

## IMPERIAL STANDARD: Imperial Oil, Exxon, and the Canadian Oil Industry from 1880

Graham D. Taylor

ISBN 978-1-77385-036-8

**THIS BOOK IS AN OPEN ACCESS E-BOOK.** It is an electronic version of a book that can be purchased in physical form through any bookseller or on-line retailer, or from our distributors. Please support this open access publication by requesting that your university purchase a print copy of this book, or by purchasing a copy yourself. If you have any questions, please contact us at [ucpress@ucalgary.ca](mailto:ucpress@ucalgary.ca)

**Cover Art:** The artwork on the cover of this book is not open access and falls under traditional copyright provisions; it cannot be reproduced in any way without written permission of the artists and their agents. The cover can be displayed as a complete cover image for the purposes of publicizing this work, but the artwork cannot be extracted from the context of the cover of this specific work without breaching the artist's copyright.

**COPYRIGHT NOTICE:** This open-access work is published under a Creative Commons licence. This means that you are free to copy, distribute, display or perform the work as long as you clearly attribute the work to its authors and publisher, that you do not use this work for any commercial gain in any form, and that you in no way alter, transform, or build on the work outside of its use in normal academic scholarship without our express permission. If you want to reuse or distribute the work, you must inform its new audience of the licence terms of this work. For more information, see details of the Creative Commons licence at: <http://creativecommons.org/licenses/by-nc-nd/4.0/>

**UNDER THE CREATIVE COMMONS LICENCE YOU MAY:**

- read and store this document free of charge;
- distribute it for personal use free of charge;
- print sections of the work for personal use;
- read or perform parts of the work in a context where no financial transactions take place.

**UNDER THE CREATIVE COMMONS LICENCE YOU MAY NOT:**

- gain financially from the work in any way;
- sell the work or seek monies in relation to the distribution of the work;
- use the work in any commercial activity of any kind;
- profit a third party indirectly via use or distribution of the work;
- distribute in or through a commercial body (with the exception of academic usage within educational institutions such as schools and universities);
- reproduce, distribute, or store the cover image outside of its function as a cover of this work;
- alter or build on the work outside of normal academic scholarship.



**Acknowledgement:** We acknowledge the wording around open access used by Australian publisher, **re.press**, and thank them for giving us permission to adapt their wording to our policy <http://www.re-press.org>

## WHEN EMPIRES COLLIDE

### Rockefeller and Standard Oil

Conditions in the western Pennsylvania oil fields in the 1860s–70s had much in common with Oil Springs and Petrolia. Although drilling to reach the “rock oil” had been necessary from the beginning, the costs of entry were low, and Drake’s success at Titusville in 1859 inaugurated a similar oil rush with predictable consequences: overproduction, the rapid depletion of some of the early well sites, and dramatic swings in the price of crude oil that persisted through the first decade of the industry. The scale of operations and markets were larger in the United States, particularly in the aftermath of the Civil War.

