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GEORGE FERGUSON
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Place of Interview: Bronxville, New York
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Caltex Oral History Project

George Ferguson

Interviewer: Dr. Ronald E. Marcello Date of Interview: October 4, 1985

Place of Interview: Bronxville, New York

Dr. Marcello: This is Ron Marcello interviewing George Ferguson for the Caltex Oral History Project. The interview is taking place on October 4, 1985, in Bronxville, New York. I'm interviewing Mr. Ferguson in order to get his reminiscences and experiences concerning his long-time employment with Caltex.

Mr. Ferguson, to begin this interview, just very briefly give me a biographical sketch of yourself. Some of this is a part of the record, but maybe some people won't read that. Tell me when you were born, where you were born, your education--things of that nature.

Mr. Ferguson: I was born in Brooklyn, New York, on April 18, 1906, the date of the San Francisco earthquake (chuckle). I graduated from high school rather early and secured a Regent's Scholarship and entered Cornell University in the fall of 1922, in the school of mechanical engineering.

I soon found that I would prefer to enter the chemical engineering field, which was just developing at that time, and MIT was well-known as one of the best places for the

chemical engineering degree. Therefore, I transferred at the end of my sophomore year at Cornell to MIT and secured my degree in chemical engineering in 1926.

In June, 1926, I immediately entered the employ of Texaco.

Marcello: Describe how this came about. Why did you select Texaco?

Ferguson: I selected Texaco because, rightly or wrongly, I wanted to join the largest independent company and because so many of my friends, my roommate, and my professors were married to Standard Oil Development Corporation and the Standard Oil Company of New Jersey and later became top executives in Esso. As a matter of fact, my roommate became vice-president in charge of refining for Esso in the United States.

My few years with Texaco before I went to Australia, I know now, were development years because I was transferred from place to place every few months on entirely different duties. I put in a small steam boiler in Charleston, South Carolina; I visited the Jacksonville and Tampa Terminals; I worked in Marcus Hook Terminal in Pennsylvania, and put in the steaming and washing facilities for lubricating oil drums. Then I became plant engineer at the Norfolk Terminal of Texaco in South Norfolk, Virginia. It was there that I met my future wife, Virginia Shepherd, and I was married in April, 1929. I was then located in the

New York office as assistant to the general superintendent, Terminal Division, Refinery Department, handling budgets and appropriation requests to the board of directors.

Six months later, I was working in Bayonne Terminal as yard and bulk oil foreman, loading and unloading tankers from Port Arthur and taking package goods back to Port Arthur. This gave me quite a bit of shipping experience, as we had at least seven tankers a month discharging at the Bayonne Terminal. The experience that I gained in the States in handling various types of labor, particularly the black labor in the South, where I had Negro carpenters, fitters, track experts working under me, gave me quite a bit of knowledge that served me very well later in other parts of the world. I learned to respect their work and their attitudes, and they learned to respect my orders when I had to give them. But I was learning from them all the time. Looking back on it, I realize that my bosses weren't as stupid as they sometimes seemed to be.

In any event, I was transferred to Texaco (Australia) in January, 1930, with the head office located in Sydney, N.S.W.

Marcello: Did you know this was coming, or were you simply told one day that you were being transferred to Australia?

Ferguson: I was told just before I went to be married in April, 1929, that it was likely. I informed my bride and wife-to-be

the day before I was married that I would probably be transferred to Australia.

Marcello: What was your reaction upon being told that you were definitely going to Australia?

Ferguson: Here again, I think I was rather independent for a youngster in those days. I knew I had some good friends in the top positions in Texaco (New York), and I told them that I had received this advice. They told me that if I didn't want to go, I need not go, as they had good use for me in the U.S.A. However, I never have regretted going. I feel that I am not truly a parochial American. I am an internationalist rather than an American. The United States is still my love and my first choice; Australia is my second love and second choice.

Marcello: So you went to Australia in 1930. What was your assignment? What were you going to be doing?

Ferguson: Just prior to my arrival in 1929, the Australian business was on the verge of entering the bulk market. The first bulk tankers were outlined for Australia; the first terminals were being built in Sydney, Melbourne, Brisbane, Adelaide, Freemantle, and later in Townsville and Gladstone. The warehouses all through the continent were full of gasoline and lighting kerosene cases, which had to be dumped to supply the bulk market in gasoline. The Australian requirement for tractor kerosene or power kerosene was also quite

a factor. We spent several years completing the terminals and expanding them; I had a great deal to do with the purchase of interior bulk depot sites. As a matter of fact, I would say that by the end of the first five years, I was more travelled around the continent of Australia than any American and most Australians, who knew little of their other states.

Marcello: So initially, then, you were functioning in that process whereby Texaco was converting from the package business, so to speak, to the bulk business.

Ferguson: Yes. As a matter of fact, these tankers were to come from Port Arthur, Texas, and Wilmington, California--the Los Angeles area--and the distance was terrific. To give one an idea of the isolation of Australia from this standpoint, one of the first of our tankers was the MV Australia, which took forty-two days from Port Arthur, via the Panama Canal, to Fremantle Terminal facilities. It was somewhat of a festive occasion for the Western Australians.

Marcello: At the time that you went to Australia, what kind of a marketing position did Texaco have there?

Ferguson: Texaco had about 10 to 12 percent of the gasoline business and perhaps 15 percent of the power kerosene business throughout the six states of the Commonwealth. This had been well-established, and we had an excellent distribution system. We had very capable and efficient agents and

distributors. The only trouble was that on a cost basis, with these high freight costs from the United States, we were not competitive with our major competitors, the Shell Company and Commonwealth Oil Refineries, which was entirely owned by the British Petroleum Company.

Marcello: Like you mentioned awhile ago, Texaco at that time, at least in Australia, was getting all of its oil from either Port Arthur or California.

Ferguson: Yes, in the early thirties.

Marcello: Where were the competitors getting their oil?

Ferguson: They were getting their oil from Iran primarily. They were developing other oil supply arrangements in Kuwait, but the principal exports came from the Abadan refinery, which at that time was wholly owned by the British Petroleum Company. There was no Iranian government interest in the refinery at that time.

Marcello: So they did have considerably less distance to import the oil than Texaco did.

Ferguson: The freight distance from the Persian Gulf to Australia was much shorter, and their tankers were not American-owned; therefore, the freight costs were much less. Apart from that, the fact that they were handling at that time larger volumes also helped them to reduce their costs. Thus, Texaco was not competitive even though it had an excellent distribution system to take care of 10 or 12 percent of the

market. It was lost in trying to make a profit at the competitive selling prices.

Marcello: This, I think, brings us up to 1936, which is a very pivotal year. This, of course, was the year in which Caltex was formed. What do you know about the background of the formation of Caltex, either through firsthand knowledge or from what you've heard? How did it come about, and what were the advantages of such a merger?

Ferguson: It was obvious to us at that time in Texaco (Australia) that we had to get a cheaper source of supply. On the other hand, this was pretty well outside our control in Australia. It was a heaven-sent blessing to us, therefore, in Australia to find that Standard Oil of California, which had discovered oil in Bahrain and in Arabia, were under pressure, probably from the State Department and the Saudi Arabian government, to maximize oil liftings as soon as possible. This meant that Socal had the alternative of finding some marketing subsidiaries or creating some marketing subsidiaries in markets in which Texaco was already firmly established, but working under a financial handicap.

The formation of Caltex, therefore, was a natural because it enabled Texaco to get onto a profitable basis in Australia, South Africa, and Asia, and it enabled Standard Oil of California, at a minimum of investment, to

acquire a marketing position in these countries where they had no such position and had never marketed. We felt at the time, as Texaco employees, that Standard Oil of California had a good reputation for its dealings with employees--it had a very good reputation in that respect--and we had no misgivings about joining with Standard Oil of California under the circumstances.

Marcello: You mentioned that this was perhaps your initial reaction or your initial feeling. Did things turn out that way, so far as the formation of Caltex is concerned and, more specifically, with your group in Australia?

Ferguson: Definitely, it turned out that way. As a matter of fact, it even exceeded our estimates and our imagination. The principal reason for this was that the oil reserves that Standard Oil of California had discovered in Arabia were so substantial, proven and unproven, that we immediately came under pressure to expand our business. Over the years, after the formation of Caltex, Caltex took on many types of business that they were unable to consider before. The result of this change was that by the middle 1950's, Caltex became the principal supplier of imported oil to Australia, passing the Shell Company in this respect. We were supplying not only Caltex at an increased percentage of the market, but we also had taken on supply accounts, namely, the Australian-owned companies, AMPOL (Australian

Motorists Petroleum Company, Limited) in Sydney, which later merged with the ALBA Petroleum Company in Melbourne, the oil marketing business of H.C. Sleigh, and Independent Oil Industries (I.O.I.), which later on was taken over by Sleigh.

Marcello: This, of course, occurred some years later, did it not? This wasn't one of the initial things that happened in Australia.

Ferguson: This didn't happen immediately following the formation of Caltex because shortly after Australia declared war on Germany in September, 1939, and everything was postponed until the end of the war.

Marcello: Let me just ask a couple of more questions here relative to the formation of Caltex. How did it affect you personally there in Australia in 1936 and in the years immediately following?

