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LEIGH D. JOSEPHSON
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Caltex Oral History Project

Leigh D. Josephson

Interviewer: Dr. Ronald E. Marcello Date of Interview: May 27, 1986

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Dr. Marcello: This is Ron Marcello interviewing L.D. Josephson for the Caltex Oral History Project. This interview is taking place on May 27, 1986, in Medford, Oregon. I'm interviewing Mr. Josephson in order to get his reminiscences and experiences during his long-time career with the Caltex Petroleum Corporation.

Mr. Josephson, to begin this interview, just give me a biographical sketch of yourself. In other words, tell me when you were born, where you were born, your education-- things of that nature. Just be brief and general.

Mr. Josephson: I was born in 1907 in Manlius, Illinois. At the age of about eighteen months, my family moved to Montana, where my father started ranching. When I was six, he passed away. My mother with four children--I had an older brother, an older sister, and a younger sister--tried to run a ranch and make a living. But after about four or five years of that, the family went completely broke. In those days there was no government assistance, and when you went broke, you really went broke. There was a sheriff sale, and they sold everything right out from under us. I was ten at that time; my brother was

sixteen, the eldest of the family. We had friends help us move what we had left into Lewistown, where my mother got a job.

We stayed there for a couple of years and then moved to Salt Lake City. There again, my mother got a job. My brother was ready to go to college. He went to the University of Utah. During those days, all of us worked and what money we had we put into a pot, and my mother administered it. We managed to get along fairly well. While we were in Salt Lake, there was a professor from Stanford University, Dr. Swain, who was in Salt Lake doing some research on smelter effluent gases. My mother got a job taking care of Dr. Swain and six young fellows from Stanford. There was also a group from the University of Nebraska headed by Dr. Poole. They were all working on this project to see what could be done to scrub the effluent gases in the smelters around Salt Lake City to keep the atmosphere clean. That was in 1920, 1921. After a couple of years on that job, Dr. Swain encouraged my mother to come to California because my brother wanted to be a doctor, and he felt that there was more opportunity either at Stanford or the University of California.

So we packed up and moved to California. We had a little four-cylinder Buick touring car. We loaded it down with all of our gear, came across the Nevada desert, and finally got into California. We camped out at night.

After arriving in Palo Alto my brother decided that he'd rather go to the University of California than Stanford, so we settled down in Berkeley. There again, we all got jobs, whatever we could do. My mother was a very determined woman, and her goal was that all of us would get a college education. As I said, we all worked. My brother graduated from the University of California and got his doctor's degree in orthopedic surgery. My older sister went through the University of California in the political sciences as did my younger sister.

I was in the meantime going to Berkeley High School. I had met Elsie, my wife, when, I think, she was about thirteen and I was about fourteen. Right after I got out of school, we got married. In fact, she hadn't finished high school. She still had about four months to go. My mother's ambition was for me to be a dentist, but getting married threw that into a tailspin. I got a job first at the Pullman Car Company and worked there for about three or four months.

I decided I didn't like that too well, and I went out to Standard Oil Company in Richmond and asked them for a job. This was in September, 1926. The first job I had with Standard Oil was in the labor gang. I remember it very clearly. They gave me a pair of rubber boots and a big squeegee and told me to go up on S.P. Hill, that there

was a fuel oil tank to be cleaned out.

Marcello: On S.P. Hill?

Josephson: Yes. That's what they called it--S.P. Hill. The reason they call it S.P. Hill was that Standard Oil in those days had a very large contract supplying the Southern Pacific Railroad with all of their fuel oil for their steam engines. It was really a prime contract, and so many fuel oil tanks and so forth were up on what was termed S.P. Hill. My first experience with the company was cleaning out a tank, and in those days we didn't have all the fancy stuff that they have now. You went in there, and you mucked around in sludge about two feet deep, and you pushed that out through a door sheet. That was my first experience with Standard Oil. Incidentally, when I started working for Standard Oil Company, I was making \$4.40 a day. Later a job opened up for cleaning stills, and that paid \$4.60 a day, so I took that. Cleaning stills was a pretty rough job in those days. We went into some of those oil boiler stills so hot you could spit on the floor plates, and it would sizzle right back at you. I worked on that job for quite a while. I went to Standard originally for what I was thinking would be a summer vacation job. I was still hoping to be able to go to college. In the meantime my wife got pregnant, and I could see no way of doing that, so I talked with the personnel superintendent who was very helpful. He said that

the company would help me if I wanted to go to school, so it turned out that I eventually got a chance to go to Armstrong Business College through their recommendation. In the meantime, I'd been taking petroleum engineering courses and various courses that I could take through extension or at night school.