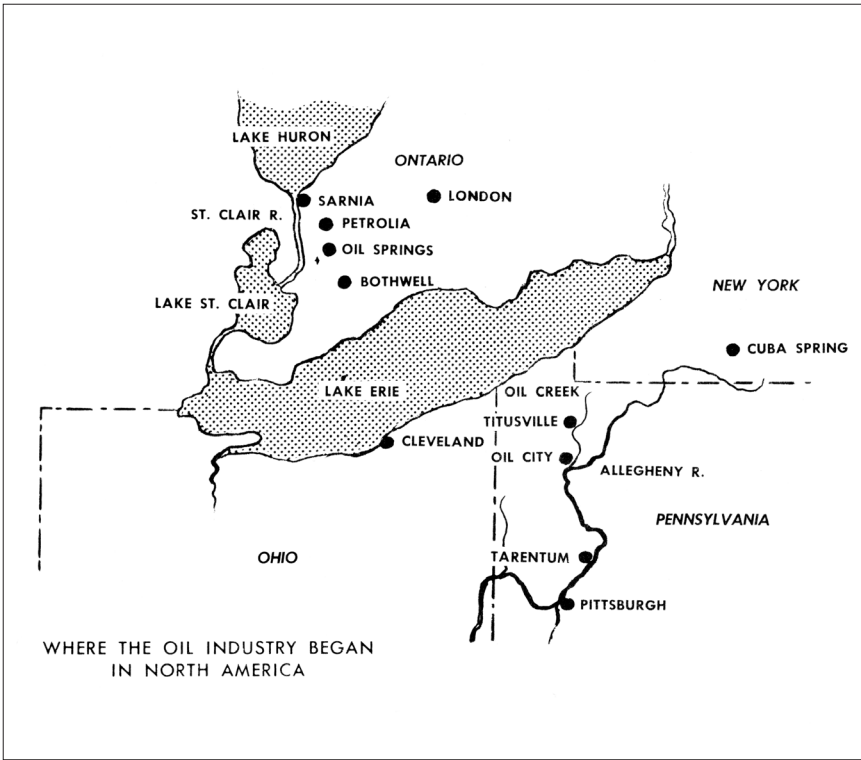
Techniques of production and refining resembled those in Canada in the early years, featuring many small operators relying on relatively simple methods of drilling and distilling. The “Oil Region” of Pennsylvania was also distant from potential markets and dependent on teamsters carrying rough-hewn barrels of crude oil at high prices, although some producers found ways to cut costs by building pipelines from their remote wellheads. By the mid-1860s the refining sector was changing: fractional distilling of crude oil was being replaced by techniques of “cracking” that involved the application of higher degrees of heat, provided by steam power. The application of sulphuric acid and caustic soda reduced impurities and produced more and better quality kerosene. Fractional distilling also produced by-products that included naptha and lubricating oil. Gasoline was still regarded as a waste residue. These technologies were more costly but enabled a much larger rate of production—where early refineries could

produce at best 500 barrels per week, those using the new processes could exceed 2,000 barrels per week and by 1866 the largest refineries were able to handle 500 barrels per day.

As in Canada, big refineries thrived in cities connected to the population centres of the east coast, particularly New York and Pennsylvania, and by the mid-1860s New York itself had emerged as a mecca for refining, with one of the largest and most cost-effective producers, the Charles Pratt Company. Pittsburgh, which was close to the “Oil Regions” and had ties to the coal industry, also appeared to be a leader in the refining sector. Yet by the end of the decade a new challenger had come forward from an unlikely quarter: Cleveland, Ohio—and the leading figure was John D. Rockefeller.<sup>1</sup>

Rockefeller was in his early twenties and regarded as little more than a “clerk” by the Clark brothers, his partners in the hardware business in Cleveland, when he first visited the Pennsylvania oil region in 1861. Although appalled by the anarchic conditions in the oil fields, Rockefeller was intrigued by the potential value of the kerosene industry. Two years later Rockefeller persuaded the Clarks to join him and Samuel Andrews, a self-taught refiner, in setting up the Excelsior refinery in Cleveland—in 1865 he bought out the Clarks and he and Andrews built a second refinery, called the Standard. Rockefeller brought in other partners, including Henry Flagler, an experienced grain merchant, and (perhaps more crucially) Flagler’s father-in-law, Samuel Harkness, who had the deep pockets Rockefeller needed to finance his ambitious plans. By that time he had detailed his brother, William, to move to New York to manage kerosene sales on the east coast and the promising export market in Europe.

The post-Civil War era in the United States was a time of optimism for the business community, but for those involved in the oil industry, this optimism was chastened by the boom-and-bust atmosphere: the volatility of prices and costs in the oil regions as producers and refiners proliferated. The period was marked by the rise and fall of numerous cartels formed by producers, pipeline operators, and refiners to bring stability to the market. Rockefeller shared that desire for stability, but took it a step further: he envisioned an industry subjected to centralized control at every phase, achieving efficiencies and economies of scale that would benefit consumers and manufacturers alike—all under the benign control of Rockefeller.



MAP 2.1. Oil in the US and Canada, 1860, G.A. Purdy for Imperial Oil. G.A. Purdy, *Petroleum: Prehistoric to Petrochemicals*. Vancouver: Copp Clark 1957, p. 21. Courtesy of the Glenbow Archive, Imperial Oil Collection.