Ferguson: Well, I became the number one operating executive in Australia, reporting to the managing director, who was an American. I personally had much more responsibility and authority, including the negotiations leading to selection of a site, purchase of land, and construction of the Kurnell refinery of Caltex (Australia).

Marcello: When did all this take place? Was this before or after World War II?

Ferguson: Nothing was done before World War II. As a matter of fact,

I was a director of an oil exploration company, Caltex Oil Development Proprietary, Limited, which was making geologic surveys of parts of Western Australia at the time. Carl Bremner, who has since died, was the geologist making this survey.

As a matter of interest, Carl Bremner, after his initial surveys, came to me one day and said, "George, I don't know what to do about this." He said, "All these areas look equally good." He says, "I've marked off on the map here of Western Australia the areas I'm interested in, and I've drawn a line around them." He says, "The area is bigger than the state of California. I don't know which part of it to ask for." So I told him, "Ask for the whole lot." He said, "Oh, that's a terrific area!" I said, "Yes, but the Australians think large." I said, "They won't back down." Anyway, Bill Roche [who was our manager for Western Australia at the time] is closely following this, and I'll ask him." Bill agreed with me, and we asked the Western Australian government for the rights to this entire area--bigger than the state of California--for a few years for exploration, and they were granted without question for, I believe, five years or more. However, when we were about to do something about this, war was declared.

Marcello: In those years immediately following the formation of Caltex in 1936, is it safe to say that the overall strategy or the

overall goal of the operation in Australia was to try and increase market share?

Ferguson: Definitely. And, of course, by the increase in volume, to lower the cost per gallon. If our costs were lowered, we would become more than competitive with our principal competitors, and this was the reverse of the condition that existed before the formation of Caltex--an exact reverse. We were in the driver's seat, so to speak, competitively rather than in the doghouse.

Marcello: Is it accurate to say that you were still in the technical end of the operation at this point of your career?

Ferguson: Oh, no. When I took over as superintendent of operations and later as general manager of operations...

Marcello: Again, this is getting beyond...

Ferguson: No, in the 1930's. We not only had the requirement to construct but also to operate, so we were the administrative executives running these various terminals and bulk stations to the satisfaction of the Sales Department. This meant that I reported on all personnel and administrative matters to the managing director or the general manager and had a great interest in marketing problems and much influence also.

Marcello: You mentioned that Australia went to war in September of 1939, and, of course, the United States got into the war in December of 1941. How did Australia's getting into the war affect the operations of Caltex there?

Ferguson: Caltex was definitely pro-British even then. There was no immediate reaction except from the standpoint of blackouts and its effect on driving. The chief concern of the Australians was how they were going to move petroleum products from one place to another when they had so deliberately avoided this in the past. Each state had built its railway system so as to make it inconvenient to ship from one state to another.

Marcello: In other words, they used various gauges of tracks.

Ferguson: Four foot eight-and-a-half inches is the world standard, but that was chiefly on the transcontinental track from Port Augusta, South Australia, to Kalgoorlie in Western Australia. The Victorian main gauge was five foot three inches; the New South Wales main gauge was three foot six inches, with some of four foot eight-and-a-half inches and so forth. But not only that, they had deliberately fixed the point of change of the gauge so that it would be most inconvenient to transfer from one state to another. This was because each state of the Australian Commonwealth at that time presumably felt closer to London than it did to the adjoining state as far as politics and economics was concerned. They traded with Britain and the United Kingdom, each independently of the other as far as possible.

One of my main concerns immediately after war broke out in 1939 was to work with the other Australian companies

to rectify this as far as possible, so that if Japan were to invade Australia, which even then the Australians feared, we would have some better facilities to move such items as aviation gasoline and diesel fuel from one state to the other in the event of a Japanese attack. To some extent we made improved arrangements. For example, at Albury in New South Wales, on the Victorian border, trainloads of bulk 5,000 imperial-gallon rail tank cars could be transferred from one gauge to the other in a matter of twenty minutes, which we regarded as an exceptional performance. But it still meant that the place where this operation was being carried out was vulnerable to attack.

Marcello: Did you receive a great deal of cooperation from the states in standardizing things?

Ferguson: Being an American citizen, this didn't come under my direct control. There were many Australians who were more interested in this, perhaps, than I, or thought they were. But I was definitely interested in it and did all I could in this respect to assist in any way I could,

Marcello: In our pre-interview conference, you indicated that at the time that the Pearl Harbor attack occurred on December 7, 1941, you were back in the States on home leave. Describe how the American entry into the war affected you, and give me some of the background on that.

Ferguson: We came on home leave, my wife and child and myself, by

Matson liner just a few weeks before Pearl Harbor. There were 900 to 1,000 Australian and New Zealand Air Force men on board; yet we were supposed (an American ship) to be neutral. We were escorted from Sydney to New Zealand to Honolulu by the British cruiser Achilles. There, the U.S. Navy escorted us to California, where the Air Force men were entrained to Canada and then to Britain.

We found in Honolulu that they were well-prepared for trouble with Japan; therefore, it came as quite a surprise to us that our armed forces were caught by surprise on December 7. Even the taxi drivers and porters at the Royal Hawaiian Hotel were quite excited about the special precautions three or four weeks before the attack. Therefore, as far as I am concerned, it is obvious that the Japanese attack at Pearl Harbor caught the armed forces unawares on a Sunday morning, but we'll leave that subject here.

Marcello: You were back in the States, so obviously you were going to have trouble getting back to Australia.

Ferguson: Yes. I was due to return in January, 1942, and the Australian government wanted me to come back because of my past experience, but the United States government would not permit my wife and child to return with me. So I decided that with my chemical engineering background and previous work in the United States with Texaco, I would be of more value here

in the States than I would be in Australia.

So through certain connections, I got into touch with Ross Powell, formerly chief engineer of Texaco and now the chief engineer of E.B. Badger and Sons, Company of Cambridge and Boston, which had been assigned certain defense plant contracts for design and supply of equipment for the production of distilled water from seawater and design and construction of refining facilities for the production of butadiene, a major component of synthetic Buna S rubber. Also, they had been assigned a defense plant contract for design and construction of an alkylation plant at the Abadan refinery of the Anglo-Iranian Oil Company to supply aviation gasoline of high octane quality. With all this work in front, Badger was looking for a man of my experience, and I joined Badger in early 1942.

My first assignment as a project engineer was to handle design of butadiene plants for Standard Oil of Louisiana in Baton Rouge, for Humble Oil and Refining in Baytown, Texas, and for the Standard Oil Company in Sarnia, Canada. When these butadiene plants went onstream, I transferred over as a project engineer for the alkylation plant at the Abadan refinery. We designed, constructed, and shipped three 20' x 120' superfractulators for this refinery. Then I was transferred to the projects for the development of distilled water out of seawater for the armed forces, particularly for submarines and the landing craft of the

Marines. I handled contracts with the various armed forces, Bureau of Ships, Bureau of Yards and Docks, and the Quartermaster Corps, etc.

Marcello: You mentioned a moment ago that you were essentially on leave from Caltex and were in the employment of Badger.

Ferguson: Yes. I was definitely in the full employment of Badger, but I was on a leave of absence from Caltex. So immediately when the war was over, Caltex got in touch with me and requested my return from leave.

Marcello: Was this a major career decision on your part, that is, whether to return to Caltex or to continue with Badger?

Ferguson: I had had such a successful experience with Badger in the chemical engineering field and four years, after all, of topflight experience reporting to their top executives that it was a major decision. My wife and son were well-settled in Winchester, Massachusetts. However, if I returned to Caltex at that time, I would have practically twenty years of pension benefits, because I had joined Texaco in 1926. In the final analysis, I think I really liked the international business. I had grown a different concept than if I had spent my life in the United States.

Marcello: Let me ask you this. This is a situation that has come up in several of these other interviews. I gather that when you were in a station such as Australia or perhaps India or China, given the communications of the day, you

had a great deal of authority and independence of action.

Is that true?

Ferguson: There's no question about that. You've got to bear in mind that there was no telephone service to the United States in the thirties, and there were only two vessels a month carrying mail from California and two from Vancouver. Other than these four mail ships and the cables, we were completely isolated. The distances were terrific. Also, we had very few visits from New York executives. This meant that many decisions had to be made without consultation with our superiors in New York or elsewhere.

This was particularly true if our competitors started a price war. For example, I can remember one time when the price of tankcar loads of power kerosene got so low that we finally decided to give a whole trainload to our distributors. Such a decision never would have been approved elsewhere, but it was the one thing that established Caltex desire and will to supply a larger percentage of the market. Having done this, our major competitors understood that we meant business. Decisions like this would never have been approved by our superiors, and most of them wouldn't have understood the situation in the first place.

Marcello: Let me just follow up on this. To some extent, in talking to some people who were in similar situations, I almost get the impression that there's almost a feeling or a sense of

what the military would call "localitis." In other words, the guys down in the field get the impression that the company back home doesn't know what's going on as well as we do; let us alone to do our job. Does that attitude develop after a while?