I got a job then working in the asphalt plant--straight 4:00 to 12:00 shift--and went to school at 8:00 in the morning until 12:00 three days a week and 8:00 to 2:00 two days a week.

During that period, I didn't spend an awful lot of time at home. I'd get up in the morning and rush off to school, come home and grab some lunch, take my night dinner in a lunch pail, head for the refinery, and get home at 12:30 at night. So I didn't see an awful lot of the family. During that period our second child was born.

After I finished at Armstrong, I had an opportunity to go into the Operating Department on shift work at what we called the cracking unit. I started out as a fireman and worked various jobs there, and I was eventually transferred into what we called in those days the Organization and Cost Control Department. My job there was to write operating standards and review operating standards for the various refining units--how to start them up, how to shut them down. I worked on that job for a couple years. I got a

tremendous experience on refinery operations of all phases on that job.

Marcello: It seems to me that may have been one of the keys to your future career after you got with Caltex and so on.

Josephson: The way I got to Caltex, I was working in Organization and Cost Control. The then refinery superintendent in Bahrain was a fellow who had been superintendent of the cracking units that I had worked for in Richmond. They were having some trouble with one of the new coking units they had in Bahrain, not being able to get it to run as well as it should. It was a U.O.P.-licensed coking operation.

Marcello: A U.O.P.?

Josephson: Universal Oil Products. They did a lot of research work on various refinery operations and had the license on this coking unit. As I said, they were having trouble with that when I was working in Organization and Cost Control in Richmond. Ward Anderson--the superintendent in Bahrain--who I had worked for at Richmond, cabled into San Francisco and asked if they could send me out to Bahrain to help get this coking operation running smoothly. Interestingly enough, they said that would probably be a six- to nine-month assignment, so I left for Bahrain in November of 1939, thinking I'd be out there for about six to nine months.

Marcello: Let me back up a moment here. It seems to me that at this stage, you're also getting into the technical aspects of

the oil business.

Josephson: Well, I was. As I say, I was always interested in learning as much as I could about refining, and I read every technical paper I could on oil operations and refinery operations.

Marcello: While you were working for Standard here at Richmond, were you getting any first-hand experience in this kind of operation? The same sort of thing that you'd be doing out there in Bahrain?

Josephson: Yes. While I was in Organization and Cost Control, sometimes when I wasn't working full-time there, I'd go back into the refinery operations. But all of my main experience was in refinery operations, however, while at Richmond. I worked in the boiler shop for a while; I worked as a pipefitter's helper for a while before I got into the operations department.

Marcello: Let me ask you this. Suppose you hadn't gone to Armstrong Business School. Would you have had the opportunity to still go into these things that you were doing?

Josephson: I think so, yes. In those days, Standard Oil was very helpful in helping young fellows that were interested in getting education and trying to better themselves. I attribute the success that I had with the company to the early assistance I had at the Richmond refinery--the people I worked for were very helpful with young fellows that tried hard and worked hard. I attribute my advancements to the help that I got from

the company. There was no monetary assistance. There were no scholarships or anything like that, but they were very good about rearranging my schedule. As I say, when I wanted to go to Armstrong, they found a job where I'd work a straight 4:00 to 12:00 shift. You could get your education that way.

Marcello: By the time that you went to Bahrain in November of 1939, you had been working for Standard Oil in various positions for almost twelve or thirteen years.

Josephson: Thirteen years, yes. I had worked myself up to where I had gone through all the jobs in the operations end from fireman to a shift foreman in the Operating Department before I was transferred into Organization and Cost Control.

