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Interview with
W. W. BAER, JR.
July 8, 1986

Place of Interview:	<u>Three Lakes, Wisconsin</u>
Interviewer:	<u>Dr. Ronald E. Marcello</u>
Terms:	<u>Closed for five years from date of interview</u>
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Caltex Oral History Project

W.W. Baer, Jr.

Interviewer: Dr. Ronald E. Marcello Date of Interview: July 8, 1986

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Dr. Marcello: This is Ron Marcello interviewing W. W. Baer for the Caltex Oral History Project. The interview is taking place on July 8, 1986, in Three Lakes, Wisconsin. I am interviewing Mr. Baer in order to get his reminiscences and experiences from his long-time career with the Caltex Petroleum Corporation.

Mr. Baer, 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. Just be very brief and general.

Mr. Baer: Well, I was born in Geneva, New York, on July 6, 1923. I spent most of my early life in suburban Chicago. I went to high school in Winnetka, Illinois, and then had one year of college at Amherst College in Amherst, Massachusetts.

The war interrupted that part of my life, and I joined a volunteer ambulance corps, the American Field Service. I left the United States in November, 1942, and headed out to the Mideast, where I joined up with British military forces in Syria--the British 10th Army. I subsequently was transferred down to North Africa and joined the British 8th Army and went

across North Africa up to Tunis. After several months in staging areas outside of Tripoli in North Africa, I again joined the 8th Army in Italy and spent then the next two winters, I guess you might call it--up until the fall of Italy in 1945--with the British Army in various and sundry locations and with various and sundry British military units--New Zealanders, Australians, things of that nature.

Then I came back to the United States in 1945. I joined Caltex in September of 1945. I had a six-month training period with Texaco up in Boston, Massachusetts. I returned to New York and was sent on my first overseas assignment to the Philippines.

Marcello: Okay, let's back up a minute. Let me say, first of all, that I wish we had time to go into your World War II experiences because they sound like they would be extremely interesting. Unfortunately, for this particular interview, we're dealing with your career with Caltex. You mentioned that you joined the company in 1945. Explain how all this came about. Give me some of the details surrounding that decision.

Baer: Actually, when I got back to the United States, I just didn't feel that I wanted to go back to college, which I could have done. I guess you could say I enjoyed the traveling so much that I wanted to continue to do so. Right at that particular time, many companies were looking for people to

go overseas. Most men who were returning from overseas had no desire to go right back out again. So through a contact that I had, I applied to Caltex. You could almost say they'd take anybody who was warm in those days, like the military service was reported to have done. I joined them then. I just wanted to travel and get overseas.

Marcello: What did you know about Caltex at that particular point, that is, when your contact had told you about the company?

Baer: Well, other than the fact that it was an international oil company, I knew a little bit of its history, of its formation by Standard of California and Texaco. Literally, I knew very little about it, to be honest.

Marcello: Describe your first encounter, so to speak, with Caltex officials. In other words, I'm referring to whatever interviews you had and things of that nature.

Baer: (Chuckle) Well, it's sort of interesting. Having never seen more than a gasoline pump and a few pieces of equipment when I was with Texaco, I actually put together the first service station equipment budget for the Philippines when I was in New York, long before I ever went out there.

When it comes to officials, I met Mr. Roesholm quite unexpectedly in New York and was introduced to him. I must admit, I can remember his first remark. He said, "Baer, are you an engineer?" I said, "No." If one knew Mr. Roesholm, one could see him with a monocle and perhaps a pipe in his

mouth. He sort of shook his head and said, "Hmmm, Baer, I don't know how you're going to get ahead in this company." Well, Mr. Roesholm was never an engineer, either.

Subsequently, of course, I was working for him in the Philippines, which sort of reminds me of my first interview with him in Manila. I was ushered into his office, and he was sitting behind his desk, gazing out the window. I was sitting there rather uncomfortably, you might say, as a junior and so forth. So he turned around, and he said, "Baer, you have the easiest job in Caltex." I said, "Oh, what might that be?" He said, "All you have to do is sell and collect." Of course, that's a great philosophy for marketing. You can sell it, but if you don't collect for it, you're not going to do very well.

Marcello: Going back to your initial employment with Caltex and from what you said concerning your education, obviously, it wasn't those qualifications that got you the job.

Baer: No, it probably wasn't. Well, again, as I said, in those days they were looking for people to go overseas. I had had, of course, overseas experience during the war, having traveled. They may have assumed that several years of semi-military activity and so forth would overlook the fact that one hadn't completed college. Of course, today they wouldn't even look at you if you haven't finished college, but in those days it was a little different story. I wasn't

alone, although there were very few Caltex people who weren't college graduates, as I look back at it.

Marcello: At that point, then, after you had received employment with the company, what sort of an orientation program and so on did they put you through?

Baer: Well, in 1945, of course, we were in the old offices over in the Fred F. French Building. There really wasn't an awful lot in the way of formal programs. I was the first marketing man, I'm sure, who was hired in the postwar period. I did a little work in the Lubricant Department just to get a little background on lubricants and what Caltex sold. In those days, things weren't as well organized, let's say, as they are today, even if one says they're not organized today. Other than the training with Texaco--who, again, in themselves sent us out to various places such as the Worthington Grinding Corporation and industries of similar nature in Boston--a lot of it was along the lines of industrial sales. Essentially, I was hired...many of us were in those days salesmen. We weren't managers per se at all. All of us in marketing ended up going out selling tins of kerosene, drums of lubricants, gasoline, and so forth. It was geared toward the marketing of petroleum products.

Marcello: You did mention that you had some training before you went out to the Philippines with Texaco.

Baer: Yes, up in Boston--six months.

Marcello: What sort of training did you have there?

Baer: I spent five weeks at a large multi-pump service station, learning the service station aspect of the business. I spent a short period of time in their Chelsea bulk plant. Then I made a large number of industrial visits to paper plants, bus companies, and so forth with the Texaco engineering sales staff. I'd be assigned to one man for a week or five days, whatever it might be, and follow on his coattails as he made his normal calls. That was really about the extent of it. It was very interesting, and, of course, it was one way to learn product knowledge. At that time an awful lot of our products were the Texaco line initially.

Marcello: What were your early impressions of Caltex at that point? Obviously, you really hadn't had that much contact with the company. What were your early impressions, if you can think of them?

Baer: Well, it's pretty hard to say. I was in the New York office for a short period of time in the beginning, and then--BANG--I was up with Texaco and then came back. I was always very impressed with the senior men that I was assigned with and worked with. There are old memories of a man called Fred Reich, who was the head of the Lubricant Department. He had a lot of time and tolerance for younger people, such as myself, who knew nothing about lubricants and so forth. Similarly, I

worked with several other men. Caltex was in a formation period of time, and even then there was juggling around among the senior staff as to getting settled. This being in 1945 and right after, a lot of the fellows were returning, whether they were in the military service or had been working with the government on petroleum. It was somewhat of a topsy-turvy time, I guess is the best way I could probably put it. Then, of course, I was sent straight out. I had a very nice train ride from Chicago, where I had been living, to California, and then I was on a boat out to Manila. What it was was a troop transport, since there were no passenger lines in those days.

Marcello: How long did that trip take to get from the West Coast to Manila?

Baer: It was a couple of weeks, I'm sure. Then, of course, I arrived in Manila, and as you can imagine, Manila was in pretty rough shape in 1945. I was on the President Cleveland, a passenger ship, which had been converted to a troopship. We were three tiers high, as far as the bunks. There was an awful lot of other non-Caltex, ex-Philippine hands who were going out, and I ran into any number of those.

I arrived in Manila, and, of course, there was nobody to meet me, which sometimes can be called almost typical fashion. So I was down at what was the remains of this old pier in Manila where the ship had docked with a big trunk and

all I owned. I called the office and got hold of a fellow who was another old-timer and who had actually been interned in camp—a fellow by the name of Johnny Walker, who was the chief accountant at that time. I said, "Mr. Walker, my name is Baer; I'm here." He says, "No, no, you're not expected until tomorrow." I said, "Be that as it may, I'm down here." I think it was called Pier Ten. So he came down in a station wagon—an old wooden station wagon, Canadian made. I think we had two of those in the Philippines—all wooden bodies—beautiful things. He picked me up and got me into a guest house. I was only in Manila a very short time and then was sent down to Cebu.

Marcello: What happened during that short period in Manila?

Baer: Oh, very little other than the fact that I was in the office. They were in a very makeshift location. Mr. Roesholm wasn't back at that particular time. Of course, I was one of the first new ones. It was a very small group of people who were there at that particular time, so other than getting in and out of the office a little bit, essentially it was just a matter of getting me from Manila down to Cebu, where I was to be assigned. There was no training or anything of that particular type in Manila.

Marcello: What were you going to be doing when you got to Cebu?

Baer: Well, all my background and training had been in sales. The area down in Cebu—the terminal—had been completely

leveled during the war; most of the town of Cebu had been leveled during the war. Our office was in the old Botica Boie Building--I remember that name--which was a building that had been left standing and they were able to do repairs on it. At that particular time, there was practically no industry going at all in the southern Philippines. A couple of the gold mines were beginning to try and get back into operation. The sawmills were fast trying to get back into business because of the need for lumber throughout the islands. The Del Monte pineapple plantation...their cannery had been completely devastated, and they were beginning to plant again.

So my purpose down there was, in essence, to peddle what little bit of petroleum products we had at that particular time. We didn't have bulk terminals, of course, when I went there, so everything was supplied by the U.S. military. The military was supplying petroleum products through the oil companies out into the general economy. It was all done in drums. We'd get thousands and thousands of drums of gasoline and diesel fuel and kerosene. In the beginning everything was supplied that way. It was shipped by small vessel out of Cebu.

One of the joys of early Cebu in those days was that the company obtained a small Navy yard oil tanker--war surplus--that they called the Estrella Caltex, which was proposedly a replacement for a prewar Estrella Caltex. I believe--

but I'm not quite certain how--it was destroyed by the Japanese in Manila Bay. Because there were no bulk tanks anywhere throughout the southern Philippines, we would load this with drums--1,000 to 1,500 drums--of petroleum products, and then we'd go from port to port around the various area. We'd go over to Leyte and Samar; we'd go down around Mindanao to Zamboanga, Cagayan, and Surigao. Of course, Surigao, you might recall, was the site of a very large U.S. naval battle--the Battle of Surigao Straits. In the prewar years, that had been a very large gold mining area, and the mines were beginning to open up.

The first bulk tank that I can remember anybody making a delivery to was owned by the Surigao Consolidated Mining Company in a little town called Placer, just south of Surigao. Originally, they had been a Shell account. However, having this little tanker gave us an edge so that we were able to deliver them bulk diesel. The guys running this mine were a pretty tight-fisted bunch--great guys and so forth. So for a year or two, Caltex actually got a foot in the door with that particular mine. I would say I probably spent three weeks out of five the first year on the Estrella, going from one place to another soliciting business. Of course, as the mines opened, why, then we began to get more involved in their operations, and I would go into the underground areas and into the power plants and

so forth.

Then the lumber industry, as I said, was booming all along the coasts of Mindanao. Caltex again, being able to make deliveries, was able to get into businesses that they had never gotten into during the prewar years. As an example, a call that I personally made down along the coast of Mindanao...I stopped at a place called Bislig on Bislig Bay. Some friends that I had made earlier in the Philippines and Surigao had opened a small logging concession down in that area, which eventually was taken over by the Soriano interests and became the Bislig Bay Lumber Company and continued as a Caltex account. Subsequently, I believe, long after I left the Philippines, it went into coal and other developments. But it was just through the fact that we were there--we dumped a few drums of diesel off in the water and floated them to shore--that we got the business. Then they had some diesel for their generators and the one or two tractors that they had when they started. They were really grand days; there's no question about it.

Marcello: Let me back up here a minute and ask you some questions relative to some of the things you've just said. When you went to Cebu, did you have a specific title at that time?

Baer: Yes. We were called marketing assistants (chuckle).

Marcello: Like you said, this was simply another name for a glorified salesman.

Baer: In those particular days, yes. Of course, you must remember, too, that we did have Filipino salesmen. I guess the idea was that we were supposed to know a little more than they knew. Lord, the first six months or so, it was the Filipino salesmen who were teaching us what the tricks of the trade were, so to speak. Of course, traveling in those days was extremely antiquated. There were a couple of old Japanese boats that used to go from Cebu to the various islands--wooden-hulled things. You'd sleep on the deck at night. If it rained, you just got wet. We had some jeeps that we were using in various areas of the territory. It was rough traveling, and most of us in those particular days did travel maybe four out of five weeks. That was the name of the game. Cebu was the center. There wasn't an awful lot there other than the town and our storage facilities, which eventually came in, I believe, in July of 1946. It had to be 1946 because I was there the day that the first bulk product came into Caltex in the Philippines. It came from Bahrain on a tanker called the Bahrain, which was a beautiful, small tanker. I remember that the quarters inside and the lounge were all done in mahogany. It was a real beautiful type of ship. They came in and pumped the first bulk petroleum products that Caltex received in the Philippines into our tanks in Cebu. The reason I happen to remember it was that I also celebrated my birthday on the

ship, which was quite an affair in itself. That's maybe better not gone into detail, but we all enjoyed it. They sure threw us a great party.

Marcello: What relevance did Cebu have to that entire section of the Philippines?

Baer: At that time Cebu was called a district, so it had a district office. We also had a branch office at that time in Davao on the island of Mindanao. In addition to that one, just for the records, they had a district office in Iloilo. I'm not sure if it was a district office or a branch office in Bacolod, and, of course, you had your main Manila district office. Cebu, of course, in those days covered a very, very large area, as you could tell by looking at a map, because it covered everything south, all the way down to Zamboanga and the islands down around Jolo, which practically run into north Borneo. So it was a fantastically large territory.

Eventually, they broke it into--while I was there--into two districts. Davao was made into a district office, and I was made the first district manager for Davao. When I was in Cebu initially, of course, I was a marketing assistant, and I eventually got up to be an assistant district manager. Then after going back and forth four or five times over the eleven years that I was in the Philippines, I was the district manager in the area of Cebu.

Marcello: So product would come into Cebu from Bahrain, and then it would be distributed to all of these places you've just mentioned.

Baer: Correct. And part of the emphasis was to establish small bulk depots in strategic locations which could be fed by our small tankers, which we eventually ended up with two of them operating out of Cebu. The other one was called the Mindanao. Of course, the whole thing was a development of supply and distribution.

Marcello: So you start out with Cebu, and at that time--you didn't use this term--you had what was called a "case and can" market. That was the term that Mr. Voss used.

Baer: It's not a bad terminology at all. Opon terminal was the main terminal and was on the island of Mactan, right across the water from Cebu City (and which incidentally is where Magellan was killed). That was the site of our main terminal, which, as I said, had been completely leveled. It was rebuilt. It also had a can factory which made five-gallon square tins in which the kerosene was peddled. That was the main outlet for kerosene. This was an old, antiquated one that I think had probably been shipped down from India. But it worked. At that time there were surplus vessels around and a number of LCTs and LCMs and so on. They would pull up to the terminal, and then we'd load thousands and thousands of tins on it, and then they would be transshipped down to the dealers,

in all the various areas. If Jim Voss used that term, that's pretty much what it was.

Marcello: You mentioned dealers a moment ago. As a marketing assistant, did you work through these dealers, or did you work directly with a sawmill or a gold mine or a sugar plantation?

Baer: Well, we worked both ways. When it came to the retail trade, we worked in conjunction with a Filipino salesman who was assigned a geographical part of the Cebu district. There may have been ten or eleven or twelve salesmen, depending on the time. Each marketing assistant might have two or three different areas in which there was a salesman assigned to each. In the retail business--or the resale business, I guess, is the better term--we dealt with those sales representatives. In some cases, of course, language was a barrier because many of the Chinese dealers didn't really speak English. They spoke Spanish or combination of Chinese, English, and Spanish, which the sales representatives were able to work with. So we would handle them directly with the sales representative--the local national. However, most of the major industrial business was carried out by the marketing assistant with the manager of the mine or the sawmill or operations of that nature. Then when it got to be a technical-type of an operation or we needed assistance, we called on our Engineering Department or our Lube Department in Manila, such as Bill Archer, who was up in Manila. It didn't take an awful lot to get "Lindy" into his airplane and come

on down. He'd pick one of us up in Cebu, and then we would head off to a lumber company or the gold mining companies in Surigao or even down to Zamboanga and into Jolo. That type of a consumer business was pretty much a direct deal, and this is what the marketing assistants were doing at that time, although they always took in the local national. Let's face it. The whole thing was supposed to be, I guess, although it wasn't named as such at that time, a training program for local nationals. There's no question that's what happened. Look at it today. How many expatriates are there in the Philippines, as an example?

Marcello: In other words, what you're saying is, even at that early date, the company could see all sorts of advantages in having the local nationals handling the business.