Ferguson: I don't think this particularly applied to Australia. I'm talking about the years in the thirties, shortly after the formation of Caltex. For one reason, the Australian people are culturally related to the Americans. We did not have the differences, the racial problems, that you had in China or India or the Philippines or South Africa. We felt very close to the Australians on the whole, and the Australian public felt very close to us Americans. This, of course, was even more true after what we did in the Battle of the Coral Sea, which protected them from a Japanese invasion. The Australians will never forget that it was us and not Britain that had to protect them. Britain had lost two major battleships in the Singapore area, and they had nothing to protect Australia. The United States moved in. The Marines landed on Guadalcanal and so forth. The Australians will never forget this. With that atmosphere we had an entirely different situation in Australia, I think. Also, we only had a very few expatriates. There were only three of us.

Marcello: You anticipated my next question.

Ferguson: At that time the managing director and the assistant general manager in charge of sales and I, in charge of operations as assistant general manager, were the three Americans. Therefore, our wives had to associate themselves chiefly with the Australians, and there wasn't the great divisions that normally occur. This naturally had an effect on the business office as well as the home life. We never felt, in the Australian organization, that we were not a part of the Australian organization. But we did think that we knew better than New York what was needed.

Marcello: So the expatriates were in a real minority relative to administrative and managerial positions.

Ferguson: An entirely different situation from China or India in particular. The Philippines was perhaps nearer to that; South Africa, of course, only had a few Americans. But they had a large Negro population in South Africa, for example, whereas we had an almost 98 percent white population in Australia.

Our American superiors would have to pay a premium in salary to those expatriates going to certain countries, but they paid no premium to operate in Australia, except the responsibilities of your position were recognized salary-wise. But not because it was a foreign premium. I think this is important to realize when you're talking about the situation in Australia versus other countries.

- Marcello: Is this why some of those people who were in India or China claim that they took a real financial beating when they were transferred to New York?
- Ferguson: Yes, they would take a beating, because so many fringe benefits applied, as far as cars are concerned and things of that sort, quite apart from the salary, and the premium. If the premium was, say, 10 percent, that wasn't the only thing. There was also the fact that you could get servants; and you couldn't get a servant when you came to Bronxville, for example (chuckle).
- Marcello: You mentioned that when you had to make the decision to either return to Caltex or stay with Badger, pension benefits and so on became one of the chief considerations.
- Ferguson: I wouldn't say just that. I would say it was the fact that I'd grown to love the international outlook rather than the domestic outlook. In other words, I've always thought that if I had remained as a refining or marketing specialist in the United States, I would have had much narrower experience. After all, I had to deal in my time with the governments of India, the governments of France, the governments of South Africa, the governments of the Philippines. I had to develop, whether I liked it or not, a broader outlook than if I were an executive in an equally responsible position, shall we say, in the United States.

We used to say this in another way when applied to our

Indian organization--that the Caltex man in, we'll say, Hyderabad was Caltex. Yes, the kerosene distributors might handle the rank-and-file of the business, but if anything went wrong, he was Caltex, and he was the one to come up with the answers. Whether they were legal, financial, marketing, selling, or any other type of problem, he was Caltex as far as the distributors and the public were concerned. After you had spent a few years, we'll say, in Hyderabad, you got a much broader outlook than you ever would have gotten, no matter what your position was, in Dallas or New York (laughter).

The business of an international oil company is so intimately related with the politics and the financial position of the existing government in charge. After all, if there's a military coup in a certain country--and they've had five or six, they say, in Panama, I read this morning--we have to deal with each new government that comes up and still carry on the business. We can't just fold up and move away, or at least we don't want to. After a few experiences like that in various parts of the world and being called upon to make big capital investments on short notice when your shareholders might be very reluctant to participate, and you're having to sell the idea to spend millions in a place whose political future is doubtful, you have problems that probably no man in a refining or

marketing or legal position in the United States has to contend with.

This might be beside the point, but later on, when I was dealing with the French government, Jean Meo was the president of Elf. They had no particular reason why they should prefer Texaco to Socal or Socal to Texaco. They had done business with Caltex for a number of years, and they liked their association with Caltex. As soon as one or the other tried to take back the business from the other partner in Caltex--this is later on in the 1960's, of course--they found that the French government disagreed. They preferred to have two major oil companies behind them through Caltex than to have just one. If there were differences between Texaco and Socal, they should be ironed out between Texaco and Socal, which was quite reasonable, as far as I was concerned. I was then president of Caltex West Division in charge of European business. I'll put that on the record if you want.

There I had France telling me that it was absolutely absurd (chuckle). Spain didn't agree; Turkey didn't agree. In other words, they all preferred to have both oil companies behind them instead of just one. If they were supplying crude, had refineries, and had marketing problems there, fine; but iron them out between Texaco and Socal because we prefer Caltex. That's what they told us. Of course,

Texaco and Socal didn't like that very much (chuckle).

And what happened? France did not split. Texaco and Socal never did handle the French situation; they never handled the Spanish situation with Repesa. The Turks told them, "Nothing doing." Then they formed Caltex Mediterranean, independent of Caltex Petroleum Corporation, to handle the business in those countries who refused to permit the split-up. Well, that's another story.

As an individual, I have a great deal of pride in the fact that we had to deal as international executives with any kind of problem that came up. Whether it was financial or legal or a marketing problem, we had to settle.

Marcello: This is getting a little ahead of our story, and I'll come back and talk about some of these things in a moment. In 1946, you returned to Caltex, and, I think, as you mentioned, you were put into the Australasian Division. Is that correct?

Ferguson: I was manager very shortly after this, but I went back as assistant manager of the Australasian Division, in charge of Australia, New Zealand--the marketing. Of course, they were just embarking on the problem of local refining. I think one of the reasons they put me in charge was that, although I was entering the marketing end, I had this refining experience as well as contracting experience with Badger and the American government.

- Marcello: Now you were going to be stationed in New York at this time, is that correct?
- Ferguson: Oh, definitely. I had no intention of returning to Australia at that time for personal reasons (family). I purchased a home in Bronxville in March 1946 and later built one there to my design or preference.
- Marcello: What were the major strategies being developed in the Australasian Division at the time that you entered that aspect in New York?
- Ferguson: The major strategies were, firstly, the expansion of Caltex itself and its service stations and its share of the market; secondly, to develop the business with William Walkley and MacLeonard of Ampol, Sir George Wales of Alba, Hamilton Sleight of H.C. Sleight, and Landon Smith of I.O.I. We had to negotiate the formation of Boral--Bitumen Oil Refineries Australia, Limited--which was to be an asphalt refinery. We had to finance that. Apart from the Australian public investment, we had to select the site and purchase the land. We chose a site on the north shore of Botany Bay for the Boral refinery.
- Marcello: Was this the first Caltex refinery that was built in Australia?
- Ferguson: Yes, but it wasn't a Caltex refinery; it was a Boral refinery. We had a 50 percent participation, but the balance of the shares were chiefly sold on the Australian

market. Tom Murray (a member of N.S.W. Parliament) and Elton Griffin were in control.

Marcello: Was this unusual to do it this way?

Ferguson: Very unusual. I never would have done it, frankly, but it was arranged before I returned from Badger. Lloyd Kemp, who had been our managing director in India, was sent out there to negotiate with certain Australians. Boral would have been formed, in my opinion, through these particular interests whether we joined with them or not. This was the reason that the company went along with it. I still don't think we should have proceeded.

Marcello: Relative to your new activities and functions with the Australasian Division, what relationship developed relative to Aramco during this period?

Ferguson: This is really difficult for me to answer because I don't recall exactly what year Aramco was formed. Aramco originally was formed to bring in Esso on a 30 percent basis, and Mobil on a 10 percent basis. I've forgotten the year in which it was formed. In any event, neither Socal nor Texaco were too pleased with this, but it was indicative of the pressure that we were under from the Saudi Arabian government and the State Department. I'm certain the Justice Department wasn't in favor of it, but they couldn't find any fault with it so long as the Aramco combine only existed for the purposes of the

refinery and exploration and production in Saudi Arabia. The sale of 30 percent to Texaco, 30 percent to Chevron, 30 percent to Esso, and 10 percent to Mobil of the oil produced and refined was fine so long as, in the market, we were fully competing with each other. However, from a Texaco, Socal, and Caltex standpoint, I don't think we were ever in favor of it, but we got along with it. When I became vice-president in charge of the Supply Department, I had very close dealings with Aramco because we lifted 60 percent of their oil for Texaco and Socal and Caltex. So by lifting 60 percent of the oil from Aramco, I had quite a bit to do indirectly with their problems of refinery shutdowns and what-have-you--fires and personnel problems.

Marcello: You mentioned something here that I want to follow up. You mentioned the Supply Department. This was one of your specific functions after you moved into that Australasian Division, is that correct?

Ferguson: No. I moved from head of the Australasian Division to the Supply Department, first as an assistant vice-president, reporting to Stephen Frank Martin, who was then the vice-president in charge of the Supply Department; and later I took his place as vice-president, reporting to the president and chairman. Shortly after that, however, I again returned to the marketing-refining end in charge of other regional divisions East of Suez. When the company set up the Caltex

East Division and Caltex West Division, I was then promoted to president of the Caltex East Division.