To achieve these goals, he brought a range of talents: from his father, a travelling salesman, he acquired skills at persuasion and negotiation; from his mother, he was imbued with iron self-discipline and a conviction that his aims reflected God's will.

By 1867 Cleveland was linked to the urban markets of the east coast by multiple rail lines, which provided Rockefeller and his partners with great opportunities. The major railroads—the New York Central under the Vanderbilts, the Erie under Jay Gould, and the Pennsylvania under Thomas Scott—were locked in a struggle for control of transportation links between Chicago and the northeast. Each of these railroads was prepared to offer special deals to large shippers to attract their business

or keep them from straying to competitors. Rockefeller skilfully played off the roads against one another, extracting rebates on posted shipping fees from each one—the Erie went so far as to build a special depot in New Jersey for oil shipped from the Standard refineries in Cleveland. With transport costs under control, Rockefeller could buy out other refiners, enhancing his bargaining position with the railroads. The development of tanker cars—replacing barrels, and owned by Rockefeller-connected companies—contributed to falling costs and a larger share for Cleveland in the refinery sector. In 1869 Rockefeller took a further step toward achieving his vision, setting up Standard Oil as a joint stock company, capitalized at \$1 million (USD).

But Standard's success attracted more entrants into petroleum refining, and oil producers continued to proliferate, which stalled efforts to stabilize crude oil prices. The railroads were seeking ways of ending their internecine and costly warfare. These circumstances set the scene for the first effort to control the industry as a whole. The scheme, the South Improvement Company, was concocted by Tom Scott of the Pennsylvania Railroad in 1872. It would bring the major competing railroads and the largest oil shippers together into a cartel that would set prices for crude and refined oil and transport costs to benefit those who joined at the expense of everyone else. Rockefeller did not originate this idea, and it conflicted with his preference for centralized control; but he emerged as the leading figure in planning for the operation, and he became the public face of the scheme. Premature release of the new freight fee structure of the South Improvement Company initiated widespread protests throughout the oil region of Pennsylvania; ultimately the railroad leaders retreated in the face of political pressure. The South Improvement venture never actually got off the ground, but it shaped the public perception of Rockefeller and Standard Oil for the next generation, in Canada as well as the United States.

After the South Improvement debacle, Rockefeller resumed his strategy of achieving an integrated oil industry through expansion of Standard Oil rather than cartelization. When Scott tried to undercut him by backing the Empire Transportation Company, which would build pipelines from the Oil Region to the east coast markets, Rockefeller retaliated by building his own pipelines and using every legal tactic possible to block

Empire. By the end of the 1870s Standard Oil had formed alliances with the major refiners in New York, Philadelphia, and Pittsburgh, and had driven many of those who rejected Standard's overtures out of business. Rockefeller's toughest opposition came from producers and small refiners in the Pennsylvania oil fields who dealt him a sharp blow by completing a rival pipeline in 1879; in the meantime, Rockefeller and his associates faced legislative investigations in New York and threats of criminal prosecution in Pennsylvania. Despite these travails, Rockefeller interests controlled close to 90 per cent of the refining capacity of the United States by 1880.<sup>2</sup>

The capstone to Rockefeller's "system" was provided—ironically—by a lawyer who had been an implacable opponent during the wars with the oil producers in the 1870s. Samuel C.T. Dodd had criticized the rebate system that had been the source of Standard's success, but by 1879 he had thrown in his lot with Rockefeller (along with many others). A major problem for Rockefeller was that his confederacy of alliances with refiners in other states was based on "communities of interest," which could easily be breached. In 1881 Dodd came up with a plan that could unify the disparate Rockefeller interests across the country. He set up a Standard Oil "Trust," in which a designated group of individual "trustees" (all tied to Rockefeller) would hold shares in multiple state-chartered corporations. Thus the decrees of the Trust could be assuredly carried out by the various state entities. To this end, Dodd also established state-chartered companies (Standard of New York, Standard of New Jersey, Standard of Indiana, etc.) that would essentially act as determined by their "trustees."

