

## CHAPTER TWO

# THE SHOULD-HAVE-BEEN

## Hudson's Bay Oil and Gas

CANADIANS HAVE ALWAYS had soft spots in their nationalistic hearts for our two major department store chains. While Walmart, the giant retailer that's as American as apple pie, has transformed our shopping habits with its low prices and extra wide selection, earlier generations were raised on Eaton's and the Bay, two of our most recognizable institutions. The year I was born, 1934, the T. Eaton Company was advertising its mail-order catalogue to western farmers in *The Country Guide*, claiming with some justification that "family budgets are set by this handbook of the West." Yet after 130 years, Eaton's went bankrupt in 1999, a victim of its own failure to adapt to a rapidly changing retail environment. The Hudson's Bay Company (HBC) has an even more impressive pedigree, being older by two centuries than Canada itself. Founded as the Company of Adventurers of England trading into Hudson Bay in 1670, it once owned a third of what would become the Dominion of Canada. It's still the oldest such enterprise in the English-speaking world. So in early 2006, while going through four daily newspapers in my morning ritual, I was interested to read that the board of the troubled chain had recommended shareholders accept a sweetened \$1.1-billion takeover offer from Jerry Zucker, a secretive South Carolinian industrialist. I felt badly because a former president and governor of the company was Don McGiverin, a friend who'd served with me on the board of Manulife Financial and who'd helped build

HBC between 1972 and 1994. Beyond that, I was sorry to see another national icon surrender Canadian financial control. But the hard truth is that since its fur trading days, the company had long since lost any sense of adventure and hadn't kept up with the times. Perhaps, I thought, it should have stayed in the petroleum game—where I once worked for a company partly owned by HBC: the late, lamented Hudson's Bay Oil and Gas.

HBOG, as people in the Oil Patch called it (pronouncing it Aitch-bog), survived for fifty-five years before it was swallowed by a more aggressive and much-overvalued competitor, Dome Petroleum. At the time, I was president of HBOG. Its demise was a dirty shame because, if left to its own devices, this respected company might have become a real Northern Tiger and supported the retailing empire through its thinnest times. The only bright spot in this cautionary tale of a misbegotten takeover is that many other Canadian oil and gas companies have seen the mess that was Dome and avoided some of the same missteps.

In 1960, I was a chartered accountant full of piss and vinegar, newly married and fresh from three years of articling, when I began poring over the calendar of the University of Western Ontario's commerce program. With all due respect to MBAS, I knew that CA programs generally are equal to master's programs in business administration, if not more valuable, because they allow you to tunnel deep inside the heart of a corporation in a hands-on way. But feeling there was still a stigma to being simply an accountant, I did consider taking an MBA. That's when one of the financial guys I'd worked with while doing my audits gave me some good advice. Graham Bennett, the chief accountant at Home Oil, had spent three months at Harvard studying for his master's in business administration—and had disliked the episode intensely enough to come back to Calgary with no advanced degree in hand. He advised me to get a year or two of experience before heading off to any graduate school.

Commerce grads with CA qualifications, like Don Campbell and I, were in a seller's market. I'd already had an offer from Home, which was a widely held Canadian independent, but

surprisingly—Graham suggested I consider applying instead to Hudson’s Bay Oil and Gas, where he’d been the internal auditor. “Hudson’s Bay are tough bastards and they don’t pay as much—and while Home may be a more exciting place to work, HBOG is a better run company,” he said. Not only that, the executive vice-president was Howard Blauvelt, a smart, iron-fisted CPA and MBA from New York. Blauvelt would later run Conoco, the U.S.-based global resource giant that owned a large chunk of the Canadian company. When HBOG asked me to come in for an interview, I spoke to Blauvelt and the controller, Frank Mair, and learned that I’d be reporting to Howard through Frank. That pleased me because Frank was a well-respected and widely recognized chartered accountant.