Marcello: Now this would have occurred about 1957, is that correct?

Ferguson: Yes.

Marcello: Let's back up a minute. There are a couple of other things I still want to talk about. In 1946, the same year you went back with Caltex, Socal, as I recall, exercised its option and took over half of Texaco's European business. How did that affect what you were doing at that time?

Ferguson: When I was in charge of the Australasian Division, it affected me little, only slightly indirectly. We had only a few expatriates or Americans in Australia; we weren't relieved of our duties to be transferred to Europe or have any problems of that type. It had quite an effect on places like West Germany, Benelux, and the Mediterranean, because certain personnel were transferred around. They would not have been transferred in the same way if Socal hadn't executed this option.

Marcello: What do you know concerning the background of that move?

Ferguson: I think it was a logical thing for Socal to do, to take advantage of the fact that Texaco was well-established in Benelux, in Scandinavia, in Denmark. This would mean definitely that they could indirectly, through Caltex, secure a position that they did not have before and a marketing interest. It also meant that they would have

some interest in the United Kingdom market and the Regent Oil Company's problems. I think, however, that they visualized a lot of benefits that probably would be difficult to capitalize on. It helped definitely in the handling of matters such as Europort, the Rotterdam-Ruhr pipeline, the Frankfurt refinery expansion, the Pernis refinery expansions, and it gave them a share, through Caltex, in any profits from the supply of Denmark and Scandinavia.

But I thought at the time that there was a question of whether all the openings that would occur would be very beneficial or profitable to Socal. Some of our Caltex executives thought differently, particularly those who had originated with Socal. We who had originated with Texaco had serious doubts about the advantages that Caltex would achieve and that could not be achieved just as well by Texaco directly. Of course, it did give Socal a cheap entree--a relatively cheap entree--into European markets they initially had not participated in.

Marcello: Let's get back and talk just a little bit more about your activities with the Australasian Division during that period from 1946 on. In our pre-interview conference, you were mentioning that one of the pressures that seemed to be exerted at that time was to sell more gasoline in Australia. What was the response of the Australasian Division?

Ferguson: There was no question that they participated in that, and to a certain extent, as Caltex, we did sell more gasoline. We definitely sold substantially more in our arrangements to supply the so-called supply account customers, namely Ampol and H.C. Sleigh. By taking on these supply customers, we immediately achieved approximately 25 percent of the market from a crude and product supply standpoint.

Marcello: In other words, Ampol and Sleigh were independent oil companies in Australia.

Ferguson: Entirely Australian-owned with shares on the Australian exchange. At least Ampol was. Sleigh's shareholding isn't quite as clear because they originally were a privately-owned shipping concern. Founded by Hamilton Sleigh's father, which became publicly-owned after entering the business of petroleum marketing and merging with I.O.I.

Marcello: What do you know about this man, Sleigh?

Ferguson: (Chuckle) Well, Hamilton Sleigh was the son of H.C. Sleigh, who founded the shipping business. Hamilton was the one who became interested in the oil business and established the Golden Fleece series of service stations. The Golden Fleece is quite a well-known symbol throughout Australia, and it is the brand symbol on their gasoline pumps. Hamilton was a Victorian gentleman. He owned a sheep and cattle station near Shepparton, in Victoria. He had other interests, but he had very keen interests, himself, in the petroleum

business. I don't know what else there is to say. I used to see him in London occasionally, and frequently in Australia. Mrs. Ferguson and I spent a weekend on his station. He was a very shrewd, well-educated Australian. Of course, he had been educated in...I've forgotten whether it was Oxford or Cambridge. His cattle won many prizes at the Sydney Easter Show each year.

Marcello: What kind of a relationship developed, then, among Caltex and Ampol and Sleigh?

Ferguson: These were arms-length arrangements, if that's what you're thinking of. They were quite independent, and we had to renew the contracts periodically. So long as oil had to be imported, we were the exclusive supplier. When they became interested in such things as oil exploration in Northwest Australia or elsewhere, they did it independently of us. To the extent that they were successful, they naturally purchased less crude oil or refined products from us. I don't think the possibility of their oil discoveries particularly affected the Kurnell operation. I really don't know that because it may have occurred after I retired. They didn't have any oil in Australia available until much later.

Marcello: The period following World War II was a period of rapid refinery expansion for Caltex in general. How did that refinery expansion affect the Australasian operations?

What occurred there?

Ferguson: Well, we decided to proceed with the Kurnell refinery. We selected the site at Botany Bay and decided that that was a better location for us than in Port Jackson, the main Sydney harbor. The land was more suitable for a refinery site. We had to build a submarine pipeline across to the north shore of Botany Bay from Kurnell. We also located a tank truckloading terminal on the north shore. We also arranged to supply Ampol and Sleigh tank trucks from that truckloading terminal.

The Kurnell refinery expanded as consumption expanded and has been a very satisfactory venture, all told. Subsequently, we built ALOR--the Australian Lubricating Oil Refinery--adjacent to Kurnell, and Ampol and Sleigh were part owner in ALOR, and I believe, still are. That was one of the first, if not the first, lubricating oil refineries in Australia or that part of the world.

Marcello: What specific or personal role did you play in the establishment of the Kurnell refinery?

Ferguson: Well, I had quite a bit to do with the preliminaries of the selection of the site. As far as the construction of the refinery is concerned, it was pretty well left to, I would say, the Bahrain Refining Company and engineers from the parent companies. Just who was completely in charge, I really don't know, but it probably was Howard

Nichols in New York. However, as for government relations and anything to do with personnel, I was directly involved. But the actual construction, or the design, no, I was past that point. I no longer was in engineering. I might have been, but I wasn't (chuckle).

Marcello: You mentioned something awhile ago that I would like to follow up on; in fact, you mentioned it a couple of times. You were talking about government relations and so on. What kind of a philosophy was evolving in Caltex relative to the relations that ought be developed between the company and the various governments?

Ferguson: You're talking about the Australasian Division?

Marcello: Let's talk about the Australasian Division first.

Ferguson: I had no contact with the other divisions at that particular time. We had the typical American attitude, shall we say, and particularly the oil company attitude, toward the governments. That was that we could put up with whoever was in charge. Whichever party was in charge, we still had to do business with the public. We had to supply gasoline for their automobiles, and we had to do it economically; and anything that either party or government entity proposed that would interfere with that, we would do what we could to oppose it. I would say that Caltex in Australia had much the same attitude that the oil business has to Washington. That's my best way to describe it. We put up

with it (chuckle).

Marcello: You mentioned a moment ago when certain government decisions do affect the operation in a negative way, you do your best to oppose it. What can you do?

Ferguson: We worked through our personnel and our dealers. You must remember that a great deal of Australian business is handled through agencies and distributors, or at least the business was in my time. The cities of Sydney and Melbourne had about five million of the eleven million people at that time; therefore, almost half of the people lived in the Sydney or Melbourne area, and yet the continent was practically as large as the United States. So the owners of farm or mining interests or sheep or cattle stations (ranches) had a lot of influence in politics. We could always work through them, and, of course, through the motoring public in cities. If anything was going to operate to their disadvantage, we could take advantage of the press. The Australian press wasn't too bad in that respect. In other words, they had both the conservative and radical, and always have had, so you could feed it either to the radical or the conservative, whichever you thought was the best one to deal with it in your interest. I would say that in Australia the situation isn't much different than it is here in that respect (this is my opinion),

Marcello: In my conversations with your colleagues in other areas, while we're on this same subject, they seemed to mention the importance of a particular individual who might serve as a go-between between the company and the government. For instance, in Spain it was a person by the name of Jose Alvarez.

Ferguson: Yes, of course. I know Jose Alvarez very well, and Shun Nomura in Japan.

Marcello: Did you have anybody like that?

Ferguson: I would say it isn't the same situation. Australia's an entirely different setup. However, we weren't without a certain amount of influence. Particularly our legal advisors were in a very good position to put the word in the right quarters in each state of the Commonwealth.

And you don't want to forget that if anything was not in the interests of the oil business, we had Hamilton Sleight and Ampol to carry it across, rather than ourselves. An American company might accomplish nothing, but a locally-owned company could accomplish quite a bit. I would say definitely that to a large extent in certain matters we had to rely on our supply customers such as Sleight and Ampol to carry the ball since they may have had more at stake than Caltex. I should have said that in the first place because it would have been a natural way to approach the problem. After all, Ampol's shares are widely held, and

they're even available on the New York Stock Exchange, I believe.

Marcello: Again, this is a question that I'm throwing out to you, and I'll be interested to see what your response is. Is this also one of the advantages of going into one of these refinery operations on a 50-50 basis with some local concern or some local subsidiary, because they can carry the ball for you relative to governmental relations?

Ferguson: Definitely. Of course, there's no question of that in Japan. It's academic as far as Japan is concerned, but it also applies elsewhere, yes. However, you want to remember that the big investment isn't the refinery. The big investment, as far as the oil business is concerned, is in the multiplicity of service stations and gasoline pumps and bulk terminals and bulk depots and so forth. They all add to a damn sight more than the refinery (chuckle). The refinery can become obsolete in a few years; you may have to completely change the refining pattern. But your service stations and the Caltex brand and your relations with the dealers all represent a heavy investment and interest.

