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Interview with
DARWIN McMILLAN
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Interviewer: Dr. Ronald E. Marcello
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Caltex Oral History Project

Darwin ("Mac") McMillan

Interviewer: Dr. Ronald E. Marcello Date of Interview: September 16, 1985

Place of Interview: Colorado Springs, Colorado

Dr. Marcello: This is Ron Marcello interviewing Darwin ("Mac") McMillan for the Caltex Oral History Project. The interview is taking place on September 16, 1985, in Colorado Springs, Colorado. I'm interviewing Mr. McMillan in order to get his reminiscences and experiences during his tenure as a long-time employee of Caltex.

Mr. McMillan, 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. McMillan: I was born in San Francisco on June 28, 1913, and I grew up in Santa Maria, California, and also in Santa Barbara, California. I attended high school in Santa Maria, and I also attended junior college the first year-and-a-half in Santa Maria after graduation from high school.

Then in the summer of 1933, two friends of mine had taken a trip around the world, and they had come back through Shanghai. One of the boys found employment with a realty

company in Shanghai, and the other friend came back on home to California with the intention of returning to Shanghai. He wanted me to go back with him. As you may recall, 1933 was the Depression years, and it was hard to get employment. My father had an electrical business in Santa Maria.

So, anyway, I went to China with this friend of mine, and I was looking for employment. I was interviewed by RCA Communications and by Texaco. I preferred Texaco because, coming from California, I was somewhat familiar with the oil industry. Also, in summers I worked in service stations, so I had a little knowledge of the marketing aspects of the business then. That was with Associated Oil, Tidewater

So, anyway, I kept pestering Texaco. I was twenty years old. I kept pestering Texaco, and finally they gave me a job--I started out at \$50 a month--sort of as an office assistant. Then about six months later, my salary was increased to \$250 a month, which was the regular contract price for Americans who were sent out by Texaco. I was hired locally, of course. So then I worked in Shanghai for about a year-and-a-half or so. I was looking after the twenty or twenty-five service stations we had in Shanghai at that time.

Then I was transferred up into the interior of China, to a place called Sian, which was the headquarters of the

Young Marshall, Marshall Chang Hsüeh-liang. He had his own troops. He was anti-Japanese, of course, and he was anti-Communist. He always felt that Chiang Kai-shek wasn't doing enough to carry on the battle.

Anyway, Sian is an extremely old historical city in China, and there were only six white people living in the city of two or three million. There were only two Americans-- myself and the wife of a Belgian government man associated with the Chinese government. The objective of my position at that time was to try to maximize sales of gasoline and kerosene to Chang Hsüeh-liang's army. Gasoline and kerosene both came in five-gallon cans; that was the way the product was moved. Then, of course, lubricating oil came up in drums. It would be shipped as far as Chen-chow, where the railway ended, and then all these products were trucked on up to Sian and put into go-downs or warehouses we had in the area at that time.

I was there at the time that Chiang Kai-shek came up on a trip, and Chang Hsüeh-liang kidnapped him. I was staying in this guest house, a hotel, when the shooting started, and I got under the bed (chuckle). Anyway, it came off all right. Madame Chiang came up, and they let Chiang Kai-shek go. I was there for about two-and-a-half years.

Marcello: According to the resume that I received, your official title

was that of marketing assistant?

McMillan: That's correct. That's right.

Marcello: This must have been a very politically unstable area, like you mentioned awhile ago, so how did you go about setting up the company's business?

McMillan: Well, it was quite simple because Marshall Chang Hsüeh-liang's headquarters were in Sian, so I would visit his headquarters regularly. That was basically the only business in that area, outside of a few of our agents who'd sell kerosene and small quantities of gasoline. The big business was kerosene because the military needed it for their lamps and heat. That was all confined--all within the range--of the city of Sian, which, of course, was a big, sprawling walled city. The title of marketing assistant only indicated or denoted that I was in the marketing department; it didn't particularly mean that I was an assistant to some senior marketing executive. No, it wasn't that at all. It just meant that I was in the marketing department, which was the sales department.

Marcello: So your prime customer, then, was the Young Marshall.

McMillan: That is correct. That was the primary purpose for my being there. Plus, we had an important kerosene agent in Sian, and it was to encourage and help him with his business to promote the sales of our kerosene and lubricating oils that we supplied.

Marcello: Now in your marketing activities in North China, did you work through a Chinese agent, a local agent, or somebody of that nature?

McMillan: Yes, I had a Chinese assistant--a salesman--who could speak English. We had our agent, as I mentioned, this kerosene agent, and I lived in the back of his compound in a mud house and slept on a camp cot for two-and-a-half years. I ate Chinese food everyday as there were no foreign restaurants of any kind. But I'm very fond of Chinese food, so that was no problem.

All of our sales went mostly through our agent, who had sub-agents out in the countryside. They would come and buy products from the main agent to sell them in smaller villages that surrounded Sian.

Marcello: Now was this main agent, with whom you were living, Chinese?

McMillan: Oh, yes.

Marcello: Was it basically up to him to select all of these minor agents out in the countryside?

McMillan: Yes. But this Sian office came under the jurisdiction of our Tientsin district office. In Tientsin we had a district manager, a district accountant, marketing, operating and clerical staff made up of British, Americans, and Chinese. I reported to that Tientsin district office. If we wanted to appoint another main agent, I would send a recommendation in. Tientsin would accept my recommendation, and that agent

would then be appointed, and the papers would be signed in Tientsin with the agent. This was the procedure in all of the district offices such as Nanking, Tsing-tao, Shanghai, Hankow, South China, Hong Kong, and Indo-China. They supervised substations which reported to the district office.

The district offices reported to Shanghai, which was the general office. The managing director, the general manager--all of the top executives--and the administrative, banking, accounting, and marketing operations--the head of the sales department or marketing department--were all concentrated in Shanghai, which reported to New York.

Substations reported to the district office, and this is the way it was with Sian. For example, when they finally felt I had had enough time in the interior after two-and-a-half years, I was transferred to one of the most sought-after positions in China. I was transferred to Peking, which was a substation under Tientsin. I lived in the Waggonlee Hotel for about a year. In Peking I had a small staff. I had a number one Chinese; Chinese salesmen that worked for me; and I had a small accounting group. I in turn had to report to Tientsin.

It was getting close to my time for home leave; and I was then transferred to the Tientsin district office for about three or four months before going on home leave.

I joined the company in 1933, and this was 1937.

Marcello: Was this standard company policy for those who were serving overseas, to give them home leave after so many years?

McMillan: Oh, yes. In fact, if you went to work for Texaco in the U.S.A., they would pay your fare to China, and you'd be given a local annual vacation. Then in those days, at the end of four years, you were given a four-month home leave--vacation with pay--and the company paid your transportation back to the United States. You'd be assigned back to where you were or to some other country. As the years went by, of course, policies have changed. Now it's two years with two months vacation instead of four years and four months. And there are other variations to this.

Marcello: As you look back upon that initial stint in China, what overall strategies did you see Texaco developing in the area at that time? Was it simply a matter of building up their marketing and distribution network?

McMillan: Yes, this is exactly and essentially what the objective was. It was a question of trying to secure as much market share as you could in the various product lines. For example, in China there were only three companies operating--Texaco, Shell, and Standard Vacuum. Standard Vacuum was owned by Esso and Mobil. These three companies were competing and selling competitive products, and the objective was to increase your market share at the lowest possible cost,

Marcello: You know, for years and years and years in American history, there had always been talk about a billion Chinese and the tremendous market potential over there. Was this essentially the attitude that Texaco and the other oil companies had relative to China at that time, that this was a vast potential market that had heretofore not been tapped?

McMillan: Yes, essentially that's correct. You must remember, though, that when you're talking about a billion Chinese that there's great poverty. Shanghai was the principal industrial city, a big international city, and the industries were mainly located in Shanghai. Hong Kong, of course, was also important industrially. But Tientsin, Nanking, and other places had some industry but nothing compared to Shanghai. I think the idea was that China--in most people's thinking--had to keep just getting bigger and bigger as a market. They were getting more cars, so they needed more gasoline. They were getting more industrial plants, so they needed more lubricating oils. They were attempting to modernize the interior where more kerosene was needed for lighting and heating. From kerosene eventually they went on to electricity as the years went by and their incomes improved.

Marcello: Of course, I guess kerosene was used for cooking quite a bit, too.

McMillan: Oh, yes. Kerosene was used for cooking, heating, and for lighting. Yes, absolutely.

Marcello: You mentioned the Young Marshall awhile ago, and I think we need to remember that basically we're talking about an individual who had raised his own army. Isn't that correct?

McMillan: Yes, that's right. Well, he was just like one of many generals who raised their own armies and practically ran their own provinces. They were warlords. This was one of the great tragedies of China; that's why it was never really consolidated under the Kuomintang or even before the Kuomintang, because of these warlords with their own armies. They ran whatever territory they could handle. They taxed the peasants years in advance. This was one of the many reasons that the Communists were able to conquer China so quickly. These warlords would sometimes side with Chiang Kai-shek, and sometimes they wouldn't; and sometimes Chiang Kai-shek would give them money to pay their troops, and sometimes he wouldn't. Actually, during the war against the Communists, you had whole armies, those of the Kuomintang and the warlords, walking right into the arms of the Communists, because they weren't being fed, paid or clothed.

Marcello: In retrospect, although you may not have noticed it or thought about it at the time, you could probably already see the seeds of the Chinese Revolution sprouting that early.

McMillan: Yes. There was a great deal of dissatisfaction. The poverty, corruption, and a weak central government were the principal factors that precipitated the revolution.

Marcello: Did any of that corruption ever get involved in the transactions relative to Texaco's activities in its operations?

McMillan: No. They called it "squeeze" in China. It's another name for a bribe. The company wouldn't involve itself in anything like that, but it wouldn't be...how should I say it? There would be nothing to prevent, say, a main agent, negotiating for a sub-agent, to offer "squeeze" because a Standard Vacuum agent might be offering a bribe. So the guy's sitting there saying, "What am I offered?" But the company would never involve itself in such a matter.

Marcello: Did you have any dealings directly with the Young Marshall, or was most of that done through the main agent?

McMillan: I'd met the Young Marshall, but mainly I dealt with his supply officers. We sold him a good share of his petroleum requirements. I think we had about 20 to 25 percent of his gasoline, kerosene, and lube oil requirements. Shell and Standard Vacuum had the balance of it. But my main contact was with his supply officers, and then, of course, I would be watching the agent and helping the agent in any way I could to enlarge his business.

In China with these big main agents, the products would always be on consignment. We would ship an agent, say, five hundred tins of kerosene, or a thousand, on consignment. The agent then had to make out a consignment report every month as to how much he sold and remit the money to the

district office. So as one of my jobs, not only in Sian but in other places of North China, I had to check stocks to see that sales were being reported and paid for. Some of these Chinese agents would stoop to anything. You'd find empty tins that were supposed to be full. Then they'd say, "Oh, but that leaked," or "The spirits have taken it."

Marcello: So you always did have to keep a close eye even on your main agents.

McMillan: Oh, yes. Because he was selling our stock--Texaco's stock. We owned it. They, of course, had to put up a bond when they were appointed, so if anything did go wrong, the company had a bond to cover us to a certain extent.

Marcello: Okay, now you mentioned that after your first four years with Texaco in China, you were given home leave. Then where did you go from China?

McMillan: That is when Caltex was formed. Oh, there's one other thing. While I was in Peking, I was the manager...I suppose that was the title. Mr. LeFevre, the managing director in China at that time, and Mr. H.D. Collier, the chairman of the board of the Standard Oil Company of California--the two of them--came up to Peking. What they were concerned about... here my details are not too good (this was forty-nine years ago). There was a big problem because kerosene in China was sold--this is where I get confused with India--by weight, and kerosene in India was sold by volume, or vice versa,

I don't know which now. I've forgotten. But assuming that it was going to be sold by volume in India, it would mean that if your kerosene was light in weight because of the characteristics of the crude oil, you would have to provide more volume to equal the weight of your competitors. In other words, it's costing you more product in order to equal the weight of your competitor (even though the lighting and heating qualities of your lighter kerosene was superior). That could have been a very serious problem.

Mr. LeFevre and Mr. Collier drafted a very long cable to Caltex (New York) pertaining to this matter. This was in the year 1936-1937. This cable went in code to New York. We had a complicated guide for coding and decoding cables. I had to code this cable, and that's how I was exposed to this very serious problem.

Caltex was formed just before I went on leave. It was formed in 1936, and I was on leave in 1937. They were then looking for people for India to introduce Caltex in that country.

Marcello: Before we get to that point, what do you know about the background concerning the formation of Caltex? Do you have any direct knowledge of how that came about, or can you only repeat what you've heard?

McMillan: I think it's general knowledge. Texaco was operating in India and in China before 1936, and in Australia, New

Zealand and South Africa. Texaco had been in South Africa for years. But most of the products were being shipped out of Port Arthur, Texas, to all over the world. Then the Standard Oil Company of California discovered oil in Bahrain and Saudi Arabia. This occurred after the failure of Shell and Gulf and several others who had exploration rights in Bahrain and Saudi Arabia. Standard Oil of California, I think, took over from Gulf. Standard Oil of California suddenly had all of this crude oil, and they had no markets. So it was only a logical conclusion to join with Texaco, which had markets but no crude oil for products where it was needed. It just made good sense for the two of them to form a wholly-owned subsidiary. Nobody can buy stock in Caltex. But anybody in Caltex will tell you the headaches you have as a result of having two shareholders who don't always agree. If you think you've got a good deal, and Socal thinks you've got a good deal but Texaco vetoes it, that's the end of it. So there are many complications as a result. Of course, the thing grew from that small, little company into something that today is worldwide, or was until the shareholders took Europe back.

Marcello: How did you get involved with Caltex?

McMillan: Well, I was an employee of Texaco in China, and then I was transferred from the Texaco payroll to the Caltex payroll when Caltex was formed.

Marcello: It was strictly a matter of being transferred.

McMillan: That's all. That's all there was to it. I guess I must have been within the first hundred employee who were transferred from Texaco. There were very few Standard Oil of California people who were transferred to Caltex because they didn't have any foreign experience except in Central and South America. So the core for Caltex for the marketing operations was basically Texaco people because we had the experience in the countries where the company was going to operate as Caltex.