It was an easy decision to come on as the corporate accounting supervisor of six people who consolidated the accounts and issued all financial statements. What I found right away was that the company had an intriguing combination of American technical know-how and Canadian land holdings. The most extraordinary thing about HBOG was its asset base. In 1869, the Hudson’s Bay Company sold to the new nation of Canada much of the enormous territory that England’s King Charles II had granted HBC. But the company shrewdly kept the title to 7.5 million acres—1.75 sections of freehold land (meaning no rentals to pay) in every unoccupied township between Winnipeg and the Rockies, with waterways flowing into the immense inland sea of Hudson Bay. As Peter C. Newman, who wrote a four-volume history of the company, remarked recently, “The most obvious dereliction of opportunity was the failure to capitalize on the company’s potential oil and gas reserves.” In 1926, HBC formed Hudson’s Bay Oil and Gas in partnership with Ernest Marland, a flamboyant English-bred, U.S.-based wildcatter—with HBC holding a one-third share, and the rest in the hands of Marland. The new company began to exploit the oil fields below the legacy of land that HBC hadn’t known what to do with for 250 years. But it was soon forced to merge with the Continental Oil Company—Conoco—controlled by the legendary American financier J.P. Morgan, Jr.

HBOG just sputtered along until Imperial Oil's great gusher at Leduc, Alberta, set off the domestic oil boom in 1947, and then all the expertise that Conoco had developed down south came into play. Whenever a competitor found some good wells in an area, chances were HBOG would have land nearby to do its own drilling. The year after I came on board, the company had a net income of \$7 million, based on very conservative accounting practices that prescribed immediately writing off all the dry holes we drilled—unlike most companies today that amortize the costs from non-producing wells. Before the end of the decade, the book value of HBOG's assets was larger than HBC's, and its net earnings were double. In later years, the interests of the two founding companies were diluted by public share offerings and acquisitions.

The other remarkable fact about HBOG was the corporate culture (which wasn't a phrase we used much in those days). So tight was the sense of camaraderie that former "HBOG-ers" meet to this day for an annual party in Calgary. Among them is my former administrative assistant, the remarkable Diane Reid, who recalls, "We were called conservative, but right from the get-go, it was a caring company—not only for the employees but the community, as well. We contributed to all the communities where we had offices. The company had a fantastic reputation, and everybody was so proud to have worked for HBOG." Not long ago, business journalist and author Peter Foster wrote that "Hudson's Bay Oil and Gas was an important and well-run oil and gas producer ... a proud corporation with an admirable culture."

Note the past tense in his statement.

FATE CAN BE SO BLOODY UNKIND. My mother died of a stroke in 1961, just after she and my father had retired and moved to the gentler climate of Victoria, into the first new house they'd ever owned. Dad lasted for only a couple of years longer. He was heartbroken; his life was at loose ends. I'd learned so much from both of them, and seeing Bob Haskayne deteriorate was one of the worst periods of my life. Naturally, I didn't always agree with

everything my dad believed. For instance, as a small-town entrepreneur, he'd distrusted all big corporations.

On the other hand, I had a feeling early on at HBOG that I'd enjoy not only being part of a big corporation but also, maybe, being able to shape its fortunes and even its philosophy of doing business. In the early 1960s, when the major players included the likes of Imperial, Gulf, and Shell, we ranked in the next highest level of senior producers, as opposed to marketers. Among the others in our class were Pacific Petroleums (controlled by Phillips Petroleum in the U.S.) and Canadian Superior Oil (partly owned by another American giant, Superior Oil). HBOG, being so sizable and holding such an extensive land base, needed good systems. And we had them: Our accounting department was highly disciplined, and when computers came in with a vengeance, ours were among the best in the business.