Marcello: In our pre-interview conference, you also mentioned the importance of a Navy contract that Caltex had. Explain the background on that and its importance to Caltex.

Ferguson: In the thirties, when we first formed Caltex, we were under pressure to maximize the operations in Bahrain and

then later in Ras Tanura. This meant there was a lot of gasoline in the light ends of the barrel--the crude barrel--which we wanted to manufacture and sell, but we had no proper outlet for the heavy fuel produced from the existing refineries. The only outlets we had were for some freighters and our tankers--the fueling of our tankers--and even they preferred to use lighter fuels or diesel oil. So we were faced with the dilemma of what to do with the heavy fuel oil that resulted from every barrel of refined crude.

Fortunately, we had the armed forces of the United States needing and demanding supplies of this very material. So it was a natural consequence of our Caltex relationship that we came to solicit and contract with the armed forces, through the Navy Bureau of Yards and Docks and Bureau of Ships, to supply their requirements of heavy fuel and diesel fuel. As a matter of fact, we were the principal supplier to the U.S. Navy and the armed forces in the Pacific for the entire World War II and subsequent conflicts such as the Korean War.

Marcello: What kind of a deal was the Navy getting on the oil?

Ferguson: We gave them phenomenally low prices because otherwise we had a disposal problem, and we could justify this because we would then get the light end equivalent to sell profitably in other parts of the eastern hemisphere. This meant that the Persian Gulf refineries could operate at

much higher capacities than they otherwise could. So the result was that we sold the fuel oil for less than we paid for the crude oil on a per barrel basis.

Marcello: Can you give me some specific figures on that?

Ferguson: I dislike to name specific prices, but let's say that the price got below one dollar per barrel and at times substantially lower.

Marcello: So a special relationship did develop, then, between Caltex and the United States Navy.

Ferguson: Oh, definitely. It has been a most happy relationship that we've had for fifty years with the armed forces. Primarily, we call it the Navy contract. It was satisfactory for a long period after we had our own refineries in Australia and the Philippines and our own crude arrangements for Japan, the reason being that the light ends were sold in Southeast Asia, and we still had the fuel oil to supply the Navy. This meant that the capacity of the Bahrain refinery and the Ras Tanura refinery could be maintained and even expanded. I also imagine that Esso and Mobil may have gained certain benefits, but I'm not clear on just how it affected their overall operations. But definitely, as far as Caltex is concerned, we were the principal supplier of the armed forces in the Pacific.

Our Navy contract was always handled by our Washington representative and the New York office of the Supply Department

and the top management of Caltex. This relationship continued, so that even after World War II, when the Ryukyus were placed under the United States Civil Administration for the Ryukyus--USCAR--we had the exclusive supply for several years of all of Okinawa's requirements after the American occupation, and that was substantial. That included the local marketing business of the supply to the Okinawan public through USCAR.

Marcello: Mr. Ferguson, in 1951 you received a promotion to the position of president of Caltex East. Let me ask this first of all, for my own information. What area was involved when we talk about Caltex East, and how did that division come about?

Ferguson: The Caltex East Division at that time comprised South and East Africa, India, Pakistan, Southeast Asia, the Far East, and the Philippines. East of Suez--everything East of Suez pretty well, but not Europe.

Marcello: This was evidently a substantial jump in responsibilities over the position you held formerly.

Ferguson: No, not necessarily. I had been regional director for each of these divisions. I had been in charge of the Australasian Division, the Central East Division, and the Far East Division. I was the obvious party to promote to the presidency when they decided to create an East and a West Division in the eastern hemisphere.

Marcello: Give me the background relative to the creation of the two divisions.

Ferguson: I had little to do with Caltex West until 1963. When the Caltex West Division and Caltex East Division were formed, they split the areas differently and assigned the African area--South and East Africa--to Europe and the Caltex West Division. Prior to that time, it had been in the East area. I had really had New York responsibility for refining and marketing and marine services in each of the areas of Caltex East Division.

Marcello: As you look back upon that period that you were with Caltex East, what do you see as perhaps being some of the major events during that period?

Ferguson: You're talking about from 1952 to 1962?

Marcello: Yes.

Ferguson: Well, the major developments were the development of refineries or refining availability in most of these territories, rather than to be dependent on supply from the Ras Tanura or Bahrain refineries.

Marcello: Let me ask you this. When I think of countries in that part of the world, I think of them wanting such things as steel mills and so on as a symbol of national prestige. Is that one of the ways that they perhaps looked upon refineries, also?

Ferguson: I think you could only answer that by dealing with each

country separately. I would say that Australia would have an entirely different approach to it than Japan, and certainly the Philippines would have a different approach than New Zealand. I think that the Asiatic countries would probably look at it more from the prestige standpoint. I think Australia and New Zealand wouldn't be particularly interested in that aspect of it. Australia already had a highly developed automobile industry and automobile assembly facilities. They had a highly developed steel industry--Broken Hill Proprietary. The mere fact that we were building a refinery in Kurnell, for example, would make quite an impression on some parts of the Sydney population, but Melbourne and Adelaide wouldn't be much interested. In the Philippines, yes, I think there was a lot of prestige and status to having that refinery in Batangas. As a matter of fact, on one of my visits, I had to make a special point of visiting the governor of Batangas at his residence with Roesholm, then the managing director in Manila.

Marcello: You were mentioning that the unstable...we were talking about the Philippines, and let's continue with that activity. You mentioned the construction of the Batangas refinery, and in our pre-interview conference you were mentioning the unstable political situation there as being of some concern. We're referring, of course, to the Huks.

Ferguson: The Huks were the local name for the Communists, who were causing a great deal of trouble. As an example, if you drove from Manila to Batangas and return, you had to be sure to leave Batangas before dark because the Huks would establish road blocks over all the prominent roads immediately after dusk. So if you travelled to Batangas by road, you had to be careful to get back to Manila in the daylight.

Marcello: Other than that, did the Huks cause any problems relative to the construction and expansion of the refinery during this time?

Ferguson: No, they weren't well-enough organized for that, and I don't think they had any objections to the refinery. I think they regarded that as something that, if they eventually took over, would be an asset (laughter). So they were no trouble there. Maybe the best way of illustrating what you're talking about is to mention Roesholm, our managing director there at the time, who had an air-conditioned Cadillac. When I saw him and told him I wanted to go to Batangas, he told me about the trouble with the Huks and so forth, and then he picked up the paper of a few days before, and he said, "The minister of such-and-such of the government has just been kidnapped by the Huks." He said, "He's the only one other than myself that has an air-conditioned Cadillac." (laughter)

I said, "Well, maybe we'd better get back before dark then."

(laughter)

Marcello: Now, let's talk about the relationship that developed between Caltex and the oil industry in Japan during this period between 1952 and 1962. One of the things you mentioned in our pre-interview conference was the breaking into the monopoly, to use your words. To what were you referring? Explain what happened.

Ferguson: Well, Texaco or Caltex, for that matter, had no business in Japan prior to World War II except in the way of selling lubricating oils. The petroleum needs of Japan prior to World War II were pretty well supplied by the Rising Sun Oil Company, which was owned by the Shell Company and by Esso. Due to the fact that each of these companies had consolidated their interests with certain powerful Japanese interests, either directly or indirectly, it would have been difficult to break in in any other way than to join forces with one of the prominent Japanese marketing companies not controlled by these interests.

We had the good fortune to decide to go after a partnership with the Nippon Oil Company. Nippon Oil Company was in a receptive frame of mind primarily because of our access to Arabian and Indonesian crude, and we used the good offices of Shunkichi Nomura, who was well-acquainted in the United States as well as Japan. He had

been an amateur golfer of international prestige and a close friend of some of the great names of golf. He had the necessary connections in Japan through his marriage and his other connections, and this helped pave the way for this association with Nippon Oil Company.

Marcello: What could Caltex do for Nippon Oil Company?

Ferguson: We could supply the capital the crude oil sources and the refining know-how to design and help build the refineries. Not that the Japanese didn't have some of this know-how, but they could always benefit by having the latest knowledge, and the capital investment came in very handy. By giving us a half-interest in the refining company, Nippon Oil Refining Company, Limited, and by taking a half-interest in the Koa Oil Company with a refinery at Marafu, we firmly established ourselves with these two Japanese oil companies. We also provided a substantial amount of the capital necessary to organize and expand the fleet of the Tokyo Tanker Company in which we had and still have, I believe, a 48 percent interest. This company has one of the world's largest fleets of supertankers.

Marcello: By this time, is it safe to say that Caltex is developing an excellent reputation in its dealings worldwide?

Ferguson: I would say there was no doubt of that. In every country in which we did business, we tried to adapt ourselves to the local situation, instead of becoming dictatorial because

of our American know-how or experience. I think that Caltex, perhaps better than any other oil company, developed this approach and benefitted by it. Our relations with the Australian supply customers were excellent. Our Caltex people felt that they had to join and be part of each community in which they were located. This applied to the expatriate man and wife.