Marcello: You'd been in China. Why was it that they transferred you to India? Was there any particular reason for that?

McMillan: Yes. The reason was that Texaco had very few people in India. Texaco operated in India, but not on the same scale as they did in China. Texaco in India only sold lubricating oils; they didn't have any kerosene or service stations and very few agents. Shell and Standard Vacuum were in India.

Now all of a sudden the Indian Texaco organization was faced with the problem of building service stations, building bulk depots, appointing agents, and all of those things. They had insufficient people in India who could do it, and they couldn't take people out of the New York office to do it. So there were quite a number of us who were transferred from China and other areas of Texaco operations.

Marcello: So Caltex is essentially, for the most part, starting from scratch when it goes into India.

McMillan: Absolutely from scratch as a new company.

Marcello: You have Texaco selling and distributing lubricating oils, but they have absolutely no service stations, for instance, in all this time.

McMillan: Nothing to speak of. In China, of course, Texaco was a big organization.

Marcello: And you had experience in China.

McMillan: And Texaco had experience in China, such as the appointing and handling of agents, the building of service stations, etc. That was experience that we had already gained. We had already been marketing on a larger and broader scale.

Marcello: Now what is your official title when you got transferred to India? Are you still basically a marketing assistant, or did they give you some higher title than that?

McMillan: I'm sure my file would show that I was a marketing assistant, but then when I got to India, I was assigned to Delhi, which was a district office. In other words, the setup was the same. But then I was made what they called a section manager. In other words, I had a geographical area. There were two other fellows in the district office who were also section managers. There were three section managers, and each section manager was responsible for a geographical area, and he was responsible for everything in that area--service stations,

bulk depots, kerosene agents, lubricating oil agents. Then the section manager, of course, reported to the district manager, who reported to the Bombay head office. This was essentially the same setup we had in China. In other words, they patterned it after the China setup.

In fact, Mr. W.H. Pinckard, who was the managing director in China, was called into New York for a brief period on this Caltex thing, and then he was sent to India. I think his title was resident vice-president. So Pinckard was running the show, although we had a managing director by the name of Charlie Graham. Pinckard was a brilliant man and extremely personable; that's why he eventually became the second chairman of the board of Caltex. So Pinckard really ran the beginning of Caltex.

Charlie Graham was a bachelor, and he had come from the State Department to Texaco. He'd worked somewhere in Turkey or the Middle East. I don't know exactly where, but it doesn't matter. He had no real petroleum knowledge. He had no knowledge of being able to set up the organization that Pinckard set up. Charlie Graham could handle the administration and that sort of thing, but Pinckard was making all the big, basic decisions such as budgets, market share, staff placements, personnel policy, etc. Pinckard was the father of the beginning of Caltex, which was in India.

Again, the main objective of the Indian organization was exactly the same as it was in China--get best market share at the lowest possible cost. Now in India we were up against our old China friends, Standard Vacuum and the Shell Company. Then Caltex came into the market, and, of course, we weren't welcome by any means. However, they realized that we were such a big company and owned by two big shareholders--two of the largest oil companies in the United States at that time--and that they couldn't keep us out. There was just no way. Invariably, we'd get into price wars with our competitors. People were cutting prices to get more business and thus increase their market share. Well, it's one thing to increase your market share and realizing full prices, as compared to increasing your market share (volume) and reducing your revenue by cutting prices. You win; you lose (chuckle). So when we started off, we had no market share at all in India; we were zero. Then pretty soon we got 2 percent of the market, then 3 percent of the market, and then it kept going up. I really can't recall, but I think we got up as high as around 17 or 18 and maybe 20 percent or better--over the years.

Marcello: Now you mentioned that when you initially went there, you were put in charge of a geographical area (section).

McMillan: Yes.

Marcello: And it was located where?

McMillan: In Delhi.

Marcello: In Delhi. Now describe for me how you went about organizing that section so that you could obtain a market share in that section.

McMillan: Well, the first thing we had to do, of course, was to find people--Indians to staff our operations. For example, in my area, which was in northern India, we had an agent there, a Texaco lube oil agent, and he was a big agent. He was located in Lahore. We leaned on him very heavily for advice and assistance. Then we advertised for staff because one of the jobs in the beginning was to get a good, competent Indian staff.

Marcello: Establishing your agent network again.

McMillan: Not only that, but salesmen who were going to actively go into the field. Their job, then, would be to find agents. So we were hiring college graduates out of the various Indian universities. We'd interview them, and, frankly, I would venture to say that throughout India our percentage of success must have ranged at about 90 percent. In other words, the people stayed with us.

More importantly, they also had to find service station locations. Where can we build a service station? We used to give a prize--I don't know--of a hundred or two hundred rupees. The salesman would come in and say, "Now here is a corner that I think would make a good location." We had

all kinds of forms and procedures for approving the service stations. Service stations didn't cost a great deal of money, but on the other hand, you had to keep your costs down. So they would look for service station sites, then new bulk depot locations.

The bulk depots were where we would ship products, say, from the big terminals at Karachi, Bombay, Calcutta, and Madras. Shipments were made by rail tank wagons and box-cars to many locations, and then they'd discharge the railway tank wagons into the tanks at these bulk depots, and from there the products would go out to the agents and the service stations by tank truck or by regular truck. That really is basically how we started.

Marcello: What criteria did you use in selecting your sales representatives and then eventually your agents?

McMillan: Basically, it was the same as we would do in this country. You'd look at the fellow, and you could read what his education was. You interviewed him, and you saw what his responses were and whether he was sharp or not. Families are important in India, so you'd find out what connections he might have through various relatives who might be in the government and that sort of thing.

The appointment of agents in India was not done the same way as it was in China because of different situations. For example, in India gasoline was sold in service stations,

whereas in China it was only in the main cities that you had service stations. There were no highways in China; you couldn't drive from one city to another. In India, though, with the British in control in those days you had very good roads all over India, so you built service stations along these roads.

Marcello: You had a much more stable political situation in India, too, than you had in China.

McMillan: Oh, yes! Absolutely! No question about that! Also, the currency was by far more stable, and the peace was kept in India. The British, in my opinion, did a great job in India. They really did. They built up the cities; they built the railroads, which were excellent; they put in irrigation systems throughout the country. One of the worst things that ever happened to India was when the British left. But it had to come at some time or other. There's no question about that, but I think it was just too soon. As I recall, there was a sign over the entrance to the Viceregal Lodge in Delhi, that said, "Freedom will not descend to a people. They must rise to it."

Marcello: Within your section, did you have a great deal of freedom and responsibility to do the things that you just described, or was the company keeping a close eye on what you were doing and closely supervising your activities?

McMillan: No, each of the section managers had a pretty free hand.

That didn't mean that you could go out and build a service station without having the district manager's or even Bombay's approval. But that was all paperwork. The basic selection of the sites would be your decision. Your salesman would go out, and he'd say, "Mr. McMillan, come on, please take a trip. I've got a good location." So I would plan trips regularly, and then I would go see for myself. I might have maybe four or five salesmen working in my section, or maybe even more. They in turn had a geographical area for which they were responsible. Then it would be my responsibility from time to time to go and visit their areas and see what they were doing and how they were coming along. Are the agents happy? Are there any complaints? It was that sort of thing. So the question of selecting and recommending service station sites and bulk depot sites and that sort of thing was left pretty much to the section manager.

However, in order to get the funds to build these units, they had to be approved by the district manager and then by the general office in Bombay if they were beyond the authority of the district manager. In each district office, we had a man called the marketing operations manager. Marketing operations covered the bulk depots--the movement of products from the terminals into the depots, the tracks, the construction of bulk depots, pipelines, and that sort

of thing. So you had not only the sales department, but you also had the accounting department and the marketing operations department. All three of them, of course, had to have something to do with the overall operations of the section.

So as a section manager, you essentially and basically had a pretty free hand. Don't forget, we were starting from scratch, and there was an urgency to see that things got done.

Marcello: I guess, essentially, what was being done in China and India would more or less serve as background for the establishment of affiliates in other countries as well.

McMillan: China was the basic pattern. China was the basic pattern because that was Texaco's biggest operation in the Far East for marketing refined oils and lubricating oils. On the other hand, when you get over into Europe, you didn't have agents as a rule, the company sold directly to the public. The company had service stations, of course, where you had to appoint dealers. We had very few company-operated stations in Europe. In China we had company-operated stations in Shanghai. The people who operated the service stations were Texaco employees. The stations were company-built, company-owned, and company-operated. In India we would build a service station, and then we would appoint a dealer. The dealer then would operate the service station. He would be responsible for any credit that he gave. He would

work on a commission basis. In India, in particular, if we were building a service station, of course, the first thing we'd want to do is find out if there was a party in the area that could serve as a dealer, and how well known he was or was he a mechanic--all of these things that are associated with a service station. To answer your question, yes, you could say that China and India certainly were the pattern, but this was moreso only in the Far East because in Europe you have an entirely different set of circumstances.

Marcello: A much more developed economy, among other things.

McMillan: Precisely. That's right. I don't know too much about Australia or New Zealand, but I imagine it must be the same sort of setup.

Marcello: Now it was also during this period that, I guess, the Caltex trademark was established, or the Caltex logo. What do you know about that? And what was its importance in your operation?

McMillan: Well, in China, when Caltex was formed, we dropped the Texaco sign. The Texaco and Caltex signs were quite similar. So the Texaco signs were taken down, and the Caltex sign was put up. In the Chinese characters there was no Caltex, it was "Tezaco," which is the Chinese pronunciation for Texaco. So the characters were "Tezaco," but the trademark was Caltex, the logo. That was the only place that I know of that that was done.

In all the other countries, the Caltex trademark sign

went right up. There would be a few Texaco signs, let's say, in India advertising lubricating oil, but there weren't enough of them to bother with. So they came down, and Caltex went up. Of course, there was a lot of advertising in newspaper spreads that said that Caltex was replacing Texaco, so the public was kept informed as to what was going on.

I remember one time I was in the Delhi office. This must have been in 1938 or 1939. A senior executive from New York came on a visit. This man walked into my office in Delhi, and I had a big Caltex day sign--this was in 1938, 1939--and it said, "Made in Japan" in small print down at the bottom. He hit the roof. He said, "Who ordered these signs?" I said, "I don't know. It had to be Bombay because Bombay gets them, and they ship them out." "Well, we won't have anything to do with Japan!" He made a note, and I don't know what he did, but I imagine we still got them from Japan because it was cheaper (chuckle). Anyway, the Caltex trademark went up without any problem at all, except for China, where they called it "Tezaco."

Marcello: How important was the sale of kerosene in the Indian operation relative to or compared to what it had been in China?

McMillan: It wasn't as important because in India you had electricity in most of the cities. The only places where they didn't have electricity, of course, were the villages, but there

were hundreds and hundreds of them.

Marcello: This is something that I should have asked you earlier, so I'll ask it now. When you were back in China, what contacts did you have with the Japanese while you were there?

McMillan: I personally didn't have any. The Japanese were in Manchuria, and they had troops that were garrisoned in Tientsin. In our Tientsin office, we had a White Russian, and his main job was maintaining a contact with the Manchurian Railway, which was operated basically by the Japanese. They'd taken it over. So he worked with the Japanese very closely, this Russian. He sold them products. He maintained the contact with their purchasing office and that sort of thing. That was the extent of the contact with the Japanese because at that time they were mainly in North China.

Marcello: They hadn't spilled over yet from Manchuria into China Proper.

McMillan: That wasn't until 1937, and I was gone.

Marcello: What other responsibilities did you have while you were in India? Did you advance beyond being a section head while you were here in India during this stretch of your career?

McMillan: Well, let's see. I got to India in 1937, and I left in 1941 to go on home leave again. It was during this time that I was married in Delhi, in 1939, to an American girl from Pasadena, California. I was married in 1939, and Mary and I went to Rangoon on our honeymoon, and then she was traveling around the world with her mother and her two

sisters. So she went on and finished her trip, and she went back to Pasadena, where she lived.

In 1939, as you'll recall, that's when the Germans invaded Poland. Mary was enroute to India from California. India wasn't threatened at that point by any question of war, so Mary came on back.

At that time I was transferred from Delhi, where I was a section manager, to Madras, where Jack Fosque was a district manager, and I worked with Jack there as a section manager. The responsibilities were very much the same as I had in my section up in Delhi. Of course, by this time we'd made considerable progress since beginning in 1937. I got down into Madras in 1940, I guess it was, so we'd already had about three years. A good number of stations and bulk depots had already been built.

So then came home leave time, and by this time, of course, with Madras being on the Indian Ocean, we had blackouts because the Japanese were already the allies of the Germans, so they were against the British, of course. But there were no raids. Anyway, we finally went to Bombay, and we caught an American ship and went around Capetown instead of going through Suez. We went around Capetown and then to New York. A German submarine surfaced not far from our ship. We had a big American flag painted on the sides, so nothing was done. In other words, they didn't stop us

or anything. They surfaced just to let us know they were around.

Then we got into New York, and the vice-president at that time, J.V. Murray, told me that I was going back to India and that wives would not be permitted to go. So I said to Mr. Murray, "Well, if that's the case, then I'm not going to return to India. I'm not going to leave my wife." He said, "Go on out to California. Have your home leave, and then we'll see what develops." So toward the end of my home leave, I received one ticket on a ship--an American ship--one ticket to Bombay. So I sent the ticket back and reminded Mr. Murray that I wasn't going back to India without my wife. Had I gone on this American ship, it ended up in Manila the day the Japs bombed Manila. The American Navy in Manila took the ship. That's not the word.

Marcello: Commandeered.

McMillan: Commandeered, that's right. They commandeered this ship. So all of the passengers that were on this ship were in Manila when the Japs arrived, and they all went into internment camps. The wife of one of my good Caltex friends--Bob Hoover--was on that ship, on her way to India. The reason she was able to go was that her parents lived in India. She was an American girl, and her father was an American dentist. The company stretched the point because her father and mother were there. But her husband was there, also.

So that was the termination of me with Caltex. In other words, I refused to go back, and there was nothing for me in New York.