Baer: Oh, absolutely. When the expatriates came in, we told them, "You are training local nationals." Even though we learned an awful lot from them, they in the long run probably learned maybe a little more from us, particularly if they were getting into the engineering-type or the lubrication-type of operations.

Marcello: What were the principal products being sold out of the Cebu district at that time?

Baer: Well, it was gasoline and diesel. Diesel was the big thing, of course, because in the postwar period things switched very fast from gasoline to diesel with the development of the diesel engine. Kerosene, which was used for lighting in many

of the small villages and towns. Lubricants--engine oil and grease--were also significant.

Marcello: Let's talk a little bit more about the Cebu district office. Who was in charge of it when you went there?

Baer: When I first went down, there was a fellow who was in charge named Leonard Self. He had been a prewar Caltex man and was interned--both he and his wife--and had been assistant district manager before the war. He was still in that capacity in the postwar period when I went down. Then the manager's job was taken over again by Phil Sanders, who is presently living in Honolulu and with whom I correspond with from time to time. Then, of course, there was others who filed through as managers. John Schaberg, who is currently in Florida, was one. Of course, then I eventually was the district manager there, and also there was another one, John McCleary, who was there for a period of time.

Marcello: Who was the district manager there for most of the time when you were working out of Cebu?

Baer: I guess I would have to say it was probably Phil Sanders for a good portion of that time. Then when Schaberg came into the area, I was transferred down to Davao, which was then a branch office, and I operated that under Cebu for a while. However, the operation became very difficult from many points of view. Shortly after I went down to Davao, the long-distance telephone facilities were developed between Manila and Davao, so it was during that time that Davao was

broken off and created as a separate district office. So it's sort of hard to say who was there most of the time.

Marcello: I'm assuming that there would not have been very many service stations in that area at that time.

Baer: There weren't any. There was a couple of portable pump types of thing. There were the remains of a number of stations, but by the time I had gotten there, there were still no underground tanks, and there were no new pumps or anything. What was there was delivered through surplus military equipment that had been left by the military, so it really started from scratch. We were out looking for pieces of property that we could lease or rent or buy to put in pumps or tanks and get the service station system back going. One of the major efforts, of course, was to get locations before the competitors, who were also there. In those days Standard Vacuum and Shell were the big boys. As I recall-- I'm not sure of these figures--before the war Caltex had something like 12 or 13 percent of the petroleum total market throughout the Philippines.

The objective was set--I'm sure I heard it--by Bob Monical that we wanted a third of this market. By God, by the time that I'd left or shortly thereafter, we had a third of the market. It was done with a lot of traveling and so forth, but the retail outlet development was a major

factor--getting pumps and tanks into places where you could supply the public. Of course, this was difficult because everything was imported into Cebu and then had to be transshipped again to some little town out in the middle of nowhere, first by boat and then by truck. Of course, we had in those days our own pump mechanics and service equipment men, so they would go down and do this. There was one time that I felt, "My goodness, there just is no other place that you could ever put anymore gasoline pumps or tanks. We've got one everywhere." Well, it never stopped. You just kept on putting them in at different locations. Of course, the whole economy kept growing. There was never a time when you weren't out looking for a viable service station site.

Marcello: In our pre-interview comments, we were talking about grand strategies and so on. I would assume that in the Philippines in the immediate postwar period, then, the grand strategy was increasing market share.

Baer: That essentially was it. It's sort of interesting. In the very beginning, there was no real emphasis at all on cost or netbacks, as far as we were concerned, down where we were, I'm sure. It wasn't really until, quite honestly, Johnny Schaberg came in that he began to insist that he get some figures out of the head office. We recorded all of that type of stuff--all figures and accounting and everything--and it was sent to Manila. He wanted some kind of cost figures

so that he could work out netbacks. Believe it or not, we had quite a difficult time getting this information out of Manila. They were rather reluctant to let the field know what the product cost us and what the freight was and other expenses of that nature--up until that time. One of the good things that Johnny did was to insist, "Well, look, here we are, down here. We're supposed to be making money; that's the name of the game. Why don't you tell us what it's costing us, other than just our local figures? We can figure that out, but we don't know the landed price of the product." So he eventually broke that out of Manila.

Marcello: Why were they reluctant to give you that information?

Baer: Well, it was going back in the early days, I think. You had to look at the fact that some of the people were perhaps living in the past, i.e., prewar, when it was tightly controlled out of Manila. There was very little authority, I feel sure, extended to the field. The feeling was that "perhaps the less you know, the better it is. In other words, if you don't know how much money we're making--that type of thing--well, it maybe best that you don't."

That slowly, of course, was eroded. You just had to know how you were going to do it. As new people came in and as the whole industry changed, which it did--it became a real competitive, knock-down business where you were tendering on large volume business and so forth--then you had to know,

of course, what your costs were, or you couldn't tender them. It was as simple as that. I think it was just growing pains. For instance, take the personnel relations manual. Christ, you couldn't get your hands on that personnel relations manual. Every now and then a piece of one would slip out and would be mimeographed or something like that in Manila. We'd get a copy of a page down in Cebu or Davao from somebody up in the head office that was a friend, perhaps. They got over that, too, in a period of time. Everything seemed to be secret, let's say, in the first couple of years.

Marcello: You have alluded to this on several occasions, and I'm referring to the competition that Caltex encountered. Would it be accurate to say that in that immediate postwar period, given the devastation and everything of that nature, almost everybody was kind of starting even?

Baer: Well, that's very true.

Marcello: Even though before the war, Standard Vacuum and Shell may have had a larger market share in that Cebu area than Caltex, after the war everyone was kind of starting even.

Baer: That's true. We all started even because we all had our facilities destroyed. The decision that "Okay, we want a third of this thing" meant that we were going to have to invest some money into it, that we were going to have to have the staff to do it, and, of course, that we were going to need the distribution methods. For the consumer-type of business,

where it had been a prewar Shell account or a prewar Standard Vacuum account, the chances were pretty good they'd come back to them, although we chiseled in, as I mentioned earlier, on Suricon (Surigao Consolidated Mining Company). But it was only for a period of time until Shell could get back in and started bringing up diesel from Balikpapan in Borneo. Once they got Borneo going again after the war, that account reverted back pretty much to Shell, except for some lubricant which was then sold more on a friendship basis than anything else. Similarly, the Del Monte plantation had always been a Standard Vacuum account. Well, through friendship and solicitation, I managed to get in for a period of time a large amount of lubricants. But eventually, through pressures and, of course, old-time prewar friendships, the entire account reverted back again to Standard Vacuum.

Caltex really made inroads on the new business. This was where the "peddlers" were coming in and getting the trade for Caltex. I remember hiking with one of the Filipino salesmen into a placer mine that we heard was operating in Surigao. We walked in about two-and-a-half or three miles through pretty much just jungle in the pouring rain. I remember the sales representative had his shoes hanging on the shoe laces around his neck when we were walking in. We weren't quite sure where this was, and,

lo and behold, we broke out into an opening, and here was this--what they called a "doodlebug"--floating dredge--on the pond, and a house was up on the hillside behind it. So we beat our way up to the house, knocked on the door, and the door opened. Here was as pretty a woman as I had seen in many, many years. She was the wife of a fellow named Leroy Lang, who was operating this placer mine on his own for a small syndicate. On the basis of that entry we became very, very close friends as well as with some of the fellows from the syndicate. By going in there, we got all of his business. Whether it was big or small didn't make any difference. This was the way Caltex did it. Similar to this and Bislig Bay was Nasipit Lumber, another account obtained pretty much in the same way.

Caltex had been doing business in the prewar period with the other major gold mine in Surigao which was called Mindanao Mother Lode Mines. We did get that one back without any trouble. But it eventually ran out of gold. It didn't last for too many years during the postwar period, but it was a source of big volume diesel at one time. As I say, Caltex, I think, got the edge on them by getting in on the new businesses that developed and/or expanded.

Marcello: What advantages do you have over the competition? How do you explain the fact that Caltex gets this business?

Baer: I think part of it was due to a lot of the men we had. They

were keen; they were eager. We were all young. Of course, not that the competitors weren't either, but I think they were a little more staid, perhaps, in some of their ways.

We did have, as I say, this tanker, which the other ones didn't have. That made a big difference when you were soliciting an account out on an island someplace. You had to get the fuel to the customers, whether it was in drums or whether it was in bulk. I think we were quite flexible in constructing storage tanks for consumer accounts, and by putting the tank in, we'd get the business. So that was a means of control.

I think an awful lot of value has to be placed on the activities of Bill Archer. We could call on him pretty regularly, and having his own plane, he was able to get in and out of many of these places. There were a lot of consumer accounts--the big ones that eventually became our customers--that actually cut their own airstrips and so forth so they could get in and out themselves. We were able to call on "Lindy," and as far as I'm concerned, he was the best lubrications engineer that the Philippines ever had--of any company--and I think most of the competitors agreed, too.

Marcello: I'm glad you mentioned that because in the interview with him, he was a rather low-key individual.

Baer: Well, I'll tell you, Bill Archer was one of the nicest guys around. He doesn't drink; he doesn't smoke. He lived for his

automobile and his airplanes, I think, and Caltex. He was respected by every industrial consumer that you ever ran into. In other words, Archer was able to come in and find out what the problems might be. Bill probably never got all the credit he should get as far as stuff he did. Bill said he never sold a drum of oil, and it's probably true. I don't think he probably knew the price of a drum of oil. He left all of that dickering, the costs and so forth, up to the sales representative or to the marketing assistant or the district office or however you want to put it, which is, of course, the way it should have been. He was a very highly respected man by the industry.

Marcello: I'm glad you mentioned that because, as I mentioned a moment ago, he is not what I would call a self-promoter.

Baer: No, not at all. Bill would come into a party and sit there in a corner and be happy as could be and not say two words unless you got him going. Of course, once you got him going on airplanes, then you had trouble stopping him. He had a brother who was a test pilot for years and years. Bill sort of assumed over the years that I knew as much about aviation, I guess, as he did, which was, of course, completely erroneous because he'd get talking about it, and then we'd just talk for an hour or two on aviation. But, of course, he did all the talking!

Marcello: What advantages did the competition have over Caltex in this battle to expand or establish markets?

Baer: Of course, they were larger in the prewar period, which, of course, gave them some standing. When it came to marketing kerosene, as an example, they had a brand name--Standard Vacuum did--which you just couldn't beat. As an example, in the Philippines the local nationals...the word for coffee was really "Hills Brothers"; toothpaste was "Colgate." Standard Vacuum's kerosene was called Cock Kerosene. As you probably know, the fighting cocks are very popular among the Filipinos.

Originally, ours was called Carabao Kerosene. We eventually changed the name to Star Kerosene. Now whether the story's true or not, I don't know, but the way I heard it was that sometime just before the war, Caltex got in a batch of off-color kerosene. Kerosene was essentially sold on color. It came in as a slight yellow. Well, you tie the yellow with the carabao, and you sort of gather what the connotation might have been. Whether this was retained by all the little people out in the barrio, I don't really know. Anyway, we eventually changed our name to Star. We would still get, even up until I left, a hand-written letter from a dealer out in Mindanao somewhere saying, "Please send me 500 tins 'Cock' Star." Well, "Cock" meant kerosene, as far as he was concerned, and Star was our brand. Trying to beat something like that was pretty difficult.

We'd get into a price war from time to time and discount

here, discount there. The dealers, of course, were very clever. They'd say, "Well, gee, Shell has offered me 10¢ a tin cheaper than you," and this and that. After a little this and that, you'd see them buy some from them. Whether he got the 10¢ or not, you were never sure. Well, then maybe you'd cut your price 10¢. Then he had something he could show somebody else. Of course, it was a whipsaw type of thing. It was constant.

On occasion we'd get into a real humdinger of a price war--the three companies--and we'd run the can plants twenty-four hours a day, and the guy who could make the most cans, fill them with kerosene and get them shipped out at these discount prices, got the biggest share of the kerosene market. Both Shell and Standard Vacuum had more advanced tin factories than we did and therefore could make tins faster and fill them faster and so forth. Sometimes we'd lag a little behind. However, we had some pretty good connections with the shipping companies. The tins don't do any good if they're sitting in your warehouse. Sometimes we were able to move out as many tins as they because we could get shipping space in LCT bottoms to move them out to our dealers, where theirs were still sitting on the pier. Then eventually these things in one manner or another were ended, and people went back to normal pricing for a while. Kerosene marketing in the Philippines in those days was the biggest problem, I guess, because everybody accused the other guy of cheating (chuckle).

Marcello: I'm assuming that neither Shell nor Standard Vacuum had a refinery in the Philippines.

Baer: Well, they didn't in the beginning. As you may be aware, we put up the first refinery down in Batangas. By the time I left, we did have the only refinery.

Marcello: Where were they receiving their products from?

Baer: Well, I assumed most of it was from the Middle East, but I'm not 100 percent sure.

Marcello: So in terms of their transportation costs and shipping costs, there wouldn't have been a whole lot of difference.

Baer: Well, not in the beginning, no. Of course, from time to time, when the tankers were getting a little larger and so on, parcels would come in occasionally for a competitor as well on the same tanker. It became relatively common. Cost-wise, they didn't have any particular advantage, I certainly wouldn't have thought. Of course, once we got the refinery in Batangas, why, then we did have an advantage.

Marcello: In the Cebu district during that period, who were some of the larger accounts that you can recall?

Baer: One of them was Nasipit Lumber Company, which we mentioned. Surigao Consolidated Mining, Mindanao Mother Lode, the Del Monte Plantation. Then there were a number of other lumber companies and mines. Eventually, Marinduque came in. That was a little later on, mind you. It was just being developed when I was there. There were a myriad of smaller

mining enterprises and lumber concerns...bus companies, of course. The Cebu Autobus Company was one and the Bohol Land Transportation Company. Those were all run by an old-time American. He could well have been in the Spanish-American War--a fellow named Bill Ogen, a wonderful old gentleman. I remember going over and presenting our first postwar tender for his Cebu Autobus business. Diesels, as I mentioned earlier, were just beginning to come in. The military had left a lot of diesel trucks. In the prewar period, most things were gasoline. So I said, "Mr. Ogen, with all these new diesels coming in--and you have some--how can you keep a diesel truck going here with a lack of mechanics?" He said, "Oh, Baer, that's simple. You just weld the hoods down so they can't get into them." He may have been right, too, for a long period of time (chuckle).

Marcello: I'm assuming that fuel oil really was not a large part of the business at that particular time.

Baer: It wasn't at that time, no. It was just a very small percentage of anything that we had to sell.

Marcello: How long did you work in that Cebu district?

Baer: As I said, I was back and forth. I went down a week after arriving in Manila in 1946. I was in and out of that southern region until we left in 1957.

Marcello: Let's switch gears here for a minute. Describe what your living standards were like in that immediate postwar period

after you moved into the Cebu district office. Let's talk about the housing, first of all, that the company provided.

Baer: Well, when I first went down to Cebu, of course, I was single and was for the first three years that I was there. There wasn't too much in the way of housing in Cebu. I stayed for probably the first month or so with Mr. and Mrs. Self in a house that they had had and which was renovated. Eventually, they did do a lot of fast work on some of the homes that were remaining. They set up what we called bachelor's messes. Of course, for a while I was by myself because I was the only one down there. The housing actually wasn't too bad. We had water tanks outside where water was pumped up, and then it would come down from the top.

I think the rougher part about it was the traveling when you got down into the provinces where there was a Chinese hotel or something with maybe a shower and no toilets as you and I know them today. I remember the one down on Surigao where the toilet was right over the ocean. You looked down and there was Surigao Bay.

But the housing was really not too bad. Money was put into it to fix them up. We originally had kerosene ice boxes. Eventually we had electric ones. There was power by the time I got down there. So the accommodations weren't too bad.

I stayed in a small hotel probably for a month after I'd

stayed with the Caltex people. It's no longer in existence. It was run by a old Italian and his wife called Squill's Foxhole, and that was quite a center. It was a collecting center in the early days for the old-timers.

Of course, many of the people who had been interned didn't necessarily head back to the United States or Europe. Of course, there were British and other nationalities, Swiss and so forth. Cebu was a very cosmopolitan city at one stage of the game.

Marcello: Describe what the social life was like for Caltex employees in Cebu during that immediate postwar period.

Baer: It was rather spartan in that respect. However, everybody got together. There was one thing that I always felt was great. The Caltex people seemed to always get along together. I don't know. Sure, I guess there were one or two times when you might find somebody that you didn't really care for. You spent a lot of time together because the social activities encompassed mostly the company people, but you didn't have to stick together. As things grew--and they grew fast--your other oil company staffs expanded. Then you had International Harvester people and all kinds of peddlers out of Manila who were selling diesels and Caterpillar tractors and that type of thing.