Marcello: You were talking about this in our pre-interview conference, and I'll give you an opportunity now to talk about it. You were mentioning the importance of one's wife in the activities of Caltex in these various countries. Would you like to get that in the record?

Ferguson: I think it is quite important. I don't know whether it is interesting to those who listen to this record, but I am a firm believer that one of the best things that I ever did was to insist on taking my wife with me to countries such as India and Japan and the Philippines. She was able to meet the various wives of the local executives or expatriate executives and find out what their difficulties were from their viewpoints. These women would not normally impart many of these thoughts to me, but they were quite prepared to do so to my wife. My wife would, therefore, come away from any particular country with perhaps a better understanding of how the families felt about Caltex and our dealings with the

personnel than I would otherwise have secured. This was very important to me when considering the handling of personnel.

Marcello: Can you think of a specific example that you might like to put in the record?

Ferguson: I would say it's particularly applicable to the Indian situation, where most of the various district managers or assistant district managers were local executives. Their wives could give Mrs. Ferguson a very good idea of how they felt about our operations as it affected them and their families. I wouldn't like to name a particular individual, but it might be of interest to state that here in 1986, these Indians are still in touch with some of us in a non-business way!

Marcello: We were talking about Japan awhile ago, and that's how we got into this aspect of the conversation. So in the case of Japan, then, Caltex was using Nippon Oil Company as its marketing and distributing partner.

Ferguson: As far as marketing was concerned, Nippon Oil Company did its own marketing and also sold the products of Koa's refinery. We had no control, although obviously we could have some influence. As marketing decisions might affect the future of the refinery, of course, we were consulted. This has always been a very happy arrangement. For example, Nippon sold its gasoline under a unique combination brand of the Caltex star with the Nippon bat. However, if there

came times when we might be working at cross-purposes, difficulties were always quickly ironed out and satisfactorily.

There is another thing I would like to say about the Japanese. Our contracts probably are the shortest pieces of paper of any of our contractual agreements. The Japanese contracts, whether in Japanese or English, are extremely short. They relied more on good fellowship and common interests, and they are not keen about trying to confuse the matter by legal documents.

Marcello: I've heard other people say that, also. What would you have to say about them relative to their integrity as business partners?

Ferguson: I would say they are exceptionally good. We really never looked at our contracts. When we wanted to do something and said, "This is what we'd like to do," they'd soon tell us whether they agreed with us or not, and we never referred to our contracts. Some of us would joke amongst ourselves and say that probably the Japanese version of the contract doesn't say what the American version says (laughter), but there's no use getting involved in that. The main thing is, are the Japanese working with us or against us, and we always felt that our Japanese partners met us fair and square in all respects.

Marcello: Another one of the major countries in that area that you had to be dealing with during this period of your career

would, of course, have been India. Describe the operations, in a general sense, that were developing in India during this ten-year period between 1952 and 1962.

Ferguson: You must understand that a great deal of the Indian business was in kerosene, so the market was geared to the sale of kerosene through distributors, more perhaps than the sale of gasoline. We naturally placed certain importance on the gasoline business, particularly in the major cities. However, the principal problem was dealing with the kerosene agents and distributors throughout a large and heavily populated country. The larger volume was in kerosene, and very little was handled in bulk as gasoline was. Our kerosene agents, in Delhi were excellent and well-established. We had a large share of the kerosene market in this area and right through to Agra and Johore.

Marcello: Mr. Ferguson, here's a country that received its independence following World War II, and ultimately several other areas within the Caltex network of operations would also be receiving their independence. What lessons were you learning from the Indian experience?

Ferguson: To tell you the truth, the background and past experiences of each of these countries over the last thousand years are so different that what happens in India may not happen elsewhere. Also, the various colonial powers used different methods of control and for different periods of time.

The educated and intellectual class of India considered themselves as civilized while we Europeans were still barbarians. You must understand this, and I had this expressed to me in no uncertain terms by a minister in the Indian government. Therefore, they considered that they need not be told how to deal with certain matters, and they resent being told, even by the British or Americans, what should be done or what shouldn't be done when it has to do with general living conditions or religious attitudes. When it comes to technical knowledge, they're very much interested, on the whole. They're very receptive to British and American technological skills. But when it comes to the general living habits and conditions, they don't think they need to get much advice from us. They probably do, but they don't think so (chuckle).

Now the Philippines is entirely different. They were a colony of ours after the Spanish-American War, and they looked up to us for a long time as the fairy godfather, the one who could supply the answers if they couldn't supply them. The reception given to any recommendations, therefore, was entirely different in the Philippines than in India.

The Japanese, of course, were quite able to go forward on their own. They didn't need much from us except to help them recover from the war and to provide an influx of

capital. I don't know whether I've answered you properly or not.

Marcello: Let me ask you this. Awhile ago we talked about arranging refinery agreements and so on with the Japanese. Discuss the matter of refineries and agreements with India during this period.

Ferguson: Well, I had the occasion to spend six weeks in New Delhi negotiating for the construction of our refinery in India, and it was a successful negotiation. I carried on the negotiation in 1953, as I recall. The refinery was in operation in a year-and-a-half's time. It was the second largest investment of American capital in an Indian plant.

Marcello: Where was that refinery located?

Ferguson: Visakhapatnam, which is the main shipbuilding port on the east coast of India and the base for the Indian Navy.

Marcello: Were there any disagreements relative to the location of the refinery there?

Ferguson: Oh, yes. At first, our shareholders were interested in building the refinery in the Bombay area. Shell and Standard Vacuum, the 50-50 subsidiary of Esso and Mobil, already had refineries in operation in Bombay. I personally was in favor of the Indian government's wish that it should be built on the east coast as Caltex would have more control of the price structure in Madras and Calcutta. Finally, we prevailed and got the approval of our shareholders to

build at Visakhapatnam, and we proceeded to construct it very promptly. As a matter of fact, Howard Nichols, who was our vice-president of refining, and I and our wives were there at the grand opening of the refinery as guests of honor and speech makers.

Marcello: Did Caltex want a refinery in India?

Ferguson: Oh, yes. We realized very definitely that with our two major competitors and their Bombay refineries, we would just be an also-ran, and we wanted to increase our share of the market. We had to have a refinery in which to lower our costs and meet the requirements of the Indian government because so much of the Indian government business would not have been placed with us otherwise. We still might have had the ability to supply from Ras Tanura or Bahrain at a lower price, but the Indian government would have prevented that in one way or another, or at least discouraged it and given preference to the local production.

Marcello: As you look back, was it, in fact, a wise decision to locate the refinery there as opposed to in Bombay?

Ferguson: Definitely it was, because it preserved our crude supply rights, placed us in more than a competitive position, and the refinery profits paid out the capital investment in a relatively reasonable period of time. When the refinery was ultimately nationalized, the Indian government did pay us some recompense. Apart from that, it meant that after

the nationalization, we still were in business in India and on good terms with the government. We still had crude supply rights on a substantial scale, and although the purchase and sales arrangements might be different, the fact remained that we still were making profits out of our Indian business. If we hadn't invested in the refinery at the time that we did, in my opinion we would have little or no crude sales to India today.

Marcello: We are talking about India, and there's one thing that I wanted to ask you about even though this probably took place near the end of your activities at this stage in your career. In 1962 and 1963, Ceylon began the process of expropriation.

Ferguson: That's right. That's about the time I was leaving to take charge of the Caltex West Division.

Marcello: Was all that in the works when you were still there?

Ferguson: Well, no, it was just starting. It developed fairly rapidly. You say "in the works"...

Marcello: I mean, did you see it coming?

Ferguson: Yes. We thought it would be a result of the division between the Tamils and the Singhalese. The hatred was there between them. We knew there would be trouble. In those troubles any external investments would be caught in the middle. Let's put it this way: we were supplying Ceylon from Bahrain, so when all was said and done, there

was no great amount of capital involved. We had a well-developed kerosene agency business and an oil terminal where they received supplies in bulk; we had a can-making and can-packing business for the kerosene. We had a nice little business there, but our investment had fairly well paid for itself, especially the can plant.

I don't know whether we really thought much about it, to tell you the truth. We felt that there was a move for nationalization in all southeast Asian countries. In Ceylon, really, we didn't anticipate trouble there more than any other place. Also, Caltex has learned to "roll with the punches," and still do business on some basis. But we did anticipate the trouble that came much later between the Tamils and the Singhalese because there was no love lost there.

Marcello: So is the company developing any strategies relative to how it could meet these nationalizing processes whenever they take place, or is it a matter of simply meeting each one as they came up?

Ferguson: I think that it's more of a matter of meeting each one as they came up because the conditions causing it and the timing will be entirely different. I don't think it will spread like a disease, for example. It's not like Communism. This is a desire for so-called independence. Well, look what it did in Africa amongst less developed people. After

all, you've got to remember that Thailand, Ceylon, and Malaysia had a well-organized local intelligentsia and aristocracy for hundreds or even thousands of years--it's so different from the African countries, you see--and that means it takes time for any changes to develop. Presumably, when it develops it will develop on a much more sane and workable level than the changes in Africa. I think it's inevitable, however, over a period of time for there to be pressures for redistribution of wealth and so forth and so on. But I think that each country will have to be dealt with individually because their customs and attitudes are so different. Take different parts of Indonesia. You can't expect similar views from Java and Sumatra, for example, to say nothing of Bali and the Irian or West Irian portions.