Marcello: Gradually, then, you are being given more responsibilities as you stay with the company.

Josephson: Yes.

Marcello: You moved over to Bahrain in 1939.

Josephson: It took me about six weeks to get there because the European war was on in those days, and transportation facilities were not too good. It took me about six weeks to get to Bahrain.

Marcello: At this stage, are you going there alone or with your family?

Josephson: There were no facilities for your family at that time. As a matter of fact, when I first went over there, I thought I was only going to be there for about six to nine months.

Marcello: Since you knew you were only going to be there temporarily,

I'm assuming that there was perhaps no major family decision involved at this point.

Josephson: I figured on being back home again within a year. Our daughter was about eleven, and our son was eight when I went to Bahrain. I got over there for the job that I was sent over to do, and we got the units working. I think it was about August of 1940 that King Ibn Saud of Saudi Arabia decided he wanted a refinery in Saudi Arabia. He didn't like the idea of having his own crude oil and having to import his gasoline for his cars from Bahrain, so the company decided to build a small refinery in Saudi Arabia.

Marcello: Would this be the Ras Tanura refinery?

Josephson: That was the original Ras Tanura refinery. So they sent me over there to help check it over for the completion of the construction and start it up. I went over there in August of 1940. We got that little refinery started up. It was just a 3,000-barrel-a-day refinery. Nowadays you wouldn't even think about it as a refinery (chuckle).

Marcello: Is it safe to say that that Ras Tanura refinery was set up merely as a way to pacify Ibn Saud at that time?

Josephson: The oil reserves of Saudi Arabia at that time were...they were just beginning to realize how vast they were, but originally the little refinery was mainly to pacify King Ibn Saud for local consumption. We did export a few products, but a 3,000-barrel-a-day refinery isn't one that you would say

was a commercial operation.

Marcello: Let me ask you this before we go any further. At this point are you still an employee of Standard Oil of California?

Josephson: I was still an employee of Standard Oil of California. As a matter of fact, I never did know when I was officially transferred from one company to another. I just blended in. At that time, as I say, when I went to Saudi Arabia, I was still thinking that when I finished that job up, I would be going back to Standard Oil. While I was over in Saudi Arabia, the Italians bombed both Saudi Arabia and Bahrain.

Marcello: When you say they bombed Saudi Arabia and Bahrain, you're referring to the refineries, are you not?

Josephson: They didn't bomb the refinery in Ras Tanura, but they did drop some bombs in Dhahran, where they had a big crude stabilizing unit. The shrapnel managed to puncture one of the lines there, but outside of doing that, the main damage was that they just scared the heck out of all of us because none of us at that time ever realized that enemy bombers would be able to get out to the Middle East.

Marcello: Were you actually there on the ground when that attack occurred?

Josephson: I was in Ras Tanura. They called me about 6:00 in the morning from Dhahran, which was the headquarters, and asked me if everything was all right. I said, "Yeah, everything's all right. Why?" They said, "We were bombed last night!"

I said, "What do you mean, you were bombed?" "We were bombed! Did anything happen up there?" I said, "No, nothing happened." They said, "Bahrain was bombed, too." You could see Bahrain across the horizon. This was about 6:00 in the morning, and I looked out, and I could see the smoke coming from the flares over in Bahrain. It just happened that they were shutting down all the equipment and were releasing pressures of the gas.

Marcello: But there really wasn't much damage done at Bahrain, either, was there?

Josephson: No damage at all was done to Bahrain, but they dropped an awful lot of bombs. They missed their bomb run by a couple of hundred yards and dropped most of them on the coke piles.

Marcello: (Chuckle) That must say something about the Italian Air Force. I don't know how you can miss a refinery.

Josephson: I suppose they just didn't have their sights set right. I don't know. Just before I was sent over to Saudi Arabia, we had moved our flare in Bahrain, which burned twenty-four hours a day. We'd moved it about 200 yards south and east of the refinery. One of the theories was that they had gotten all their dope using that flare as something to take their bombing run on. They were just about 200 yards away from the target. As I say, they hit the coke pile and missed the refinery completely. It sure scared a heck of a lot of us. After that, we shut the little refinery down in Ras Tanura,

and I was sent back to Bahrain. I stayed on there another year or so, and I got home in October of 1941. I thought that I'd be staying home because I thought I'd finished up my assignment overseas. But when I got back home, right after Pearl Harbor, they thought that the Bahrain refinery was going to be a very strategic refinery for supplying products to the armed forces, so they sent me back to Bahrain to help keep that refinery going.

