicates with Credito Italiano. As a matter of fact, they made me a Knight of the Order of Merit of the Republic of Italy for the arrangements we had made to save them dollars exchange. We used to buy Fiats for work in the oil fields of Indonesia. We'd buy Fiats rather than Rovers because the Rovers were taking so long to arrive and they never had an adequate supply of parts. They were wonderful cars, but when they broke down there were no parts there, and it took months to get parts. So we started working with Fiat, and Fiat expedited the supply of parts so we could use up our lira that was accumulating. This foreign currency accumulation we used to keep under very close scrutiny, and we were constantly putting pressure on the subsidiaries, particularly Bahrain,



to switch their operating cost out of dollars into one or other of the "soft" currencies; for example, switch to the metric system at the refineries; buy Brown-Davis in place of General Electric; switch our tanker purchasing to a continental basis; drink Carlsburg beer instead of Miller or Michelob. We also kept the pressure on Aramco to follow the same policies. These measures all helped in substantially reducing the need for dollar exchange. It was a very complex operation--the financial operation at that time.

Marcello: Awhile ago you mentioned Aramco. Am I to assume that by this time Saudi Arabia had become the principal source of crude? Bahrain was perhaps in second or third place by this time.

MacIver: Yes, Bahrain was certainly in third place by this time because Indonesia by then had come up very fast. But Aramco was the number one producer.

Marcello: Nevertheless, the refinery at Bahrain was still expanded even further, was it not?

MacIver: Yes, it was, but we had built a pipeline over to Saudi Arabia, and that enabled the Bahrain refinery to operate at its increased capacity. It took us some time--several years--to get the Philippine, Australian, Japanese, and all these other refineries built and running.

Marcello: What was the company's policy, and, more specifically, what was your department's policy, toward the training

of nationals in the financial operation at the subsidiary end?

MacIver: Well, they had to be limited to the local institutions because they had no expertise or contacts with the international banking community except for banks like Citibank that would have branches that would be taking care of the day-to-day requirements. But the major policy would be made in New York.

Marcello: At the same time, were there attempts made to train foreign nationals, let's say, to take over the financial operations within the refineries and so on?

MacIver: Oh, yes, that was done well in advance of the refinery. We would probably transfer people from Bahrain, which was used largely because we had a lot of financially trained people there since that was the oldest refinery and had the most local people involved. And language wasn't a barrier. So we would assign them to the new refinery for a varied period to help the local people. Then we would have the local people come to Bahrain and spend time there. It was quite a bit of training that went on well in advance of the refinery operation. We considered that part of the capital costs of the refinery--the training of locals as operators to run the refinery.

Marcello: Another development in the postwar period that I'd like to have you touch upon is the matter of rehabilitation of war-damaged refineries and also of reparations. Did you get

into either one of those two areas in your capacity?

MacIver: Very little. I tried to provide the financial data, cost data, depreciation, and the tax effects to the lawyers who were working on the reparations problems.

Marcello: How about the rehabilitation of the Bec d'Ambes refinery. Did you get involved in that?

MacIver: Which one?

Marcello: Bec d'Ambes, the one in France.

MacIver: Oh, yes. Well, back at the early stages, I got involved in that. It was like the Marifu refinery in Japan. It was just a mass of tangled of piping or plumbing, as they called it. The French kept a very close control on that, and it was a small operation, a small refinery. We didn't get too involved in it on my end of the business.

Marcello: Now by 1937 you had become a vice-president of the company. Isn't that correct?

MacIver: Yes.

Marcello: Vice-president in charge of fiscal matters?

MacIver: Yes, financial or fiscal.

Marcello: What exactly did that involve? What in general were your responsibilities?

MacIver: I had three divisions in my place. One was the controller, who handled all the accounts and the audits; another was the treasurer, who handled the day-to-day movement of cash up and down and around the world; and the third man was the

manager of financial planning, who handled all of the rest of the planning, including the currency rates and the handling of the foreign exchange contracts. When the pound was going downhill, we used to sell short well in advance the actual pounds we expected to get in that next sixty days or so, and we made money on that, although that wasn't the primary purpose. It was to prevent loss of money due to the frequent changes in the rates as between the dollar and the major currencies of receipt.

These were the three major divisions. I had a weekly meeting of the Finance Committee, which included these three. Then later on, when decentralization was established, for a two- or three-year period, we had a system of allowing the major territorial divisions to have their own financial people. In order to keep control of that so that they weren't competing with each other, we had this weekly meeting where the agenda was based on the overall view. The Finance Committee was used as the first control of the monthly budget and cash flow.