The social activity was pretty good; I mean, there were parties galore and so on. Of course, there were a lot of

bachelors at that time, and there were any number of bars and other establishments that were frequented in those early days, particularly along the water front of Cebu. So, as I say, there was no lack of social activity (chuckle). There was always plenty of alcohol and things to drink. The Philippines had a superb beer--San Miguel--which is world-reknown, I would say. You could make as much social activity as you really wanted. There was a shortage of expatriate women, I would say--single, that is.

Marcello: I know that a lot of cases, the social life seemed to revolve around a private club. Was that the case in Cebu?

Baer: To a degree, it was. The first one going was the Spanish Casino. There was a lot of Spanish influence, of course, through the Philippines, and Cebu had a very large, comparatively, Spanish group. Some of us became very friendly with them. We all, practically, joined the Casino Espanol, which had the first bowling alley in Cebu. Then there was the Club Filipino, which was a golf club. Then there was the Cebu Country Club, which was essentially the American, British, Swiss nationals. That club eventually had a swimming pool, and it had a golf course, also. Of course, they had many functions, as you can imagine.

So, yes, to a reasonable degree club life was the center, but there was an awful lot of individual home entertainment and so forth. I wouldn't say the club life as such in Cebu

was greater than private entertainment. We had a lot of Caltex visitors, as an example, from New York, and they would come through Manila. Then, of course, Cebu was always on the "cook's tour" type of deal, and they came down. In those earlier days, there was no decent hotel in town, so they would stay at one of the company residences. Of course, they were always an excuse for a company party. This was sort of the start of bringing in the local staff, sales representatives and their wives, to get them to meet the New York hierarchy and conversely so they'd get to know some of the field people. So a lot of it was private entertainment.

Marcello: How available was household help for Caltex people?

Baer: In those days it was readily available, and there were some very excellent household people. There were drivers for the cars in those days. We all had cooks and house girls or house boys. Those with children normally had "amahs." In those days it was just no problem, and some of them stayed on with the company for eight, ten, twelve, fifteen years. Up until last year, we still got a Christmas card from one of the house girls that we had, who also took care of our daughter. She has apparently either died or just disappeared this last year because we tried to find her to no avail. They were very loyal--a very loyal group of people. They're a grand bunch. They're having their ups and downs today,

but they were pro-American, at least in the days that we were there. You can't forget some of that stuff even with the problems they're having today and what some might be calling us. I don't believe it's a deep feeling of dislike.

Marcello: What were the company's leave policies like in those early days?

Baer: Originally, you went out for three years, and if you went out single, you were to stay single for three years. I think that was finally broken by one or two of the fellows up in Manila. You stayed three years, and then you had six months vacation. You also were entitled, as I recall, to either a week or ten days local leave at the end of the second year. Then later on, the length of the tour was reduced. As transportation improved--planes were going--the overseas stays were shortened. As we were talking last night, some of it was pretty great. We'd get on a boat in Manila, which we did one time, and went all the way to South America. It took us something like seventy-two days. Then we did fly from South America to New York. But you were drawing your salary all that time. You were certainly eating and drinking well and, of course, seeing the world. To me one of the greatest fringe benefits of Caltex was the traveling. On your leaves, if you plotted it right--and most people did--you could maybe spend a month in Europe or a month in a given country. We eventually got to the point where we were almost

trying to cover too much, so we'd maybe spend a month in one country or three weeks in one country and just do that on our way back. Then your plane fare took you through there, so all you were doing was paying for your stay while you were there. It was great education both for the employees and wives and particularly the young children.

Marcello: This leads me into the next topic that I think we need to discuss, and we've already talked about it briefly. This kind of leave policy must have been expensive to the company and explains to a large extent why they wanted to train nationals to eventually take over many of these jobs that the expatriates had.

Baer: Well, that's very true because in those earlier days, if somebody was gone...on the first leave that I went, which also coincided with the fact that I got married--which didn't have anything to do with extending the leave per se--I went on a training program, and I was gone from Cebu nine months from door-to-door. In many instances, you had to have a replacement for that particular person, which meant, of course, you had larger numbers of expatriates, and they're not cheap when you get all the fringe benefits and retirement programs and everything else, whether it's paid locally or offshore. So one of the main reasons for shortening leaves was that eventually you'd get a staff that could take over while your number one or number two person was on a vacation.

When on my last overseas assignment, home leave had come down to once a year. You'd get five or six weeks, depending on how long you'd been with the company, and you didn't need a replacement. Of course, part of this came with time and in the evolution and development of local staff. You could turn it over to local staff. While you might not want to do it permanently, at least you could on a temporary basis. Local nationals, whether they're from Thailand, Singapore, or anyplace else, take over in that interim period. One of the problems that we did get faced with at one place that I was at--well, it was Bangkok--was if you got a local national into a given position for, let's say, five or six months, and he aspired to that particular position, problems could arise with getting a work permit renewed or an expatriate replacement coming in because the government would say, "My goodness, you let this man handle the job. He handled it obviously very well for six months. Why can't he continue to hold it?" Of course, there were certain jobs all the time that were used as training positions to develop Caltex expatriates. I mean, while you can say we were trying to develop local nationals, we were also developing our own expatriate group which had to someday run the company. So one had to be a little careful as to how you handled this use of local

nationals while you were on leave. That's one reason, also-- whether they perceived this or not, I don't know--why they cut it back and made it shorter. In Thailand we definitely faced that while I was there at one time.

Marcello: Something else that occurred while you were in the Philippines in the postwar period was the Huk insurrection. Did this have any effect on the operations out of the Cebu district?

Baer: They didn't really in the areas where I worked. I guess for centuries the Moros down in Jolo had been tangling with the Christians. As I recall the story, I think it was in Jolo and against the Moros that the .45-caliber pistol was developed by the U.S. Army in those days in an effort to stop them. They would bind themselves up with thongs that were wet, and then they would expand. So you could hit them here (gesture), and it wouldn't knock them down, and you could hit them in the shoulder, and it wouldn't knock them down. Of course, the .45 was developed to knock them down. That had been going on for centuries, but down where we were, as far as the Huks were concerned, as a communist group, if you want to use that term, no, they were of no effect on our operation. It was the Moros and the Christians, and that wasn't only in Jolo. It was also in the Cotabato area occasionally. But it never affected, really; our operation.

Marcello: You mentioned that as time goes on and as the Caltex market share expands, they eventually decide to open other district

offices or establish other districts and one such district was established at Davao.

Baer: Yes, Davao.

Marcello: When that district office was established in Davao, did you go from Cebu down to Davao?

Baer: Yes. I had been down there when it was a branch. Then I was transferred back up to Cebu. Then when it was decided to make Davao a district office, I was promoted and transferred back down, although it was the smallest district then that they had in the Philippines.

Geographically, it was a very correct move. By that time communications systems improved greatly. As I may have mentioned earlier, there was direct telephone contact with Manila, and the mail situation had improved. We operated then directly under Manila, except we were still supplied through the main terminal in Cebu. We covered quite a reasonable geographical area--all the southern part of the island of Mindanao.

The Davao area was at one time in history the heart of the hemp industry, which, as you know, was the source of Manila hemp for rope. That since has pretty well died out. They're into synthetics now, but it was quite a booming industry. A lot of the kerosene that was sold down there was used in the stripping machines. In other words, they would grow the hemp, which sort of looks like banana plants, and

they would strip off all the excess pulp, and you were left with the fibers. This was done sort of as a cottage industry in most areas. They were run by little kerosene engines, so that's where an awful lot of our kerosene went. Actually, we could gauge to a pretty good degree the kerosene market by the total bailings of hemp that was purchased by the various buyers in the Davao area. There were four or five buying companies, several of them British, and one of them was the Columbian Rope Company. International Harvester actually had a large decorticating plant in Davao, and they used it, themselves, to make twine for their bailing machinery, which, of course, the home of it was in the Chicago area.

So Davao was broken off. We had our own bulk plant-- a very neat one. Davao was a very nice quiet town to live in. It had quite a number of expatriates. We had a very nice club there. It was off the beaten track, it's true. I remember at one stage, shortly after we were married, I didn't see another Caltex person, other than my own local staff, for over nine months. Nobody from Manila got down; nobody from Cebu got down. We were pretty much on our own, which was all right, too (chuckle).

Marcello: You've mentioned several things that I want to follow up on. When was it that you moved from Cebu down to Davao as district manager?

Baer: Gee whiz, Ron, I just actually can't put a date on it. I'd

have to say it was about 1948, because I had been down there, as I said, with the branch and then back up again. Then after I was married, I didn't want to go back down again to Davao. My in-laws were there; they were well-known in the community and so forth. We just felt that it was much better that we lived someplace else. I pretty much had a promise out of Mr. Roesholm that I'd never have to go back. He'd known my wife's parents in the prewar period. Anyway, due to circumstances which aren't necessary, I guess, on this recording, it was deemed that I should be transferred back to replace somebody else. So we went back down a second time.

Marcello: Were you going down there as the first district manager in the Davao office?

Baer: Yes. It had been a branch, and then it was strictly under Cebu. Everything was reported to Cebu, and they gave us the order. So, yes, I went down as the first district manager.

Baer: What was the state of the Davao operation when you got there in 1948, or around that time?

Baer: Well, I'd have to say it wasn't too bad, really, because I had been down there when it was a branch. So I would have to say it was working pretty well (chuckle). When I went back to take over, there were some problems that had been created--more personality than anything else. There had been some clashes between personalities among local staff and so on,

so that when I went back down there was that to straighten out. But as far as the marketing operation and so forth, why, there was no real problem.

Marcello: Was the product line essentially the same as it had been when you had been working out of Cebu?

Baer: Well, except that there was not as much...the term "industry" is sort of not really apropos either when you start talking about small sawmills and things of that nature. There wasn't as much industry in the Davao area. It was more agricultural, again the hemp probably being the main part of that; although later on, shortly before we left the Philippines, down on the southern point of Mindanao area, the Dole pineapple people opened a very large pineapple operation. However, I was not involved in that because that was after my time. Yet that did develop in that area. A lot of it was farming and agricultural type of industry. There was road transportation—overland transportation—and marine transportation. There was fishing, of course, also.

Marcello: Mindanao, of course, is the second largest of the islands in the Philippine archipelago, but I still look upon it as being one of the more primitive islands there.

Baer: Well, I think you probably have to say so. I understand that still on maps there are areas that are indicated as unexplored, and I can certainly believe it. Really, except for one cross-road from one side to the other, from Cotabato to Davao, and

then one from north and south from Kidapawan, which bisects that, most of the growth is on the coastal area. The main cities are Cagayan, Iligan, Surigao and all those that we mentioned. Zamboanga, of course, was way down on the southern tip.

Marcello: What kind of control, if that's a good word to use, did the head office up in Manila keep over the various district offices?

Baer: Well, actually...

Marcello: What kind of relationship developed, shall I say, between Manila and Davao or Manila and Cebu or whatever?

Baer: Of course, they maintained the direct control, and all of the accounting records and things of that nature went up there. They also established price levels and tried to control them. But all in all, we were rather autonomous. However, I think it's not much different than what the field office's relationship over the years was with New York or, like today, in Dallas. It seemed to go in cycles. All of a sudden there'd be quite a policy of "well, we'll let the field operate. They're the ones who know what's going on. Give them the authority. Let's expand their authority." Then lo and behold, you'd find that after a period of a year or so, all of a sudden it was like the fisherman pulling in the net. You'd find that they were cutting back a little bit on some of the authorities or the amounts that were authorized in the field.

However, I must admit that being in one of the districts out of Manila certainly, in my opinion, had the advantages over, obviously, working right in the head office, such as the Manila district. I remember Bob Monical said to me one time that I probably had the best job in the company, being district manager of Cebu. He said, "You're far enough away where if you do something wrong, we'll know about it; and if you do something good, you'll probably never hear about it. But at least you're doing it on your own." That was pretty true. Granted, we had a lot of visitors, and they were in and out, but we were quite autonomous. It certainly didn't curtail our activities in any great degree. The big time that you got into hassles with Manila was when you were wanting to tender on a large consumer account, and they would like to establish price levels, which is fair enough, because we didn't know what the prices might be for a similar piece of business in either Iloilo or Manila or someplace like that. We worked pretty close, and there was no real animosity --let's put it that way--at least based on my experience.

I always looked forward to these fellows coming down from Manila. They knew more about what was going on in the overall picture, and we were always interested in what was going on in the other areas. Of course, you get down to Davao, and, hell, you were out to the plane a half an hour early because you wanted to make sure that you met whoever it

was because you might not have seen somebody, as I said, for nine months. You wanted all the time you could get with them (chuckle).

Marcello: So there never really were any attempts or efforts made to have periodic meetings of the various heads of the districts to discuss common problems or whatever.

Baer: Yes. Oh, yes. They had district managers' meetings, and they held them up in Manila, and we'd go up. Certainly, once a year there was such a get together. And on many instances you were called up to Manila, let's say, on a specific piece of business or something of that nature. No, no, it wasn't that we were kept separate by any stretch of the imagination. They'd actually take the wives up, too, on most of these particular meetings. But most of the time, if you had a problem, you'd just pick up the phone, call Manila, and say, "Look, I'd like to come up for a day or a night." There was just no problem on that. It was very easy.

Marcello: When you first went to the Philippines, and maybe even at this time yet, the head of the operations was Mr. Roesholm.

Baer: Correct.

Marcello: Give me a character sketch of Mr. Roesholm.

Baer: Well, I sort of did mention to you, didn't I, the story of when I first met him, and then when he told me I had the easiest job in the company? He wasn't the friendliest guy in the world--at least he didn't seem to be--but I think,

actually, he could be quite warm from time to time. When he walked into a room, just from his bearing and his dress--as I say, he had a monocle and a ribbon around his neck--people turned and looked at him. They may not have known who he was, but they must have realized that he was somebody of importance. And he felt he was important, and he was. He was in charge.

But I think, again, he was behind the times, i.e., all of a sudden the Philippine show was just going to triple in size and in the number of personnel that he had and so forth. While he had certainly been a great administrator, I'm sure, in the prewar period, I don't think he could have kept up with the changes coming. You needed fellows who were a little more dynamic, fellows with some new ideas and weren't...I guess the term "old school" might apply to this. This was only natural, with the change in size after starting from scratch and then all of a sudden having eighty-some-odd expatriates, I guess, excluding the refinery people, spread throughout the island group at one stage of the game.

I liked Mr. Roesholm. I got along well with him. He entertained beautifully. It so happened that one Christmas I had an uncle who was a contractor with Morris and Knudsen, and he was up in China ascertaining some of the war damage for the U.S. government. Somehow or another he got down in Manila, and through some contact that I still don't know,

he ended up having Christmas dinner at the Roesholm's house in Manila. We had the same name, Baer, and Mr. Roesholm never apparently connected this until long afterwards that this guy had a nephew down in Cebu. I never did meet this particular uncle, but he was entertained beautifully. My mother came out on a trip one time and visited when I was still single. He and Mrs. Roesholm entertained her beautifully. He was a hard person for many to fathom, let's put it that way. I don't think he was quite simpatico as many other of the number ones of Caltex have been.

Marcello: Well, it's kind of interesting in that you mentioned that he was "old school," and suddenly there's this influx of Young Turks coming in after the war.

Baer: That's very true, and I don't think he knew how to handle this. A lot of the Young Turks weren't about to accept some of the old--what is the term--rules and regulations or the old type of operation.

Marcello: You're the district manager in Davao. How are you going to go about expanding market share there?

Baer: Well, again, Davao was a pretty tough one to actually get into and do anything because it didn't have the industry or the growth potential that was happening on the other parts of the area. Really, the only way you could do it--an awful lot of it--was, quite honestly, on friendship and contact and entertaining. Business did switch hands. The powerhouse

down there did occasionally tender, and if you got along well with the powerhouse people, why, chances are they would ask to tender. Business has been won solely on personal contact. That, in essence, is the way an awful lot of the business was done out there. I mean, these people would come up, particularly when we were in Cebu, from the gold mines and from the lumber outfits and so on, and they'd stay in your house and spend the night or two nights or three nights, whatever it might be, and you wined and dined them and so forth. Eventually, you became quite personally involved with many of them, and I still have contacts with some of them. I've visited the wife of the fellow who ran the Nasipit Lumber Company, which really started up the first large sawmill right after the war in the Philippines. He and his wife had been in the Philippines in the prewar period in the lumber business. She had been head of the Army Nurse Corps. They were taken out by submarine down to Australia, and then as soon as the troops came in, why, they called for Bill to come back in and set up a mobile sawmill because the Army needed lumber. You may remember that at one stage they had planned to use the Philippines as a staging area for the proposed invasion of Japan, and they were using the Del Monte area, which was a great, big, flat plateau, as a big military staging area. Nasipit isn't far from there, so this is where they set up first. I visited his wife a few weeks ago in Fort

Pierce, Florida. She's still living in the Philippines--in Manila.