Marcello: In 1963, you become head of Caltex West. How do your responsibilities change, other than in a geographical sense?

Ferguson: I was dealing more in the Caltex West Division with refining and governmental problems than I was in the East Division --matters such as the pipeline arrangements, arrangements for the discharge of tankers, and the participation in the Europort, which is the Rotterdam import terminal and in which all major companies that do business there have an interest. My associations were more with the partners and the government. In Denmark, it was the relationships.

with the Danish coal import companies--DDK and DFK, of which I was a director. In Scandinavia, of course, that was more of a straight Caltex show, and I dealt with Sweden and Norway much the same as I dealt with the Australian organization, supervising their operations from the New York end. We were partners with Fiat in our Italian marketing arrangements. As Fiat was the number one automaker in Italy, that meant that most of my personal dealings were with the top executives of Fiat in Turin rather than in Rome. However, "Johnny" Theodoli, our top man in Italy, was quite influential and located in Rome. We also were partners with Esso in the Sarpom refinery in northern Italy, near Genoa. We had refining relationships to carry on with this competitor.

Marcello: How about Germany?

Ferguson: In Germany, I was chairman of Caltex Deutsche GMBH, but being a non-resident, I wasn't present at many board meetings. A German board of directors must have a few representatives of the union on it, so that makes quite a difference in your handling of certain things, particularly the question of budget approvals, capital investment, and matters of that type. We did run into complications there, but let me say this: any dealings that I personally had with the German union representatives were excellent. They seemed to think that our American approach--this is my idea--was more broad-minded than the German approach. We were more

constructive, perhaps, in the opinion of the German unionists. You see what I'm driving at? There's so much of a barrier still between different classes in Germany that the unions were inclined to have a wall around themselves. When they got appointed in the new deal to the boards of these various enterprises, they entered with a great deal of suspicion. I think they soon gained confidence in Caltex, that we were interested in the same thing, that we weren't interested in lowering their wages or doing them out of a job. We were interested in selling crude and moving it profitably in volume, and we were prepared to live with the customs of the country as far as practicable.

I had a very interesting experience in Germany. It so happened that I was there in Hanover with Mrs. Ferguson and Neil Lilley, who was the chairman of the board of Caltex, and Bill McAfee, who was our executive vice-president at that time. The major-domo of the hotel approached us--we four were having dinner--and said, "Gentlemen, I'm so sorry to tell you that we have just heard that your President Kennedy has been assassinated." So Neil went off to Holland to talk with the organization there, and McAfee went off to Denmark, I think. I was asked, as chairman of the German company, by the union leaders if I would address a meeting the following morning. They wanted to express their sympathies and their distress. They also conveyed that they wanted to

let the staff off for the afternoon so they could go to church. I attended this meeting, presided at it, and told them what a shock it was to us. I was much impressed with the way that these German workmen--union personnel, typists and secretaries, and what-have-you--were interested and concerned in the death of our president. Of course, he had been there just a few months previously, I think, so he was fresh in their minds. It came as quite a shock in Germany, and I was very interested to have their expression which seemed sincere.

Marcello: You mentioned that one of your chief functions in this position was government relations. Can you be a little bit more specific on that?

Ferguson: Perhaps I shouldn't have put it that way. Approaches to the government for any substantial investment is what I had in mind and how different it was in each country. We had no trouble at all getting fairly high up in the French government, for example, to discuss our problems. That was a more complicated procedure in some other European countries.

You take Greece. Greece's petroleum business was pretty well under the control of the shipping interests of Niarchos and Onassis, and we never felt there was much point in trying to accomplish anything substantial in Greece. Let's face it, the handling of Greek business was very

treacherous.

The Turkish government was good to deal with. They either told you "no" or "yes." I didn't have any direct relations with the Swedish government because they had a welfare state and our native managing director could handle matters. You couldn't give your top men any fringe benefits or anything like that without them being approved or taxed by the government. As far as the Swedish government is concerned, the further we Americans stayed away from them the better.

Marcello: You brought up this subject awhile ago, and I think it's something we probably need to pursue. The public's perception, of course, is that the large oil companies are in cahoots with all these governments and that there's all this bribery and corruption and so on taking place. What was Caltex's attitude toward this kind of activity?

Ferguson: You say that's the public's perception. I don't think it's true in most parts of the world. I think it's true, perhaps, in the United States.

Marcello: That's what I'm referring to.

Ferguson: Yes, but that isn't true in Caltex East of Suez areas. I think the oil companies are highly regarded in most other parts of the world, and I think the reason it may be true in the United States is because we've got a lot of politicians who are corrupt or single-tracked in their

thinking. Also, we have many socialistic activists hell-bent on destroying capitalism and the free market.

Marcello: The only point I was trying to make is, what was the company's attitude toward this sort of thing? You mentioned the Greek situation awhile ago.

Ferguson: Well, that was a thing in itself. I can't comment on that, but I'll say that the oil companies are not listed in that category in most parts of the world. I think it primarily is an American attitude, and I think it comes from ignorance. It's so convenient politically in this country to blame something on some outfit like the automobile companies or the oil companies. Politically, it may gain votes.

Marcello: Again, that's the reason I wanted you to comment on this, because, like I say, that is a perception, and from all the interviews I've done, that obviously was not the philosophy of Caltex.

Ferguson: No. My impression of the average person's feeling in our various markets...I don't think the average person in Japan, Australia, or India would feel that way. As a matter of fact, I think that most Indians, for example, figure that Caltex's operations in India are very beneficial to the public, and if a few more industries were going as well as Caltex by their employees and people, it would be a better country.

Marcello: By the time you became head of Caltex West, I guess the

government in France had become pretty stable, had it not?

Ferguson: Yes. You mean coming out from the Resistance? You mean coming out of World War II?

Marcello: Just in terms that you don't have so many changeovers. You know, there's a period following World War II when every other month there was a new French government. Then along comes de Gaulle, and they then get a certain amount of stability in the French government.

Ferguson: Of course, that was a bit before my time, before 1963. My contact with the French government was quite satisfactory. You see, they had really indirect ownership or control of Compagnie Francaise des Petroles--CFP--and they wholly owned Elf. Elf got its supplies, other than what they could get from Algeria, from Caltex. In other words, we were the principal supplier of Elf for anything that they couldn't secure from Algeria, so we had quite a satisfactory supply arrangement with them. That was one of the difficulties later on that I mentioned, about the French government not particularly liking it and resisting it when Caltex was to be split between Socal and Texaco.

The British government I'm not commenting upon because, firstly, I wasn't directly concerned with that--the situation through the Regent Oil Company. It was quite complicated. There was very little that I could change overnight or in the period of a few years.

But the German government was quite receptive to any suggestions or proposals. We never had any difficulty with them in putting through a constructive investment proposal, unless it was to knock down the Iron Curtain (chuckle). We didn't propose that.

Marcello: In 1967, there's another major reorganization that takes place. Of course, I'm referring to the decision of the parent companies to re-enter the European market. Let me ask you this, first of all, before we actually go into that decision. You were with Caltex East; then you were with Caltex West. You were in a position, it seems to me, to see the relationship that was evolving between the shareholders or the parent companies and Caltex itself. What kind of relationship was evolving during that ten, twelve, fifteen years that you were there?

Ferguson: Well, let me put it this way. The East of Suez arrangements were definitely beneficial to both companies, so whether one company felt that the other company had too much of a say or not, the net results were beneficial. The joint exploration in Indonesia was beneficial; the whole Caltex scheme in the first place was beneficial in the East of Suez area. So although there were certain differences of opinion at times, I would say the overall effect was excellent.

Personally, I think Chevron--Socal--never should have

exercised the option in the first place to enter Europe. I think they expected a lot more benefits than resulted. One of their ideas perhaps was that Europe was very much dependent on power generation from fuel oil, and the fuel oil could be marketed quite satisfactorily in rather simple refineries. But with the growth of nuclear power and the improvement in refinery design to maximize petrochemicals, gasoline, and jet fuel...jet fuel made an important difference because a good part of the barrel that might have wound up, when the kerosene business diminished, in fuel oil could be sold profitably to the airlines, and the heavier fuel could be consumed in the boilers of the electric utilities. Europe was in the throes of changing their whole refining structure. In fact, practically all the industrialized countries were changing, so Socal didn't get some of the benefits they expected, as they were too late.

Consequently, when Socal decided they wanted to split in 1967 or whenever that was, they thought that they'd be better able to pick and choose. Rather than having a 50 percent interest with Texaco in everything, they could pick the good spots and get out of the bad spots on a selective basis. They figured that if Texaco was strongly involved in certain places that there was no use for them trying to retain a half-interest there. I would say that they thought they could do better in Germany and Belgium on their own,

and in France on their own (but the French government didn't agree to that).

I was going to say that the question of the location of Caltex in Westchester or Connecticut might be an illustration, where we had one shareholder thinking one way and another the other way. I know Bill Tucker, then our chairman, would have been very pleased if we'd have wound up closer to New York City, and a few others who would have agreed.