Marcello: In the meantime, is your family still going to be remaining in California?

Josephson: Remaining in California. With that war effort on, there was no possibility of any American families going to Bahrain. As a matter of fact, after the Italian bombing, they sent most of the American women out of Bahrain and Saudi Arabia. Bahrain had quite a few British wives, but they couldn't send them home because it was worse in England than it was in Bahrain. So they stayed on.

Marcello: This is a rather personal question. If you don't want to answer it, you don't have to. What kind of family strains does something like this cause? In your particular case, did you and your wife accept it as just the way things were?

Josephson: We had to. When we first got married, we struggled pretty hard through the Depression. As did a lot of people in those days, you just had to take the rough with the smooth. We just accepted it. I had been interested in foreign work,

and one of my interests in foreign work was because you made a little bit more money. So when I was asked to go back after Pearl Harbor, it was an opportunity, while knowing at that time that it would be some time before my family would ever join me. As a matter of fact, my wife didn't join me until 1946. We were separated for about five years. I got home a couple of times, but not very often.

Marcello: Did you ever give thought to seeking employment elsewhere?

Josephson: No, I didn't. I was always very grateful for what the company had done for me, and when they asked me to do a job, why, my answer was, "Yes, sir! I'll do my best at it!"

Marcello: Essentially, then, you would be going back over to Bahrain in early 1942.

Josephson: Yes. I got over there in March. It took me three months to get over there that trip--almost three months from the time I left New York. I left New York on January 4 and got into Bahrain in late March.

Marcello: By what route? How did you get there?

Josephson: It was a very tedious route. They booked me out on a freighter that was leaving New York with war materials loaded on it to eventually get into...most of them were going to Russia in those days. It was a freighter on the Isthmian Line. There were only facilities for two or three passengers. There were three of us. One fellow was going to Arabia, and two of us were going to Bahrain. We left New York on about

the fourth of January. The freighter started off under strict orders from the War Department, I guess, on the routes they were to take. Instead of going through the Mediterranean on this trip, like we had planned, they went clear down around Cape Town, South Africa, and came back up through the Indian Ocean.

Marcello: I'm sure this was to avoid German submarines.

Josephson: That was to avoid German submarines. The submarine packs were very active in the Caribbean at that particular time, and they were sinking a lot of ships.

Marcello: Were you part of a convoy, or was this freighter on its own?

Josephson: We were not. We started off to be on a convoy but ended up on our own. The captain was just told that anytime he saw any strange ships coming, he was to scamper and get out of there as fast as he could. As a matter of fact, the ship that I was on that time was eventually sunk after I got off of it in Karachi. It was going on down around India and up to Calcutta to unload, and the Japanese sunk it off the Andaman Islands.

Marcello: So you actually landed, then, in Karachi on this trip.

Josephson: I landed on Karachi on that trip. From Karachi we went to Bahrain. I went up on an ATC (Air Transport Command) plane.

Marcello: You're back in Bahrain again. I'm assuming that you are an employee of the Bahrain Petroleum Company at this point, Bapco.

Josephson: Yes, Bapco.

Marcello: That's for sure.

Josephson: Yes, that's for sure (chuckle). On the official transfer, at that time, Standard Oil was still the main control of the Bahrain Petroleum Company. There were a few Texas Company people out there, but most of the Americans were Standard Oil Company people.

Marcello: Now what was going to be your specific function at this point relative to Bapco?

Josephson: I went over there originally on a special assignment, and I was set up as foreman of the cracking units there. In 1942, I went back there in charge of the cracking units as the day foreman. I was later made assistant refinery superintendent in charge of those operations.

Marcello: What changes occur within the refinery operations now that World War II has started?