A lot of those contacts, you know, just turned into personal things. Once you got on that basis, you had your business pretty well tied up.

Marcello: What use are you making of local nationals in your operation there in Davao?

Baer: This was a one-expatriate post, so everybody there--your accounting, your operations, all your sales representatives--were local nationals. That's the way it was. Of course, I believe there's only one American in all the Philippines, other than the refinery, today, anyway, and he's fiscal. Davao was as good a start, as far as having a complete national organization, as there was in the Philippines.

Marcello: Earlier in our conversation, you mentioned that up to nine months had gone by at one stage where you never really talked to any other company personnel other than the ones that were in the office there in Davao. I'm not exactly sure what the connection is here, but when was it that you got married?

Baer: Late in 1949.

Marcello: Okay, that was about three years after you had been in the Philippines, and then shortly after that you moved down to Davao. What importance was it to be married and have one's wife in a post or a location like Davao during that period?

Baer: Well, I think--and this is probably a subject that I feel a

lot of people would agree with--that the wife of an overseas expatriate, particularly in a location like that, is of extreme importance both from a social aspect as well as for somebody to lean on. I think many of the men I know did discuss business with their wives to the extent of what went on in the office today and that the price of kerosene was up or down or something of that nature. In an area like Davao, you could have stayed there as a bachelor and certainly enjoyed oneself, but a wife was somebody very useful to lean on, particularly in a period like that. From a social aspect and so on, why, they were great. Of course, in my opinion, if a wife isn't happy in any of these locations--we had some wives who weren't happy in Bangkok and others who weren't happy in Singapore, which to me are some of the choice locations in the world where Caltex was operating--then the husband isn't happy, and in several instances the fellow just went on to something else or went back home.

I think a gal has to have a certain desire and interest to be in one of these overseas places. Granted, they don't expect to end up in a one-man post, certainly not for very long. Of course, that was one of the things with Caltex--you were moved around after a reasonable amount of time. I had eleven years back and forth between those two places. I think we were down in Davao three times--or I was--and then we were back up to Cebu. So you did move about. A

wife can be a very intricate part of the expatriate overseas, and not just in the little places, either.

Marcello: In your particular case, maybe we should put on the record that your wife had been born and essentially raised in the Philippines.

Baer: Well, that's true. Yes, she was born in the Philippines. As you know, Bill Taylor's wife was also born in the Philippines. Ann had actually been raised in Davao. These were old stamping grounds as far as she was concerned. She loved the Philippines and still does. In my case, it was great. She was willing to pack up and go anywhere. I came home in 1982 and said, "How'd you like to go overseas again?" She said, "Where?" I said, "Tanzania." She said, "That's great! I want to see all the animals and all the game parks. When are we going?" I had no problems with that. Quite the contrary. New York was the hardship post, not anyplace we'd ever been overseas (chuckle).

Marcello: We'll talk about that shortly (chuckle). The Korean War started in 1950. What effect did that have upon your operations in the Philippines?

Baer: Well, it didn't have an effect to any great extent down where I was, and I honestly don't know whether it had any effect in Manila. There may have been some supply problems, as far as availability of products. It was something that seemed to be way off, as far as we were concerned, at that particular time.

Marcello: Were your competitors down in that area still Shell and Standard Vacuum?

Baer: Yes. That was right up until I left. Then, of course, at a later date, as you know, Standard Vacuum broke up. We also had Getty to a very limited degree, and actually, for the period of time I was there, and I guess for many years afterward, Getty was a supply contract of Caltex's anyway. So we used to drum their kerosene. It was our kerosene and their drums and that type of thing. They were a very minor factor. Other than the kerosene market, I don't recall that they really caused any problems.

Marcello: What sort of service station expansion took place in Mindanao or Davao while you were there?

Baer: Well, we opened two or three stations during that period of time. Actually, our office in Davao was on top of a service station. It was specially constructed for that purpose. Again, it was the old story that all of a sudden someplace would develop, and normally you'd try and get the owner of the property to perhaps put up some money, or you'd loan him some money, and then we'd supply the equipment. Then you'd get a lease for whatever the period of time might be. In most instances, the owner wanted to be the operator to start with. In many instances, people would come into the office and would say, "Look, I'd like to run a gasoline station, and I've got a piece of property." So you'd go out and take

a look at it, and then you'd begin to dicker. Then, of course, you'd evaluate it to see whether or not it was going to make a "go." It was an on-going part of the business, and I guess it always will be.

Marcello: From what you say, however, I gather that in Davao during the period that you were there, your major markets were not necessarily in the sale of gasoline to service stations and so on.

Baer: Well, it was a good share of our volume, yes, but it was pretty much established units that we had set up from the early days. Diesel was also a sizable volume. But it was a small operation as such, and we just didn't have the growth that the other areas had.

Marcello: It's in that postwar period, especially when we get up into the 1950's, that agitation begins in various countries for the establishment of a national refinery. Of course, as we know, eventually Caltex decides to build a refinery at Batangas in the Philippines. What do you know about the background concerning the agitation for the building of a refinery?

Baer: Well, actually, Ron, I must admit I was not particularly involved in that particular kind of activity.

Marcello: Is that because you were still down in Davao?

Baer: Because we were still down in the southern area, yes. They even speak different dialects down there. In other words, Tagalog was declared the national language, but in Cebu and

Davao they spoke other dialects. So it just really wasn't anything that we were faced with.

It's interesting, though, that for a long while, anything that was imported into the Philippines was what the people wanted. If it was made locally, they didn't want it. They wanted the imported stuff. It's surprising, particularly when it came to lubricating oils. One of the lubricating oil plants came out. I wasn't there at the time. Of course, I was in New York. They got into the lube blending business, manufacturing it. The company actually, in certain areas and in certain countries, left off the fact that this was blended in, let's say, Thailand or the Philippines because the people knew the brand name and assumed that Caltex motor oil or whatever it might be was imported, and that made it good. It was a feeling I always had that whether it was a toothpaste or something else, when the new local factory came in and the product was made locally, like in the Philippines, the Filipinos would say, "I don't want it if it's made in the Philippines. I want what's made in the States or Europe or someplace else." I believe there was a feeling like that and not just in the Philippines but in other countries that I've been in as well.

Marcello: The construction on the Batangas refinery began in 1952, I

believe, and I think it was finished in 1954.

Baer: Yes.

Marcello: How does Batangas affect your operations in Davao?

Baer: Well, of course, it became the supply point out of there, completely changing Cebu. To that extent it was quicker. In other words, they had it available to them, and, of course, once the refinery was going they had to move the product, too. So, of course, that put pressure on to move more product. But the idea, of course, of having the refinery was another "Caltex first." In other words, Caltex is the big company today. Here's our one-third of the market. We went up to the refinery opening, which was opened by President Magsaysay, and we, of course, visited it several times after that. It was a "Caltex first" type of thing, and this was the direction that Caltex was pushing all the time: "We're going to be the first company and the largest company." Again, I think you have to realize that when you're in these other areas, whether the supply comes from Manila or whether it comes from Cebu or Batangas, it makes little difference in the whole overall operation, just so long as you get it and have it when you need it.

Marcello: What advantage did Batangas give you over your competition?

Baer: Well, let me put it this way. Again, you get back to this aspect of your bottom line, and I honestly had no idea in the provinces--and I don't think anybody else did either--as

to what the refinery was making, which, of course, was a complete and separate operation then. Other than the fact that we eventually got billed prices...but, you see, this was just shortly before I left the Philippines that such information was even passed out to the field. So the advantage, I guess, had to be built into it, all right, or they wouldn't have put it up to start with. What, economically, the advantage was, I have no idea. If there was one, I wasn't permitted to use it, anyway. In other words, you're not, just because you have the advantage, going to cut the prices someplace, because then you're throwing away your profit.

Marcello: Now that Batangas refinery was constructed to use Indonesian crude.

Baer: I believe so. Minas crude, I believe. I remember a remark made at the opening (chuckle). Of course, Indonesia was pushing--as every country had been--for more refineries there. There was one in Balikpapan, which was Shell, I believe. I think Standard Vacuum had a small teakettle somewhere over there at that time. At the grand opening of Caltex at Batangas, the Indonesian minister--I don't know what department he may have been with--got up and made a speech before President Magsaysay and started off with a spiel that, "Well, this refinery should have been built in Indonesia. However, since it isn't, good luck." Then he sat down. Well, that was like throwing cold water over all the Filipinos and everybody else who were there.

But so be it. That was the intent.

Again, it was something that wasn't a major factor except for the fact that Indonesian crude oil is practically sulfur-free. That gave Caltex a bit of a boost in that we had a very low-sulfur gas oil or diesel as against that which came from Bahrain, which was high in sulfur. For years we had actually had to battle sulfur content with competitors who got them fuel from other areas. From a sales point of view, our main diesel lubricant was Chevron--Standard Oil of California--RPM Delo, which stands for "diesel engine lubricating oil." It was developed by Standard Oil of California in conjunction with Caterpillar--and there were a lot of "Cats" in the Philippines--to offset the corrosive effects, adverse effects, of high-sulfur gas oil. So this did give us, or at least it was intended to give us, a little bit of an advantage when it came to that, particularly when you were dealing with very sophisticated engineers who really knew their machinery.

Marcello: I don't know why I brought this up, but I can recall that in the interview with Taylor, he chuckles about the time that he went to some dealer and in essence convinced the dealer or the customer that because the Caltex oil did have a higher sulfur content; therefore he ought to use it. He supposedly got an account that way. Whether that's fact or fiction, at least it was something he told me.

Baer: (Chuckle) I don't know whether this belongs in here or not, but did Taylor ever tell you the story of when he was working with service station operations in Luzon, and they'd just opened a new station and were having the grand opening? One of the things we were trying to promote in those days was cleanliness in toilets. That's a tough thing in any part of Asia and in any part of the world, really, when it comes to public facilities. Anyway, he opened the door and walked in to the toilet and here's this brand new nice white china toilet bowl just loaded with stone and gravel. He came running out and grabbed the dealer and said, "Hey! What have you got all these stones in here for? Holy smoke! This thing is beautiful, and you put all these stones in there!" And the dealer shook his head and said, "Yes, but everybody was going in there and urinating in it." (Chuckle) Okay, you can see what some of the things were that he was dealing with in those days.

I think if Bill sold him that on the fact that there was probably 2 percent sulfur, he was dealing with somebody who didn't really know (chuckle).

Marcello: In 1957, you're transferred to New York.

Baer: Correct.

Marcello: Describe how that came about.

Baer: Having been eleven years in the Philippines, it was

decided that changes should be made and that for my own development, which, I'm sure, is what they had in mind at that time, I should get training someplace else--a different outlook. I'd had no head office experience per se, other than the original hiring, and Caltex in the meantime had changed. This is why I spent a stint back in New York. I will say that that resulted in the only man-to-man appraisal I ever had in my thirty-nine years with the company. It was interesting but is not necessarily the proper way of operating (but somehow, I guess, an awful lot of us never, in the very early days, got more than one). So then we were transferred to New York.

Marcello: How much notice did you have that you were going to be transferred?

Baer: Well, actually we were ready to go on leave, so it was no real sweat. I suppose we had a month or so. There was usually reasonable advance notice on most major moves. Most of the furnishings in the houses were company-owned, anyway, so you weren't moving an awful lot.

We got back into New York. In those days there wasn't an awful lot of assistance given as far as finding a place to stay, which was somewhat indicative of the fact that few of the personnel department were never overseas residents. You know, this is a completely different aspect of discussion, but I always felt that some of our personnel people could have spent more time

overseas and become "overseas-ites" themselves and therefore then would appreciate some of the problems of moving back and forth and so on. This is a long, separate item, anyway.

So we came back and moved into a rented house in Port Chester, New York, and I was then working in what was called the Far Eastern Division. I went in as just a flunky. There were two or three other men in the office. Well, I just did a little bit of everything. We were there about seventeen or eighteen months. I also worked to a limited degree under the Japanese area, just doing statistical work and things of that nature. Obviously, there was no policy-making or anything of that particular type at all. But at least you brushed shoulders with the people in the head office and got to know them and also the people in the supply departments and the lubrication departments, accounting, fiscal, and the whole thing. This was really part of what it was--just to find out how the head office works--because sometimes you wondered about this when you were in the field!

So then we were told that we were going to go to Singapore. At that time Caltex only sold lubricants in Singapore and Malaya, as it was called then. We had a contract with the Singapore Powerhouse Company for fuel oil, which came from Bahrain, and we bunkered ships through the public or the harbor board facilities. So there was an office in Singapore, and there had been one there for many, many years. Of course,

there had been a prewar office but nothing retail, no service stations.

I was transferred out there as assistant manager. There were five or six or so expatriates in the area, and what they were doing was handling lubricants and bunkering ships and selling drummed asphalt from Bahrain. For many years, Caltex had considered whether to go into that market retail-wise. I gather each year it would come up at the board meeting, but the economics just didn't show that it was the right time or was something that they didn't want to do, so it was turned down. When I left to go out, I was told, "Well, this is coming up again on the board, but there's absolutely no guarantee." I also was specifically told, "If it does go through, you will not be the number one. You will be number two." Fair enough.

So we went out and, as prophecized, the board did approve. We got a telex saying, in essence, "Get off your tails and start finding service station sites."

Baer: Why was it, if you can be more specific, that Caltex was so late in getting into that market?

Baer: I don't know for sure, but as I say, maybe the economics didn't favor it before. Shell had the place by the tail and had a refinery at Pulabukam, which had been there for many, many years. It obviously was something that just didn't look good to us over many years. It's perhaps unfortunate we didn't go in earlier, but those things are hard to tell. A friend that I

had known with Shell in the Philippines and was also their sales manager in Singapore when we went down there--we were very good friends and still are--said to me one time, "Well, if we had known that you guys were really getting serious about coming in, we'd have probably cut the retail price levels considerably," in an effort to keep us still from figuring it was a profitable venture. Well, for a long time we didn't make any money there because we were spending a lot and marketing only small volumes.

We were advised that a fellow named Fred Levenhagen, who had been many years with Caltex(India)and was at that time in Japan, was coming to Singapore. Well, I knew immediately what was in the wind. Actually, this was before we got word to go ahead, and it was one of these lack of communications things. The fellow who was there was an old China hand who couldn't have cared less, really, about the business and subsequently left the company not too long afterwards. It had been a nice roosting spot to put people into that you didn't have any other place for after China closed. Caltex was always pretty good, I must admit. They seemed to find a place for people if they had had a long time with the company. Anyway, Fred arrived, and then he had to tell the fellow that he was replacing that he would be leaving, which was damn poor management on New York's part.

So Fred came in, and then we got the word, "Okay, now

get along." Well, that encompassed, really, five years of development almost from scratch. We'd had a small terminal where the bunker tanks had been. They were prewar and had bricks around them from the war days. So a whole new modern terminal was built and constructed outside the city on Singapore Island, and then a terminal was built up in Malaya at Port Swettenham. It's called Port Klang now. With the moving out of the British they changed some of the names. Then we also built a terminal up in the northern part of Malaysia in Prai. All of that was done in a couple of "fast years."

Then almost immediately, staff was brought in from various areas--engineering staff to do the construction and the operations aspect of it. Most of the older men who had been there in straight marketing went one place or another--different countries. Some of the younger fellows who'd come in and did some of the early engineering were switched over into marketing and became part of the marketing staff. I think when I left, we had something like forty-seven retail outlets--service and filling stations. Probably only six or seven were in Singapore, and the rest of them were in Malaya.

When we got there it was just as Singapore was getting its so-called independence. They are still part of the Commonwealth today. So there were some problems. There were a few riots with Malays against the Chinese. We had

several days of house detention type of stuff and strict curfews during such actions. We were fortunate that the British Security Forces had Gurkha troops there--the Gurkhas were trained for that type of operation--with helicopters. We were sent home from the offices. There was no movement within the island of Singapore for three or four days, which was all part of the growing pains that that country had.

Then later on there was the separation between Singapore and Malaya, and the latter became Malaysia. Of course, there was politics behind that, obviously. So then we controlled Malaysia and Singapore out of the Singapore office from a marketing policy and supply point of view [tape turned over].

Marcello: A question comes to mind here. To a large extent, when you went to the Philippines, you played a role in establishing markets from scratch. As you look back, do you think this is one of the reasons why they sent you to Malaya and Singapore during this period?

Baer: I think it could well have been. I don't know that anybody ever told me specifically, but none of the fellows who were there at the time I arrived had any of that particular background at all. It was easy to fall back on Philippine experiences, in other words, when it came to supplying diesel to road contractors and things like that. In the Philippines we had developed portable tanks and so forth on skids that

contractors could move up the road half a mile, half a mile, half a mile, with a pump on it--things of that nature. Well, I could write back to the Philippines, and did, and other places asking, "Send me a blueprint of this. A blueprint of that." I would hope that was one of their thoughts, because while you have a manager in charge of the overall thing, the sales manager is your guy on the firing line and should be somebody with experience who can come up with the thoughts and ideas and innovations that are required.

