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A BUILDER & HIS FAMILY

By ROBERT L. INGRAM

CHAPTER SEVEN

Industrial Indemnity, as it grew

In true movie style—a brief flashback to 1920 and earlier. Born out of opinions formed by Dad from studies made by Earle Lloyd during the course of the Northwestern Pacific construction, Contractors Insurance Agency of California had been granted a charter by the State on November 12, 1920, to act as operating company for the newly-formed Contractors Indemnity Exchange. The founders were W. A. Bechtel, Earle G. Lloyd and Arch Borland of Bates & Borland, an Oakland construction firm. Earle Lloyd had handled the insurance coverage of thousands of workmen on the NWP and other jobs. "The NWP work taught us that costs can be controlled by careful planning," he said, referring to employers' liability. "I believe we can do an even better job through cooperation in a bigger field." Dad observed. Following enactment of the California Workman's Compensation Act in 1913, contractors had been forced into an unfavorable position. Because private carriers refused to write contracting risks, the state-owned public carrier was forced to accept their business. But no effort was made to provide other than the routine services of premium collection and payment of loss. Such dividends as the contractors earned were in the lowest brackets. The result was high insurance cost, which penalized initiative and ran up the cost of construction.

I. I. to date

How well the new California carrier of compensation insurance answered this need for contractors, and how completely it fulfilled Dad's forecast for employers in other lines of business is evident in the remarkable growth of Industrial Indemnity. Premiums exceeded twenty-one million dollars in 1948. Progress was slow for a long time, however. Amendments to insurance legislation, early concentration of risks within the construction industry, and the business depression presented recurring obstacles. Only in 1935, fifteen years after the start, did premium dollars pass the million mark. And five years more went by before the two million dollar level was reached. Nevertheless, at the bottom of the depression in 1933, the concern made its "Big Change" by increasing assets and changing the names to Industrial Underwriters Inc., and Industrial Indemnity Exchange. As its President, Kenneth Bechtel had a leading part in formulating the policies and organizational changes then put into effect, which have been instrumental in raising Industrial Indemnity to first place as the largest private carrier of compensation insurance in California.

1931-'36: Taming a great river

Hoover (Boulder) Dam has been called "man's mightiest work." Certainly its great size, the difficulties attendant upon remote location, extremes of climate, variations in the flow of the Colorado River, and the problems of caring for an army of workers and large numbers of depression-stricken migrants made the Dam's construction within the short space of five years one of the greatest achievements in history.

No man, no single contracting firm built Hoover Dam. It was a team job. Looking back, it seems incredible to suppose that it could have been accomplished effectively in any other way. It was an especially audacious undertaking for the group of contractors who tackled it. Their combined experience was impressive by any ordinary standard, but it looked small indeed when they stacked it against the gigantic task waiting in Black Canyon.

Six Companies Inc., its antecedents

Where the idea for Six Companies started may never be known. There are a number of versions; probably the reasonable view is that it started separately with several men and required just the right combination of pre-existing friendships and the right sequence of planned and accidental contacts. Dad Bechtel acquired his early experience as a subcontractor under Utah Construction Co. Dad met Henry Kaiser on a road job, and Kaiser had worked with Warren Bros., the Boston construction firm. Utah Construction was also the link with Harry Morrison of Boise, Idaho, who had joined with them on railroad work. When Morrison went to see Leland Cutler in San Francisco about obtaining a surety bond to bid the Dam, Cutler suggested a talk with Felix Kahn of MacDonald & Kahn, whereupon as Morrison said, "one thing led rapidly to another."

In June, 1927, Dad and Mrs. Bechtel met WABCO's "Cat 60" en route between Emigrant Gap and Bowman Dam.

Earlier he had discussed the possibilities of building Hoover Dam with Charlie Shea, a Portland and San Francisco contractor who had a working arrangement with Pacific Bridge Co. of Portland.

A warm friend of Dad Bechtel's, the San Francisco attorney Paul S. Marrin, took a prominent part in shaping with these men and their organizations the group that tackled the world's largest reclamation job. Paul Marrin's guidance of the Dam venture's corporate side marked the cementing of a close association which has continued to this day between the Bechtels and his law firm, Thelen, Marrin, Johnson and Bridges.

So the line-up proceeded simultaneously on two fronts; it was complete when the Bechtel-Kaiser-Warren interest came together with the other, consisting of Utah-Morrison-Kahn-Shea-Pacific Bridge. Six Companies Inc was incorporated in Delaware in February of 1931, a mere two weeks before the Hoover Dam bids were due. W. H. Wattis was elected President; W. A. Bechtel, First Vice President; E. O. Wattis, Second Vice President; Charles A. Shea, Secretary and Felix Kahn, Treasurer. Properly it was a "joint venture," a form of organization here brought to its highest development.