This administrative success was in large part thanks to my boss, the controller Frank Mair. A crack RCAF pilot during the war, he was one of the first BComms with a CA qualification working in our industry. In the Institute of Chartered Accountants, Frank was an activist in promoting sound accounting principles, and in his job, he was good with people—a smart, sensitive man. Too sensitive and nice, at times. I learned from watching him that you can be too kind to some people, when they'd be better off working somewhere else. I soon discovered that my auditing background helped me to analyze the problems and promise of the company, but—perhaps because of my rural roots—I also seemed to have a natural ability to network with others and create consensuses. Without realizing it at the time, I began practicing basic psychology, trying to figure out why the hell people do what they do. If folks liked Frank, they also appeared to like me, and I, in turn, generally admired them—though not to the point of missing their flaws. And years later, while reading Jim Collins' now-classic business book *Good to Great*, I understood the instinctive feeling I had at HBOG that the best leaders are those who try to blend personal humility with professional will and who are ambitious for the company rather than simply for themselves.

I barely got to know Gerry Pearson, who'd come from Conoco and was president for only a year or so before another American

colleague from the parent company succeeded him. Wayne Glenn was a character, a true Texas entrepreneur and a hulk of a guy, who knew the business as a petroleum engineer but was more of a hand-shaking, bear-hugging promoter. The company's own official history described his energy as "restless, dynamic and even frantic." We called him "Horsefly" because he was always hippity-hopping from one thing to another. But it was during his tenure that I became assistant treasury manager, overseeing all the corporate banking and acquisitions. And I fell in love with the complexities of financing deals.

Frankly, Wayne didn't know a whole lot about high finance. In 1963, we acquired Consolidated Mic Mac Oils and Security Freehold Petroleum for a total of \$21.8 million and shares worth \$8.6 million (which boosted public ownership of HBOG to more than 12 percent and reduced Conoco's interest to less than two thirds and HBC's to a shade over one-fifth). Mic Mac, which had found its first good oil field near Leduc, was the creation of Bill McGregor, who, like me, had a youthful connection with milk in his case, hauling the stuff from his father's dairy farm in Alberta's oil-rich Turner Valley. He'd already farmed out one hundred thousand acres to Union Oil and us in the Sturgeon Valley, where we discovered a rich Devonian-age oil field. While tidying up our acquisition of Mic Mac and checking the list of its shareholders, we found that we were missing a fair chunk of shares. It turned out that Wayne had acquired the stock to gain access to the shareholder list so that we could make an offer.

When I reminded him about his stake in the company, he asked, "What the hell did I do with those shares?" and then recalled that he may have put them in a safe beneath his desk, which he opened with the help of his secretary. Sure enough, that's where they were.

"How did you pay for them?" I asked.

"Goddam if I know."

So he asked his secretary, and that's how we learned our president had put the shares on his expense account.

Meanwhile, we'd bought Security Freehold, controlled by the Winnipeg brokerage and investment firm Osler, Hammond &

Nanton, which had no exploration acreage but did have a nice revenue stream. A year later, as became our practice, we held a post-audit review of how we were doing on the two deals. Drilling on the Mic Mac lands was coming up dry. At our management committee meeting, the irreverent Bert Hamilton, who later became vice-president of exploration, quipped, “Mic Mac, paddy whack, try to get your money back.” But as it turned out, within a year, the fields were producing a reassuring seven thousand barrels a day and we all felt good about the first couple of major deals (in which we were ultimately successful).

As president, Wayne was interested in things financial, but they were neither his forte nor his successor’s, Linden Jay Richards. In other ways, the two presidents were as different as oil and water. A geophysicist who’d been with HBOG for eighteen years, Lindy was a short, outgoing man who spoke with a gentle Oklahoma drawl and had a passion for exploration. In 1965, when he became president, I was chief accountant. That’s when Frank Mair filled in a flattering personal-development form about me, rating my performance and prospects. Among my strengths, he noted, “mature analytical thinking, pleasant engaging personality, firm convictions based on logical reasoning, self-starter and leader, assumes responsibility.” Supposedly, my only weakness: “Sometimes impatient”—which was true. Under the heading “Present opinion as to most responsible position he will be capable of filling (throughout the Company),” Frank wrote, “President of HBOG/Vice-president of Conoco.” That forecast might have gone to my head if I’d known about it at the time. He did add that the experience I’d need to qualify for such positions would be fifteen to twenty years in various jobs with the company. He was dead right about that.