This was a little different than reopening the Philippines. There was a gun at our head in Singapore and Malaya. In other words, "All right, BOOM! Here it is! Get out and really move!" The Philippines grew slowly as the country returned to normal, let's say. The facilities returned to normal. But in Singapore, you had going concerns. You had competitors there who had beautiful stations and were all the way through the whole countryside and were in all the industry and everything else. While we had a few contracts for lubricants, that was it. So this was a completely different type of a ball game--very concentrated, very fast, and with no letup.

Marcello: At the time that you moved there, one of the initial things that has to be done is to put in the physical facilities, and I guess it starts with the bulk terminals.

Baer: Correct.

Marcello: In the meantime, while all this kind of construction is going on, what are the marketing people doing?

Baer: The marketing people, in this case, were out trying to get property, particularly for service stations, which was very difficult because in Singapore the British laws still prevailed there for zoning and so forth. Also, the fact that competitors were there and the fact that the costs were very expensive made it extremely difficult. So where do you start? I guess what we did is that we got in the car and started looking around at a couple of corners and said, "Well, this might be a good place." In a place like Singapore and after you'd been in the business a while, sure, there's forms and you figure how many cars go by and this and that and the corner and the directions, but you can always tell by the seat of your pants whether it's going to make a "go" or it isn't going to go, assuming the dealer is qualified. So that was where the emphasis was for that whole first year or so.

Marcello: You're looking for service station sites.

Baer: Right. We managed to strike onto something, though, that the competitors hadn't done. The Malaysian Railway runs from Singapore all the way up to Thailand, and they had an awful lot of property all along the railway, which in many instances went right through the centers of towns and so forth. We made a pitch to them: "How about leasing us some of this property that you're doing absolutely nothing with." It took a lot of hard work on the part of many people. This wasn't all me.

We now had Caltex people living up in the Federation in Kuala Lumpur and Ipoh, which was a big tin mining town (head of the tin mining industry), and also up in Panang, the island off the coast. Now they may have been inexperienced people, but they had been in residence and knew the area and people. We had small offices in all these places, so it wasn't strictly a scratch deal. They did a lot of work in Kuala Lumpur with the railway's headquarters. I think we probably got eight, or ten, or twelve sites from the railway almost at one time, which was unheard of.

The government did put in the stipulation that the stations built on their land must have Malay operators. Now there is a difference. You can be a Malaysian citizen, but if you're not an ethnic Malay, you're not a Malay. Of course, that was to counteract the Chinese influence, which controlled all the retail business and most of everything else in those particular days. You had to be a native-born Malay. That was one of their conditions. We didn't always have to adhere to it because we could go to them and say, "Look, we cannot find a qualified Malay who's got the finances and so forth to operate." So we could get around it to some degree. They just weren't in those days the businessmen that the Chinese were, and probably never will be. So that gave us quite a good start.

Of course, as soon as the word was out that we were going to expand, we did get some people come to us and say, "We'd like a Caltex station to compete against the other guys."

Then we broke into the tin mining industry. We put bulk tanks in Ipoh, which was inland, and trucked and sent fuels by rail from Prai. The three deepwater terminals are still Prai, Port Swettenham (Port Klang) and Singapore. There was a very excellent and extensive railway system in Malaysia.

Marcello: What was the reaction of the competition to what you were doing?

Baer: They can't prevent your movements to any degree. Sure, every now and then, they'd try and block rezoning or get their dealers in the town to lobby against the zoning for an outlet, which is just normal play. They couldn't really stop us. My Shell friend said, "We should've dropped the price level four or five cents a gallon for fuels, and you guys probably would have continued to stay out." Maybe yes; maybe no. Again, I never saw the presented economics of going in as such, but once we were there, we had our budget plan and the funds and objectives, and we were fully aware of what we had to spend and how it was to be done. From then on we ran on a regular annual budget and built a specified number of stations a year.

It was great because living and working in Singapore and traveling in Malaya was great. The highway system was superb; the trains were superb; the airway system was superb; the hotels were great; there was food and everything else. In the Philippines in those earlier days, it sometimes got pretty rough, and it was canned beans here and there and

maybe some fish heads and rice at the Chinese hotel at night.

It really worked well, and we had a great group of fellows. Fred Levenhagen was a great guy to work for and became a very found friend. He gave me complete freedom, and then when he was gone on vacation or travelling, I took over. It was normally the sales manager who took over from the manager rather than your finance man or your manager of operations.

Marcello: So you were acting as sales manager in...

Baer: In Singapore.

Marcello: ...in Singapore.

Baer: Yes. I was called "number two," whether that's the correct term or not. As the emphasis then was solely on marketing--and Caltex, anyway, is a marketing company--marketing pretty much dominated the direction in which you were going to go. It was up to finance and accounting and operations to swing, sort of, into that, particularly operations. They had to work up the methods of getting the product someplace. If we had a market in the middle of the jungle, it was up to them to get it there. So you worked pretty closely together, and we had a really great crew.

Marcello: You mentioned Fred Levenhagen on several occasions. Let me give you a chance to describe what he was like. In other words, give me a character sketch of him.

Baer: Fred was a big, tall, good-looking fellow. He'd been in India and Japan.

He could be very forceful. We'd only had one battle, I think, the whole time--one argument. Then we both met one another in the doorway going into each other's office to apologize to one another. He was quite positive in many respects, but he hadn't been as close to marketing as I had, having grown up from the ground on it. Fred was maybe five years older than I am. As a result, he was the kind of guy who realized that he didn't know everything. He learned fast. He pretty much gave you your own head. You were responsible for what you did and had to be called for it if something went wrong. Fred was an excellent golfer. He was a good manager. He kept a pretty tight rein on everything. He was a good organizer. I guess that might cover it. I don't know how much more you'd put on it. As I say, we became very close friends, both socially and in the office as well.

Marcello: What other market strategies did you develop here at this time? You mentioned scouting around for potential service station sites; you mentioned the dealings with the national railroad. What other market strategies were being developed?

Baer: Well, again, it was one of these things where we had nothing. We didn't know the consumption in the country of gasoline as such. Malaya and Singapore were always very good on statistics, but we didn't know where it was. We had no idea what the consumption of the industrial accounts was. We had no idea what the consumption was or where it was. We had native

salesmen--I say native; they were Chinese, essentially--both in Singapore and Malaysia, as well as a small group of Americans who hadn't been in marketing, either. When we started, several of the fellows from operations like Bob Dougherty, who recently retired, and another young American, Don O'Sullivan, who is still with the company, had never been in retail. Both of them were engineers by education. We had none of the fine papers--forms, salesman's reports for consumption, any of that stuff. So I spent the first several months writing back to the Philippines and to New York. Fred Levenhagen had, of course, his contacts in India. So we were trying to collect all of the various sales aids, I guess you might call them, from all over the Caltex territory. Then we would edit those and put them together so that we could use them for our particular thing. Then we'd send these guys out, in essence, on a survey to find out where is all of this volume that we know is in the country. Who has it? What's the name of the account? How much do they use? Who are the people? That took several years and was never 100 percent completed by the time I left. It's an on-going thing because conditions change.

As far as strategy is concerned, it was to call on every single plantation. Of course rubber is a big thing in Malaysia, and they use petroleum products. Tin is, of course, a tremendous industry up around Ipoh. We knew where that business was, but we never made contact with them

to any large degree. There were cement plants and the whole mesh. This was really getting these guys out, and they didn't like to do it. It meant going and asking a lot of questions to people who sometimes didn't want to tell you, "We're using this or that." We'd ask, "Who do you buy it from?" We didn't know what share of the market Shell and Standard Vacuum had between them as such.

Marcello: It was probably a good thing you didn't, or maybe you would have never done anything there (chuckle).

Baer: Perhaps. As I say, they were well-entrenched. Of course, that's where Shell started--in Singapore. Those were the harder parts of doing the project.

Marcello: In a sense, it seems to me, on the basis of what you said, that you were kind of right back where you started from when you first went to the Philippines. You were a salesman, and you were going out making personal contacts.

Baer: To a degree, yes. I, of course, was not doing as much of the fieldwork then.

Marcello: I didn't mean you personally. I was using "you" in a collective sense.

Baer: Absolutely. That was it all the way along the line, right down to the end. Of course, Fred and I spent as much time as we possibly could out in the field. He loved to travel, and so did I. So we'd go out with the operations fellows to see the terminals as they were being constructed and

tankage going in and so forth. Then we put bulk depots up on the east coast of Malaysia. You'd just get out and take a map and go to the end of the road, and you'd find, inevitably, a Shell or a Standard Vacuum pump used for the fishing boats or buses. Well, then you'd ascertain if there was enough market there for us to come in and do the same thing. So, yes, that's what it was. It was just starting completely from zero, other than the bunkering business. We did have a good lubricant market. We always had had a good share of that, so that was an assistance to us; and eventually, when we had diesel or gasoline readily available and could get it to them, we had an entree to certain businesses.

Marcello: While you were in the process of trying to establish a foothold here, what sort of advice or attention was being given to this operation by New York?

Baer: Well, New York, once it was approved, had quite an interest. The regional office, of course, also had an interest, and we were getting visits pretty regularly. Plus the fact that Singapore's a nice place to visit anyway. You must accept that. So is traveling up into Malaysia. Also, by being in Singapore, you've got Amoseas over in Indonesia and a separate Amoseas office in Singapore. When Mr. Otto Miller, the head of Standard of California or somebody of that type of level would come into Singapore, it was the marketing company who met him at the airport, made the arrangements for the

hotels, and all of this kind of stuff. When they got into Indonesia, of course, that was Amoseas, Caltex Pacific Indonesia. We had plenty of people coming in, and it was one of these things: "Well, okay, you guys have got the money, so you've got to get out now and really grab the market." There was continuing pressure that we've got to get the volume to justify the money that we're putting in as soon as we can. That was simple. But you're not going to make a profit the first year when you're putting out \$700,000 and selling 20,000 barrels of product. There was continuing pressure but nothing that I would have ever called undue or anything like that where heads were threatened or rolling or anything like that.

Marcello: So for the most part, then, New York seemed to have been rather satisfied with the progress that was being made here?

Baer: I think they did at that particular time. The objective, as I recall vaguely, was established at about 15 percent of the market, figuring that's all you could essentially buy your way into. You'd pick up the growth as you'd go along. I left several years before Fred Levenhagen did, and I think we were in the neighborhood of about 13 percent overall.

Marcello: You just made a good point awhile ago. You're not going to make much headway in the established markets that Shell and the others already had. Like you mentioned, the potential is in picking up the growth.

- Baer: Yes, in growth of new business and expanding industry. This is where you scuttle around, and then you can beat the other guys to the draw. You're finally fighting "even-Steven" on the assumption that you have delivery facilities and products that can match theirs, and we eventually did.
- Marcello: I am assuming that this operation came under Caltex East. Is that correct?
- Baer: Yes. At one time there was Caltex West and Caltex East in New York, and then they broke it down into the Far Eastern Regional Division, I think is what it was. Yes, it was definitely the eastern part.
- Marcello: The reason I asked you that is because I wanted to follow up with another question. Were you back in New York when that decision was made to reorganize the company into Caltex East, Caltex West, and Caltex Service Company?
- Baer: No, I was not.
- Marcello: Did you ever receive or hear any feedback about the results of that reorganization?
- Baer: No, not per se, but again, Ron, I suppose in those days I was probably low enough down the totem pole to where if it was East or West really didn't make a lot of difference to me.

There was one interesting aspect that I sort of think about in looking back. This is not a hard and fast line, but once you were in the East company, you stayed in the East

company. There was very little crossbreeding between West company and East company. Many of us in the Philippines later went on to Hong Kong, Bangkok, Saigon, Singapore, Malaya or Korea. I'm not saying that this was an absolute "first," but let me relate this to you. Bob Daugherty, mentioned earlier, and I left Bangkok in July of 1971, and we both left the same day. He and I flew back together. He left to become general manager of Caltex in Uganda. I was to go back as deputy regional director with Taylor in New York. This, I believe, was the first time that anyone from the East company had gone directly into the African region or African area. Say what one will, they were different operations. Granted, they were different countries and different people that you're dealing with, but the Caltex executives were sort of a group unto themselves. Then, of course, I went to Tanzania for my last two years and so had to mix and break in with some of them, most of whom turned out to be very, very grand people.

It was sort of like the early days in the Philippines. For some of the men up in Manila, if you were out in the provinces like Cebu, Davao, or someplace like that, hell, they didn't even know who you were. And we had certain guys who refused to be transferred out to the provinces who were up in Manila--expatriates. I went up to Manila several times and was very uncomfortable. Nobody said, "Well, how about a

drink?" or anything like that, so to speak, until finally I met Bill Taylor. Taylor said, "Well, Jesus Christ! We'll change this real quick." Over to the mess I went and spent the night at the mess, and henceforth things were much better. They felt, "What the hell. You guys are out in the 'boonies,' and what do you guys know about marketing?" It wasn't a real feeling, but every now and then you got sort of that idea.

Similarly, the East and the West fellows didn't mix an awful lot. Now there has been more crossbreeding but still not an awful lot. A lot of people down in that African area are ones who had always been from India, Pakistan, the Middle East, and down that coast. I suppose the reasons for it are obvious. Knowledge of an area is a good thing. But once in a while you get to the point where you can't see the forest for the trees. I think, frankly, in some parts of East Africa that happened.

Marcello: Before we get you to Thailand, there are a couple of general questions that I want to ask here that maybe I should have asked you before. Like we pointed out, you had been in the Philippines for eleven years, and then you were transferred to New York for seventeen or eighteen months, and then you were sent over to Malaya and Singapore. From the standpoint of perspective, as you look back do you believe or do you feel that a person can spend too much time in one country or one

area and therefore that transfers from time to time are a good thing?

Baer: Yes, no question about it. We had some other fellows who stayed in the Philippines longer than I did, although they came after I did. You're not necessarily looking at every fellow that you hire as a potential chairman of the board or something--granted, you can't do that--but I think that when a guy is hired, he figures, "Well, I might be a vice-president or a regional director or something. I don't want to be a marketing assistant all my life." Thank God, they don't use that term anymore (chuckle). Just to obtain experience, if nothing else, in dealing with other people and other cultures it is essential. If you're going to be an executive--let's say you get up to vice-president--you're going to have to deal with several countries and other types of people. I think, also, you can get lost in the wash.

That was one of the problems of a very fast expansion. All of a sudden, in a period of a year or two, fifty people arrived in the Philippines. You can't make them all district managers immediately. Somebody's going to be held back or just due to attrition drop by the wayside. I don't think that in my case spending the first eleven years there was detrimental. It might have been good to have been in Manila for a while, but the basic marketing was no different there

other than that the volume was larger. So to be Manila district manager, okay, yes, it was a higher grade salary deal and so forth. Other than that, I don't know if being in the head office might or might not be an attribute or an asset.

Definitely, the moving to the other countries to me is a must. I didn't join Caltex to go out and spend all of my life in one country either, and I don't think anybody else does today who's joining the company. Of course, the problem is that there are less and less positions available, and, of course, today it's darn tight trying to get an overseas job. (Chuckle) Hell, it took me ten years to get out of New York on this last stretch. The development of local staff was part of the program, and all of us knew this when we joined the company. In essence, we were told, "What you're doing is training a man to take your job, and when he takes your job and you've done a good enough job, we'll find someplace else for you along the line." And that's the way I always looked at it.

This story goes back to the Philippines. Ray Johnson was there, and Ray and Barbara became close family friends. He was down in Davao. He came on down on a visit of some kind. As could happen in those days, you might sit up until 1:00 or 2:00 in the morning having a couple of drinks and talking and so on. Ray had worked for me at one time for a short

period. You could tell that he was going to go ahead one way or another. Ray was no engineer or anything of that nature. We got talking in the wee hours of this one morning, and finally he came out, and he said, "'Bugs,' I can't figure you." He said, "You've been touting me, promoting me, this and that, so forth." He said, "Don't you know that I am competition to you?" I said, "Well, Ray, the day that I can see and work to where I can make you better than I am at the job and so forth, then I will have no objections to working for you whatsoever." Ray went on and went to different areas and so forth and was made president. He was down in Australia at the time, I guess, when the announcement came. I wrote him a letter, and I said, "Do you remember the night down in Davao when we watched the sun come up behind Mount Apo?" I said, "Congratulations," which I felt really great about. I said, "I don't mind working for you at all."

These were the way things were, and anybody who was with the company would have to move around if they're going to go up. Well, people like Ray have been to Australia and other places. I think they could've done some more crossbreeding between East and West company, but that's hard, and there's reasons for and against it, I guess. But you sort of figure that there's a whole side of the area that you don't really know.