I had a very good friend in the Standard Oil Company of California who at that time was the president of the Standard Oil Company of British Columbia. Lloyd Hamilton was his name. He had been in Indonesia. He was a lawyer, basically, just like Jim Voss was a lawyer. Lloyd put together a lot of big deals with Indonesia because Standard Oil of California had concessions in Indonesia. Anyway, now he was the president of the Standard Oil Company of British Columbia. I was living in Pasadena, and I got hold of Lloyd. He was on a trip to San Francisco, and I went up to San Francisco, and I explained to Lloyd what had happened. It wasn't that I had any feud with Caltex; it was just because I didn't want to leave my wife. He knew Mary, and I said I didn't want to leave Mary. Well, he agreed with me that this was not right, so I went to work with the Standard Oil Company of California.

Marcello: Did you quit your job at Caltex, or did you simply ask for a transfer? How did that work?

McMillan: If I had requested a transfer, it might have made a difference years later, but it didn't really make much difference at all. No, I was finished with Caltex and employed by Standard Oil of California, so now I'm one of the very few in the

company who's worked for both parents. So I worked for the Standard Oil Company of California--for this was in 1941-- in their aviation department in the San Francisco head office.

Then I went into the Air Force. I volunteered as a private and went into the Air Corps, and I attended Stanford University and took Chinese lessons and Dutch lessons. I was an enlisted man, and I rose to a staff sergeant.

Marcello: Now did all of this take place in 1942, perhaps?

McMillan: Yes, in 1942. So then, I went to Stanford in this ASTM-- Army Specialized Training Program--studying languages, and that broke up. Instead of returning me to the Air Corps, I was put in the Signal Corps at Camp Crowder, and I was climbing telephone poles, and I was going crazy. I wanted to get back into the Air Corps, and the captain that I served under said, "Over my dead body!" He said, "No way are you going to go back to the Air Corps!" Here I am, a staff sergeant.

I come back one day, and I sit down, and I'm reading Time magazine, and Gloria Vanderbilt Baker, the girl that I took on a tour around in Delhi, had just married the commanding general of the Air Transport Command in the Caribbean. So I wrote her a letter, and I said, "This is what's happened to me!"

About three weeks later, the captain called me in, and he said, "McMillan, I don't know how you did this, but you're

transferred back to the Air Corps." And, of course, it was Gloria's husband who did this. So then, of all things, I got in the Air Corps--Air Transport Command--and I was sent to India. I was on the Hump operations.

Marcello: Obviously, somewhere along the line, the military must have found out that you had been in India beforehand, and that's the reason they sent you back there.

McMillan: You would think so, but knowing the military, it's not likely. But then the other thing was, though, that as a staff sergeant, I was in charge of P.O.L.--Petrol, Oil, and Lubricants--for the China Wing. In other words, I had responsibility for seeing that there was sufficient aviation fuel and aviation lubricants and so on for the Air Transport Command. We were flying gasoline over the Hump--motor gasoline and aviation gasoline over the Himalayan Mountains--from Calcutta to Kunming. I swore I'd never get into an airplane again after the war was over.

Marcello: Did you actually fly the Hump in any of those planes?

McMillan: Oh, many times. Not as a pilot.

Marcello: As a passenger.

McMillan: As a passenger. You'd look out the window, and you'd see these mountain peaks up above you! Oh, it was awful!

Anyway, I was located in the China Wing, and I served under Colonel Bromley. He was a twenty-seven-year-old full colonel, a West Point graduate, of course. He was a fine

officer and a great pilot. So I used to represent the Air Transport Command at meetings with the Services of Supply and the Fourteenth Air Force, etc. We'd have regular meetings in the war room. We were the ones who were bringing the gasoline over, and then it had to be allocated to the various branches of the service.

Marcello: So you were never pleasing anybody. Nobody ever had as much as they wanted.

McMillan: Oh, no. Absolutely not. No way. Anyway, a new colonel came in who ran this meeting, and he pointed at me and said, "What's this sergeant doing in here?" I said, "I'm representing the Air Transport Command." He said, "Well, this is a war room. Are you cleared for this?" I said, "I don't know." He said, "You'll have to leave."

So I went back to my headquarters, and I went in to see Colonel Bromley, and I told him what had happened. Well, he said, "We'll fix this." The Air Corps, or the Air Force, could not give you a direct commission, a field commission, but the Services of Supply could. So though I never left my desk at A.T.C. I was transferred on paper from the Air Force to the Services of Supply, made a second lieutenant, put back into the Air Force, and went to the meeting the next week as an officer. This colonel couldn't get over it (chuckle).

So anyway, I finished serving out my time in the Air

Force. The war was over, and I went home.

Marcello: Let me ask you this. My curiosity as a historian thus comes to the surface. Did you ever have any dealings with either Mountbatten or Stilwell during your tenure here in the CBI Theater?

McMillan: No. Of course, Mountbatten was in Ceylon and then in Rangoon. Stilwell was Chungking; he was with Chiang Kai-shek. Of course, as you know, the two of them never got along. I just finished reading a book, incidentally, called The Soong Dynasty. It's terrific book. It's all about the Soong family.

Marcello: That was going to be my next question. Did you ever have any dealings with T.V. Soong?

McMillan: No, and I'm glad I didn't (chuckle). Anyway, just before the war ended, I had a letter from Mr. LeFevre. Phil wrote to me in Kunming and asked me if I would like to come back to Caltex when the war was over. I had no fight with Caltex, so I wrote to Phil, and I said, "Sure." He said, "We'll try to get you out of the Air Force as soon as we can!" Anyway, I had enough decorations--I had the bronze star and some other things--and I had enough points that I earned a rapid discharge. I had told Phil, "Yes, I would like to go back to Caltex." So I guess I went to New York to see Phil, and he said, "Okay, we're going to send you back to China." I said, "Fine."

Marcello: Everybody seemed to like Phil LeFevre.

McMillan: Oh, yes. He was a great man. Oh, yes. Anyway, Phil said, "We're going to send you back to China." He said, "Try to get there as soon as you can." Well, the only way you could get there was by ship, unless you could get a flight on an Air Transport Command plane or something like that. But those were practically impossible, so I took a ship from San Francisco. I got stuck in Manila for about a month because you couldn't go alongside to discharge cargo. Then I went on up to Hong Kong and Shanghai.

By then Phil was there in Shanghai, in our head office. So Phil said, "Mac, I want you to go up to Hankow. We'll appoint you district manager." So this was the first jump from a section manager up to a district manager. He said, "Fly on up." I said, "Fly?" I said, "Phil, I've taken a vow never to get in an airplane again!" Phil said, "You get on an airplane, and you go up there!" So I did. I got on an airplane, and I flew up to Hankow. Hankow had been very severely damaged during the war.

Anyway, I got to our office. We had a big office there in the National City Bank of New York Building. It was in a shambles. The company house was in a shambles. The whole place was just a big, fat mess. Mary was due to follow me out to China. I got back down to Shanghai, and I said to Phil, "That place has just been devastated. The first thing we ought to do is send some engineers to start getting the

thing back into shape." So then he said, "Well, okay."

Then he said, "I want you to go up to Tsingtao," which is an old German city in China. He said, "Take a look at the operation there." So a friend of mine, Fred ("Fritz") Adams, who used to work for Caltex in China, was the first mate on an American Dollar steamship, which was in Shanghai and was going to Tsingtao. The Dollar Line operated Pacific cruise ships and passenger ships and freighters. He was the first mate, and he said, "Come on." He said, "You're going to Tsingtao, so come on and go with the ship." So I bunked in with Fritz, and we got up to Tsingtao.

Tsingtao had no damage. Our office was intact; our terminal was intact; what few service stations we had--a few were all okay. All this was because the Japanese had been in that area, and they protected these things.

Whereas in Shanghai...I should mention this. When the war ended, I was in Kunming serving under Colonel Bromley when they dropped the atomic bomb on August 12, 1945. The commanding general for the Air Transport Command...anyway, he later became the commanding general on the Berlin Lift, remember? At that time--I can't remember his name--he was a brigadier general (General Tunner). He later rose to become either a four-star or a lieutenant general.

Marcello: It wasn't Harkins, was it?

McMillan: No, I've forgotten his name. Anyway, he flew over from

Calcutta--Calcutta was the headquarters--to Kunming. I was called in, and he said, "I understand you used to live in Shanghai." I said, "Yes, sir." Then he said, "We're going to set up a plane to go into Shanghai. The Navy's going to be going in there. In fact, everybody's going to be going in there, and we want to get in there first." This was just a couple of days after the war ended. He said, "And get me some good quarters." He said, "You know the city, don't you?" I said, "Yes, sir." So he said, "Get me some good living quarters, and get me some office quarters--whatever you have to do." So we flew to Hankow, and then we flew from Hankow to Shanghai. I proceeded to the Park Hotel, which is one of the finest hotels anywhere, and I picked up about three or four suites, you know, and I got office space for him. Then he came down, and he wanted to have a big party, and he said, "You can get me some scotch?" I said, "Yes, I can get you anything you want." So I arranged everything.

Hans Bieling, who I worked for in India, was a German, and he had taken out American citizenship; and he was in Shanghai when the Japs came in, and so he was interned. Here he was, a German, and interned by the Japanese because he had an American passport. So Hans and I got together. I was still in uniform, of course. We could ride around Shanghai because he had bought a brand-new Chrysler before the war for the company. He had put it in a garage, and it was just

the same as the day he bought it--brand-new--except it was four years older. So then the question was, "How do you get gasoline?" I was in uniform and had a jeep. We had a big depot in Shanghai. We had no gasoline in it, and the Japs were occupying it.

So we went over to the Standard Vacuum depot, and they had gasoline in big drums, motor gasoline, which was just what we wanted. So I told the Japanese soldier to put two drums in the jeep, and he asked me to sign. So I signed "General So-and-so." It didn't make any difference (chuckle). So we got the two drums, and we used that up; and then we went back and we got some more. We didn't pay for nothing; we just signed for it.

Our offices in Shanghai were in the Hong Kong-Shanghai Bank Building, so Hans and I went to look at the offices. All of the office equipment--typewriters, adding machines, all of that--was all there. The desks were all there. The Japanese, of course, were not destructive in that sense, in the nature of those things.

The other thing was that when I got into Shanghai, the whole city was patrolled by armed Japanese soldiers. Japanese soldiers were everywhere, with their rifles and pistols. The reason was to prevent the Chinese troops from looting. Can you imagine! Here's your enemy, and now he's your friend! This was something. Eventually, of course, the Navy and the

Seabees and the Marines and the Air Force (Air Transport Command) came in. There was a big air base in Shanghai.

So Tsingtao was all right, and our number one Chinese in Tsingtao before the war was a man by the name of Lee Ding-fong, who was called D.F. Lee. He's dead now, and a very fine man he was. So he was there in Tsingtao; but he didn't know me from Adam, and I didn't know him. I was the new district manager, and he was my number one Chinese. So between the two of us, we found a lot of the other employees who had gone away when the Japanese were there, and they had come back. So we had a nucleus to build up the Tsingtao office.

Marcello: Had the Japanese been using these facilities, or had they just been lying dormant?

McMillan: No, they'd been using the facilities because they needed gasoline and kerosene and lubricating oils. These things were being shipped from Japan and being put into our installations.

Marcello: Well, I guess they were probably being shipped from the East Indies, too.

McMillan: Yes, of course. That's right. Absolutely. Anyway, they had to use the facilities. They just had no choice. But in some cases they would use Shell, and in other cases they would use Standard Vacuum's, or in other instances they would use us. You'd find some installations that weren't being used at all and others that were visibly occupied.

Marcello: Like you mentioned awhile ago, they were not destructive,

and I would assume that any damage that was done to the facilities had been done during whatever fighting took place.

McMillan: That's right. In Hankow all that damage was bombing. Tsingtao was not bombed, so really, basically, we got back into business. Tsingtao became the headquarters of the U.S. Seventh Fleet, which is normally based in Hawaii, and Admiral Cooke, a four-star admiral, was stationed there.

Then came the question, "What are you going to do with the Germans," who were still in Tsingtao. They were virtually enemies of the Chinese because the Chinese were on the Allied side, although they didn't do very much. Nothing, basically. But these Germans were considered enemies, so after I'd been in Tsingtao about a year, the Chinese decided they were going to start rounding up these Germans. These were civilians.

This man called me up--this German that I knew--and he said, "There's soldiers in my house, and they're just looting everything and taking everything out! They're going to take my wife and myself and put us into a camp!" So I got into my car, and I went out to his house, and I walked in on the Chinese troops. I just told them to get out. I guess that since I was an American, they left.

I went to Admiral Cooke about it, and he said, "This is ridiculous." So he went to the American ambassador, because the American ambassador outranked him. Anyway, they were able to swing this deal so that they would not send

these civilians--there were maybe twenty or twenty-five of them--back to Germany, where they didn't want to go. They wanted to remain in China.

Anyway, I stayed in Tsingtao, and then Mary and I decided to get a divorce. Mary came out...this must have been in 1948. Her mother was out there, and her sister was there, and so the three of them went back to the States. I had arranged to be transferred to Shanghai. I wanted to get out of Tsingtao. Hans Bieling was the general manager at that time, so they took me down to Shanghai and made me what they called the superintendent of refined oil sales. Hans had had the job before, but then I was given the job. There again, that's another step above the district manager. I guess I was in that job for about--oh, I don't know--eight or nine months. I've forgotten.

It was during that time that we had the terrible inflation. We were having to pay the staff, the Chinese staff, and the foreign staff and Eurasian staff that we had ...they wouldn't accept paper money, and the only silver money was what was called a "Mex" dollar--Mexican source-- and a real silver dollar which had a greater silver content than our dollar. There was a lot of counterfeit. You had to check these things by the ring, the sound of the ring. So we were having to pay the staff half in silver dollars and half in rice. Whether they sold the rice, that

was up to them; or whether they wanted to eat it, that was up to them. If you gave a man his salary, say, eighty dollars a month, by the next day it's only worth forty dollars a month; I mean, it was just impossible.