In retrospect, such evaluations reflect one of HBOG’s strengths: the importance of succession planning. Many people in the Oil Patch today are direct products of the discipline of that system. And the lack of succession planning is a major weakness in many contemporary corporations in many industries.

I was soon to follow Frank in the controller’s position. Working with Lindy Richards, my department introduced budgeting systems

that sometimes baffled him, especially on the revolutionary subject of deferred taxes. Put most simply, it's when a company reserves some of its current year's profits—equal to the future tax liability on such transactions—to be drawn down in later years. In practice, the theory becomes more complicated. I practically wrote a PhD thesis on the concept, which was just coming into the Canadian petroleum industry. And when we were doing a financing in the U.S. with the investment bankers at Morgan Stanley, American lawyers and auditors suggested our system didn't comply with best accounting principles. In fact, we needed to prove to them that the Standards Council of Canada accepted our way of doing things before the Americans grudgingly granted us an exception.

We implemented another crucial budgeting change when we revealed the profit-and-loss projections for each department on a regular, quarterly basis to the key managers of the company. It sounds astonishing today, but HBOG's CEO and controller were the only two people at that time who knew what these consolidated figures were—and they would adjust the projections without consulting with their colleagues who were running the various departments.

As the new controller, I was something of an anomaly in the industry because I sat on the small management committee, a long-held practice because the company believed it was critical that financial people understand the needs of the company's scientific and technical people. I told Lindy we had to give our managers projection figures for the entire company, and these figures would become their earnings targets: "We have to let people know, every quarter, where they stand."

"We can't do that," I remember him arguing. "We can't trust people to know those numbers."

"You don't trust Bert Hamilton, your vice-president of exploration?"

"Oh, I trust him implicitly. But he doesn't need to know those numbers. He runs the exploration department."

After Lindy reluctantly agreed to bring the managers into the loop on a trial basis, we faced a fourth quarter when the company was not likely going to meet its earnings targets, particularly



because we'd been coming up dry at Alberta's promising Zama Lake oil and gas fields just south of the Northwest Territories' border. He was beside himself with concern until it was suggested that we ask every manager around the table what they could do to make their numbers more positive for the next quarter.

Stan Olson, the VP of production, piped up, "Well, hell, Lindy, you should've told me. I've got sulphur I've been holding back." HBOG was one of the largest sulphur producers in Canada. "I could sell sulphur, for Chrissake. If we need some more money to keep the wells drilling in Zama, I can do that for you." And Bert Hamilton added that he could delay some seismic drilling until the new year, if that would help the bottom line.

This meeting proved to be a breakthrough for Lindy, who, from then on, swore by the open discussion that arose during quarterly reviews of each department's projected earnings.

My job put me in contact with fascinating folks outside the company, like Mike Wilson. Canadians know him best as the finance minister in Brian Mulroney's government who introduced the GST and helped negotiate the Canada-U.S. Free Trade Agreement—and who, in 2006, was named by Stephen Harper's government as Canada's ambassador to the U.S. When I got to know him, he was a junior employee in the investment business in Toronto with Harris & Partners, who were among the first in the country to do commercial paper financing (short-term unsecured debt trading as a security and issued by large banks and corporations). "Jesus, Haskayne," he reminisces now, "do you remember when we did those four halves of '84?"—meaning a 4.5 percent rate on a twenty-year bond maturing in 1984. We worked with another bright young guy, Jim Pitblado—later, the chair of RBC Dominion Securities—and became personal friends.

I worked internally with one of my great mentors Ken Burgis, who was treasurer and, later, senior vice-president. Ken, from small-town Ontario, had little formal education, but he outworked everyone on his way up through the Canadian Imperial Bank of Commerce (CIBC). He brought his banking skills to the oil business—and to me.