Dodd's proposals established the legal basis for a centralized Standard Oil system, but much was left to be developed at the management level to make it work. Over the years Rockefeller had worked hard to ensure that he had a loyal and competent band of executives who could carry out his wishes. In many cases this involved individuals who had opposed Rockefeller, such as John Archbold and H.H. Rogers. Rockefeller welcomed them aboard and showered them with benefits and incentives. As a result, he produced a strong management group that shared his corporate interest in the success of Standard Oil.

But the Standard Oil system was intended to avoid the hazards of over-centralization. An array of committees was set up to advise the

trustees on a range of issues from “cooperage” to “export trade.” The committees in turn consulted with state-based organizations. Some companies, such as the Vacuum Oil Company, operated more or less outside the reach of the trustees, as long as they performed well. This was by no means a perfect arrangement, but it reflected the views of those who designed the system, and in many respects helped define the fate of Imperial Oil once it fell into the hands of the Standard octopus.<sup>3</sup>

## Opportunities Missed

After a smooth start, Imperial Oil encountered some rocky times. In 1880 the company boasted a net profit of \$116,049 (CAD) from \$131,700 (CAD) in revenues; shareholders received \$114,000 (CAD) in dividends. Revenues rose another 67 per cent in the following year although profits lagged. By 1882 revenues and profits had fallen by more than 50 per cent. No new dividends were issued until 1887. For several years thereafter the dividends took the form of a 6 per cent demand loan; regular payments to stockholders were only restored in the 1890s. These problems reflected both a downturn in the economy and developments in the United States, where the opening of new fields in Pennsylvania and New York drove crude oil prices down, and the formation of the Standard Oil Trust resulted in a dramatic increase in imports into Canada, more than doubling the pre-1880 figures—in terms of both volume and value—despite the continuing protectionist measures.<sup>4</sup>

By 1880 Imperial had closed down seven of the nine refineries it had acquired through the merger, in a deliberate move to reduce production and boost kerosene prices. This left only the two largest operations: the Silver Star refinery in Petrolia, and the Victor works in London (the largest one), which was renamed the “London East Refinery.” Imperial set out to construct a pipeline from Petrolia to London, and asked the London city council to provide \$20,000 (CAD) to help complete the project; but objections from the council (and taxpayers) to expansion of this source of pollution led to rejection. In 1883 this unpopular refinery was hit by lightning and burned to the ground. Given the bad market conditions, Imperial decided not to rebuild the Victor works and refining was concentrated at Petrolia.<sup>5</sup>

Despite these setbacks, Imperial had accomplished a good deal in its short existence. By 1887 revenues were at \$234,000 (CAD) and net profits at \$145,000 (CAD), justifying a modest dividend. In 1883 the company set up a branch office in Winnipeg to sell kerosene (and other products) in the western provinces. Lubricating oil, a by-product of the refining process, became increasingly important for railway and industrial uses, offsetting some of the problems Imperial encountered in selling its illuminating oil. After completion of the Canadian Pacific Railway, Imperial Oil barrels became a familiar sight on the prairies—often recycled to hold rainwater.

But fundamental weaknesses continued to undermine Imperial's aspirations. Although it expanded into the west, the Maritimes and Quebec continued to be supplied from American sources, despite the tariff and related import restrictions. The company never established a degree of control over refiners in Canada comparable to Standard in the US. The most formidable holdout was Fairbank in Petrolia, who controlled his own crude oil sources, but he was not the only one. There were five "independents" in 1880, and at least a dozen firms were operating outside Imperial's reach by 1887—including refineries owned by two of their own shareholders: William Spencer and John Minhinick in London. During 1885–87, Fitzgerald of Imperial was able to form a refiners' syndicate to hold the line against American competition, but by the end of that period its control of domestic refining capacity had shrunk from two-thirds to one-half of the total.<sup>6</sup>

The most egregious error involved the quality of their major product: kerosene. The problem of sulphur content had plagued the Canadian industry since its inception: Imperial had the opportunity to overcome this defect, and lost it. When the company decided to consolidate their refining operations at Petrolia in 1883, they determined to recruit an expert on the most efficient methods of petroleum distilling and refining. This was Herman Frasch, who had emigrated from Germany to the United States in 1868, establishing a chemical consulting lab in Philadelphia: by 1877 he was focusing on oil refining and joined a chemical company in Cleveland that was associated with Standard Oil, bringing with him a patent for improved refining that had the added advantage of more efficient recovery of other by-products, particularly lubricating oil. It was Frasch's work in this regard that persuaded Imperial's directors to enter an agreement in 1884