Josephson: There was a big construction project that started there, and I was the refinery coordinator for it. The Bahrain refinery was a very critical refinery for the war effort, and the government and the company decided to build a catalytic cracking unit to produce aviation gasoline.

Marcello: I'm assuming that this is something that does not occur overnight. It takes quite awhile to bring this into being.

Josephson: Oh, yes. We didn't get the cracking unit started up until about 1945. In the meantime, I was home a couple of times.

I had to learn how to run a catalytic cracking unit since I was going to be the man in charge of getting it started up. In those days, none of us knew too much about the catalytic cracking operations, so I came home and spent about six months in the States during late 1944 and 1945. Still, my wife hadn't been able to join me. She did join me while I was on this training program. I went down to Port Arthur, Texas, where they had a cracking unit similar to the one we were going to build in Bahrain. We had about a dozen men from Texaco and Socal to learn how to run one of those units. We went back to Bahrain, and we started up in 1945.

Marcello: I'm assuming, therefore, that the aviation gasoline that finally was produced at Bahrain didn't contribute too much to the winning of the war.

Josephson: By the time we got it all built and going, yes, the major war effort was over in 1945.

Marcello: Were there any special problems that came up as a result of trying to make this conversion during the war? What particular problems did you have? For instance, I think of maybe there might be a problem getting the materials and things of that nature.

Josephson: There was a big problem. They also started up operations in Saudi Arabia--getting refinery operations going again. All of our equipment came in by freighter, and between the Germans and the Japanese, they sank quite a few of

the ships bringing materials into us. It used to be quite a thing: "That was on ship Number 16 that got sunk, and that stuff never got to us." For most of the equipment coming into Bahrain, we were lucky. We didn't lose any critical equipment. It was all shipped over from the States.

Marcello: Is this one of the reasons why it didn't come on the line until 1945?

Josephson: No, it was just one of the things that took that much time to get the job done. By the time you get it on the drawing boards and get it built, it takes a couple of years.

Marcello: Who was financing this project?

Josephson: I think it was a combination between the government and the company. That, I can't answer. My job was to help get the thing built. I didn't care who was financing it. I just wanted to get the equipment over there so we could get it built.

Marcello: You now have a unit of the refinery that's designed to produce aviation gasoline. Where are you going to sell it since the war is almost over?

Josephson: We shut it down and didn't run it as an aviation gasoline plant for a while. When we started it up, we converted some of the equipment into running crude. Later, cracking operations included motor gasoline, and this made it profitable to start it up as a catalytic cracking unit. During that period, too, the demand for the typical aviation gasoline started

dropping off because they developed the jets, which burnt a kerosene product. Our thrust then was to make more jet fuel.

Marcello: By this time, of course, Caltex has been formed. In fact, it was formed in 1936. You were telling me off the record that at that time Caltex was actually under Bapco; that is, Bapco was the parent company.

Josephson: When Caltex was formed in 1936, it was a merger between Standard Oil of California and Texaco. Texaco was the big marketing operation, and Standard Oil, through their Bahrain refinery and large crude supply, was the big refining organization. We already had the Bahrain Petroleum Company, and Caltex was formed as a marketing outlet for the products of the Bahrain Petroleum Company. When Caltex was originally formed--just for ease--it was a subsidiary of the Bahrain Petroleum Company. I can't remember when it was officially swung around. I don't remember the year that it took place, but it remained a subsidiary on the corporate books, is all. Theoretically, Caltex was the one that called the shots. I can't remember the year that the corporate structure was changed. I think it was 1953 or somewhere in there. It was quite a while later. Caltex at that time was beginning to be quite a big organization.

Marcello: Correct me if I'm wrong, but it seems to me that Bapco is the source of almost all the product that Caltex is marketing

until that tremendous refinery expansion takes place in those postwar years. Is that correct?

Josephson: That's right. Caltex's main operation was to sell the products that were made in Bahrain.

Marcello: These products were going to India, to China, and wherever Texaco had had original markets and so on.

Josephson: They were going to South Africa, to India, to Australia, to Japan--to supply all the large Texaco outlets which previously had been supplied from the States.

Marcello: Bapco at that time is operating completely East of Suez, to use that term.