My position at HBOG kept me in close contact with people of vastly different disciplines, from exploration to human resources, and one of them—Ken McNeill—became a lifelong friend and confidant. Diane Reid, looking at lanky Ken and me, used to call us Mutt and Jeff.

Ken was probably the only ex-homicide detective in the Oil Patch. He grew up on Canadian air bases where his dad's construction company built training facilities for the RCAF. After a year at a technology institute, he saw his teenaged hope to be an aeronautical engineer dashed by a downturn in the airplane industry (though today he still flies his own Cessna 177B Cardinal). His high school football coach, a police detective, urged Ken to join the Calgary force, instead. Starting as a patrol officer, the nineteen-year-old worked his way into the homicide division. He and his three partners were among the first polygraph examiners in Canada, and they started the department's first canine division. If they played the good-cop/bad-cop game with suspects, Ken—with his kindly, open face and relaxed manner—would definitely fill the role of the personable, sympathetic-sounding good cop.

After fifteen years, facing the prospect of a promotion to a desk job, he heeded the call of a former neighbour, Henry Thiel, who was head of HBOG's human resources. In 1969, when Henry told me he wanted to hire this flat foot to work in HR, I allegedly said, "You want to do what? You are out of your bloody mind. But if that's what you want to do, Henry..."

Ken tells the rest of the story with his usual wicked wit: "Hudson's Bay were trying to start up all these gas plants, and of course, being typical engineers, they built the plants and then thought they might need someone to run them. They had all these contractors up from the south—Texas Rangers, we called them—trying to run these very complicated gas operations and then went looking for staff. The Oil Chemical Atomic Workers [OCAW] union were having a field day, running every organizer they could into the lineup for these jobs. Hudson's Bay wanted to stay non-union, and Henry was pulling his hair out. The plant superintendents could not recognize an OCAW organizer from a hole in the ground,

and Henry didn't have anybody in his human resources group that he trusted to shepherd the staff of the gas plants around. He made me an offer to join the employee-relations department and be in charge of recruitment. So I spent a lot of time on airplanes, going back and forth to the plants, holding hands with these guys.

“We always had better labour relations than anybody else in the business because we spent a lot of time in the field, talking to people about their bitches and gripes. Instead of a third-party union intervention, we had people in the plants or the field get their own little groups together. We'd meet with them and just simply say, ‘You guys, sit down around this table and get together what you think your hot spots are, what's bothering you and what's going right and what's going wrong, and then we'll bring in the production or exploration manager so he hears it.’ At the end of the day, we would either agree that they were sucking up a hosepipe or they had a good point and then generally got the management to have things changed. I don't know of any of the other companies in the industry that did it quite that way. None of them took the same face-to-face approach. Petro-Canada, Gulf, all of those were OCAW. Hudson's Bay Oil and Gas was never union—no worker's association, no nothing—and we worked hard at keeping it that way.”

In 1970, Carl Jones became HBOG's first Canadian CEO. Another veteran of the company, a talented gas engineer, he proved to be a sophisticated, if conservative and somewhat withdrawn, chief executive. It was under his regime that we finally sold Blue Flame Propane Ltd., a wholly owned subsidiary cobbled together from three companies acquired a few years earlier. This was our attempt to get into the gas distribution business, and it was a disaster—a good example of a big company involving itself in a nickel-and-dime business. Blue Flame retailed propane from various outlets around the province. The fellow who'd built it stayed on to run the operation for us from the back of an envelope, like my own little low-overhead milk distribution venture in Gleichen. When I asked Old Bill all the typical accountant's questions about how he kept track of his costs, he finally replied,

“Dick, any guy with one eye and an asshole could figure that out.” Well, he’d made money, but with all the overhead and capital expenditures on things like the new propane trucks that Hudson’s Bay Oil and Gas brought to the business, Blue Flame sputtered into the red. The lesson was that some businesses should just be left to small entrepreneurs.