The company couldn't spend the money fast enough, so the company was buying land and building apartment houses and building big houses that were costing a million dollars, U.S. currency. These were houses for our American staff to live in--big beautiful homes. We had to get rid of the money. We bought our office building in Shanghai. It was owned by Wheelock before, and we were paying for that. So this was really a terrible time, very unsettled.

Marcello: Let me back up a minute and ask just a couple of general questions here, Mr. McMillan. When Caltex moved back to China, I assume that its first function was to try to rehabilitate and reestablish and reorganize those markets that had been built up prior to the war.

McMillan: Yes, that's right. In other words, we were going back and trying to find our old agents; repossessing our service stations that still existed in Shanghai and Tientsin and these various cities; regaining our terminals in Shanghai, Hong Kong, Teintsin, Tsingtao (these were ocean going terminals, where the tankers would come from overseas and discharge). So it was rehabilitating those facilities, seeing what offices needed rebuilding; trying to locate our

old agents, and if we couldn't, we had to appoint new agents, which is what we did. So it was trying to restore the company to what it had been before the war or even under better circumstances.

Marcello: In this sense, you may have been competing on more even terms with your old competitors, it would seem to me, because their markets and so on had been destroyed, also. Of course, the first time around when you were in China, they'd already been there.

McMillan: Oh, yes. Yes, basically, I'm talking mainly about Shanghai or the principal cities. I would say that in 1945 or 1946 that the relative competitive position would be just about the same as it was in 1941. In other words, there was no gain or no loss as far as physical facilities are concerned. The question of staff and the question of agencies and that sort of thing, I think, would have reverted back to what it was in 1941. But it was--and still is today--always to get a bigger share of the market, get a bigger percentage, get a bigger percentage. This was always our objective, at the lowest possible cost, of course.

Marcello: What kind of pressure was being put upon you by the home office in New York to get a larger share of the market?

McMillan: Well, New York never put it on the district offices. They could only put it on, say, the Shanghai head office. Of course, the pressure was always on the managing director.

Then the managing director applied pressure right on down the line. It was to get as much of the market as you possibly could without destroying the price structure and, to the maximum extent possible, preserving your profits.

Marcello: Pretty elementary economics, in other words.

McMillan: Yes, absolutely. No question about it. Of course, another thing, and a very important factor, was...for example, again, I'm not going to be quoting exact figures because I don't recall them, but, say, a drum of kerosene, a fifty-three-gallon drum of kerosene in 1939 or 1940 might have cost--take a figure--say, \$15 or \$20, U.S. currency. In 1945, 1946, maybe it was \$125. The same thing was true with American cars. Take a 1941 car, in good condition, and let's say that you had paid \$5,000 for it. You could sell it for \$25,000, U.S. dollars, in China. They had no cars, and everybody wanted a car. So everybody and his brother was shipping cars to China.

To get back to the oil portion of it, there was a big race on to move products out of the United States and the Middle East in order to get products into China as fast as possible. It was so bad that we were even shipping drums of kerosene from the West Coast instead of using tankers. Of course, it was a shortage of shipping--this was another bad thing--and particularly of tankers. So you had to move in drums--expensive, slow, and never satisfying the market.

It was probably not until about late 1946 or early 1947 when things were restored to normal--tankers coming in; tankers discharging; no more drum shipments and that sort of thing.

Then I went down to Shanghai, and this was in 1949. Then I went on home leave.

Marcello: I have a couple of more questions at this point.

McMillan: Yes.

Marcello: What was Caltex doing relative to, let's say, reparations for damages and things of that nature? Was there any activity or any steps being taken by Caltex to obtain reparations for war-related damages?

McMillan: The man who can answer that question is Howard Yergin. I suppose that Caltex was doing just like anybody else--trying to get war reparation from the Japanese.

Marcello: But you had no direct knowledge of that?

McMillan: No,

Marcello: I have another question at this point. You were mentioning the rampant inflation awhile ago. What effects did that have upon Caltex's sales?

McMillan: With the inflation, of course, the price of petroleum products soared in order to protect us. Then it got to the point, of course, in the latter days of the Kuomintang that there was a shortage of foreign exchange. In other words, you had to pay your supplier. Caltex (China) had to pay Caltex (New York) for any products that they got, and that was getting

tougher and tougher. There again Howard Yergin can help you. Howard is a financial man, and he was in China. The price of lubricants and petroleum products went up--just like bread and rice and everything else--in order to protect us so we could buy replacement stocks. It was far worse than Germany was after World War I. It was incredible.

Marcello: Okay, so you go on leave in 1949. At that point--and we've got to be careful and not look too much in hindsight--but at that point, if you can put yourself back in 1948, could you possibly see the handwriting on the wall so far as the Kuomintang was concerned?

McMillan: Oh, yes. There were already rumblings and signs of disorder, signs of defection, by these warlords, but the foreign community just didn't think that anything could happen. Everybody was so complacent, you know: "Nothing could happen in China! Forget it!"

Marcello: You were almost living in a dream world.

McMillan: Oh, yes, indeed. Absolutely. At Shanghai in 1948, there were nightclubs, big restaurants, hotels, golf clubs. We were living the "Life of Reilly," really. It was a great life, in fact, even in 1948.

Marcello: Were you receiving any news or information about the relative strength of the Communist armies?

McMillan: Phil LeFevre was, yes. He was being kept informed by the American ambassador who in turn got his knowledge from the

U.S. military. He in turn would pass it on to the heads of the American companies, and then Phil would call us into a meeting and say, "This is what the ambassador said today."

Now, mind you, we were getting close. This was late 1948, and I went on my leave in 1949. I left Shanghai in early 1949 on leave. I went home on leave, and then I got back in early April or the middle of April. By this time, of course, the Communists had already moved. They had moved from the south to the north.

So then on May 25, 1949, the Communists moved into Shanghai, and they took over the city. But prior to that, we started trying to repatriate as many people as we could--our Russians, our Britishers, our Eurasians. We were trying to get them out of China, and we were trying to place them with jobs in Hong Kong, Canada, Australia, and wherever we could. We were giving them money--termination benefits and everything. They had to get out, especially the White Russians.

Okay, so then I get back to Shanghai, and on May 25 the Communists come into Shanghai. They were dropping leaflets from their planes and begging the foreigners to remain, to help stabilize the economy--just to stay and do your job and everything will be fine and rosy. Well, this was a lot of malarkey. So BANG!! The Kuomintang is gone, including Chiang Kai-shek. They've all fled. They stole all the

treasures of China and moved them to Taiwan. It was a bloody mess. The Communists were firing on Shanghai, and shells were dropping all around, but there was no big damage.

So then New York instructed all the Caltex Americans to apply for exit permits, to get out. The Communists already had the government in Shanghai. So we applied. I got the first exit permit to leave. Well, it was one thing to have the permit and another thing to get the transportation.

The next thing that happened was that our union, which was headed by a file clerk--his name was Zi Ding-fong; I'll never forget him--together with about ten or twelve other laborers from our terminal, people who rolled drums and this sort of thing, threw a roadblock in the way of our exit plans. They were all Communists, card-carrying, and they were the head of the union. We had never recognized the union, and no main agreements had ever been reached with these people, although they were trying to get it all of the time. Jim Voss used to work on this. Jim was a lawyer in Shanghai, and he was working in our legal department and dealing with the union.

So the union said that all of the Americans who could get exit permits would be permitted to leave, except for four people. They wanted four Americans to be held in Shanghai, but all the rest could go. So then came the question of who was going to stay. Hans Bieling at this time was the number

one person because Phil LeFevre and Larry Lawrence, who was the general manager, couldn't get back. They were both out of the country. So Hans Bieling, who was an assistant general manager, was the number one person. He was in charge of the company.

So New York sent Hans a cable and said, "Okay, ask for volunteers." Hans called a meeting at his home on a Sunday morning--he called all of the American staff, called us all in--and read the cable to us from New York, and he said, "Do I have any volunteers?" Well, I was not married, and I had just returned from home leave, so I said, "Okay, I'll stay." George Rockholtz was another. He was a German, but an American. He raised his hand. Another American, "Stu" Marshall volunteered; and another American, Blaine Hollimon, a lawyer from Dallas, agreed to stay. So there were the four of us.

Then Bieling cabled New York and advised them that he had the four volunteers, and he named them. Then New York came back and said that I was to be in charge of a defunct company. It took about six or eight months, finally, for everybody to get out. Then at this point in time, there were only four Americans left--the four of us.

Marcello: In the meantime, what activities are you undertaking relative to the operations and business of Caltex?

McMillan: It came to an actual standstill, maybe except for supplying a couple of service stations so that the public could have

some gasoline. Only a few were driving cars, however, because the Communists had the city, and all of their troops were everywhere in the city. It just stopped--not only for us but for our competitors as well.

Marcello: And the only stocks that you have are what were there.

McMillan: They took them over. This was the next thing that happened. "Stu" Marshall was a former Standard Oil of California man, and he was the head of our shipping in Shanghai. We had a big shipping department there. Blaine was a lawyer; Rockholz was an Americanized German who had been the Shanghai district manager.

The problem was that then we were faced, without choice, of having to negotiate with the union. These were Communists, without a doubt. When the Korean War broke out and the United States went in...we had a big foyer in our office. On the street and inside they placed great big posters showing American soldiers bayonetting women and children and all this sort of thing. So I got a hold of "Stu," and I said, "You tell the head of union, Zi Ding-fong, that all negotiations are off until those posters are taken down." I said, "The Americans aren't doing that sort of thing."

Well, it was about two hours later that I got a call from the foreign office of the Communist government, and, of course, you had to go. I had D.F. Lee with me; I'd brought him down from Tsingtao. So we went, and Li Ding-fong, or

D.F. Lee, as we called him, did the interpreting. I was told that this was China, that this was Communist property, and that nobody had to take any posters down whether I liked it or not. What could you do? I mean, that was the end of that. The posters stayed up, and I went back with my tail between my legs.

Marcello: Are you people essentially under a house arrest?

McMillan: Absolutely, but more of a city arrest.

Marcello: What kind of movement did you have relative to getting around the city?

McMillan: No problem. Of course, we had gasoline, and we had our own cars, which we could operate. But there's nowhere you can go; I mean, there aren't any roads out of Shanghai to go anywhere. You could move within the city without any problems; you could still go out to the golf club and play golf.

Marcello: I'm even surprised they allowed you to enjoy that capitalist luxury.

McMillan: Well, eventually, of course, they took over the golf club, and then they took over the French Club and the American and British Clubs and the Columbia Country Club. It just took them time to get organized to do what they wanted to do. They took over all of those houses that we had built.

I used to be called down to this foreign office regularly. You'd go before a court, and it was always three judges.

These are young kids--sometimes two girls and a boy. They'd sit there with their hats on, in their soldier's uniform. There'd be two girls and a boy, two boys and a girl--always three. I would be called, and they would say, "The People's Government has today requisitioned your property in Hankow." Then I would say, "Please, may I have a receipt?" They'd say, "You must trust the People's Government." So I got nothing. But they were just telling me that they had taken over all of our stocks, all of our properties--company houses, company furniture--everything. Then I'd be called in and told, "We have taken over your property in Tsingtao." "We have taken over your property in Nanking." "Tientsin." This went on until they eventually had the whole thing.

So in the meantime, our negotiations are going on with the union. These were long-winded, stupid meetings, but we were trying to reach some kind of an accord. We, in the meantime, are running out of money, and the U.S. Treasury Department forbade any transfers of money from the United States to China, no matter for what.

Marcello: You're living on petty cash, in other words.

McMillan: Well, we were running out very rapidly. Then the big problem was, if we could reach agreement with the union, where were we going to get the money to pay? This is the most amazing thing. Anyway, after months of negotiations, we finally got the thing down to the point where--and I

can't remember this accurately, but it should be on file in Dallas somewhere--the settlement or the agreement was completed. I think it included three months' pay for each year of service, one month travel pay, one month in lieu of notice, one month for sick leave. So there was six months for a man with one year. This was astronomical because we had probably seven or eight hundred Chinese employees. This applied to all of China, not just Shanghai. So where are you going to get this kind of money? You couldn't get it from the United States.

Marcello: Your whole organization is essentially dissolved; in a sense, you have nothing left.

McMillan: Yes, nothing.

Marcello: It's almost a fantasy land or something like that.

McMillan: We had installed equipment at the Shanghai Power Company, which was a big power company right on the Hwang Pu River. We had negotiated and obtained the fuel oil contract before the Communists came to supply the fuel oil that they used in their burners. We had these two 100,000-barrel tanks--huge tanks. They belonged to us, but they were situated on the Shanghai Power Company property. The reason we had built them there was because we could bring in ocean tankers and discharge the fuel oil into these without having to put it into our terminal, move it over there, and so on. So these big two tanks were standing there.

The Communist government had no obligation--none

whatsoever--but they decided to buy these tanks instead of requisitioning, as they did all of our other property. So we received a billion, two billion, whatever it was, Chinese Communist currency, to pay our staff. So the Communist government really financed the termination benefits. So we paid the staff off.

By this time, the four of us were running out of money. Hollimon got sick, and they let him go. The Communists said, "Okay." Oh, yes, this is funny. They let Blaine go, providing we would bring somebody back in in order to maintain the status quo of four people. So Jim Voss, who was in Hong Kong, volunteered to come back into China. When I mentioned Jim Voss's name to Zi Ding-fong, he said, "No, we will not have Voss." See, Jim was tough with them. In the legal department, he was handling our affairs. So Zi Ding-fong said, "No, we will not accept Voss." Okay, we went with three people. That left "Stu" Marshall, George Rockholtz, and myself. There was also my secretary, who was German, but more American than German--a first-class secretary. I hired her in Tsingtao. So they wouldn't accept Voss.

Anyway, Voss and Yergin used to play golf together a lot in Shanghai; they were good friends. Before they left Shanghai, Howard said to Voss, "Would you stay here with the Communists? Would you consider that?" Voss said, "Well, yes." He was probably making about \$300 a month.