FIGURE 2.1. Herman  
Frasch, 1884. Glenbow  
Archive IP-26-5-4,  
Imperial Oil Collection.



that licensed Frasch's patent in Canada. The company also set out to bring the inventor to assist them in redesigning the Petrolia refinery. To that end, Frasch was offered a fee of \$10,000 (CAD) and Imperial Oil stock. Proving himself to be a shrewd negotiator as well as a talented researcher, Frasch persuaded the company to offer him a position as chief chemist at a fee that matched Fitzgerald's own salary, and also a seat on the board of Imperial Oil.

While Frasch was working at Petrolia, he was persuaded by John Minhinnick, who was something of a renegade on the Imperial board, to join him in a separate venture called the Empire Oil Company: Minhinnick had a dormant refinery in London, which he outfitted as a lab for Frasch to conduct experiments aimed at reducing the sulphur residue in kerosene refined from Petrolia oil. By 1885 Frasch had determined that mixing lead

oxide with the petroleum during the distilling process would not only remove the sulphur odour but also effectively eliminate the sulphur from the refined product. He later concluded that copper oxide was best for achieving this goal on a large scale, but his patents covered a variety of oxides: in any case what became known as the Frasch process represented a major breakthrough in kerosene refining.<sup>7</sup>

It is not clear whether Imperial's board was fully aware of Frasch's progress; by 1885 he had resigned from Imperial to work full-time at the London refinery. In the meantime, however, circumstances had changed dramatically in the United States. Large new oil fields had been discovered in Ohio, stretching into Indiana in 1885, and Rockefeller had decided to move Standard into production in the region, overcoming the objections of fellow Standard trustees. But the "Lima" (Ohio) oil exhibited the same characteristics as the Petrolia fields: a high sulphur content that could at best be masked temporarily, but not eliminated. Frasch's experiments were providential from Rockefeller's point of view, and he lost no time in setting out to bring him back to the United States. Frasch was offered a salary higher than that of any other scientist in the country plus an exchange of his shares in the Empire Oil Company for those in Standard Oil. Frasch also knew that Standard had the financial capability to support research on a much larger scale than he could acquire in Canada. In July 1886 Frasch rejoined Standard Oil of Ohio.

Frasch was right about the financial requirements of his work. He was not able to demonstrate the viability of his process for sulphur removal on a large scale until 1888; but Standard had set up a special unit—the Solar Refining Company—to support his efforts, at a cost that exceeded \$200,000 (USD). Imperial may not have ever been in a position to match the kind of incentives available to Rockefeller, but losing Frasch (and his process) was a major blow to the long-term future of the Canadian company, as events a decade later would demonstrate. Frasch went on to become a multimillionaire in his own right as the "sulphur king" in the mining and refining of sulphur in Louisiana in the early 1900s.<sup>8</sup>

## Imperial at Bay

By 1890 Imperial Oil appeared to have surmounted its earlier travails. Revenues and net earnings had tripled since the mid-1880s, and the company issued a \$40,000 (CAD) dividend in 1891, the first in three years. Sales in western Canada were increasing, and Petrolia had its best year ever in terms of revenues. The re-election of the Conservatives under MacDonald in 1891 reaffirmed the solidity of the “National Policy” in protecting the country from the depredations of Standard Oil. Not every Imperial board member may have been so sanguine, however, as Standard reported at least one overture about a possible merger that year—setting the tone for a decade of manoeuvres among Canadians, British, and Americans over the future of the oil industry in Canada.