Marcello: What role did you play in the purchase of the T-2 tankers in that period from about 1947 onward?

MacIver: I have a very vague feeling about that. I don't even remember how we financed them. That's funny, because there was a lot of money involved. I think that the rates were so high at the time that they paid themselves out very

quickly, and probably the cash was part of the drag that we took on the parents to handle our cash position, because I can't remember setting up a syndicate of banks for that. We had individual building after that that we used the banks for, but not for the initial T-2 tankers.

Marcello: In 1947 Caltex also purchased Texaco's European and North African distribution and marketing facilities. What do you know about that decision and the reasons for it?

MacIver: I know very little about the reasons for it. I think the basic reasons for the relative positions of the two parent companies...I think that there were differences of opinion as to the expansion that should be taking place in one place or another, and they couldn't get together on it. Is this the original takeover by Caltex, or the return to the parents?

Marcello: The original takeover by Caltex.

MacIver: Oh, I think that was because of needing to bring in Standard Oil of New Jersey and Mobil into the picture. I think that had a bearing on it. But this was a matter for the two parent companies.

Marcello: During this post-World War II period, what trends did you see developing in the relationship between the parents and Caltex? Had it been changing over the years since you had been in New York?

MacIver: Yes, it had been changing, but I think these changes were

rather the result of the different people coming into control of the parent companies and the way in which they got along with each or didn't get along. From the early days of Rogers with Texaco...then J.C. Long came along, who had been with Caltex and was very familiar with its operations and everything and probably was more active in the control of Caltex than the Standard people at that time. That probably had some bearing on it.

Marcello: Did the Socal people feel that they were at a disadvantage in that their home offices were located in San Francisco and Texaco's were right there in New York?

MacIver: I don't think that they would admit that, but I think there was an undercurrent of that feeling in existence, I'm sure. It's natural that the office staff, being largely originally from Texaco, would control the day-to-day functions.

Marcello: Now as the years went on, did you see, or were you able to catch, any changes or trends in the relationships between Caltex and its subsidiaries or its affiliates? In other words, did you see changes in such things as the local authority to invest or to spend or to obtain crudes and so on?

MacIver: Yes, I would say that there was generally a relaxation of the original tight control. As local management became trained in the policies of controlling capital and the way

the home office in New York had based its own controls, we had set up a very broad-based education program long before I left, and it was bearing fruit very quickly afterwards. This, I think, enabled the New York office, the home office, to take care of the broad-based policy and leave the functioning more to the local management as they became more aware of the basic home office policy.

**Marcello:** Let me change from financial policies and talk a little bit about world politics. Obviously these had a bearing on financial policies. Let's talk about the independence of the former colonies in Asia and Africa. First of all, what effects did those newly emerging countries have on Caltex policies?

**MacIver:** Well, the only thing I can point to is the continuing need for foreign exchange in these countries, and as they became free, even though they were largely based on sterling, they required the approval of the large movement of funds in or out, and, of course, when we had taken funds out, we had to consider what they were coming out for, either the payment of a long-standing current account, which would be for the products we shipped into them or the crude oil or the engineering or equipment or whatever, and the question of dividends. These were the two major items which they kept very great control on, whereas previous to that London took care of the situation, and we got that in dollars through

this meeting that I told you about earlier.

Marcello: Were those emerging countries putting pressure on Caltex to build refineries in their countries?

MacIver: Yes, they wanted to have an oil refinery and an airline and a seat at the United Nations. These are the three things that they all wanted, whether the economics supported it or not.

Marcello: Of course, if you want to continue to do business in those countries, you really have to comply if at all possible.

MacIver: You have to comply, yes. You may stall it for a while, but you can't entirely divest yourself of the problem.

Marcello: Can you think of one of those emerging countries that ultimately received a refinery but which in no way really had no need for a refinery?

MacIver: Yes, some of these small African refineries. I can't remember whether it was Nairobi or Mombasa that was in that category. It could very well be one or the other.

Marcello: There are two organizational moves I want to talk about, Mr. MacIver. One of these occurred, I believe, in 1957. That's when Caltex was reorganized into Caltex East, Caltex West, and Caltex Services. Give me the background of that and what you know about it and how it affected your operation.

MacIver: I think personalities had something to do with that. Mr. Singleton was put in charge of Caltex East, and J.C. Long was put in charge of Caltex West. I think the placement



of these people had a lot behind it in the organization and training them for eventually taking over executive posts.

Marcello: Whose recommendation was it that the company be organized along those lines?

MacIver: I have no idea, but I think it could very well have been from the Texaco side.

Marcello: How did that reorganization ultimately work out?