The gentlemanly Carl Jones had come to the presidency late in his career and didn’t want to make any mistakes. His caution contrasted at times with the views held by both me and my friend and ally at HBOG, Gerald James Maier. Gerry had six years on me in age and seven in experience with the company. Like me, he was a country-bred boy, growing up on a Saskatchewan family farm before discovering a wider universe. For him, this journey started with staying in his home province and attending senior high at Notre Dame College in the town of Wilcox. Founded during the Depression by Father Athol Murray, a legendary Roman Catholic priest, the non-denominational, residential liberal-arts college built on a foundation of classical Greek literature and philosophy—and classical Canadian hockey (at least fifty graduates of his Hounds of Notre Dame went on to the NHL). Like me, Gerry loved the game, playing left wing for the college while soaking up the thoughts of great minds through the centuries.

Most intrigued by science, he took two years’ engineering at the University of Manitoba and then became a roughneck on an oil rig near Edmonton to support his petroleum engineering studies at the U of A. Graduating, he worked briefly on rigs and construction projects for Sun Oil before investing his life’s savings of \$5,000 in an initially successful consulting/engineering firm that went broke when the senior partners fell out. In 1953, Gerry left entrepreneurialism behind to join HBOG as an engineer.

Though he worked from the Calgary office, he was mostly out in the field when I first started there. Unlike me, he had a broad international background with the company’s American co-owner, which gave him a much better world view than many of his compatriots. A former production vice-president at HBOG hired him to play a similar role in Conoco’s Australian operation for a few

years. Gerry also did stints at the U.S. headquarters in Connecticut—which at one point took him to the troubled African republic of Chad, where insurgents’ bullets later killed the chief corporate pilot and the nation’s president.

We didn’t get to really know one another until the mid-1960s. Because Gerry and I were about the same size and came to work closely together and socialize as couples with our wives, people called us the Gold Dust Twins. Not identical twins—like the skills of my hockey buddy Larry Plante, Gerry’s were complementary to mine. We learned to play to each other’s strengths. For instance, he was a builder and was bored by the financing and accounting challenges that turned me on. I had more knowledge of the Canadian industry, while he knew the global situation better. And while tremendously articulate at times, Gerry was a tough negotiator, choosing his words carefully, playing his cards as tight to his vest as a riverboat gambler. Some people said he didn’t talk enough and Haskayne talked too much—but either way, it worked.

But we did share a mutual passion for running an independent Canadian company. As Gerry says now, “We used to joke that our field foreman had more authority than some of the presidents of other oil companies in Calgary that were subsidiaries of the international majors.”

We relished this empowering corporate culture. Of any company I’ve known, HBOG did the best job of the in-house education of its staff. Unlike many other Canadian oil companies, for instance, ours trained its own seismic crews. We did it for security reasons—so outsiders wouldn’t learn where and how we were exploring—but the result was that HBOG trained a lot of good geophysicists who went on to develop distinctive technology. Another prime example: Even in the early 1960s, an elderly professor from Oklahoma taught in-house programs on management by objectives to a group of us from different disciplines. Though Peter Drucker had helped introduce the idea in *The Practice of Management* in 1954, I’d never heard of the concept of defining a company’s goals, ideally in writing, so both managers and employees understand and buy into them and then setting timelines

to monitor their progress. (I remember him saying that in one company, an efficiency expert tried to reduce the amount of toilet paper being used and kept setting up new objectives every week—from ten to eight to six sheets at a time—until it went down to four and never got any lower. The expert couldn't figure out why there were no further reductions until he found a sign on the inside of the door of one bathroom cubicle that read, "Tell me what the par is on this hole.")

Despite our fondness for HBOG, Gerry and I decided independently of one another to leave the company in 1973. He went to London to run Conoco North Sea Inc. I stayed home to help run a consortium that would bring natural gas from the High Arctic down to southern consumers. Or so I thought.