He said, "Well, yes, if they'll pay me about a thousand dollars a month tax-free, put me on a 100 percent expense account. Yes, I might stay." Well, he didn't, and neither did Howard. Everybody that could get out got out. Then when they got down to Hong Kong, and Howard then found out that Jim had volunteered to come back, Howard said to Voss, "Jim, what made you change your mind, that you'd volunteer to go back to Shanghai on your regular salary and everything?" Voss said, "Well, I'll tell you. I'm interested in continued employment." Howard tells this story (laughter).

Marcello: In the meantime, are the Communists harassing you in any way with bodily harm or physical harm or anything like that?

McMillan: No, but what they used to do...I lived in a big company house that used to be Phil LeFevre's house. It was a beautiful, big house in a very nice neighborhood, a foreign neighborhood, of course--in the French Concession. So I lived in this great, big house all by myself; "Stu" lived in another company house not very far from there; Rockholtz lived in an apartment in the Picardy. What used to happen was at the house...the Chinese, as a rule, were always very courteous people in dealing with foreigners--polite. But now a couple policemen would come to the house, say, at six o'clock in the morning with their hats, and you'd offer them tea. They'd say, "Oh, no." Then they'd ask, "Do you listen to the Voice of America?" I'd say, "Yes." They'd respond,

"Well, you shouldn't listen to the Voice of America. It doesn't tell the truth." Next they'd ask, "Why don't you leave?" I said, "Please, if you can help me, I'd be grateful." So I'd get these fellows maybe twice a week in the morning, always in the morning around six o'clock.

Of course, while all of this is going on, we'd been pestering the foreign office for an exit permit. We'd make applications--trying to get an exit permit--because some foreigners were being permitted to leave. But we weren't, and neither was the head of the Standard Vacuum Oil Company or Shell. Even after we had settled with our union, we weren't permitted to leave--even though we'd paid everybody off.

Then another thing that happened was that...we were reporting to Hong Kong because Hong Kong had access to New York. So New York wanted to get, if possible, our balance sheets showing our inventory--in other words, what buildings did we own, what this did we own, what that did we own. But prior to New York making that request, the Communist government put what they called a controller into our office building. We still had a staff, maybe, of fifteen or twenty people, including D.F. Lee and my secretary and a few others. So they put a controller in, a Chinese Communist controller, and we couldn't spend any money without his approval. No checks could be written, no nothing. He had to countersign everything. He made the

rules for the operation of our business--what there was of it--and he didn't know the first thing about it. Anyway, one rule that he put in was, "You are not to mail anything to Hong Kong or New York without my seeing it." Well, that's great (facetious remark). We could still communicate with Hong Kong by telephone.

Marcello: I was going to ask you about that.

McMillan: Yes, we could. So New York wanted these balance sheets so they could see what they had. Mrs. Boettcher, my secretary ...she was divorced. She later married "Stu" Marshall. Anyway, I told Ursula to go out and get herself some white gloves, so she went out and bought herself some white gloves.

Shanghai's a big city, of course, and they've got mail drops like we have in this country--mailboxes. So we would take copies of our balance sheets and inventory sheets, etc., put them in envelopes, address them to a phony address--not to Caltex--to, a phony address in Hong Kong, and she would go around with her gloves--there were no fingerprints--and she would drop these things. We got away with this for about a month-and-a-half.

Then D.F. Lee came to me one day, and he said, "'Mac,' are you mailing anything to Hong Kong?" Well, I knew he knew, and I said, "Yes." He said, "Well, they know it." The controller had called in D.F. Lee, and he said, "You tell Mr. McMillan that we know he's mailing these reports

out, and he's to stop this immediately." Well, needless to say, the controller and I never discussed it, but I stopped it. And Ursula was taking a risk.

Then what we did to get money was, we had Hong Kong remit \$3,000 a month, in Hong Kong dollars--which was not bypassing the U.S. Treasury Act, because these were Hong Kong dollars coming in--to buy our bread and butter. So with the \$3,000, we gave Ursula some money for her to live on and some for D.F. Lee to live on. We split this \$3,000 up.

So then we were getting desperate, the three of us, about how we were ever going to get out of here. Not only that, but American friends of ours were being picked and slapped into jail for no obvious reasons. Well, I know one of them got slapped in jail for a reason, but they were going to jail, and that was the end of them; I mean, you couldn't communicate. You couldn't talk to them; you couldn't send them medicine. You couldn't do anything. In fact, I had to sign for one who was sick and had to come out. The police made me sign for him. Then he got medical attention, and they slapped him right back in jail again. He was a sick man. He lost his mind, eventually. Anyway, the three of us were getting desperate. We didn't know what to do. So I made a deal, and I got three Portuguese passports--legitimate Portuguese passports--issued by the Portuguese consulate. I paid for them, of course. That's the "squeeze."
(laughter)

Marcello: You anticipated my question.

McMillan: So we had these three passports, and then we...Shanghai is situated in such a way that...there's the Huang-p'u River, and right across the river there's a big island, Pootung, and across, on the other side of Pootung, is the Pacific Ocean, and ships go back and forth.

So we bought three big suitcases, filled them full of medicine, clothes, and so on. That was for the three of us. Then the manager, who was a Britisher with the National City Bank of New York, heard about this and wondered if he could join us. So we said, "Okay." Now this was all done through a British lawyer who had a contact with a Kuomintang general who was still in China; in other words, he was underground. He had coal ships that operated from Shanghai's side to Pootung's side, and he had trucks that operated in Pootung. So a deal was made, and I got New York's approval that we would pay \$10,000, U.S., per man to get us to Hong Kong.

Marcello: Where were you going to come up with that kind of money?

McMillan: Oh, New York would pay, or it would be in Hong Kong dollars-- either way. But that was to get us out. The Communist government was not benefitting from that because they wouldn't get their hands on it.

So it was getting close to the time when we were going to make the run for it, at night, and go across the river

in sampans, then get into coal trucks, then go over to the other side, get onto one of his ships that goes to Hong Kong; and then Hong Kong arranged a rendezvous with the United States Navy between Hong Kong and Shanghai so we could be taken off the Chinese ships and put on an American destroyer. The British consul general in Shanghai was looking after all the American affairs.

The British consul general called a meeting of the British community, and following that he called a meeting of the American community. The British community was maybe 120 people; the American community was maybe thirty or forty. I got hold of Nelson Bates, who was the head of the Shell Company, after the meeting--he had attended this meeting--and I said, "Nelson, what was the meeting about?" He said, "Oh, some silly comments about some Americans and one Britisher trying to escape." He said, "It's just a lot of garbage, a lot of nonsense." But the message from the consul general was that if this was attempted, it could have serious repercussions on the people remaining, etc., etc. Well, the American meeting was after the British meeting, but I already knew what the meeting was about because Nelson had told me.

So we went to the meeting, and this man--oh, he was a funny little man--said that he understood that there were three Americans and one Britisher who were planning an escape,

that his information came from Hong Kong. Of course, it was a leak in the National City Bank. He said, "If this escape goes through, there could be serious repercussions for the people remaining in Shanghai." He said, "I'll personally see to it that the British subject will never get a passport again, and I'll have the British government use its influence with the American government to see that the Americans never get a passport to travel again."

So when the meeting was over, I went to Cornell Franklin, who was the dean of the American community--he was a retained Caltex lawyer--and I said, "Cornell, we're the three Americans." He said, "I suspected that," I said, "What do you think we should do?" He said, "Well, I think you should go ahead and try it," I figured he'd say, "Don't do it," but he said, "I don't think there will be any repercussions." But he said, "You must understand that you're taking a terrible risk. You're putting yourself into the hands of an unknown general--you don't know him--so you'd better give it some very serious thought." So the three of us sat down, and we thought about it some more, and figured we couldn't do it. So we tore up the passports, we threw out the suitcases, and that was the end of that.

Then eventually, one morning, our name was in the little paper that came out once every two weeks, and it said that McMillan, Rockholtz, and Marshall could come and pick up

their exit permits. No reason, no nothing, was given. So we got our exit permits, had them in hand. We'd been packed for months, ready to leave anytime.

"Stu" was a Mason--you know, the Masonic lodge--and some Chinese friend of his asked him to take out one of these little hats that the Masons wear in their meetings. So "Stu" said, "Sure, I'll take it." So he put it in his suitcase. We get down to the railway station the morning before we were due to leave so that our baggage could be searched. So "BANG!" Here come's this "bellboy" hat. "What's this?" You know, with the Chinese Communists, anything that's secret is forbidden. So "Stu" said, "Well, that's a club, an organization." "You meet?" "Yes." "Secretly?" He didn't dare lie--"Yes." "Okay, take the baggage and put it in the storage room." So I thought, "Oh, God, here goes our exit permits!" (laughter)

So we left the railway station, and we contacted every Chinese we knew of any influence; and one of them was quite influential, even with the Communists, because the Communists still had to work with people who were not associated with the Kuomintang but who were prominent business people in the community. We got hold of this one friend of ours and told him what had happened. He called us about midnight that night and said, "It'll be okay. You can go down to the station tomorrow morning, and you'll be able to

go on the train."

So we went to the station the next morning, and, sure enough--they kept the hat, of course--thank God, we got on the train. Then we got down to Hong Kong. We had to stay in Canton, and we got searched again. We were also searched on the train. I mean, it was just incredible.

Marcello: When approximately did you finally get into Hong Kong?

McMillan: It must have been February of 1952, I would think. January or February of 1952.

Marcello: So you were essentially in China under...

McMillan: From 1949 until 1952.

Marcello: ...house arrest from 1949 until 1952.

McMillan: Yes, that's right--city arrest.

Marcello: And during part of that period of time, you were in essence being supported by funds which were coming through the Hong Kong office.

McMillan: From the Hong Kong office.

Marcello: From the Hong Kong office. There was no problem at all in the movement of that money?

McMillan: No, because, actually, the money was in Ursula's name because she was a German citizen, and it went into the... whatever bank...I guess it was the Hong Kong-Shanghai Bank. Yes, it was the Hong Kong-Shanghai Bank. It was still functioning; they had some Britishers there. So it would be transferred from Hong Kong Bank in Hong Kong to Hong

Kong Bank in Shanghai, and then she would write checks on it. That was never questioned. The Communists must have suspected something; "How are they living?" But I guess they just didn't want to interfere.

Anyway, we got to Hong Kong, and the CIA, the FBI...my God, it was endless. Then we came on home, and that's where I saw Marge, my present wife, in 1952. She was a Pan-American stewardess, and I met her in Hong Kong. Then we were married in 1952, and then I got sent to the Philippines.

Marcello: Okay, now is this when you were made superintendent of refined oils, and then later on you were made the manager of refined oils?

McMillan: No.

Marcello: Were they your titles?

McMillan: No. Superintendent of refined oils...or maybe they called it manager. At one time it was superintendent, and maybe they changed it to manager, but there were never two at the same time. In other words, either you were the superintendent or the manager; it was the same thing. Then I was made temporary general manager of the whole company, so I could deal with the termination pay and all the rest of that.

Marcello: How much leave time did they give you before you got this new assignment?

McMillan: Oh, let me see...I got back to New York in...let's say I got home in February of 1952. I must have had, say, March,

April, May; I probably had maybe at least four months' leave, at least. Marge and I went to Europe on a trip. We traveled around Europe, and that's when I found out I was being assigned to the Philippines. So we went to the Philippines, and I was made the manager of, again, refined oil sales. In other words, that person in that position handles gasoline and kerosene and diesel oil sales, because those are what we called refined oils. Well, we also handled fuel oil. It excludes lubricants and roofing and specialty products and all that sort of stuff.

Marcello: So in other words, you're still in the marketing end of the operation?

McMillan: Oh, yes, that's right. Anyway, we were in the Philippines for four years--from 1952 to 1956--and then we were transferred to Paris.

Marcello: Now during this time while you were in the Philippines, what would you say was the most significant activity that was being undertaken there? I do know, for instance, that you were there during that period of--what I would call--Caltex refinery expansion all over the world.

McMillan: Yes, that's right.

Marcello: What was taking place in the Philippines? What of significance was taking place in the Philippines during this four-year period?

McMillan: Well, the most significant thing was that we built the

refinery in Batangas.

Marcello: The one in Batangas. What association would you have had with the construction of that refinery? What input would you have had?

McMillan: I would have nothing to do with the construction of the refinery. My input or my relationship to the project would be the forecasting of what the gasoline, kerosene, diesel oil, and fuel oil requirements were going to be year by year so that the engineers could start the refinery with this requirement, then moving up to this, then moving up to this, and then moving up to that. So my basic relationship to the refinery was forecasting of product requirements. That was essentially it.

Marcello: And then Dittus and his boys, I guess, would build the refinery on the basis--at least, in part--on the basis of your recommendations or your forecasts.

McMillan: This is right. It had to be. This was the gut part of it. In other words, you build to meet your product requirements. Somebody had to be responsible for making the estimates for those product requirements, and that's where I came in. Then, of course, that information is fed into the refining department, who in turn designs the refinery to meet those requirements.

Marcello: Now this was a very significant refinery here at Batangas, was it not? I think they continued to expand that over a

period of years.

McMillan: Oh, absolutely. There's no question about it. It has probably tripled since I was there. That's a rough guess, but I wouldn't be surprised.

Marcello: When you were there, by that time had Caltex reestablished its whole network? In other words, again, we're up to 1950-52, and the war was over in 1945...I'm assuming that most of the damage from the war and so on had all been repaired, replaced, or whatever. It's back in operation.

McMillan: Yes, that's right. By the time I got there, Caltex was in full swing, and Caltex, in my judgement--not that I'm prejudiced--was a more prominent leader of the oil industry in the Philippines than either Shell or Standard Vacuum.

Marcello: What do you think was responsible for that?

McMillan: Well, I think, for one thing, our managing director was a Dane by the name of Roesholm, who helped the prisoners-of-war in the prison camps during the Japanese occupation, and he had good connections with the government. Also, I think we were more aggressive than either Shell or Standard Vacuum. For example, we built a big new office building--our own. Formerly, we had been occupying space in a bank building there in downtown Manila. I never really saw the new building--I saw all the plans and everything--because it was finished in 1956, when I had already left. But it was a great, big, private Caltex office building.

We had a very good share of the market--I would say it was probably fifteen to eighteen percent--and it was a very profitable operation in the Philippines. We never had trouble with getting remittances from the banks, although from time to time there would be a shortage of foreign exchange. You're not seeing Frank Zingaro, are you?