The joint venture

Just as Dad Bechtel found additional capacity and strength in partnership arrangements, so these western contractors developed an ideal solution to the big problem ahead in this expanded partnership which pooled their skills. Not only Hoover Dam but other large projects were handled in this way. The nature of the work was made the key to the composition of the group. Who could contribute the most—of knowledge, experience, ability? Compatible outfits with proof of good past performance in a given type of construction got the call. In short, the group association or joint venture became an instrument for better service.

Because no two jobs were alike, no two groups were quite alike. Participation was governed by the financial stake of each venturer. No salaries were drawn by the risk takers, thereby earnings were allowed to accumulate for later distribution. Whereas, at Hoover Dam the group did not use one of their members as a "sponsor" or management unit, this form of job control became standard on other projects. The project sponsor, usually the firm best equipped for a particular job, received only a participant's return along with the others. But a sponsor was given a larger participating share, as a rule, and had the added incentive of demonstrating his usefulness to the group on future contracts. Because these men held each other in high esteem, they went ahead in Dad's tradition, sealing their agreements with a handshake, often with nothing more than a verbal understanding. Highly complex and involved arrangements were made by telephone with details left for later confirmation. The stripe of men dealing in millions on a basis of mutual trust soon became generally known, and that custom had almost as much to do with establishing their reputations as the projects they built.

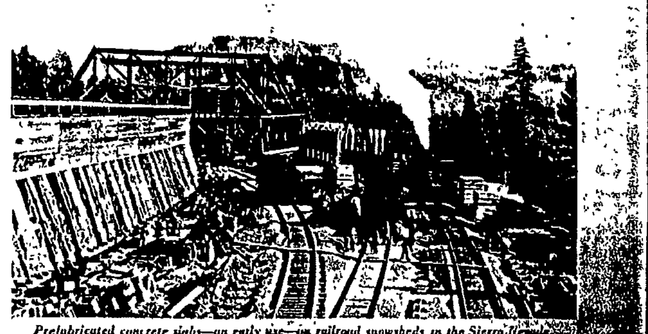
The men of Six Companies

The Wattis brothers and Henry Kaiser already have been introduced into this narrative. Most of the others who enter now will appear in its pages again, for the good reason that having discovered each other's abilities, the men of this group would find many additional opportunities for joint usefulness. Harry W. Morrison is one who came in at Hoover Dam and has remained a staunch Bechtel ally ever since. He is a big man—big frame, big outlook. Like W. A., he got his contracting start laying rails. His firm, Morrison-Knudsen Company, Inc., was formed in 1912. Its headquarters in Boise serve as Mr. Morrison's base camp; in a calling noted for travel he is perhaps the dean of all globe-hoppers. And a typical westerner, he likes to cap a hard day in the field with a round of cowboy songs and hill-billy ballads sung in a clear, strong voice, playing his own accompaniment on the guitar. There is no record that Dad's trombone and Harry Morrison's guitar ever teamed up—but the two head men played the same music in their construction band.

Felix Kahn of MacDonald & Kahn, later retired, is one of five brothers, all distinguished engineers. He came up through the structural steel business, then built some of the largest buildings and industrial plants in the west. When you look at San Francisco's famous Mark Hopkins Hotel you see a typical Felix Kahn job.

The late Charles A. Shea, of J. F. Shea Co., Inc., formed his company in 1914 as a partnership with his father, who started in the plumbing business. Prior to the formation of Six Companies Inc., the Shea organization had been associated with Pacific Bridge Co., of Portland, a pioneer concern dating back to 1869, and headed by Charles F. Swigert. On these partnerships Shea took care of sewer and tunnel work, and Pacific Bridge, the underwater construction. Together they built a considerable part of San Francisco's Hetch Hetchy water system. An interesting sidelight—W. A. Bechtel Co. was active separately on this water line, and Utah built the seven million dollar Hetch Hetchy Dam, with John Q. Barlow as one of its senior engineers and Henry J. "Hank" Lawler as Superintendent. So, as even these few facts indicate, the men of Six Companies were as well prepared for the problems of Hoover Dam as any group of contractors then in business. Between them they had completed work valued at more than four hundred million dollars at the time their bid was submitted, and they were then engaged on projects totalling some thirty millions.

Bowman Dam—a tough job that called for stacking and fitting big Sierra granite blocks as neatly as a jig-saw puzzle.



Prefabricated concrete slabs—an early use—on railroad snowsheds in the Sierra Nevada.

EDITOR'S NOTE

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