Marcello: You, of course, are referring to relocating the offices of Caltex.

Ferguson: That's right.

Marcello: Give me some background on that because we talked about that off the record rather than on the record.

Ferguson: Well, we in Caltex felt that we would do better not located in New York City proper.

Marcello: Why was that?

Ferguson: Well, we felt, firstly, that we had the type of organization that couldn't subscribe to the quotas for minorities because we weren't a typical organization. We only had a relatively small office in New York because it was the financial matter; but all of Caltex business, by executive decree and government decree, had to be foreign. We could do no business in the United States. Therefore, our demand for personnel was, for example, for trained engineers, geologists, and people to "go foreign," and we didn't have a bunch of file clerks

and secretaries and so forth and so on proportionate to our number of executives. Our top managers for all these different countries were located in New York, but they had very little clerical personnel under them. The result was that, if you applied any quota to us for employment of minorities, it was absolutely ridiculous as we had no need for such employees in that number.

We avoided quotas for many years, but we were under continual pressure. A good black engineer, for example-- a man who we would have liked to hire--could do better and be paid more in his own community or area than he'd ever get from an oil company because we only paid the going wage for engineers and so forth. A good black engineer was a rarity and could readily find a better position in the United States. It's as simple as that. Where do you get a good black geologist, even right now? Do you get him out of the minorities in New York City? Of course not. Also, there were certain countries that would not permit a black to enter. So we were under continual pressure, and we decided we'd be better off in Westchester or Connecticut than in New York City. Of course, there were other reasons, too.

Marcello: From whom were you receiving this pressure? City officials? State officials? Federal officials?

Ferguson: Oh, city officials and all different affirmative action

groups, civil rights representatives or whatever they call themselves. We were under continual pressure all the time. Of course, by moving to Dallas, we have improved that situation, I expect, but do not know. Now that the airplane services have developed the way they have, there's no particular reason we should be in New York City even from a financial standpoint. With the computerization of the business, there's no need for Caltex to be in New York. This really applies to a lot of businesses, and I think the mayor of New York City must have this problem very much in mind.

Marcello: Why was the decision made to go to Dallas as opposed to either Connecticut or White Plains?

Ferguson: Texaco didn't want us to go to White Plains because they were looking for property in the same area. That's my explanation. I may not be right on that, but I understood that we were called off making further investigation because Texaco ruled it out. I would assume I am right because shortly after that they purchased property and then located in White Plains and moved a great part of their personnel. They did exactly what we were proposing to do, and almost in the same place.

Marcello: What was Socal's position in this?

Ferguson: Well, that's the question. I think Socal wanted us out of the New York area.

Marcello: Because it was so close to Texaco?

Ferguson: Geographically, I think they wanted Denver or Dallas because those cities would be more convenient to them. Denver was very seriously considered, but why they ruled it out...they didn't discuss it with us. You can use your own ideas. But I can see why they picked Dallas. Maybe they liked the Cowboys (chuckle). Seriously, many other businesses were developing in the Dallas/Fort Worth area.

Marcello: How did the 1967 decision in Europe affect Caltex West?

Ferguson: Oh, goodness! Let's put it this way: it completely disorganized our New York office. As a matter of fact, that was one reason why I had plenty of time to look into this possible move from New York City, because I no longer had to make any decisions budget-wise and handle any decisions for the European area. I think that each part of Caltex reacted differently. I think that Caltex East didn't particularly care as long as it was free to function as usual. Shortly after we learned of the split, our New York office was completely reorganized to find a place for me. A Marketing Services Division was created, reporting to the chairman and president, and I was made vice-president in charge. This division controlled international crude oil sales, international aviation sales, the Marketing Operations Department, Marine Services, Advertising and Sales Promotion Department. This was to keep me busy until

retirement--the New York Office Services Department. This latter responsibility was what got me involved in looking for a site for Caltex in Westchester, Connecticut, or Rockland county. Of course, in Caltex West in Europe there was a complete change. I think Texaco and Socal would have to answer that for its effect on the personnel. I couldn't tell you. They wanted me at one stage to become president of Caltex Mediterranean, but I refused that.

Marcello: Why was that?

Ferguson: Because I didn't want it, in the first place.

Marcello: Why didn't you want it?

Ferguson: Why should I want it? They were splitting up Caltex Europe. I was going to be retired in a few years, anyhow. So it was given to Herb Fish. Herb Fish took over when I refused it. I had no reason to be interested in taking over Caltex Mediterranean. Of course, I had been a director of Caltex Mediterranean and the Mediterranean refinery at Sidon, which was half-owned by Mobil and half owned by us. No, I was not interested in the kinds of problems that were developing in Lebanon and the Middle East. It just pleased me all the more because I got out of it in time.

Marcello: In 1970 you took retirement, as you mentioned. You had been with Caltex since 1936, so that means you were with

the company thirty-four years and overall with Texaco/
Caltex for forty-four years.

Ferguson: Yes.

Marcello: You had seen it grow. I'll give you a time for reflection.
As you look back, what do you see as being the keys to
the success of Caltex? I think we can say it was and is
a very successful company.

Ferguson: It was a natural when you combined the exploration successes
of Socal in Indonesia and Arabia and Bahrain with the
marketing know-how and experience of Texaco. Each supplied
something which the other didn't have. It was a natural
union forced by the circumstances. With all the substantial
oil reserves of Arabia and Indonesia, with the geographical
setup as it was, it was just a question of how long it
would take for Caltex to move profitably substantially
larger quantities. Some of the steps we took, as I
explained to you, were to accelerate that. We might have
done it through Caltex, given quite a few more years, but
I doubt it as some of it had to be done through supply
customers such as Sleigh and Ampol and others in order
to achieve the maximum movement as soon as possible.
Because of the events in Vietnam and Korea, I think this
was good. I think the fact that we were forced to
accelerate worked out better for United States security.
We were really the principal supplier of oil in the Pacific

area right through the Vietnam War, you see.

Marcello: So you start out with this natural union, and then you throw in such ingredients as the wise selection of trading partners, whether it be Nippon Oil or Sleigh or somebody like that...

Ferguson: That's right. Taking into consideration local interests and their part meant that no longer were these interests completely under the thumb, you might say, of one or more oil suppliers. Caltex gave them a certain amount of independence in the countries and the markets concerned.

Marcello: I have heard several of the people I've interviewed refer to the so-called "Caltex family." Does that term mean anything to you? They seem to imply that there's a certain closeness among the employees, between management and personnel, so on and so forth.

Ferguson: I think that is correct, particularly in the East of Suez group. Yes, I think that Caltex has always felt that anyone who has spent years with them in any particular part of the area East of Suez was part of a group in which the personnel would be more protective of their mutual interests than if they had been with the parent companies. Yes, I think that is true.

You must also consider that as an oil company, we have employed only a limited number of expatriates, considering the number of local nationals we're employing

in each country. We have a close relationship between our relatively few expatriates, and that became even more true after they developed the airplane and the international telephone services. We were extremely isolated at the time Caltex was formed, and we in Australia knew little of China or South Africa or the Philippines. But after World War II we could communicate with each other so much more readily, and there was more interchange of personnel. It didn't surprise anyone then to have someone from the China organization show up in India or someone from the Philippine organization show up in Australia. Prior to World War II, it would have been quite a shock and even resented.

Yes, I think there is an idea of a Caltex family, but I think it's not true when you throw Europe into it. I think Europe wasn't part of Caltex long enough to get any of that feeling. It is true that a few European executives found their way to Caltex East, but very few.

Marcello: I have one last question. This is, in a sense, a personal one. Which part of your Caltex career do you look back upon with the fondest memories?

Ferguson: Oh, I think it would be my Australian career. After all, I was young. I was particularly young. I was only twenty-three when I went to Australia, and I was dealing with and had control over men eight or ten or fifteen years older than

I. The trouble now is that most of my good friends and associates of those days are dead or incapacitated. So we have not visited them since retirement.

Marcello: I guess when I asked you that question about which phase of your career you looked back upon with the fondest memories, I already knew what the answer was. I've gotten the same kind of answer from Fosque, who looks back fondly upon India; from Fish, who looks back fondly upon Japan; and from Leslie Smith, who looks back fondly upon Bahrain.

Ferguson: Well, I have some other reasons. My only son was born in Sydney in 1933. He's dead now. After all, I spent ages twenty-three to thirty-five in Australia. Those were really my key development years--what I was going to do and where I was going to do it was in Australia. Then the war interrupted it all, so I had to change my picture and plans. I think I might have remained on in Australia if World War II hadn't intervened. I had many Australian friends in six states. However, there's no use speculating about that.

Marcello: Well, that's probably a good place to end this interview. Mr. Ferguson, I want to thank you very much for having participated. You said a lot of important and very interesting things, and I'm sure that your comments are going to contribute to the overall history of Caltex.

Ferguson: I hope so. After all, I'm Caltex Employee Number One, you

know. Did you know that?

Marcello: No, I didn't.

Ferguson: I'm 0001 or something like that. There aren't many in that numerical group now or anywhere near it. On the books of Caltex and on their liability lists, I'm Employee Number One (chuckle). Is that on the record?