MacIver: It worked out all right, I suppose, except there must have been divisions of policy that should not have occurred. I mean there was Bramstedt. He was a Social nominee. There was quite a bit of pulling and pushing at that level.

Marcello: What effects did it have on your operations?

MacIver: Nothing really much. We still had to run everything as one unit, because East and West were all through London at that time, and even afterwards we ran the thing as one single unit. The finances and the accounting and the auditing and the taxes had to be run that way, particularly the taxes. It was a very complex picture of taxation. Every move made by one of the subsidiaries affected the taxation of the whole. That's where I found Mr. Yergin. He was down in the Tax Department, and I used to read his memos of recommendation. I thought he was a very clear-headed, logical man, and I used to get him to come up from wherever he was to review things with me. I managed to get him out of taxation and into financial planning. It

worked out very well.

Marcello: Both for him and for the company.

MacIver: Yes, indeed.

Marcello: Another reorganization that I'd like to have your comments on occurred in 1967. This is when Texaco and Socal decided to reenter the European market as separate entities. What was the background to that decision?

MacIver: Well, you're not talking to the right person there. I just have no idea why.

Marcello: Were you out of the company by that time?

MacIver: Yes, I was just retired. I could see it coming, but this again was purely a matter of the parents' decision. I can't imagine Caltex having an important part in that decision.

Marcello: If nothing else, I guess that allowed Caltex to do what it did best, and that is to work in South Africa, East Africa, Asia, and Australia.

MacIver: Yes, that was our home, you might say, and their experience was based largely on the transferring of executives around these areas; whereas, in Europe they were deep-seated from way back in the Texaco days when "Cap" Rieber was the head man there, and Alec Singleton was in London, and so forth. These were all proteges of the Captain, and they ran a tight shop and collaborated very well with each other. I think their turning the whole thing over to Caltex broke up the closeness, and it probably took several years to be realized.

I don't know, really. I'm just guessing.

Marcello: I have one more general question, and some of this probably occurred when you were still active with the company. In the 1960's, I guess we see the beginnings of nationalization and expropriation. I'm thinking in particular of Ceylon or Sri Lanka. I think the expropriation and so on occurred in that country when you were still with Caltex.

MacIver: Yes, I have vague memories of it. I don't think much was done until after I retired.

Marcello: How do you deal with something like that?

MacIver: Well, all you can do is to try and make a deal that permits you to do business in the country on a different scale, a different basis of operation. There's not much you can do that's permissible. All you can hope for is a reasonable recompense.

Marcello: You retired from the company in what year?

MacIver: December 31, 1966. So it was January 1, 1967, or December 31, 1966.

Marcello: Let me give you a chance to be reflective here. Obviously, Caltex has proven to be a success. If you were to generalize, what factors would you see as being responsible for its success?

MacIver: I think I would put it this way: I believe that Caltex's success has been due largely to two general management philosophies. First, most all of Caltex's executives have

been brought up in an atmosphere of crises and external pressures, insofar as their day to day decision making is concerned. While this might also apply to the top domestic companies, I would think that its impact on their overall activities wouldn't be more than 20 to 30 percent. In Caltex the figure could be as much as 70 to 80 percent. These almost daily confrontations tend to develop a very flexible and forward-looking management with broad, overall corporate experience at levels much lower than in the domestic companies where development follows a more vertical form of organization. Second, I feel that much of Caltex's success can be attributed to the fine, cooperative relationship that has existed from its inception, as between Caltex management and its employees from top to bottom.

Marcello: Several of your colleagues have also made comments in which they referred to the "Caltex family." Have you ever heard that term, and do you think there is such a thing as a Caltex family?

MacIver: Yes, there is the same kind of thing as I mentioned before with this group under "Cap" Rieber. He called them in somewhat similar terms. They all knew each other and got together with each other outside of...they weren't isolated. They saw each other and met each other. When one had a problem that he couldn't handle, instead of going to the home office or some clerk from Brooklyn telling him what to do, he'd

go to his counterpart in the adjoining country and find out. Now this may not be what happened in Caltex, but these get-togethers that we had in management, I think, are one of the very best things for uniting the company in its management policies.

Marcello: Well, Mr. MacIver, that ends my list of questions. I want to thank you very much for having participated. You said a lot of very interesting and important things, and I'm sure that...

MacIver: Well, I hope that I haven't stepped on peoples' toes or proposed some things that are not the case or haven't been the case. After all, it has been twenty years since I left, and maybe fifty years since some of this took place.

Marcello: I don't think you did that. At the same time I think you've been very careful with your answers. Again, I want to thank you very much for having participated.