SOMEONE ONCE WROTE THAT it's the most unhappy people who most fear change. As the financial VP and treasurer, I wasn't unhappy at Hudson's Bay Oil and Gas by any means. There was a problem, though: Despite a strong balance sheet and surplus cash, we weren't pursuing any exciting new ventures under the cautious stewardship of Carl Jones. So I was probably looking for a change—and certainly not fearing it—when a fellow named Vern Horte approached me to get involved with a group known as the Canadian Arctic Gas Pipeline Ltd. It was, in spite of its official name, a consortium of twenty-eight oil, gas, pipeline, gas distribution and natural resource companies—half Canadian, half American. In 1968, Atlantic Richfield had struck oil at Prudhoe Bay along the coast of the Beaufort Sea on Alaska's North Slope. The largest American oil field in history, it also had some of the continent's largest deposits of natural gas. The gas consortium's scheme was to lay four-foot-diameter pipe from Prudhoe Bay east across Canada's Yukon to the Mackenzie Valley in the Northwest Territories and then south to the Alberta-Saskatchewan border.

A certain urgency soon overtook the project. Since 1950, American oil consumption had doubled as the United States, with 6 percent of the global population, was consuming a third of the

world's energy. Then in October 1973, the Organization of Arab Petroleum Exporting Countries (OPEC) declared an embargo on oil shipments to nations that had supported Israel in its recent conflict with Egypt. Although Canada and Venezuela supplied the bulk of imported oil to the U.S., OPEC's action began crippling economies around the globe. Oil prices soared as the supply slowed to a relative trickle. The Americans' desperate push for a secure internal source of energy propelled the proposed Arctic Gas pipeline.

The consortium had an all-star cast. Vernon Horte, a chemical engineer, was a former president of TransCanada Pipelines, founded in the early 1950s to transport natural gas from Alberta to eastern Canada and parts of the U.S. Now he was president and CEO of Arctic Gas, and he invited me to come on as the controller, offering me double my HBOG salary, a car, and most of all, the chance to work on an exciting project with some of the most senior executives of some of the largest companies in the world. Vern's chairman was W.P. Wilder, a Harvard MBA who for a quarter century had honed his reputation for financial brilliance at Wood Gundy, the major Canadian investment house. Bill had left there as CEO only because of the lure of this \$5.5-billion project. An observer has noted that he was so cool under fire that he must have had ice water in his veins—the colour of Arctic blue. I'd known him for years in my role at HBOG. How could I reject such an offer?

Well, maybe I should have turned it down. Even then, in the earliest days of the organization, signals of forthcoming crises were sounding. Financing proved to be a huge problem. The American investment bankers Morgan Stanley pointed out that the pipe was to be buried in the permafrost over two or three winters and that financial disaster would follow if we failed to grasp that window of opportunity: A pipeline only 90 percent complete is inoperable—and unfinanceable. Key investors were simply refusing to underwrite such a risky scheme. And we were far from being the only game in town. NOVA and two American partners were among the four competing proposals that surfaced to move the gas south. Inevitably, politics intruded, too, as Native groups and environmentalists questioned the need for the pipeline and speculated

about the potential damage it might do. The government of Pierre Trudeau, which at first seemed anxious to fast-track the project, began pointing out its flaws. Indian Affairs and Northern Development Minister Jean Chretien eventually found that the project did not meet the social and environmental strictures laid down in contemporary guidelines. In 1974, Ottawa appointed Justice Tom Berger of the B.C. Supreme Court to head a royal commission, the Mackenzie Valley Pipeline Inquiry, to evaluate the pipeline's environmental, economic, and social impacts.

For me, Arctic Gas was both wonderful and awful. Wonderful because a lot of the people I've known in the global petroleum industry were those I met back then. I travelled widely, to our offices in Toronto and Alaska, and to conclaves in Houston and New Orleans. And though it was a typical consortium with more bloody committees—finance, tariff, engineering, environmental, you name it—I had the opportunity to sit in on what they called “management meetings.” Here, however, the managers were the presidents of companies like Imperial Oil and Gulf Canada. Gulf's Jerry McAfee, for one, ranked among the gentle statesmen of the Oil Patch. As Timothy Pritchard of the *Globe and Mail* recalls, “[A]long came Jerry McAfee, an Oklahoman and the new president of Gulf Canada. Not only was Mr. McAfee more open, in the manner of an increasing number of U.S. executives, he was also determined that Gulf Canada not remain an also-ran in the oil business.” Jerry was eventually called back to his home country to chair the scandal-ridden Gulf Oil Corporation in Pittsburgh, which was seeking a leader with his sense of integrity. In our sessions, he had always taken the high road while remaining a rock-solid businessman.