Marcello: I have to follow up on this, and I think it's an important part

of the history of the company. What made you sense or feel that Johnson had the potential to go far in the company?

Baer: Well, I will say this. I didn't necessarily think he was going to go as far as he's gone (chuckle). Ray was interested and dedicated to the business. I remember one time he came into the office, and I guess I was district manager in Cebu. I can't remember whether Ray was over in Iloilo or Bacolod. Anyway, he came in and a given individual who was then in the Operations Department was sitting in his cubicle. They had glass around them. These were rather makeshift-type of offices. He had his feet on the desk and was reading a newspaper, and Ray came in the office. "'Bugs,'" he said, "Phil is sitting out there with his feet on the desk and reading a newspaper! Do you allow that in your office?" I probably said, "Well, no. I didn't see him. Of course, if he does his job and gets it done the way it should be done, then maybe his reading the newspaper with his feet on the desk isn't too bad." However, it was obviously a very bad impression for the local staff outside who could see him, and this was Ray's point of view.

Ray also--and I'm not quite sure when in his career--took some outside courses in accounting and finance. It was not "heavy-heavy," but he did a lot of reading on it. Many of us were very lax and had limited knowledge of finance, and eventually, of course, it became very important as the company

grew. Originally, peddling was one thing. Ray did this on his own. I don't think the company paid for it.

I think you've got to appreciate the fact that Ray Johnson--I don't know if you know him or not--has got a hell of a personality. He can come around with his shiny face and can talk to anybody and get along. He was also very interested in people.

There was a fellow who's name I'm sure must have been mentioned at some time in the history of Caltex, a fellow named John Cleland. They called him "Woccle." Well, "Woccle" probably did more things to help other people and got less thanks for it than any guy I've ever met. "Woccle" is, of course, gone. Through many problems and so forth, when "Woccle" retired he eventually moved to the West Coast and had financial difficulties and so on. While he was in Manila, before he went to the West Coast, Caltex tried very much to help him while he was there and kept him on the board of directors with a salary or stipend of some kind in order to assist him along, which they didn't have to do. Cleland knew everybody in the Philippines. He had been there during the prewar period--he was a Scotsman--and was liked by everybody. To a degree he was a little behind the times in many things, but he tried to catch up. He was just a grand person. I

remember at one of the Quarter Centruy Club dinners--I guess it was the last one last year--I sat with Ray and several other people. Practically that whole time, he talked of Cleland and what another guy who was out there at the time, Rod O'Connor, had been doing to help John and get along--something that didn't have to be done.

I don't know...Ray just had the drive; he had the interest. His wife also had the drive and interest in Ray moving up the line. I don't mean this derogatorily. Quite the contrary. Barbara is a very beautiful and wonderful gal. As a matter of fact, we had a letter from her the other day. They had been over to Ascot, at the race, visiting on business. Well, she wrote this note on the plane. So he had that kind of assistance, too.

Again it's the kind of thing...the term "seat of your pants" perhaps isn't good, but sometimes, when you're dealing with a whole lot of people who are aspiring to much the same thing, you can pretty much pick out the guy who has the interest and the long-term desire as against the guy who's there because "well, it's a pretty good game, it's a great way to live, the club life is delightful, I get a good salary and so on." I don't know whether I've answered your question or not.

Marcello: I think you did, and it just triggers one more question. I think we've talked about this on several occasions. The

Philippines seemed to be a training ground for a large number of people who went on to eventually hold down some of the higher offices in the company.

Baer: Very, very true. Our head auditor at the moment, a fellow named John Henley, started out there as just an accountant. He was down with me in the southern Philippines. Bill Dunning, who's a vice-president today, was in the Philippines for a period of time. "Cy" Miller was over at the refinery. Max Tuttle was over at the refinery. We talked about Bill Taylor. Ralph Gruye ended up as regional director for Korea. He worked for me in Cebu. Again, he did not work for me, but with me. McMillan, of course, had been in the Philippines, as you know. Voss was never in the Philippines as such. Tucker, I don't think, was ever really there.

Marcello: Hal Lewis was in the Philippines, as I recall.

Baer: Hal Lewis went to the Philippines for a while.

Marcello: So there were quite a few of them that got some of their early experience there.

Baer: Wolahan was in the Philippines. When I start thinking back, it was quite a spawning ground for many of the people.

Marcello: Menefee.

Baer: Gene Menefee.

Marcello: Monical.

Baer: Oh, yes. There were a lot of men, of course, that came down from China when China closed down.

Marcello: Mr. Baer, earlier in our interview, you had been talking about the political situation in that area and how it affected the operations of Caltex. Could you elaborate a little bit more on that?

Baer: Well, when we first arrived in Singapore, and at the time the company decided to expand there, Singapore and Malaya were one unit together, so on that particular basis the company sort of handled Malaya as a branch office out of Singapore. Briefly, I guess the reason for the break-up is that the Malays, when it came to the political aspect of being tied in with Singapore, were afraid of the very heavy Chinese population in Singapore which could then possibly override their majority in numbers control in what was then Malaya. So, of course, they had to split. An interesting aside to it--and I may be wrong--is that I was told that during the weekend of the split between Singapore and Malaya, Jim Voss had taken home a proposal to join with Mobil in a joint refinery in Singapore. He took it home that weekend and in essence, I guess, had sort of figured, "Well, yes, this might be a good deal." Then the split came up, and the story I heard from the other side, from Mobil, was that later they could never get an answer out of Caltex as to whether they would go ahead with the joint refinery now that the split had been made; and that eventually, when the time came around to where Caltex again showed an interest in it, they said, "Hell, no, we're going to go ahead

and build our own refinery," which they did. So Caltex would have then been involved in a refinery much earlier than the current one where they went in with the Singapore government and British Petroleum. To that extent, yes, the politics of the area affected it.

Once the split came, yes, there was the difference of the causeway with delivering product from Singapore into southern-- what then became--Malaysia. Pressures to a degree were put on to run more supply through Port Klang (the old Port Swettenham terminal), but it never got to the point to where there was any kind of an embargo or where you couldn't move freely across the causeway between the two countries. So politically it really didn't to any large degree affect our operation at the time we were there.

Marcello: By the time you left there in 1965, what kind of an operation did you have going?

Baer: Well, as I said earlier, we had something like forty-seven or forty-eight retail outlets--service and filling stations. As I recall, we had something like 13-plus percent of the total market. We were higher in diesel than we were in gasoline. There was a very vast "dieselization" program that took place in both of those countries. All the taxicabs and many others, while they may have been imported with gasoline engines from their suppliers, were switched over to small Perkins diesels and engines of that type. All of the long

haul cars were Mercedes diesels. So this is where Caltex was able to capitalize. This all started just about the time that we moved into the market, and we were able to put in diesel pumps and tanks at the same time we were putting in gasoline dispensing equipment. Our competitors had to go in-- if they decided they wanted to--and bust up concrete, put in new facilities and so on, and they dragged their feet a bit because they were not sure of the future. Actually, I think Caltex had close to--I may be wrong--20 percent of the light diesel market, a lot of which was for on-the-road equipment because we were the first who really had a chain of stations all the way through Malaysia that had diesel pumps. We put diesel pumps in in the very first station on speculation as much as anything, and it worked. It was just one of those things that you sometimes gamble on. So we came out ahead on that particular deal. Then, of course, we had the powerhouse business and always have retained it. They expanded the powerhouses in later years, and it became much more competitive; but this was while I was in New York, in the region. In the early days, Malaya in particular imported very substantial quantities of asphalt. This was a big item for Caltex out of Bahrain because they had the asphalt plant there. For many years, Caltex supplied maybe 35 or 40 percent, maybe even 50 percent, of the asphalt into Malaya for their roads. This was before there were any refineries

in Malaya.

Marcello: Where was most of your product coming from at that time?

Baer: Bahrain.

Marcello: It was coming from Bahrain.

Baer: Other than lubricants. Lubricants in those days were all U.S. source.

Marcello: So most everything that was being produced at Batangas was being used in the Philippines.

Baer: Yes. It never came into our area at all. I think at a much later date--I don't know when it would have been--they may have gotten some fuel oil out of the Philippines into Singapore, but it was not an export market. Hell, they had a heck of a time setting that up, as I understand, to export product from the Philippines even if it was surplus. I mean, it was just a red tape, bureaucratic type of thing--taxes, tax refunds, the whole thing.

Marcello: How large a market did Caltex have for fuel oil there in Malaya and Singapore?

Baer: Other than the powerhouses, of which there were also several in Malaya, fuel oil was not a big issue at all. In some of the small depots, we didn't even carry fuel oil. There was no demand for it. There was also a gas works in Singapore, which was quite surprising, because they had "city" gas into the houses and apartments for years, long before I ever got there; and that was also a fuel oil fired-type of operation,

which Caltex held for many, many years.

Marcello: Okay, this brings us up to 1965, and this is when, of course, you are transferred to Thailand, in this case to head the operation there. Is that correct?

Baer: Correct. That's right, yes.

Marcello: Describe how this came about.

Baer: (Chuckle) Well, I didn't know about it; I mean, I knew about it unofficially before I knew it officially. Of course, that's sometimes typical of most large organizations. Caltex had had a series of marketing survey teams that went through many companies trying to develop the best methods of distribution, cost cutting, and staff reduction. They picked up the name headhunters, of course. It so happened that I was chosen to go on one as an observer--most of the basic components of the group came out of the New York office--to join them during the survey of Caltex Italiana in Italy. This was--I don't know--five or six weeks long. In so doing, one automatically passed through Bangkok, and my friend Bill Taylor was there. I saw him on the way up, and then I spent the six weeks in Italy, which was a very interesting experience. Subsequently, a survey team came and did Thailand, Singapore, and all the other Asian countries.

So I stopped there on the way back. Well, apparently in the interim period, Frank Zingaro had been through Bangkok. Anyway, if there's any news to be obtained or any scuttlebutt

to be learned or anything to be read upside down handily, Bill Taylor can do it. So when I got there, Taylor already knew that he was going to be going back to Manila and that I was to come up and take his place as general manager in Bangkok. So when I went back down to Singapore, I knew then, but unofficially. I don't know how long it was afterwards, maybe a month or so, before we found out officially. So we got it through the back door. Of course, it was no difficult matter to go from Singapore up to Bangkok, which was, of course, a completely different ball of wax.

Marcello: What kind of a leap or a jump is it to go from number two man of an operation in a country to the number one man of a company in a country?

Baer: It's a great experience. I think you have to preface the fact that in Singapore, as number two, we were on a real expansion basis; whereas, coming into Bangkok, that was a going concern and had been going for many, many years. They'd had any number of managers and a long operation, so in going up there you had a going concern. You weren't directing salesmen per se. All of a sudden, in going to Bangkok it was managerial moreso than getting out and actually doing the work itself. Well, heck, being the general manager of any Caltex company, I would assume, anywhere in the world, your social status obviously is greater than if you're a number two; and in a place like Singapore, with the old British,

sort of, atmosphere still there--much as we loved it--there was a difference between number one and number two. The British are very good at maintaining such levels, although in working with Fred Levenhagen, you'd have never known there was a number one/number two deal because Fred had us entertain people coming in such as a fellow from Texaco or something rather than himself doing it and so forth. We worked pretty much on a level-type of thing. Bangkok, again, you might say, at that stage was the ultimate spot that you could go to, and, of course, it was considered one of the choice locations as far as Southeast Asia was concerned.

Marcello: What sort of an operation--and you kind of alluded to this-- what sort of an operation did Caltex have in Thailand? Describe its operation.

Baer: Again, it was completely a marketing company; I mean, there was no exploration. We had an arrangement for off-take from the TORC refinery, which was essentially a Shell refinery, with Shell and a Chinese financier in Bangkok. Then later-- and this was after I was there--Caltex bought into part of it. Of course, today's history on Bangkok, I'm not so sure of, although I believe we've taken over the operating of a second refinery which is right in Bangkok. It used to be the Summit Refinery, Summit being a Chinese company from Taiwan. It was owned by the Thai government, and I believe-- I'm not sure--that Caltex has an operating contract to run

that refinery similar to the one that they have in Malaysia, up on the east coast, which Caltex built for the government on a tender basis and will operate for so many years, until they can get local personnel trained to operate it.

So we had local supply. Occasionally some shortfall would come from Bahrain. But they had a complete string of service stations. Some of them were rather antiquated and so on. Thailand was not destroyed by war, per se. It was occupied by the Japanese, but there was no strenuous fighting such as there had been in the Philippines. Of course, Caltex had been there since, let's say, 1945, give or take, so by the time I got there in 1965, you're looking at twenty years of Caltex people having been there.

The office was located down on a place called Patpong Road, which had everything from massage parlors to fourteen or fifteen bars. Shell was down at one end of it, and at one time the U.S.I.S. (United States Information Service) library was on it, and Caltex and a few other small places. We somewhat outgrew it, and while I was there, we transferred from Patpong to the current office. As soon as we left, they turned our office into two massage parlors. It always intrigued me because we never had any water in that damn place--the toilets and the bathrooms--and it was sometimes rather strong in the area and how in the hell they could turn it into a massage parlor with the bathtubs and all the water they use,

I still have never been able to figure out. Patpong Road was known in history, and I guess it still is. It was a private road, actually, that they closed off once a year and was owned by private individuals. They had a complete going operation.

Then we moved into the new office, which gave us the space that we really needed. It was then just a matter of carrying on and trying to make some money. Actually, they were losing money when I took over from Bill Taylor, and then, I think, the second year that we were there, we made a million dollars. That sounds great, and I remember that when Frank Zingaro came through, who was then in charge of the region, he said, "'Bugs,' congratulations! That's the first million dollars that's ever been made here." I said, "Yeah, but it wasn't me." I said, "Christ, Taylor was here for two or three years, whatever the period of time was, and he was working on it and others before him." I've never forgotten Frank saying, "'Bugs,' whoever the guy is who's in the seat at the time is the one who gets the plus or minus." Okay, on that basis, yes, the first million was made while I was there. I guess today they make many more than that. That was an interesting experience to have.

Marcello: What was done to turn things around?

Baer: Part of it was the reduction of staff. We phased out several bulk plants. A lot of this was the result of the marketing

survey team that came through all of these companies and their recommendations. We didn't cut every head that they had recommended, but this was presented to you with regional approval as an objective. You were called upon from time to time to say, "Well, how have you gone against this objective." So it was a culmination of a number of items. The military had put in a very excellent road system in Thailand all the way up to the borders in all directions. We had a very good terminal superintendent named Howard Hyde, who came in at the time. Years later he refused to come into the head office in New York, and took retirement. To my knowledge he is still living in Bangkok. Howard was a real hard-working operations man. He phased out two or three bulk depots. Well, immediately when you do that, you get out of the rent, you get out of the personnel and all other costs. We did long haul trucking with larger loads. While we were there, we also got locally into the first of the ultimate series of face liftings of Caltex retail outlets with new fascia and new designs and all that. Howard was very keen on that and ran a tight terminal. We put in several large storage tanks that we needed during the period that we were there. That in itself meant we could bring in larger loads of product at cheaper freight costs when we had to bring it in from offshore, and we could take larger loads which were shuttled up the coast from the TORC refinery. That's the

Thai Oil Refining Company. Taylor's very familiar with this because actually we were getting into TORC, I believe, about the time that Taylor was general manager there, he having taken over from John Schaberg, who I mentioned much earlier in the discussions.

Marcello: Evidently, that company was in fairly bad shape when Taylor took it over.

Baer: Yes. It had its personnel problems, let's put it that way. Again, I think Thailand was one of these places where some people had stayed too long, and a lot of them were guys who weren't that keen. I won't say they were there for a free ride--that's not fair--but many of them just wouldn't have gone much further, anyway, so there was a fair amount of attrition out of Thailand over the years. And it was overloaded with staff.

Thailand was a very tempting place to live, let me tell you, particularly if you were a bachelor or even if you were married. Thailand is historically know for its "activities." So it was a great place to go, and nobody objected to being assigned to Thailand. Actually, I've heard certain women (non-Caltex) say they would never allow their husband to be assigned to Thailand because of the possibility of being tempted into various and sundry diverse"activities."

Marcello: You mentioned that the company made a profit of approximately a million dollars during your first year there.

Baer: Well, it was the second year.

Marcello: Or second year. And you seemed to indicate that it came more by affecting certain economies than it did from increasing market share.

Baer: Yes. Maybe we picked up a percent or two of market share in the five years I was there. Again, it was pretty well set.

Marcello: It was a mature market.

Baer: It was a very mature market, yes. Sure, we opened stations—maybe four or five or six in the five years. Not many. We picked up a little bit of industrial business, but, again, in those countries that are going and which are not really industrial countries per se, there isn't an awful lot that you can grab, so most of that profit was probably through efficiencies and to a certain degree prices, pricing on product. It was an interesting thing to be there at the time.