Beneath the surface of growth and prosperity, Imperial had underlying problems. One related to financing. The major shareholders, after a decade in the wilderness, were clamouring for dividends. Imperial was careful to provide a regular flow of dividends throughout the 1890s, but the result was pressure on its capital requirements. Imperial negotiated a short-term loan of \$200,000 (CAD) per year from Bank of Montreal in 1891, with a sharp jump in 1894 when it acquired the Premier Oil Co. to increase its refining capacity, carrying an interest rate of 12 per cent. Although net profits stabilized at \$350–375,000 (CAD) in 1892–94, the combined effect of dividends and loan interest reduced the company’s liquidity and its capacity to respond to changes in the market conditions that would soon emerge. In addition, this situation impeded any consideration of finding new oil fields—an unlikely event, but nevertheless an increasingly troubling circumstance in view of the long-term prospects for the Petrolia oil fields.<sup>9</sup>

Imperial also faced rising challenges in its markets, reflecting in part a concerted strategy by Standard Oil. The Canadian company had never been able to establish a strong position in the Maritimes or Quebec. Through the 1880s Standard had dealt with these regions through long-term contracts with local agencies. In Nova Scotia the Shatford brothers had been selling Standard products since 1882, and another agency under Joseph Bullock was connected to them in New Brunswick. The oldest Standard agency, however, was in Toronto where Samuel Rogers

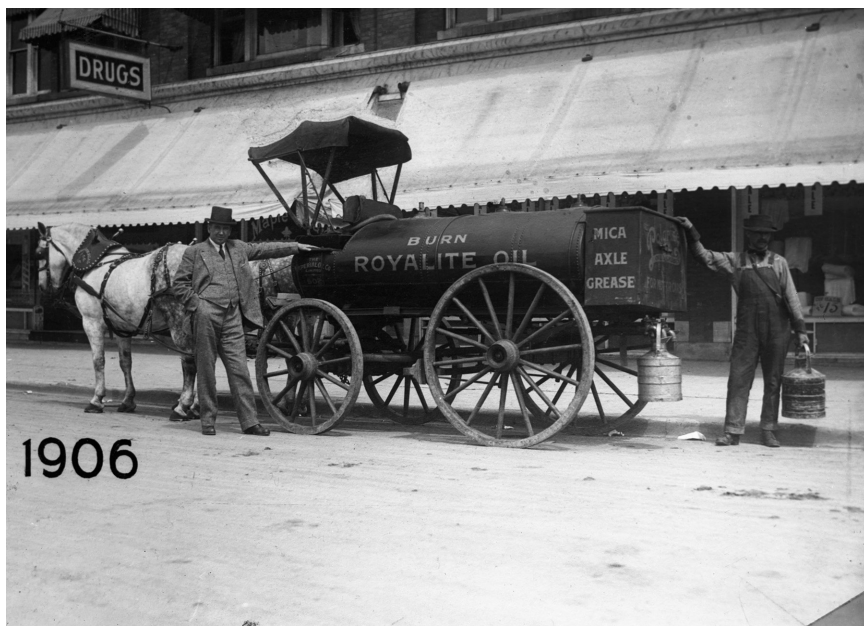


FIGURE 2.2. Royalite tank wagon, 1906. Glenbow Archive IP-2a-8, Imperial Oil Collection.

had been marketing their kerosene since 1880. The Rogers operation was particularly irritating to Imperial, which established a subsidiary—Royal Oil Co.—in Toronto in 1889, selling its products as “Royalite” (possibly to avoid association with the sulphuric Imperial kerosene). Rogers, however, continued to thrive and joined with Fairbank in 1891, taking over a bankrupt independent refinery in Petrolia. By this time Rogers was the largest wholesale distributor of petroleum products in Ontario.<sup>10</sup>

The next stage of Standard’s invasion was prompted less by circumstances in Canada than by events in distant and much larger overseas markets. Large reserves of oil had been discovered in Russia in the late 1870s and two powerful business groups—the Nobels and the Rothschilds—began developing the fields, completing a railway link from the Caspian Sea to the Black Sea by 1883. Alarmed by this threat to their markets in Europe and Britain, Standard cut prices on their exports of refined products, but by 1888 their virtual monopoly over Britain had diminished to 70

per cent, and the Rothschild interests were establishing a marketing company there. Characteristically, Rockefeller responded to this new challenge by reorganizing Standard's export trade organization. The first step in this process was the creation of the Anglo-American Oil Company in 1888, which consolidated all their marketing operations in Britain. Anglo-American reported to Standard of New York, where William Rockefeller had been running the export business for his brother since the 1870s.<sup>11</sup>