Marcello: I had hoped to see him during this trip, but he was not in town, so I will not be able to see him.

McMillan: Well, anyway, Frank was our fiscal manager in Caltex (Philippines), and he dealt, of course, always with the remittances and all of the accounting features that were pertinent to the company's operation.

But, yes, Caltex was aggressive; we kept moving and getting things done. Again, it was the same setup as in China and India--head office, district office, sub-stations

Marcello: With the same objective, that is, increasing market share.

McMillan: Yes, always.

Marcello: So essentially, then, would it be safe to say that the company sent you to the Philippines in this capacity, first, as a promotion and, second, because of your expertise and experience in marketing?

McMillan: Plus the fact that they didn't have a position of manager of refined oil sales in the Philippine organization. We had that position in the China organization, and we had that position in the Indian organization, but they didn't

have that position in the Philippine organization. So there was a vacuum, and here I was, in effect, unemployed and having just come out of China, so what are they going to do with me? They could have put me in New York, of course, but I guess they decided that maybe it was time they did have this position filled in the Philippines, so that's why I got the assignment. Rockholtz went to Bangkok as the manager for Thailand. Then Blaine Hollimon also ended up in the Philippines as head of the legal department there. Blaine then took early retirement. Of course, he and Jim Voss were very close because Jim worked for Blaine. Blaine came to visit me in New York after he retired, and he said he wished he'd never done it; he'd like to have a chance to come back. But the company couldn't take him back. So Blaine went back to Dallas, and he just died. Then "Stu" Marshall and Ursula got married, and "Stu" worked in New York for a while. Then he took early retirement, and he and Ursula were living in Majorca, and then "Stu" died there. Then when I went to Germany--Ursula was a widow living in Germany--I got her on the phone out of New York, and I said, "Would you like to be my secretary in Germany?" "Oh, when are you coming?" (laughter)

Marcello: It's funny how things work out.

McMillan: Yes.

Marcello: When you were in the Philippines, had the company at that

time already initiated a policy of trying to move the Filipinos or nationals of other countries or other affiliates, into, let's say, middle management positions, management positions, and things of that nature?

McMillan: Oh, yes. We had several Filipinos, and most of them were extremely capable. We had them in middle management. In fact, Roxas was, you could say, in effect, practically in top management. We had quite a number who had senior positions, and we were always trying to groom others to bring them along because in the long run, it made sense. If you consider the expense of American personnel as compared to people who lived there--no home leaves, no benefits, no this, no that--the company's cost for salaries would be depressed significantly by having the locals fill the positions.

This was also true up until about four or five years ago--maybe a little longer--in Europe. It's no longer true. Now you have to pay the Europeans even more than you have to pay Americans. The salaries are much higher. For example, in Germany, if you're the managing director, say, of a big company like Caltex, and you're a German, you'll be making a much higher salary than if you were an American. Maybe you wouldn't get some of the benefits, but in terms of the salary, the relationship is much better for the locals.

Up until recently, the man in Australia was an Australian; the man in South Africa, who is a very good friend of mine--

I used to handle South Africa out of New York before I retired --is South African, not an Afrikaner. In most of the other countries, like, in Tanzania, Uganda, and Kenya, we still have American personnel. Maybe it's only one or at the most two--the manager and the accountant.

So, yes, we brought the Filipinos along, and, in fact, we even brought a couple of Filipinos from the Philippines into the New York office to do management jobs in the New York office, and they functioned very well.

Marcello: This also seems like it makes good sense relative to establishing a smooth working relationship between the Filipinos themselves and the government and so on and so forth.

McMillan: That's right. The government, of course, encourages the foreign companies to promote within--the local people. But then every once in a while, you can run into a lot of trouble, I mean, the jealousies between the natives themselves.

Marcello: And then the company gets caught in the middle.

McMillan: That's right. And the Filipino people are very volatile. That can get into terrific rows--shouting and anything. I imagine that in the Far East, at least, we did more of that than anywhere else in the company. In the Philippines we did it.

Marcello: In 1956, it seems to me as though in one sense there's a real shift in the direction of your career in that for the first time during your time with Caltex, you're sent to

Europe. Is that correct?

McMillan: Yes.

Marcello: You became the assistant to the resident director...

McMillan: ...in charge of marketing.

Marcello: ...in charge of marketing in France.

McMillan: Correct. Actually, politics come into these sort of things (chuckle). The man who had the job in Paris before me was a man by the name of Gene Menefee, and I'd known Gene for years. I knew him, to begin with, in China. If you'll recall, I was talking about marketing operations. Gene Menefee was a marketing operations man. We had these big terminals, like, in Shanghai--a tremendous area of land--with tanks all over the place, and warehouses. It was a big job. Well, the man in charge of these things was called the terminal superintendent. Gene had been a terminal superintendent for many years. Then he moved into the marketing operations department in the head office. Where did he get into marketing? I have no idea. He moved, anyway, from marketing operations into marketing as such. The only difference between them is that marketing operations builds things and marketing sells them. Anyway, Gene had the marketing job in Paris. Bob Monical was the general manager in the Philippines under Roesholm, who was the managing director. Bob Monical and Gene Menefee were old friends from China; they had worked together in China, very closely.

I didn't know Bob very well in China, but actually I did work for him for a brief period of time when he was a district manager in Shanghai. I knew Gene because he also came to India in marketing operations. Anyway, Monical wanted Menefee to come to the Philippines because Monical knew he was going to be moving up as managing director, and there was going to be this general manager vacancy. So through New York and so on, it was arranged that I would go and replace Menefee; Menefee would come and replace Monical, who had moved up to managing director. That is why I was sent to France as assistant to the resident director.

Marcello: You really didn't stay there that long, did you?

McMillan: No. We got there in 1956; I think we left in 1957 or 1958.

Marcello: 1957.

McMillan: Was it 1957? Yes, late 1957. It must have been at that time, I think. I don't know. It wasn't very long, and that's when I was mentioning awhile ago that Laurie Gordon came through Paris and said that Fosque wanted me in New York. And I said, "No way." This would have been my first exposure to the New York office. But there was no getting out of it, so I was transferred back to New York. I went back as what they called an area manager.

Marcello: Is this for the western Mediterranean area?

McMillan: Yes, that's right. You must understand that in each of these...where I was an area manager, I reported to an assistant

general manager, who reported to a general manager, who reported to Fosque, the president of Caltex West. So it's quite a way down the line. You've got the president; you've got a general manager; assistant general manager; area manager. As area manager I was responsible for a certain geographical area, and I'd report to either the assistant general manager or the general manager. It didn't make any difference; we all worked together. That included Portugal, Spain, Switzerland, France, Italy, Greece, and Turkey. I guess that's it. Italy was a big operation; Portugal wasn't very big. Spain was only for refining. We had a big refinery in Spain which was jointly owned by a government body and ourselves. Basically, we weren't doing very much in Germany at all. France, yes, we were big there. There again it was a wholly-owned company, but it was a French operation. We, of course, got the profits from the crude sales and so on. Rockholtz was in charge of Switzerland, and that was not a big operation. Greece, also, was not very big. In Turkey we eventually decided to go in and build a refinery with the Turkish government as our partner. It worked out very well. I think the agreement has been terminated now.

You know, New York is essentially a post office. In other words, the field officers come into New York with cables--mostly everything is done by cable or telephone--and there's not much mail correspondence. All the budgets are

approved in New York; personnel changes are approved in New York at a certain level; policy is determined by New York. New York basically runs the operation, except for the day-to-day operation. In other words, this is what the field's always raising a fuss about: "Get New York out of my hair!" Actually, it depends on who is looking after you in the New York office. If you've got some guy that's a stinker, he can make life hell for you; and if you've got a real nice guy, then you're lucky.

So in any one of these three positions that I just outlined in New York, there is a certain amount of foreign travel that is required. You have to make trips into the area to see what's going on--talk to the people, sympathize with them, advise them, help them with their budget problems--the whole scam of the thing. Theoretically, you have more experience than they, but simply because, let's say, you were the manager of refined oil sales in India, what the hell do you know about South Africa? But there are some people that will take the position that they do, which is really not right.

We really do try to give the field as much authority as possible, and as the years have gone by, the authority of the managing director in the field has been increased very substantially. When I retired, let's say that the managing director in South Africa might have had the

authority, say, up to \$50,000. I think now it's \$500,000. It had to be a budgeted item, of course, approved by the board of directors, but he could go ahead and spend within the \$500,000. I'm not sure of these figures; I'm pulling them out of the air. But then let's say he has the authority to spend another \$200,000, which had to be budgeted somewhere. For every nickel he spends, it's got to come out of some budget--an expense budget, an investment budget, or whatever. The field is getting more and more authority, but New York (now Dallas) still feels that they've got to stick their nose into things because basically the chairman of the board is responsible to the two shareholders, and he doesn't want to be caught in the trap of saying, "Well, I didn't know about that." He's got to be able to say, "Yes, I'm aware of that," or he can be in trouble. So it's a two-way street, really. You have to work very closely together with the field organizations.

I think traveling to the field is an essential part of the operation because otherwise you can get out of touch, and the top management in New York cannot afford to get out of touch with what's going on in the field. We've had some managing directors, you know, that are deceptive--I mean, deliberately. They're not being crooked or anything, but they want to build something, and they don't want anybody to find out about it until it's approved and so on. Well,

this is where some of them get into trouble. As I said, New York is a mailbox.

Marcello: I have two questions I'd like to ask you at this point. First of all, did you find that being assigned to the New York office was a real learning experience for you, and did it give you a better understanding of the problems the New York office perhaps encountered and why it did some of the things it did to people in the field?

McMillan: Oh, yes, there's no question about that. I was concerned and worried about going to the New York office because I didn't know anything about the operation, and I knew very few people. But then after I'd been there for six or eight months, everything sort of fell into place. I mean, you knew where to go to find out something; you knew how to handle something if it came up in the field; you were able to understand and see why the channels of command went this way and went that way and why personnel changes were made. Yes, it was a learning experience, and other than losing the benefits of the higher income of living abroad, the work, I found, was more interesting. For one thing, if you're a managing director in the country, you have that country, whereas if you're in New York, you had several countries. So you've got different problems surfacing all the time.

Marcello: I guess in one sense, if you're a managing director in a country, you perhaps have a tendency to get what military

people call "localitis." You only see things from the standpoint of your country, period.

McMillan: Yes, that's right. For example, "Vin" Ryan, who just passed away a few months ago..."Vin" was left in India for twenty-five years. Now that to me is wrong. I think maybe five years, ten years at the most, is long enough because then, say, with ten years, you can draw on your experience. But then if you're going to go anywhere in the company, really to get anywhere up above, you're going to have to broaden your spectrum. You're going to have to have a broader vision of how does it work and why does it work.

We've had one man who was very fortunate--Dick Wrigley, who's retired now. Dick worked in China; he worked in Belgium; he worked in South Africa. He was a managing director in South Africa. They brought him into New York, and he worked in the New York office in a senior executive position. It just drove him crazy. He kept fighting with management: "I want to go back to South Africa!" And they sent him back. Dick had a lot of influence, and he was determined. I've forgotten who the chairman was at the time, but he said, "All right, Dick, we'll send you back. So he took certain disadvantages by going back to South Africa, but his friends were all there. That was a case of a man who had exposure.

Roesholm, for example, was in the Philippines for years, even until he retired; Phil LeFevre was in China for years.

Now they're moving people around more, younger people particularly. Fletcher, a South African, who's the managing director in Capetown, has been there all of his life. Well, no, Dennis worked for me in New York as my assistant for about two years.

That's good exposure for a number one person in the field or whoever--to bring him into New York and let him work in the area that covers your country. In other words, say, if you're in Bangkok, and I'm in charge of Bangkok, you would come in and work in the Thailand area. That's good exposure because then you see why New York makes the decisions that it does. You have a much better understanding. Lots of times, it used to drive me up the wall. I used to have to go to board meetings when we presented budgets. You have two shareholders from Texaco and two from Standard Oil of California, and they'd sit in on these budget meetings, plus our chairman of the board and the president of our company. Then the regional people, such as I was, had to make a presentation of why you want this money. It starts with the field, of course, and then when it gets into the office in New York, I have to look at it, and I try to see what can be cut out--what is fat and what isn't. Then it had to go up to Hal Lewis, who was senior vice-president, and he says, "Why didn't you cut this out?" "Well, you can't cut it out." "Okay, I agree with you." So then you go to the board, and there you are, trying to sell South

Africa--why you need five more tank trucks. It was arbitrarily decided. A vice-president of Standard Oil of California was one of our directors. This was a few years ago. This man used to sit back and say, "Why do you need five trucks? Let's make it four. What do you say, fellows?" He'd say this to the Texaco guys. "Yes, make it four." "Okay." Arbitrary! And you've done all this work! You've cut that thing as much as you possibly can, trying to preserve what the field is looking for but which they can't get if they don't have the tools. Then these guys sit around and say, "What do you say, fellows? Let's cut 'em."

Marcello: During this period that you were in New York, that is, between the time that you were in Manila and the time that you went to Germany, did you observe any long-range strategies or policies developing that you can think of?

McMillan: Between the Philippines and where?

Marcello: The end of your time in the Philippines and your appointment as managing director of Caltex (Germany). Could you see any long-range plans or policies emerging at that time, or strategies, within the company?

McMillan: No. I suppose you could say that if you looked at Japan, yes, indeed, there was a great deal going on, as far as Japan was concerned, on long-range basis with the tanker company, with the refineries that we shared with the Japanese. This was continually expanding. This was a

trend, in other words, building up the Japanese market to the maximum extent.