But mostly what I learned from my sojourn with Arctic Gas was how *not* to do things. Running the company too religiously by committee, for example, was an exercise in inefficiency and frustration. Because each of the partners paid only one-twenty-eighth of the share of any expenditure and we were spending money like drunken oilmen—they tended to approve expensive initiatives, whatever their merits. An environmental specialist



working for a partner company would think, *God, I'm never going to have access to more information than I can get out of the consortium, and we're only paying a twenty-eighth of the cost.* And then his company would say, in an almost threatening way, "If we don't pursue these environmental studies, we'll never get through the regulatory process."

Questions of ethics arose, too. There were executives in the bowels of some major American companies who would cut your throat to reach their objectives, regardless of what impact their actions had on the consortium. Of course, getting their own way was often why they were successful, but their winning-is-everything philosophy soured me on them. In one case, we were deciding how to calculate pipeline tariffs—the multi-million dollars' worth of charges each member would pay for transporting the gas from its origin to its destination. As administrators, we agreed with our consultants that the consortium should treat all the parties equally, but there were widely divergent views between American and Canadian companies.

Determining these tariffs was crucial to the overall financing of the pipeline deal. At a final crunch meeting in Houston to decide the issue, I was asked to arrive a couple of days early. Knowing our point of view, one major corporate group—whose designated executives were at a fairly low level—threatened to boycott my presentation and, if I went ahead with it, suggested I was in danger of losing my job. I'd never had anyone attempt to intimidate me like that before. In a tense confrontation where I told them this was a bullshit way of operating, I refused to back off from our position. In the end, they backed off, and my presentation proceeded.

Another example of mixed morality: We signed contracts before I came on board that allowed member companies to withdraw from the project with three months' notice. This provision was ridiculous because an undertaking like the pipeline demanded long-term commitments. Meanwhile, people in certain companies who voted for huge expenditures had spoken to me privately and gave me the impression that they would be getting out of the

project before long. How could they approve these costs, knowing they likely wouldn't be saddled with them? I stayed with Arctic Gas two and a half years. By then, disappointed by the jockeying for power and the lack of progress in financing, I was ready and willing when Hudson's Bay Oil and Gas came calling. Because Carl Jones was nearing retirement as president, the board wanted him to have a succession plan in place. "Well, my two top guys—Gerry and Dick—have gone," he pointed out.

"Go and hire them back," the directors said.

Carl approached both of us, making it clear that the company would do whatever it took to have us back. My wife, Lee, and I talked about my returning, as we always discussed major decisions. A sensitive sounding board, she would be intimately involved in all my personal decision-making over the thirty-five years of our marriage. She was keenly intuitive about people, and I was often sorry on those occasions when I ignored her advice about personnel matters. For example, Lee advised me against hiring a high-potential engineer whom all of us at HBOG considered to be an all-star: "I'm telling you, he's not going to work out." She saw a different side of him than we did, and it took me five years to realize that her instincts about the guy had been right all along.

On the same November day in 1975, Gerry and I returned to HBOG as senior vice-presidents. We were assured that the board was not identifying either Gerry or me as the eventual top dog. In fact, neither of us would inherit Carl's mantle directly.

After I left Arctic Gas, the consortium continued to stagger along. In 1977, Judge Berger's royal commission, citing issues of the environment and Native land claims, effectively killed the project by recommending that the federal government place a ten-year moratorium on it.

The most unhappy people most fear change? Well, I was making another change—returning to a company with little, if any, political infighting—and couldn't be happier making it.