Marcello: We talked about this during a break and off the tape when we were discussing Japan. Japan was one of those cases where it's a free-for-all following World War II. Everybody's going in there on an equal footing. Nobody had any market. And Thailand is just the opposite.

Baer: Well, yes, as far as my experience there was concerned. Again, not having been up in that area, I have a feeling that it may have been a little more orderly in its development. I'm just not sure. Incidentally, Thailand was another one of those companies that a lot of Caltex people had gone through

over history, but it was a completely different type of operation. As I say, it was a very mature market, to use your term.

It was a great place because living there was very nice. The Thai people are exceptionally nice, and the women are beautiful. Of course, there's culture and things to see. In the Philippines there wasn't an awful lot in the way of culture and so forth. Sure, there's a little Spanish influence and so on; it's a Catholic country. But it doesn't have the history-type of stuff that Thailand has going back through the centuries. So all of a sudden, you're getting into something that's completely different, and it was quite stimulating in that respect.

Marcello: There are a couple of things that occurred during this period that you were in Thailand that I would like to talk about. Obviously, the Vietnam War has heated up by this time. What effect did the expansion of the war in Vietnam have upon Caltex operations in Thailand?

Baer: Well, very considerable. As you are probably aware, Thailand was a source of supply--of petroleum supply--into Cambodia. In those days, of course, you could get into Cambodia. In addition, you had the military air bases in Thailand, which were taking astronomical fuel volumes, volumes to such an extent that no one company had the facilities and so on to handle it alone. While we were there, the United States

completed the Sattahip Air Base from which the B-52's were flying out of, and they [military] put in tankage there of their own. All of this was tendered upon out of New York. We had a special department in New York that all they did was handle U.S. military business. So on our behalf, they tendered and there was never a period of time while I was there that we didn't have very substantial military volume. Again, this was the reason for all the good roads throughout the area. In addition to the several large air bases, we were delivering all the way up through and into Cambodia up to a place called Battambang, which is in Cambodia. We used contractor trucks practically 100 percent, i.e., we would contract for them outside (we weren't using our own equipment). This went on for quite a period of time until eventually Cambodia was completely overrun, and that put a stop to it. So the largest volume that we had was jet fuel--JP-4--for the military.

Marcello: In terms of accounting and so on, is all of that volume of sales to the military being figured into your bottom line?

Baer: To the extent where we received a fee, yes. But when you start talking about the other actual earnings, no, you wouldn't because if you looked at the volumes on there, it was just completely misleading. So it really wasn't the major factor as far as the earnings were concerned. Actually, they were earned offshore and paid offshore in dollars.

Marcello: Would your other retail volume have picked up, also, as a result of the expansion of the Vietnam War, I mean, in the sense that you would have more American military personnel and so on living in Thailand?

Baer: Yes, there was a lot of that. Of course, there was a lot of the people coming from Vietnam--military forces--for R and R (Rest and Recuperation), which created all kinds of activities (chuckle). But, also, in terms of the increased volume--just the trucking itself--they were consuming diesel or gasoline, and if we had a fleet of fifty contracted trucks, we expected him to buy all of his consumption from us. So, yes, to that extent there's no question that the war created a boom as far as consumption is concerned.

Marcello: There's a...

Baer: There's another point while we're on it. We used to also supply into Laos through Thailand. Up in Vientiane we had a dealer who had tankage across the Mekong River in Laos. While it wasn't a tremendous big volume, it was also additional volume until such time as that was shut down when they were taken over by the other side. Vientiane was a really interesting place.

Further north, the old capital of Laos, Luang Prabang, was at the confluence of the Mekong and another river. It sat up maybe 150 or 200 feet above the river level at low tide, and when it was rainy season and the coming spring, why,

the water was right up into the town. It was interesting traveling there. The airlines and everything up there was C.I.A.-financed little feeder outfits and so forth. It had a completely different flavor than anyplace I'd ever been. Of course, you also had your various hill tribes that you'd see a bit of (not too much of in the city).

I saw a picture on television not just too long ago of Vientiane, and the great, big arch that is in the middle of the town is still there. Of course, Laos is communist now. We used to go up there quite often and supply product. Actually, one of the vice-presidents in New York, Matt Saunders, was in Bangkok when we got there and stayed there for a while after we came. Matt used to handle the Laos area. Actually, Bill Dunning, who also is a vice-president now, was in Bangkok for a number of years. There are a few of them, as we were talking earlier about, who have gone on to higher rank in the company, who went through the Thailand operation.

Marcello: During this period--in 1967, to be exact--the two parents decided to take over the European operations of Caltex. Obviously, there had been festering sores between the two parents over a period of time. First, what effect, if any, did that decision have upon your operations in Thailand?

Baer: I don't think there was any particular effect. I don't even recall that we ended up with any surplus people who came into our area. So on that basis it was just something

we heard...well, we knew Europe was gone, and that was the extent of it.

Marcello: My second question, then, is this. Did difficulties--differences--between the parents have an effect or filter down to the various subsidiaries?

Baer: I don't really think so. I don't think it was any kind of a factor that you could put your finger on. I think that over the years people like myself figured that they were Mama and Daddy; and Mama was gentle, which was Chevron, and Daddy was hard-nosed, which was Texaco. It always seemed that Texaco was the one who came up with the cutting of their allowances or benefits and perks. Well, then eventually that stuff would filter back into the Caltex group. Chevron didn't seem to take the lead in that and was considered a little more lenient and employee oriented. That was always at least my feeling about it of the two. I don't really know how you put your finger on it, but I think that probably in dealing with them over the years, those at a higher level probably found Texaco more difficult. Certainly in the odd few that I would see from time to time coming in for a meeting or something, they seemed to be a little moreso. Of course, in New York you were close to them. Texaco was sitting up in White Plains, and, Christ, that in itself was a good reason to move to Texas. But I don't think we in the field knew very much about what infighting there might have been.

I think in some instances parent personnel were a little jealous of the Caltex operation because it turned into such a big one. In some instances, the tail was wagging the dog and that type of thing. Maybe there was the feeling that Caltex had grown a little too big for its britches. But that's just pure speculation on my part.

Marcello: Periodically, would you have people from either of the parents coming through and checking things out?

Baer: Oh, yes, they would come through. We'd get, of course, information in advance as to who was coming and what they would perhaps like to see. It was not necessarily in-depth. Occasionally, a presentation would be made to them, showing what we had done and where we were going. This happened a number of times in Singapore, again because it was a new operation. It had been budgeted newly. They obviously were aware of what it was: "What have you guys done and what have you gotten?" So you'd be faced with that type of a approach. Generally, it would be a run through a terminal, check a few service stations, go into the office for fifteen or twenty minutes to see what it looked like, and then we'd go have lunch or dinner.

They never tried to interfere. Occasionally, something would get back to New York. Once in a while--I can't put my finger on anything specific--a remark would be passed back to New York about this or that. It would depend who it was.

I can't offhand just think of a thing. You were always on your toes, and you were very careful, obviously, of what you said and what you didn't say--just to make sure nothing was carried off and careful of comments concerning the other parent!

I know from time to time they'd come into a country, and they'd see a general manager, perhaps, with a Mercedes automobile. They could never get it through their mind that in Singapore or Hong Kong, a Mercedes was cheaper than bringing in a Chevrolet from the United States. You couldn't really explain that to them. I guess those were the type of things that would make them think, "Those Goddamn Caltex pipsqueaks are sitting out there and riding around in Mercedes, and here we are, driving around in Chevrolets or Buicks or something like that." But I think there was very little of that. At least certainly in my experience, they operated pretty much on a hands off basis and were generally very nice people.

Marcello: Was the policy still going forward in Thailand relative to the training of local nationals?

Baer: Oh, yes, there's no question about it. What I alluded to earlier--the Thai who sat in "the chair" during a vacation for a long period of time resented a new man coming in to take his place. In other words, one man left--one of our expatriates. I guess he was sales manager, as a matter of fact. This quite capable Thai, who's still with the company,

incidentally, sat in the chair for maybe six months or seven months before a new guy came out who was brand-spanking new--twenty-two or twenty-three years old, no field experience at all--as sales manager! There was some very hard feelings to the extent where we were very worried about work and reentry visas. Yes, there's no question about it; they had been working on this a long time, as you're probably aware.

While it isn't a great training program per se, they have this annual training and development conference in Dallas, then in New York, and have had for years, where one or two local nationals from practically every company that we own come in. There's a series of head office presentations made, and then they go and visit points of interest such as a Texaco refinery if they're in refining or a bus company or a gas plant or something pertinent to their interests. These are arranged through our Training Department. They then go off in groups of two's and three's and finally go back to their countries.

We had actually a couple of Thais who came back and spent three months or so in the head office--various departments--but which I don't think is really long enough. Based on my experience in the Training Department, the accounting people either want somebody for a year to where they can put them to work or they don't want them at all because they take up time, they're not productive, and they're

interrupting the production of whoever they're assigned to for a week or ten days. But these are things that fortunately, I will say, the whole domestic staff really put up with, at least during the period of time that I was heading the Training Department. These fellows coming in sometimes can really disrupt your whole schedule, but they're part of this policy of local national training, and that's overriding. Since then they've gotten into programs where some of these fellows are in for a year or a year-and-a-half or two years, which is a real way for a person to learn the head office function of a particular job.

Marcello: In 1971, you're transferred. This time you're going back to New York. Now you've been there before for a brief stint. What was your reaction to the news that you would be transferred to New York City?

Baer: (Chuckle) Well, to be frank I fought it or tried to fight it. For one thing, on a personal family basis, we wanted our daughter to finish her senior year in high school in Bangkok. The senior year is not a great year to move from one town to another where you don't know a single soul. The "powers that be" didn't want to listen to it. They seemed to think it important that I go back to New York and take over as deputy to Bill Taylor. He did have to have a deputy--no question about it--because his area was covering the Philippines, Singapore, Malaya, Vietnam, and Thailand,

which involved an awful lot of the military and other activities of the company at that time. But we certainly weren't happy about it, nor, I must admit, did I realize at the time that it was going to be ten years before I was ever going to get overseas again. If I had wanted to work in the United States, I would never have joined an outfit that had their office in New York. But by that time, you're shackled down pretty much when you've got that many years with the company. Of course, it was the element of the unknown. As far as I'm concerned, it was the ten lowest years of the thirty-nine that I had with Caltex.

Marcello: Without being too personal, even though you were being promoted...I guess this was a promotion.

Baer: It showed on the form, yes (chuckle).

Marcello: Were there some distinct declines in your standard of living, so to speak?

Baer: Oh, I would certainly say so. As an overall statement, other than company benefits plans which are withdrawn from your remuneration each month, why, I actually went into capital to exist in New York while we were there. We didn't live "high on the hog" whatsoever. Maybe we'd go into New York a night or so once a month, or my wife would go in for an afternoon show or something of that nature.

Granted, we lived in a delightful area, don't get me wrong, but socially and every way else, there was just no

comparison to being number one in a foreign country with a company that has the recognition that Caltex has and going back into New York in a nominal position. It just didn't balance out at all. I lost a lot of enthusiasm after the first year or two, and it began to be a drag. As I said, it was a low time in my job history.

Then I was transferred from the regional office and made manager of training and development. This was done through Bill Tucker. He said he wanted a marketing man to head it up as they were transferring another man overseas to Bahrain. This can get into a long harangue, but after I was in it a short time, I realized that while I appreciate training and development--I'd been doing it all my life-- I was not a professional trainer and that a lot of professional know-how was required. Bill asked me in the beginning-- this was at one of these times when there weren't a lot of jobs available--if I take the job and accept it, would I stay on three or four years. So I made the decision and said, "Okay, I will." In many respects I enjoyed it. I met a lot of great people, particularly from overseas, from all the different countries, many that I'd never visited or been in. They created it as a manager's job, which it had never been before, so they upgraded the position. It's not a manager's job today, I understand, either.

But it was just something that just didn't grab me, and I knew that there should be more devoted to it. Now maybe

if I'd have given it more, it might have been more pleasant. But when the end came, I wrote up a report and said that I really felt that the company was losing and that they should have a professional-type of person in this position as the manager. To my knowledge it's still sort of been handed around, although they've got more qualified trainers in the department than when I was there.

So when you say, "How did New York grab you," those four years were lower than the other ones! The other ones were...you know, it was normal marketing. You knew you had to go through this as part of a career, and that was fair enough. But when the transfer of the office from New York to Dallas came up, then people had to decide what you're going to do. Are you going to go, or aren't you going to go? I had pretty much indicated, well, then I'd retire rather than continue in training. I couldn't see moving for another two years because I was not going to work to sixty-five. I didn't see any need to do so financially.

My friend Jimmy Wolahan was handling the African area at that time, and they did have an opening in Tanzania, which was pretty much considered the pits of the African operations, I guess, i.e., certainly the smallest and probably the most frustrating operation. But he asked me if I wanted to go, and I said, "Well, I'd say 'yes' right now, but I do think I'd better ask Anne." So I went home

that night, and came back in the morning, and I said, "Absolutely." That worked out superbly because I came under the benefits of the housing plan and everything else that the company had for the move to Dallas, which was superb in my book. So I was able to sell the house in Scarsdale under their benefit plan, and it worked out great.

Marcello: While you were in New York, all sorts of things were happening in the Middle East.

Baer: (Chuckle) Yes.

Marcello: We get the formation of OPEC. We get the embargo of 1973. Nationalization and expropriation. How were all of these things affecting the operations of Caltex as you see them from New York?

Baer: Well, of course, I was in the Far Eastern regional office so that would be the basic area that we were faced with. Well, of course, OPEC, the pricing and everything else that they had triggered, trickled all the way down into the various countries that were involved. The regional office handled Hong Kong at that time, the Philippines, Singapore, Malaysia, Thailand, Vietnam, Cambodia, and Laos. You had all of this stirring up. You had the Vietnamese War going on, of course, that whole time. Even long after I left there, it was going on full tilt right up to the bitter end. As far as my recollection as it affecting the regional operation...it didn't shut us down. I mean, we had supply.

Other than the Vietnam part of it, I don't think--I may be wrong; I don't know what Bill may have said on the same question--but I don't think it had a major affect on our area.

Marcello: You mentioned that you pretty much jumped at a chance to get overseas again, or certainly to get out of New York. You decide to take the position in Tanzania, and this was in 1982. What was the situation that you found there?

Baer: Well, I'll tell you. We walked into a country which was financially broke. I don't know whether the term "destitute" is a good term or not, but it was living practically solely off of aid from other countries. The majority of it was coming from the Nordic countries. It was completely rundown. Therefore, as far as a company operation is concerned, unless we could get foreign exchange from the government, New York was not about to buy us anything offshore such as new pumps, a new car, repairs for boats, etc. So there were no new pumps, and hadn't been, in Tanzania, as far as Caltex was concerned, for something like six or seven years. It was a petroleum situation where there is a state-owned refinery in poor shape, operated by AGIP, the Italian company. Competitors were B.P. (British Petroleum), AGIP, Esso, Total, and ourselves. B.P., being the larger of the five, and AGIP, who ran the refinery and were partially state-owned, as was B.P., got all the government business,

there's no question about it. Caltex was number three in size, Esso number four, and Total five.

Due to the exchange situation and lack of foreign funds, the government was unable to keep supply of crude into their refinery on an on-going basis. Occasionally the refinery would have to shut down for a week, five days, six days, and, of course, it takes a week to ten days to start it up again.

The refinery was not the size or type that could supply all of their requirements. They came up with a heavy portion of fuel oil, which there was no need for in the country. Occasionally, they would export a tankerload of it. So they had to bring in shortfall gasoline and diesel, both of which were always in short supply. When it did come in, then it was allocated on a percentage method between the five of us. There was always some chiseling a little bit here and there on the part of some who reported bigger sales, perhaps, than they actually made (but you had to pay tax on it, so it didn't make a lot of sense).

As I think I mentioned the other day, Caltex's objective, at least while I was there, was to hold our market share-- you couldn't gain anything, anyway, of any perceptible amount --and to see that what fuel there was got out into an end use that was beneficial to the country. Now on that basis we sort of headed toward the tourist industry, which could be one of their biggest money-making foreign exchange sources,

because tourists were coming into the country, and then there was no diesel or gasoline for them to on safari out into the Serengeti and game parks. So we put pumps and tanks in several of the tour operators' places and some of the tourist lodges that were down in the southern area and only into industrial business that was actually in production.

Well, if you look at the total industrial capacity of the country, it was operating at about 30 percent of capacity because there was no funds for input materials. Battery factories weren't operating. It's just hard to conceive that the tire company, which is American-owned--General Tire--there in the town of Arusha, which is the number two town of Tanzania...they might be shut down for four or five weeks because there's no raw rubber to make tires. The thing of it is that the tank trucks couldn't operate because they didn't have tires, and therefore they couldn't haul the petrol and diesel, when we had it, to places where it should go.