These organizational changes were extended to Canada: in 1888, the New Brunswick agency, Joseph Bullock & Sons, was recapitalized at \$50,000 (USD) as the Eastern Oil Company with Standard of New York holding almost two-thirds of the shares; shortly thereafter the Shatford Brothers operation in Nova Scotia was folded into the company. Two years later the various marketing agencies selling Standard products in Montreal were consolidated as the Bushnell Company, capitalized at \$100,000 (USD); the Bushnell brothers, Thomas and Joseph, had been involved in Standard of New York's export activities since the mid-1880s. In 1892 both of these companies were placed under the Anglo-American Oil Company, possibly as a gesture toward Canada's status as a British Dominion. In practice the general management of the Canadian operations was coordinated by Frank Q. Barstow, a long-time associate of Rockefeller from Standard of Ohio who was now functioning as the head of the manufacturing committee for Standard of New York.

Imperial responded to these challenges by expanding its marketing operations in Toronto and competing with some success against the Eastern Oil Company in the Maritimes; Eastern had no domestic oil supplies and no capacity for bulk storage until 1894. With strong agencies in Winnipeg and British Columbia, Imperial effectively dominated the western market, although Standard of California set up a sales agency in Vancouver in 1893. Imperial did not seek to emulate Standard's organized approach to marketing: Fitzgerald monitored all transactions across Canada from his office in Petrolia, relying on the efforts of travelling salesmen. Similarly, refining continued to be concentrated at Petrolia, under Englehart's direction, although the company acquired an independent—Premier Oil Company—in 1894 to expand its refining capacity.<sup>12</sup>

In the early 1890s Standard Oil was preoccupied with its domestic problems as well as the threat of Russian oil, now under the control of

Marcus Samuel and the Shell Transport Company. A harsh depression gripped the United States between 1893–96, featuring a Wall Street panic, railroad bankruptcies, protracted labour unrest, and increased public hostility toward “big business,” with Rockefeller as a handy target. An example of this kind of hostility can be seen in Henry Demarest Lloyd’s *Wealth against Commonwealth*, published in 1894, which denounced the Standard Oil “monopoly.” In 1890 the US Congress had passed an “anti-trust” act that implicitly contemplated the breakup of combines such as the Standard Oil Trust, although the US Supreme Court ensured that the law would be interpreted narrowly, at least for the next two decades. At the state level, however, the oil giant faced more serious challenges. The New York state legislature had conducted investigations of Standard Oil in the late 1880s, and in Pennsylvania arrest warrants were issued against Rockefeller and his associates (which he took seriously enough to avoid entering the state for several years). In Ohio, the Supreme Court issued a ruling in 1892 that questioned the legal division between the trust and various state-level Standard companies that Dodd had designed in 1882, and threatened to cancel the charter of Standard Oil of Ohio.

In response to this danger, the executives of Standard Oil decided to dissolve the “trust” and replace it with a “community of interest” among the Standard companies, achieved by exchanging stock. From this reorganization Standard Oil of New Jersey emerged as the largest entity, recapitalized at \$10 million (USD), and with a very broad charter (generously provided by the state of New Jersey—in return for fees) as both an operating enterprise in all phases of the oil business, and a holding company exercising control over a range of subsidiaries including refineries, pipelines, ocean transportation, marketing, and a variety of other functions. Among its largest affiliates was Anglo-American Oil, which now became the coordinator of many of Standard’s foreign enterprises including those in Canada. In practice this would lead to confusion for some time, since Standard of New York continued to play a role in managing the affairs of the Canadian companies (including Imperial Oil after 1899) until the US Supreme Court’s antitrust decision in 1911. In any case, the turmoil of reorganization occupied the attention of the residents of 26 Broadway in New York (the headquarters of Standard Oil), which provided a temporary respite for their much smaller rivals in Petrolia.<sup>13</sup>

But Imperial would face its own hazards in this period, as the bastion of tariffs and import restrictions that had protected it from Standard came under siege—prompted, in part, by the vigorous lobbying of Standard Oil’s affiliates in Canada. Although the Conservatives remained in power in Ottawa, the outer works of the National Policy were fraying, particularly with regard to illuminating oil, where consumers regarded Imperial’s products as inferior to those offered by Standard Oil: the highest grade of “white” kerosene offered by Imperial was considered at best comparable to the medium grade of imports from the US; but trade restrictions made the American product more costly. The Liberals were moving away from a doctrinaire commitment to “free trade,” and the government, deprived of their “Old Leader” (Macdonald), was more susceptible to moderation on these issues. In 1893 the government reduced import duties on refined oil products from 7.2 cents to 6 cents per wine gallon. More critical, however, were changes in the “non-tariff” barriers.