Then there was the refinery expansion program that you mentioned earlier, where we were building refineries all over the world. This was a surge in trying again to get market share. There were refineries in Turkey that we participated in, expansion in Capetown refinery, the Batangas refinery, the German refinery, the Holland refinery; the tanker program that was developing and the big tankers that were coming in. Yes, all of these things were occurring. You could just see that the company was growing and was just trying to do everything it could to put in the proper facilities in order to keep pace with the market or even to try to get ahead of the market, basically. The introduction of new products--new gasoline additives and this sort of thing, new lubricating products--advertising, public relations, getting in with the governments--these all more or less became guidelines to the field. In other words, this is what we wanted to have done. I met President Magsaysay in his office when he was the president of the Philippines; I've been in the foreign minister's office in Turkey dealing with the government. When I was in New York, Turkey was under me. I've dealt with high officials in the government of Germany. What's his name--the man who always had the ashes on his vest? Erhardt, this fellow was an

economist. When New York people go on trips into the field-- New York management people, I'm speaking of--it behooves them, and, in fact, it becomes a responsibility, to go in and call on high government officials. In other words, your managing director gains face by bringing the president or the chairman of the board of Caltex into the head of the government's office; and the heads of government like meeting these people. These men are in a position to talk about the United States economy, the United States oil industry--the big picture.

Marcello: And it's also important, is it not, to know who to see in those governments when you have a problem?

McMillan: Oh, absolutely! There's no question about it. That, you have to have.

Marcello: I guess we'd call it access.

McMillan: Access is right. Contact by all means has to be established, so that if you run into a problem that you think is insurmountable, you can pick up the phone and say, "Look, Joe, we've got a problem here. Can you help me?"

Marcello: Later on, of course, you get reassigned to India, and I would assume that, given what I have read about the Indian bureaucracy, you have to know the right people to get things moving in a country with a government such as that.

McMillan: No question. You have to be careful in these kind of things, particularly, say, in a country like India. The best method of dealing with that problem is through your own Indians.

Then when the New York executive comes, it's merely a face thing. In other words, you talk the time of day and the economy of the country, but you don't get involved. You leave it up to the local people--primarily the local Indians--to deal with problems that are rather delicate.

Marcello: This fact was confirmed in the interview I did with Mr. Fish. He said precisely the same thing that you're saying now relative to these kind of dealings.

McMillan: For example, I mentioned "Vin" Ryan, who had been in India for twenty-five years. "Vin" established good contacts in the government with Indians. But no matter how you address the subject or how you look at it, the relationship between an American and an Indian is never the same as it is between an Indian and an Indian. They know each other; they know how to react. Whereas, with an American, even if you're a good friend, they figure, "What's he after? What's he going to do? What am I going to get out of it?" Whereas, dealing Indian to Indian, he could make a deal where he gets a little "squeeze" even, and the American doesn't want to know anything about it.

As I say, the New York visitor should go and call, no matter what the purpose is, even if it's a courtesy call. It helps the field people.

Marcello: Well, again, I come back to your assignment in 1961 when you were appointed as managing director of Caltex (Germany).

Were there any special situations and so on that you encountered when you initially took this assignment?

McMillan: Well, first of all, I was new to Germany. I didn't know anything. Secondly, there had been problems with the company. Hans Bieling had been the head of the company. I had worked for him in India and in China. Then he was in charge of the operation in Germany. The company at that time had already made up its mind that, "Okay, we want to go into the German market." This was before I got to Germany. I got there in 1961; Bieling may go back to, say, 1957, 1958, somewhere along in there, 1959. Anyway, the company had made the decision that we were going to go into the German market. The German market at that time was a very lucrative market. Hans Bieling was heading up the company. We had no refinery. The Rotterdam-Ruhr pipeline was not in yet. Anyway, we were getting shipments of finished products into Hamburg, and then they were being routed or exchanged throughout Germany.

Again, it was one of these situations where the feeling was, "Well, we've made a decision, so let's go for it." There were a lot of independent chains of service stations in Germany, unlike many other countries. Some had five service stations; some had forty; some had 150. And they were all independent. We have them in this country; we have them right here in Colorado Springs.

So Hans found a company--the name is unimportant; I

don't recall the name of the company--but they had a lot of service stations, and they were well-represented. It involved several million dollars to buy this company, but it would get you off of the ground. So Hans worked on this and worked on on it, and he had the thing right to the point where he had set up a luncheon at a big restaurant in Hamburg for the signing.

At the very last moment, a cable came from New York to cancel. Here's all of this work that had been done, and everything had been approved. Then BANG--cancelled. It was Texaco, I think, that vetoed the deal, and for whatever reason, I have no idea. But it certainly upset Hans, and it got him into trouble with New York. Then they brought Hans into New York, and he was accused of various things, none of which, I am positive, he was guilty of, none at all. Nothing like money or anything like that, but making deals, you know, for service stations or something like that. Anyway, it resulted in Hans's separation from Caltex, and I felt very badly about this because Hans and I had been friends for so many years, and he was a good company man.

So the German company was in sort of an uproar, and it was a question of "how do we bring this thing together?" And we still had the objective of going on and buying service stations; this is what we were trying to do. There was also the fact that George Hargens had made this very lucrative

deal with Farbwerke-Hoechst, which was a big chemical company, and that tied in with the construction of the refinery. That was one of the principal reasons we built the refinery--because of that contract, which has all gone to pot, all finished. So not only did we now have a refinery, but we didn't have the service stations to get rid of the products. I even made a deal to buy prefabricated stations here in this country and had them shipped to Germany. Then the company that was making them here set up an office in Germany and started building prefabricated service stations for us. If we got a piece of land, it could be up in three days and in operation. This was important to us.

Marcello: So you were essentially doing on a larger scale what you'd been doing way back when you were in China and India.

McMillan: Oh, sure. It's just a progression on to a bigger scale.

Marcello: Instead of a section, you had a country.

McMillan: That's right--same thing. In other words, I became the head office. Here again, the pattern is the same. In Germany we had Munich, Hamburg, Berlin for a while, Essen, Frankfurt, and Cologne. We had six district offices. Again, it was the same pattern, but in Germany we didn't have any sub-stations, or sub-offices. We had the six district offices, who in turn reported in to the Hannover head office. So we had six district managers. They weren't district managers. We called them zone managers or area managers. I don't know

which, but it doesn't make any difference. But they had the responsibility for a geographical area, and the responsibility for getting a bigger share of the market--buy new service stations, get any deal you can.

So we were spending money like mad in German, and we were losing money very heavily because we were spending money and not earning the offset. Our losses were in the millions of dollars. It's no fun being the head of that kind of operation (laughter), but everybody was aware of what was causing these losses. You cannot spend millions of dollars buying service stations...when you switch a brand name, you lose customers. What you estimated that they were selling doesn't mean that you're going to sell the same volume, so you have to make allowances for the falling off of customers to another company.

Marcello: How far were you looking ahead in Germany, so far as beginning to turn a profit? Was that projected?

McMillan: Yes, we had to project it. You had to project up to a break-even point, and then you had to project beyond that. It's difficult to recall, but I would venture to say that we were hoping, perhaps within five or six years, to be in a profitable operation.

Then again, we'd have setbacks. The government controlled the prices, and if the profit margin was narrowed by a government decree, there again, of course, your earnings are seriously

affected. This happens all the time.

Marcello: So there are certain factors that are absolutely beyond your control.

McMillan: Absolutely. Right now, a classic example is South Africa. South Africa up to a year ago or a year-and-a-half ago was by far the most profitable operation in the whole Caltex system--by far. The currency was firm. In other words, it used to cost a \$1.09 to buy one rand. It went as low as thirty cents, U.S., the other day. So South Africa, instead of showing a profit, had shrunk to practically nothing because of the currency exchange. It's beyond Caltex's control. There's nothing to be done about it. It just works against the company. It takes more rand to buy dollars for remittance to the United States.

Marcello: I guess we're getting into the same problem relative to the high cost of dollars in Europe and so on now.

McMillan: Same thing. Absolutely.

Marcello: Government policies and that sort of thing are something that the company has very little control over.

McMillan: There's nothing you can do about it. Sometimes, without courting the antitrust laws, the companies in a particular country may group together. The heads of those companies may call on the government's chief executive officer because it's a common problem, not just one company. In other words, it's all companies. They'll tell the government, "Look what

you're doing to us. No way can we continue with this." The government takes these things into consideration. They recognize that they can't penalize a business beyond reasonable limits.

Marcello: I would assume that in your particular case with Germany, there were perhaps two things you didn't have to worry too much about, and that was, first of all, stability...

McMillan: Right.

Marcello: ...and you didn't have to worry about inflation, either, at that time.

McMillan: No.

Marcello: The Germans were deathly afraid of inflation.

McMillan: Oh, absolutely. There's no question about it. The only thing that was really happening in Germany was that it was hard to find people to work. In other words, there was a shortage of manpower. The Germans, as you know, are competent people. They're good workers; they're smart. Actually, when the split came, (Chevron and Texaco took over the Caltex operations in Europe and divided it between themselves) this is one of the countries where the two companies stayed. Texaco and Chevron both remained in Germany. Chevron put a German in charge--in fact, a man that I promoted, a man by the name of Groth. He had been a salesman in southern Germany, and I met him while touring. I was very much impressed by him--big fellow, young, smart--

and here he was, working as a salesman. I said to myself when I got back and looked up his file, "No way. We're wasting good talent." So I moved him along very rapidly. In fact, I brought him in finally, and I put him in charge of the Farbwerke-Hoechst contract. He was the principal man. When Farbwerke-Hoechst had a problem, they would go to Groth or vice versa. So Groth then was put in charge of the Chevron portion of the German operation because he was so good. Now, of course, Texaco has bought out Chevron in Germany, so Groth is now working for Texaco. He's not in charge, but he's on their management board and that sort of stuff.

It just didn't get better, and then in our contracts with Farbwerke-Hoechst--Groth was doing it--it was just a constant battle with them. They were nit-picking--you know, dotting the "i's" and crossing the "t's"--of the contracts. It's no use fighting with your customer; it makes for unpleasant relationships. When I left--I guess it was in 1966, I think--we still were not in a very healthy position. The man who was the managing director of Caltex in Holland, Jan Smidts, was a Dutchman, and he was in charge of the Dutch operation; he was their managing director. Anyway, he could speak German, and they decided to pull me back to New York and put Smidts in as the managing director of the German operation. Bill McAfee, our

executive vice-president favored Smidts.

McAfee, of course, knew the split was coming. It was a very well-kept secret, I can assure you, but he knew it. He had visions, or thoughts, certainly, that there was going to be a Chevron operation in Europe, even though it would be a reduced operation as compared to what Caltex was. In other words, half would be Chevron, and half would be Texaco, approximately. He knew that there was going to be this Chevron operation in Europe. He wanted Smidts because then, when the split came, they started trading people off according to how many years of service and all kinds of things in the formula as to who went where as what. So McAfee was, of course, back with Chevron, and he was the head of the new Chevron something or other, which covered all of Europe. His head office was in England. Then he took Smidts and made him a vice-president--McAfee was the president of this Chevron company--and then he brought Smidts in as a vice-president and put him in charge of Holland, Germany, Belgium, and Italy. Chevron didn't have much in Italy; it was mostly Texaco.

So now Smidts had Groth, who was the Chevron managing director in Germany, reporting to Smidts, who was based in London.

Business just kept getting worse and worse and worse, and, again, it wasn't Groth's fault. Germany, for Chevron,

was not a profitable operation. So Chevron was just going downhill. The headquarters for Chevron was in Frankfurt, and Texaco was in Hamburg.

On the other hand, Texaco was just rolling along. Texaco is noted as being a very aggressive company; Chevron is a gentleman's company, you know, pin-striped suits and all the rest of it. Texaco's attitude is, "Let's go get them!" And look what happened. Texaco even buys out Chevron in Germany. The Farbwerke-Hoechst contracts are gone; the refinery is closed. All that money was spent, and there's a beautiful refinery setting in the middle of the fields--dead.

So not only was Chevron or Caltex and Texaco suffering, the whole oil industry in Germany was suffering. There were too many refineries, for one thing--by far too many. This over-supply contributed to losses. If your refinery isn't operating to capacity, you're losing money. Then the economy in Germany started sliding, and then came the inflation. So today, if it were up to me, would I invest in the oil business in Germany? I would say, "No. No way."

Texaco has to hang on because of their image all over Europe. You can't isolate yourself. People get used to your brand name and your product, so you've got to have the continuity. So you lose somewhere, and you make somewhere, right? So it goes.

Marcello: In 1966, you were appointed regional director for Africa.

I assume that meant you moved back to New York again.

McMillan: Oh, yes. That was for East Africa because I had Kenya, Uganda, Tanzania, Zambia and Mauritius...but not South Africa, Mozambique, Madagascar or Reunion.

Marcello: You're almost back, once again, to dealing with--for want of a better word--primitive economies, in a sense, or emerging economies.

McMillan: Yes, that's right. I didn't have that job too long.

Marcello: About a year.

McMillan: Is that what it was? Yes, that's right. I'd forgotten that. I only made one trip out there the whole time I was in charge of that area, although I said awhile ago, you know, that it's important for people to make trips. But I was new to the area, and I was trying to get used to the New York operation of it. Maybe I made two trips. It was one or two, but I've forgotten.

Outside of Kenya, the rest of it was just a disaster. It's awful! It's unbelievable! The instability is rampant; the education of the people is non-existent. It's just like the average American has no more understanding of the South African situation than the man on the moon. They only think, "Five million people dominating twenty-seven million--this is crazy." Out of the twenty-seven million, twenty-six-and-a-half are in the trees. They really are.

Marcello: I would assume that setting up the whole network in some of these African countries was much worse than what it was setting them up in India, for instance.

McMillan: Oh, yes. First of all, the facilities aren't there; the people aren't there; the money isn't there. You're there because maybe you can make some money. Kenya, I would venture to say, is probably a very profitable operation today, but the rest of them, forget it. We have a South African in charge of the Rhodesian operation in Salisbury. They're probably making money. But Uganda, Tanzania, Zambia--no way. They're just awful. Anyway, I was glad to get out of that one.

Marcello: From there, then, you moved on to India once again. First, you were managing director and vice-president for Caltex (India), Limited and then later on director of Caltex Oil Refining.

McMillan: Let me see. I was vice-president and managing director of the marketing company, which was Caltex (India), Limited. Then I was resident director...was I? What was I for the refining company?

Marcello: I just have director of Caltex Oil Refining Company.

McMillan: Yes. It was a separate company, but it was my responsibility. I was vice-president...

Marcello: Managing director, Caltex Oil Refining.