Marcello: I'm assuming that, given the road system, they wore out tires pretty quickly, too.

Baer: Absolutely. There's just no question. The roads are just out of this world. You wouldn't believe it. You had this sort of "Which come first? The chicken or the egg? What should get fuel?" There was rationing. Everybody was allowed

fifty liters of gasoline per private vehicle a week. They did not "permit"--and I use quotes around that--driving on Sunday afternoon from 1:00 until 6:00 the next morning in an effort to try and conserve fuel. When things got rough, why, immediately there'd be a call by the Ministry of Energy and Water: "Come on, fellows. What can you do? Now how much do we got left? Can we get it here? Can we get it there?"

Politically, they also wanted to feed certain aspects of the economy themselves, which wasn't always going into what we might consider the place it should go. They always tried to keep Dar es Salaam, the capital, supplied because at least nobody was going to start running in the streets, even though it's rationed, if there's some available; whereas, up-country you could go through town after town and never find a gasoline pump that's open and no kerosene.

We were there--Anne and I went back over Christmas--in January of last year and went out on safari, and we had to take all of the petrol with us. In other words, we had eight big jerry cans in the back of the pickup because there was just no way that we could get it from legal outlets. They have a wonderful game reserve called Ngorongoro Crater, which is world-reknown and loaded with animals. To get down, you must go in a four-wheel drive vehicle. It's the only way you can get down this very steep road, and you must use

a government land rover or jeep. However, if you don't bring your own gasoline with you, you can't go down, so you have to figure all of this. It's rather pathetic.

Additionally, the government there has ceilings on salaries. As you may know, it's a very socialistic state: "Everybody should be equal. Nobody should have more than anyone else." The salary levels of the ministers and so on are very, very low, so as a result everybody has a chicken farm or have cattle next door. The head of the Tanzanian railway, a heck of a nice guy--actually he went to school at Syracuse University--had a baby while we were there, so he brought in two cows, and they ate all the hedge around our side through the fence. When I was back there, I noticed he's got four cows. And this is right in the residential area. The company has some beautiful homes--very, very nice homes. Dar es Salaam at one time must have been a magnificent city, I mean, as far as being picturesque, and it's right on the beautiful, blue water of the Indian Ocean. So there are wage and price ceilings, and there's a tax rate of about 75 or 78 percent.

Our company had a policy that everything--salaries, allowances, etc.--should be declared to the government. We were the only company that did. I question the necessity for so doing it, but I guess it goes back to Carter's time when he declared that all-American companies should be honest

and all that crap. Caltex decided they would. All right, that's their policy. Of course, it didn't come directly out of my pocket, but I'm sure I paid the highest income tax in the country. Exxon and B.P. and the rest of them only declared nominal amounts as income. But the same thing applied to local staff, and this was a tough one.

The price of food, when it's available, like rice and meat, is just out of this world. Fish, which should abound and be cheap, is not cheap. Coffee is available sometimes, and they used to export coffee. The powdered coffee that they make in Tanzania is, in my opinion, the finest I've had anywhere. We have some here in the house. We brought back a bunch, of course, when we returned. All of their exports have gone to nothing. Granted, a lot of them have been affected by world prices--coffee, tea, sisal, things of that nature. But where they used to export food, now they're importers, and there isn't enough even to go around. Plus the fact that when there's a wheat crop to harvest or some crop comes in, they can't transport it because there's no tires on the trucks or there's no gasoline or diesel in the area. I was up in Arusha shortly before we left. I was in a store, and the owner said, "If we don't get fifty gallons or a hundred gallons of diesel by next week, we're not going to be able to even plant our crop." They grew corn here--not an awful lot but a good-sized area for up in there. And

I said, "Well, I know there are two truckloads earmarked for up here at our two outlets." I was back--I don't know--a month or so later, and they said that the fuel got up all right from Dar es Salaam; however, the government official in charge of allocating this product ran it in other directions (was the way they put it), so they didn't get it, and they didn't plant. These are the type of things that you ran into all the time.

Back to the staff, they, of course had a very difficult time, particularly in the city, in getting food to the extent that we started the office at 7:00 in the morning and ran straight through until 2:30 in the afternoon. Then they were off because if we gave them a lunch break and they left--the office was at the supply terminal, which was a good distance from town--half of them never came back after lunch. They were out scrounging for rice or vegetables or food that might be on the shelves from time to time. We let them knock off at 2:30 and ran a bus into town so that they could get out and look around before the government and some of the other major offices got out.

But if you give a guy a salary increase of, let's say, 10 percent, and he loses 73 or 74 percent of it, you're only talking peanuts. There's just no incentive among the people. They have no drive. They have no incentive except for the odd individual. The people in the office, some of them, would

just sort of sit there and look off into the blue. The Tanzanians are not a smiling people. They're nice and they're friendly, but you seldom see a smile. They'll stand in line for an hour-and-a-half waiting for a bus out in the hot sun somewhere with no smiles, and nobody jumping all over one another to get ahead either. They're used to it, I guess. I guess they've been beaten down for so many years under their socialistic system that there's just no incentive to them. People don't plant any more up-country than what they can use for themselves perhaps to black market a little bit across the border into Kenya.

The major part of the two years that I was there, I spent it trying to find means of compensating the staff, presumably legally but where it would not be taxed. And there's damn near no way you can do that and be legal, so we did various and sundry approaches. So far we're doing all right with it, but you never know when somebody's going to come in to check. Government was very, very tough income tax-wise just before I left and would go back five and seven years and recalculate corporation income taxes to get every last cent that they possibly could. Our company had—when I left—substantial profits blocked. I think that 1975 was the last time we ever got a remittance out of there. It was \$10 or \$12 million U.S. of blocked profits, which had been approved by government for remittance, mind you, if they

ever had the exchange to cover it. But they wouldn't even give us a guarantee that the profits, if they were ever to be remitted, would be remitted at the exchange rate at the time that they were declared. Of course, everytime a devaluation--which was once a year or maybe twice--comes along, why, you're losing that from the blocked "profits" as you go along the road.

The job was dealing with personnel and trying to play policeman all along the line. As I said, it's as frustrating as all get-out. Yet when you did get something for these people, you felt good about it. When I left, I felt--and from what they told me when I was going away--I felt that I had accomplished something, but all I did was for them. I mean, I didn't gain Caltex anything. We made money, sure. It didn't matter to me whether we made a million dollars or \$900,000 because you weren't going to get it out anyway, which probably isn't the correct attitude. But I wasn't pointed in that direction. I was pointing more towards these other things--the staff.

I don't think that Caltex had ever done any major work on local staff development in Tanzania. When Ray Johnson took over as president, he began to push on local development throughout the whole group. Since then, they've set up a training center and staff in Kenya for East Africa and bring people in from all the other area countries.

Potential managerial staff, other than two men, was nil. All of them have outside interests. While I was there, we did set up two overseas programs. A marketing man I had met in New York on a training program eventually went on a program developed for him, and went to the Philippines for about a year and four months. Actually, he wanted to stay longer because he enjoyed it so much. He did return and has as of now taken over the sales manager's job from an expatriate who was an Australian and who has gone since to Zambia. But other than that fellow and one in finance, who I really wouldn't want to trust too far, there was just nothing to work with.

It means starting from scratch, and we tried. The American operations manager, Art Sanderson, I had there was a young man--a real aggressive, great fellow who's now in Malaysia. He had his own home computer and was a ham radio operator, flew a plane, dives and so forth. We really got along great, although there's probably thirty years in age difference at least, maybe forty. Not quite forty. Anyway, he started working out a staff development program for operations. We went out and advertised (which they hadn't done before). We went to this place, that place, and even asked the government where we could find people. Well, the government, of course, doesn't like to lose any qualified people, so you can't really touch them. Finally, we got a guy that we thought was great, hired him, and I figured,

"Well, we're off on a five-year program," which we had plotted and everything else. Cripes! The guy turned out to be a real drinker, and he couldn't drink. Most of the Africans I met can't hold liquor. We eventually had to fire him just the day before I left because he just couldn't be trusted on or off the job. So here you are. You're back to square A again, trying to find an engineer or a guy who could take over an expatriate position.

These were the things that should have been going on and were things which, I guess, we did automatically out in the East ten or fifteen years before. Now people will say, I'm sure, that we tried and so forth. Well, okay. But that was one of the bleakest things that I found when I went into Tanzania--no long-range local staff planning.

Marcello: How great a problem was theft? For instance, you talked about the sending of the fuel to the wheat farmers, and it was diverted by the government. I forget what the term is you used now. But how great a problem was theft?

Baer: Well, theft was absolutely...in essence, it's rampant. We even had a break-in where they cut the wire mesh fence in the terminal, which is supposed to be guarded by government militia. They'd actually crack a pipeline and put tins under it and haul it out. That's right in our own backyard. Actually, there were any number of incidences. One time a complete railcar disappeared on its way to the north, and I don't

know whether it was ever found or not.

Marcello: There can't be too many places to hide a rail car in Tanzania (chuckle).

Baer: Well, that's true. There are not that many tracks, you know. The hijacking or disappearance of tank trucks of fuel--road tankers--was quite common. We lost a complete load of drummed lubricants between Dar es Salaam and a place that was no more than about 100 kilometers south of us. We never found it, never heard where it went. Of course, what happens is that the drivers disappear, and that's the end of it. The price of petroleum products was high and gasoline was something close to \$3 a gallon, and the price of lubricants was similar. A drum of lubricating oil was certainly more than a driver's whole monthly salary or probably maybe even his six-month salary, so we had to be very careful.

The overloading of tank trucks by our own staff in the terminal was a problem. Then in concert with the drivers, they could siphon off whatever that amount might be before it got to a service station down the road. It was really horrendous. They'd break into the terminal and steal the air conditioners. They were all window units. I'm certain we lost six or seven in the two years that I was there. And this is, you know, with lights on and armed guards around. You didn't dare leave anything, of course, like a little

calculator around loose. It would always disappear because everything had such a monetary value to them.

I think we mentioned in our discussions last night that the country has, in my opinion, such wonderful potential. I often felt, "Let me have Tanzania for ten years. Let me do it my way." Which, of course, means capitalism, I guess. They don't like that word. "I'll give it back to you. I don't want to make anything on it." But it just hurt me to see how it worked.

There are many qualified and talented Tanzanians in the government and in other industries. In the sisal industry, I met a fellow who had been here in the United States. He'd been up at the Colombian Rope factory in Auburn, New York, and traveled all over the world. He said, "If the government would just let me have 20 percent of the foreign exchange that I could earn for them to use for spare parts, expansion, replanting, getting some tractors into operation, I could make a go of the sisal industry, which is today almost dead." And this is a well-educated man talking, and he's talking out of school a little bit, too.

Anything will grow in the country. As I've said, coffee and tea were tremendous exports. Well, even if the prices are down, if you can get it moving and get enough volume, you can make a profit. But people won't grow because the government will not pay them. They may be paid a third of what the total

crop is worth to the farmer. Okay, so what can you buy? Toothpaste is \$4 a tube or the equivalent thereof. The minimum salary that we paid a laborer was 900 shillings, and you couldn't pay them much more than this, again due to government regulation and union agreements. There were unions of a sort, but they can't strike. The minimum salary was 900 shillings, and the shilling at the time we went there was about 9 to 1, so you can figure what that is in the way of how much a person is earning a month. And you keep a family going on that. I think now the minimum wage may be 1,200 shillings, but it's about 12 to 1. On the black market, it might be 170 to 1.

Marcello: What kind of problems does such an environment present for the living standards of expatriates? Use your family as an example.

Baer: We lived very well. The reason is that the company policy takes into consideration the cost of living. It also was considered a hardship post for which they also have a beneficial program. So the expatriates such as ourselves are in a position to pay these horrendous prices. There is everything in the local food market to eat--beautiful vegetables and so forth. Meat is so-so, but we lived with that for years in other countries. We were permitted to import--by using your own foreign exchange--liquor and foodstuffs, which we did from time to time. Some of it came from Denmark, and some of it

came from Australia. There was a husky duty paid on it. I don't know what the company policy was, but as far as I was concerned, Caltex in one manner or another paid for the duty coming in. We saw to that. And we paid the freight, which was all right because you could not get foreign exchange from the government for it. Certainly from a food point of view, we couldn't really complain.

We took out a two-year supply of toilet paper when we went, a two-year supply of paper towels and so forth. Now don't ask me how you gauge a two-year supply of toilet paper (chuckle). We got into a discussion on that one night, and it turned into something. But let me tell you, when there's no toilet paper available in the market--and there wasn't for months and months--you almost count the sheets. There was that type of a thing, but we didn't really suffer at all.

The country was great, as far as housing was concerned. Caltex had three company homes that they owned and one that we rented. One was out on the beach. The manager's house, which I had, was a great, big, beautiful home on Embassy Road not far from the ocean. I could look out the window and see the Indian Ocean. They had a yacht club which was a really multi-national club. Anne and I figured fifty-nine or sixty different countries were represented in Tanzania. Of course, there was a very heavy communist bloc--Russian, Bulgarian, North Korean. No South Korea; no Philippines; no Thailand;

no Taiwan. It's all communist China. And yet they're not communistic per se like you use the term. They're socialistic. The communism doesn't seem to come through. The yacht club has a beautiful location, and there's wonderful swimming. Anne and I got licenses for scuba diving while we were there and enjoyed that. Other than the frustrations of working, it's limited, sure. You can't go out and buy things off the shelf. It was a good two years, but two years was enough for me, as Anne mentioned last night.

Marcello: You mentioned that you retired in 1984, which meant that you had been with the company about thirty-nine years.

Baer: That's right.

Marcello: Obviously, you were with the company when it achieved its greatest successes. As you look back over those thirty-nine years, what factors do you see responsible for the success of the company? And it was a success?

Baer: Oh, it was. There's no question about it. I think really an awful lot of it has to go down to the individuals and people involved. We always used to figure that it took two or three Standard Vacuum men to equal one Caltex man. That was always said as a snide remark, but I don't really think so. I think the Caltex people themselves had a terrific pride in Caltex coming in as they did in so many places as the underdog and with perhaps the opportunity of coming to the top, such as they did in the Philippines.

As I think I mentioned earlier, there was a cycle from time to time as to authority given the field and perhaps withdrawn a bit later, but I think on the local offices, while we'd always have preferred more, were given a lot of leeway which permitted them to--within reason--act with dispatch on something that came up which might have been important in gaining your objective.

Caltex got to be quite respected in most areas as a company. I mean, people would come in off the streets and say, "Well, I've heard of Caltex this and Caltex that." I think we stayed out of politics, certainly enough, to where we didn't get involved in any kind of a stigma, and that was, of course, a cardinal rule anyway. I mean, sure, you might know people and do a little back door talking, but as far as getting involved in local politics, it was a "no-no," at least in every area that I was in. And you didn't come out in public and make your views too well-known outside of, let's say, you and me.

Of course, we always had a choice of specialty products from both Texaco and Chevron when you got to soliciting consumer accounts. Some of these companies were absolutely fanatics on what lubricants they'd use and what they wouldn't use. We did have a choice and a large range of being able to get specialties while other competitors were limited to their own single sellers. This was an attribute, particularly

in the earlier days when companies were just forming.

I think one of the things that Caltex has is that, while there were any number of the men who were prewar employees, there was a large nucleus who joined in 1945-1946. We all grew up together. Many of us were bachelors, and then we were married. The kids know one another. We know their children and so forth. That way it's very easy to work as a team or as a group of people, and I think that may have had a lot to do with an esprit de corps. I question that they may have that same esprit de corps today. I just don't know, but based on my last visit to Dallas, I didn't quite feel it. But, again, I wasn't part of it then, so maybe that's it. But in talking to some of the younger people who worked with me in various departments when I was in New York, I don't think the keen, old drive is there anymore. I may be wrong. The Vosses are gone now; the Yergins are gone; the Tuckers. Ray and "Cy," okay, they're all peers, give or take. Wolahan is gone now. Slowly, it's changing. And it's got to. I appreciate that. It's turning into new hands, which is good, too. That's what the people are trained for. I think that had an awful lot to do with Caltex in the beginning.

Marcello: I think now we're talking about a mature company. It's no longer a new company just getting started.

Baer: True. And that in itself creates a bit of lethargy in your

endeavors as you go on. That perhaps is a good point.

Marcello: Well, I think that's probably a good place to end this interview. I want to thank you very much, Mr. Baer, for taking all this time to speak with me. You've obviously said a lot of interesting and very important things, and I'm sure that the comments will be quite useful when the history of Caltex is written.

Baer: Well, actually, I appreciated being asked to join in this operation. As I said during one of the breaks, all of a sudden a lot of things began coming back to mind, and I suppose at 3:00 this morning I'll come up with a lot of real hot things that ought to be on the tape--long after you're gone. But it's been a privilege. I enjoyed the interview, and I thoroughly enjoyed talking to you, Ron.