There had been significant changes in the system of transportation of oil products since 1880. Tank cars for bulk shipping of oil had come into use on American railways in the mid-1880s, vigorously supported by Standard Oil. By the end of that decade tank steamers (ocean-going vessels carrying bulk oil) were appearing, providing the Shell Transport Company with its substantial cost efficiencies in shipping oil from Russia; Standard was following suit. Canadian refiners, principally Imperial Oil, had successfully resisted the entry of either tank cars or steamers into Canada until 1893, even though they were using tank cars for internal transportation by this time. The government maintained the restriction on tanker vessels, but allowed tank cars to enter Canada, although it required the importers to repackaging their product in barrels after inspection at the border, a ridiculous and (for importers) expensive process.

When the Liberal government under Wilfrid Laurier came to power in 1896, touting a platform of “Imperial Preference” in contrast with the National Policy, the last shards of protection—at least for Imperial Oil—appeared to be disintegrating. During hearings on tariff reform in 1897, Fitzgerald made the case for continued protection against oil imports. But in 1898 the tariff was cut again from 6 cents to 5 cents per wine gallon on kerosene, and the restrictions on tank vessels and the entry of tank cars were removed.<sup>14</sup>



Meanwhile, Imperial continued to be encircled. On the surface Imperial seemed to have recovered from these setbacks. Revenues rose from \$488,000 to \$767,000 (CAD) in 1894–98, and dividends continued to flow, averaging \$30,000 (CAD) per year to shareholders.<sup>15</sup> But its long-term future looked increasingly bleak. In 1894 Samuel Rogers had joined John Fairbank, Imperial's perpetual foe, in acquiring a defunct refinery in Petrolia. In that same year, Eastern Oil in Halifax and Bushnell in Quebec both established bulk storage facilities. Two years later the Bushnell Company took over the Fairbank-Rogers refinery and joined forces with Rogers to set up the Queen City Oil Company in Toronto, which competed directly with Imperial's Royalite. But Bushnell's most ominous move came in 1897 when it acquired the Alpha refinery in Sarnia and began to use the Frasch process, completely undercutting Imperial's position in the Canadian market.<sup>16</sup>

As early as 1895 Imperial Oil had begun negotiations with a British company—the Colonial Development Corporation—for a takeover. Fitzgerald approached Frederick White, of Colonial Development, while White was visiting Canada. White showed interest, and Fitzgerald responded by sending a good deal of information on Imperial to him. A petroleum geologist was dispatched from England to survey the Petrolia works. Imperial seems to have felt encouraged enough to propose an offer to sell majority shares in the company to Colonial for \$585,000 (CAD). But at this point talks stalemated. Colonial sent more investigators to go through Imperial's books; not all of the Imperial board members were enthusiastic about the proposal, and their patience waned as the waiting period extended. Meanwhile, company shareholders benefited from sharply increasing dividends.

By April 1898 it had become clear that negotiations with Colonial had reached a dead end. Fitzgerald, possibly at Englehart's prompting, went to New York to open talks with Standard Oil. An agreement (of sweeping proportions) was quickly worked out. Standard Oil would acquire 75 per cent of Imperial Oil's shares. All plants and inventories held by Standard Oil in Canada (including those of Bushnell, Queen City, and Eastern) would be folded in with Imperial Oil. Imperial's capitalization would be increased to \$1 million (USD). In addition, Imperial shareholders would receive a dividend of \$93,000 (CAD). This was a remarkably



generous takeover (for the shareholders), which prevented many lawsuits from outsiders and criticism from the Canadian press. As usual, Standard had achieved its objectives secretly.<sup>17</sup>