McMillan: I was?

Marcello: Yes (chuckle).

McMillan: Well, I guess that's right.

Marcello: That's what your resume says (chuckle).

McMillan: Yes, I was. I'd forgotten. I was the vice-president and managing director of the marketing organization, and I was the managing director of the refining company. The manager of the refinery reported to me. The refinery is located at Visakhapatnam (Vizagapatam), which is on the east coast of India, and the head office was in Bombay. So he used to come to Bombay once a month to report to me. I'm not a refining man; I mean, I don't know a screwdriver from a hammer. He had to report to me, but it dealt mainly with personnel, salary increases--the administration. I knew nothing about running a refinery, but he had to have somebody to report to for administrative matters.

There again, the marketing company had to advise the refinery manager on their product requirements, just like we had to do in Batangas, so that was one of the reasons he had to come up. In other words, we would then give him our product requirements. Then he'd say, "Well, I can't make it." "Well, what are we going to do?" "Well, we'll draw down on our storage." So you'd find out ways and means of solving the problems that existed.

Marcello: One of the real educations for me in this whole project is to learn just how all these components fit together--how Dittus's operation fits with your operation in marketing

and how this then fits in with someone who's in the refining end and so on.

McMillan: And the accounting end. Yes, they all tie in together. That's why we have what we call our executive committee, and they meet once a week with the chairman and the president at the very top. It includes the senior vice-presidents, too. That's where things are discussed--in the executive committee meeting. Then the regional people like myself--I was the regional director in charge of the Afro-Asian Division--we would have to go to the executive committee and endeavor to sell them on why we wanted to spend so much money and why we wanted to do this certain thing or that certain thing. You had to present these things on one sheet of paper, no matter how big the problem was, because the committee didn't have time to read pages and pages. There were backups, of course. We called these papers agenda items. This agenda item would be prepared, signed by the regional director, signed by the senior vice-president, turned into the executive committee--the chairman--a week before their meetings so everybody would have a chance to study the proposal, and then a meeting of the executive committee was called, and you're called up before this committee. Now, mind you, you've written this all up, and then the chairman will say-- Jim, particularly--"Okay, now tell me what your problem is." He knew what the problem was (laughter). He just

wanted to hear it. Then, of course, all the minutes of the executive committee--when they said, "Okay, we approve this"--go to the shareholders so that the shareholders know what the executive committee has approved.

Just like I was saying awhile ago, the field says, "Get New York out of my hair"; Caltex says, "Get the shareholders out of my hair." So you just move progressively along.

Marcello: Getting back to your appointment to India, by this time is the Indian government in the process of buying out the Caltex holdings in India?

McMillan: No, not really.

Marcello: Do you see it coming?

McMillan: Oh, yes. It was quite obvious that it was going to happen. Either they were going to do it willingly, or they were just going to say, "This is it. We're taking it, and this is your price." The same thing, of course, was true with Shell and with Standard Vacuum. No, I didn't get in on that.

We were having big problems in Calcutta, which was a Communist center. The Communist party was strong there. In fact, our office in Calcutta wasn't functioning at all. They had a lock-in, and they were there for over a year-and-a-half. They just wouldn't leave the office.

Finally, Hal Lewis and I were flying from Bombay to

Visakhapatnam--he was on a visit out there--and he said, "We can't put up with this anymore." He said, "Let's take a firm stand." I said, "Fine. I'm in complete accordance with that." I said, "I will draft a telegram to 'Vin' Ryan right now, and I'm going to tell 'Vin' that he can tell Calcutta we're stopping all salaries--finished." I showed the telegram to Hal Lewis, and he said, "Fine. As soon as we get to Visakhapatnam, send it." "Vin" had always been fighting this, and, of course, he'd been in India a lot longer than I had. I was always of the position that you've got to take a firm hand with these people; to hell with them. So when Hal agreed to this, I sent the telegram. It worked, and we broke the strike.

India, when I was there for the last time, was not a company that was aggressive by any stretch of the imagination. We were just standing still, although we had just signed a big contract with Coramandel. Coramandel was right next to our refinery in Visakhapatnam, and they made fertilizers. Coramandel was owned by Chevron. But we had made a big contract to supply them with product. Other than that, we were not building any service stations; we weren't enlarging the refinery. We were just in a "no-go" situation, trying to reduce staff by dealing with the union and making agreements on termination benefits. That was really what they were doing. What we were doing is just working on

closing up the company as fast as possible.

Marcello: Well, again, it goes back to what I mentioned awhile ago. You saw the handwriting on the wall relative to what was coming.

McMillan: Yes, you had to. You see, there's an Indian oil company, which was a government company, and they were already building service stations and taking over the service stations from Shell and Standard Vacuum and ourselves. They were enlarging their market share. There was no question that the foreign companies were going to be out of business--absolutely. This is why we started to say, "Let's get rid of as much staff as we possibly can, reduce our expenses as much as we can, build nothing."

Marcello: I'm sure you never get a fair shake when it comes to compensation.

McMillan: Oh, no. "Vin" Ryan is the one who had to negotiate all that. "Vin" took over from me when I left. I was the managing director, and "Vin" was the general manager. So when I left, "Vin" was made managing director. Then he had to go through all of this pain of trying to make some kind of a fair monetary settlement with the Indian government, which, of course, never was fair. But we did get some money out, which is more than we ever got out of China. Although, you know, we did get a settlement out of China, from the Communists, eventually. It was not fair at all,

but we got some money. And we got money out of India. We still have representation in India. As a matter of fact, a man that I promoted...he's a Sikh, a great, big fellow. His name is Tej Pal Singh, and he lives in Delhi. He's not an employee of the company. What would you call him? Well, he's maybe like a consultant. He's not on a very large retainer. Now here again is where contacts are important. He's a Sikh with family connections. He knew the prime minister--Mrs. Gandhi, who was killed. He could go into her office. He's on good terms with the present prime minister--Mrs. Gandhi's son. He's on good terms with the Indian Oil Company, which is the most important contact he has, because the Indian Oil Company from time to time ran out of products, and we've got products sitting in Bahrain. They'd run out of crude, and we've got crude in Saudi Arabia and Bahrain.

He wrote to me and begged me to see if I couldn't intervene and get him that job, because the man who had the job is a man that I had hired years ago in India when we were examining those college students. His name was Hans Berry--good Indian, nice fellow. So when all this went to pieces, Hans was made the consultant. Then Hans was getting ill and tired and so on, so he had taken his pension. So Tej Pal Singh wrote to me and asked if I could do anything to get him this job, so I contacted the company, and they called him in from India and hired him. Now he's working

for the company, and he's picked up some good business.

So we still have our foot in the door, but no signs on any doors or anything like that. We're still there, anyway.

Marcello: This was another one of those positions that you held for about three years, I think, until about 1970, and then you were appointed regional director, South Africa.

McMillan: Yes, that's right. In 1970, was it?

Marcello: In 1970, yes.

McMillan: Okay, that's right.

Marcello: Are we talking about an area or the country of South Africa?

McMillan: Well...

Marcello: If you're a regional director, it seems to me that would be more than one country.

McMillan: Yes, you're right. It covered Mozambique, South Africa, Madagascar, and Reunion.

Marcello: Now several of those were still, in essence, possessions of European powers, were they not?

McMillan: Reunion is France. Madagascar was France. Mozambique was Portugal and South Africa was Dutch, then British. Now they are all independent except Reunion. Rhodesia was independent.

Marcello: Yes, Rhodesia would have been independent, but it was still controlled by a white government at that time.

McMillan: Yes, Ian Smith. But they were independent of Britain. I think they were a member of the Commonwealth.

Marcello: They may have been outlawed at that time from the Commonwealth.

- McMillan: Yes. Well, it involved all of those countries.
- Marcello: That would have been--with a few exceptions--a fairly stable situation, I guess, would it not?
- McMillan: Madagascar was not stable, nor Mozambique.
- Marcello: Again, they would have been the exceptions because they were independent.
- McMillan: Rhodesia, yes, it was fairly stable. South Africa, no question. Reunion, no question.
- Marcello: How about Mozambique?
- McMillan: In Mozambique they were having trouble. Again, it was the Communists. We'd been in Mozambique for many years. We had a managing director, who was South African, there for a while because Mozambique reported to South Africa in Cape Town. They did not report to New York. In other words, it was a part of the South African organization. With the changes in the Mozambique and Madagascar governments, Caltex went out of business in those countries.
- Marcello: By this time, too, obviously the 1967 decision had already been made, and now Caltex was concentrating in East and South Africa, Asia, Australasia, the Philippines and Japan. Isn't that correct? The split occurred in 1967, so far as Caltex's activities in Europe are concerned.
- McMillan: Yes, that's right. I don't think it really changed anything. We went on as usual--get the market share up, get your profits up, cut your expenses (chuckle). We always used to get

the message from up above: "Cut your expenses and increases your profits." Sometimes you can't do this sort of thing, but they keep hammering it and hammering it, and pretty soon it becomes your philosophy. You say, "By God, we've got to get more at a lower cost." (chuckle)

Marcello: By this time, OPEC had been formed.

McMillan: Yes.

Marcello: How did the formation of OPEC affect operations, say, in East and South Africa--that area?

McMillan: Are you talking 1970 or 1971? OPEC had been formed for quite a while. Are you talking about when the crude oil soared?

Marcello: Yes, exactly.

McMillan: That was in...

Marcello: In 1973?

McMillan: I think maybe later. Anyway, it was in the early seventies. Crude oil for years, as far back as I can remember, was \$1.80 a barrel. Then, of course, OPEC was formed and pretty soon the crude oil was up to \$31 a barrel. Actually, of course, what happened...South Africa is a good example. The Shah of Iran was a friend of South Africa because South Africa had befriended the Shah's father during the war. He had lived in South Africa. So when the Shah went, none of the Arabian countries would supply South Africa with crude oil because of apartheid and all those

other things. But Iran always supplied South Africa.

And then--BANG! Now South Africa has no source of crude oil. Caltex certainly could not go to Saudi Arabia and say, "Load a tanker; we're going to send it to London," and then ship it to South Africa. No way! So we just had to inform the government that we were very sorry. So did Shell, and so did Mobil, and so did everybody else.

So the government then went out and contacted brokers. They have the foreign exchange. Okay, if you buy oil, you have to pay dollars. So there are brokers all over the world, but mainly in Amsterdam, Rotterdam, and New York. The South African government must have set up some kind of internal organization to buy oil. So then they must go to one of these brokers and say, "Okay, we want a tanker loading somewhere on such-and-such date, arrival Capetown or Durban on such-and-such-a-date," and so on. Then the South African government pays the broker; the broker pays the crude supplier. Then the oil gets to South Africa, and before it arrives, the South African government directs each company, "You're going to get 100,000 barrels of this oil; you're going to get 200,000; you're going to get 300,000; and you're going to put it in your tanks; you're going to refine it; you're going to sell it; and you're going to pay for it in local currency, and there will be a profit in it for you. In other words, you're going to sell it, and you're going to make a

profit." The government controls the price, but in controlling the price, the government formula provides for a good margin of profit. That's why South Africa has always been so profitable. And it would still be profitable under this system, except for the unfavorable exchange rate. Anyway, the South African company is functioning just as it always has; there's no cutting back, no nothing. It's a going, good concern. If I were an Arab, say, a Saudi or anybody, I'd say, "Where are they getting their oil?" (laughter) They're not supposed to have oil.

The same thing was true with Rhodesia. How do you think Rhodesia was getting oil? I'll tell you. In fact, I was called back to New York several times after I retired, because the United States government was getting into how oil was supplied to Rhodesia. Here were all of these sanctions ...the refinery pipeline that goes from Beira in Mozambique... there was a pipeline from Beira to the Rhodesian refinery. The Rhodesian refinery was jointly owned by Caltex, Shell, British Petroleum, and Mobil. The British navy was off the coast of Mozambique to prevent any crude oil from going into Rhodesia. What happened? The South African government called in the heads of the various oil companies and said, "We are issuing a directive." And the directive was to the effect that if any South African company wants to buy oil in any quantity, we would be obliged not only to sell it to

them, but not to inquire about its eventual destination. It was none of our business. A man comes in and says, "Here's a check. I want a half-million gallons of gasoline, and I want it loaded in these various tank cars." If we had refused the order, our managing director--at that time, was Bill Marshall-Smith--would have been slapped in jail for defying the government. So what are you going to do? Are you going to turn around and say you're not going to supply oil to a South African company? There were no sanctions against South Africa. If South Africa wants to trade the oil to Rhodesia, that's South Africa's problem, not ours.

But these clowns from Washington said, "You shouldn't have been doing it." We said, "And so our managing director goes to jail because he doesn't obey a government directive? This is nonsense." But that's how Rhodesia existed. They were trading their tobacco to South Africa in exchange for oil from South Africa, and these dummy South African companies were set up. We suspected this, but there wasn't anything you could do about it. And these Washington clowns, I tell you, they're something else.

Marcello: When did you retire from Caltex? What year? The resume that I have only indicates what your last position was.

McMillan: I retired in...actually in March, 1977, but they kept me on until June, 1977.

Marcello: Did you continue as regional director for South Africa, or

did you take some other position?

McMillan: No. When I retired, I was regional director, Afro-Asian Division, in charge of South Africa.

Marcello: I see. Well, that's probably a pretty good place to end this interview. Again, we could probably go on and talk for hours about your experiences. But I want to thank you very much for having participated. You've said a lot of very interesting and important things, and I've enjoyed this thoroughly.

McMillan: Well, I appreciate it. Thank you very much. I've loved the company, I can tell you. That's another thing about Caltex, you better believe me. For those of us particularly who've been there more or less from the beginning--the early stages--I've always considered it just a big family. We all know each other very well. You're all on a first-name basis. Very seldom have I ever encountered a quarrel--or engaged in one myself--between employees. It's a good family. One of the reasons is that it's not so big. In other words, you're not working for Texaco or Chevron, where you've got thousands of employees. We're dealing in hundreds, and you know most of them. And if you have been there many years, like, I was forty-four years with the company, you know all of the top management people. You're friends, and you worked with them when they were junior executives. We're a family, and a good one.

Marcello: That's a good place to end this interview.