Josephson: That's correct.

Marcello: Two questions come to mind at this point. First of all, it was in 1947, I believe, that Caltex took over the Texaco marketing operations in Europe. How did that affect Bapco?

Josephson: It didn't affect Bapco at all. We still had our same marketing outlets. Of course, by that time, Caltex had refineries in Pernis; it had the refinery in France at Bordeaux. They had been building new refineries to take care of those operations. The market for the Bapco products mostly were the same. We shipped occasionally loads into the States. Special products were imported into the States from Bahrain.

Marcello: Essentially, Bapco was still operating East of Suez.

Josephson: Right. I don't know all how the company structure worked. Mainly, that was our operation. This was before we had a

refinery in India, before we had a refinery in the Philippines, before we had a refinery in Australia.

Marcello: Bapco was the hub of the East of Suez operation.

Josephson: That's correct.

Marcello: From everything I've read, Bapco was a pretty profitable operation for the company.

Josephson: It was very profitable, right.

Marcello: Describe to me, from what you know, how this profitability came about. What was responsible for it?

Josephson: Really, you'd have to talk to some of the finance people on that. I do know that for many years Bapco was the main money earner for the company. I guess you have to be familiar with high finance to know just how the books were kept to show that more of the profits came from the refining operation than they did from marketing. I think that was for tax purposes and so forth. Those are things that I can't answer. Fellows like Les Smith and Frank Zingaro and other financial people could answer those questions.

Marcello: From what I gather, Bapco would in essence pay the royal family--the shaikh--for extracting the oil and refining it.

Josephson: That's right.

Marcello: Then, in turn, Bapco would sell it to Caltex. Is that correct?

Josephson: Yes.

Marcello: Caltex, in turn, would sell it on the market.

Josephson: Yes, Caltex would sell it on the market. It was transferred

over to the Caltex marketing operations. As a matter of fact, the refinery was run in accordance with what was determined by the supply and distribution people out of New York. They pretty much told Bahrain what they needed, and we made it for them.

Marcello: What do you know about the relationship that developed between Bapco and the royal family? Describe what you know about the relationship between the two.

Josephson: In my early time I didn't know the royal family too well. When I first went over there, the grandfather of the current ruler was Shaikh Hamad. He was the ruler of Bahrain. In those days, when I first went to Bahrain, it was a fairly small refinery. We only produced about 30,000 barrels a day. The oil fields in those days were only producing 25,000 to 30,000 barrels. As we increased the size of the refinery, we started bringing crude in from Saudi Arabia.

The relationship between the company and the ruling family of Bahrain was always very, very good. During the time I was in Bahrain, the association between the company and the ruling family was always excellent.

Marcello: How do you explain this?

Josephson: A lot was just the way both Texaco and Standard Oil of California treated the ruling family. In their negotiations they were always very fair. And the people that they sent over there were good government relations people. They

made an effort to keep the association between the company and the government at the best of relationships--friendly. When I first went to Bahrain, Shaikh Hamad was the ruler, and he died in 1942. Shaikh Sulman, the father of the present ruler, whom I got to know quite well during my time, passed away in 1961. The present ruler then took over. I had known him since he was just a young boy. I watched him grow up--he and his two brothers. When he took over, I was the general manager. My association with Shaikh Isa grew very, very close. We got along fine. I couldn't have asked for anyone more pleasant to work with than the present ruler during the time I was out there.

Marcello: You mentioned Shaikh Sulman awhile ago, and he seemed to be the head person there for some time.

Josephson: He was from 1942 until 1961. He was the ruler about twenty years.

Marcello: Describe what sort of a man he was. Give me a character sketch of him.

Josephson: Shaikh Sulman? I always felt the rulers were very fair and just monarchs. Everything in Bahrain was really under the control of the royal family. They took care of their subjects very well. They set up schools for their children; they set up hospitals for the people; there were no taxes. Of course, the oil company was a big source of revenue for them and was also a big source of employment for Bahrainis, so it was

really the hub of the economy of Bahrain for many years. Also, going back in history, Bahrain was a kind of trading center for that part of the world, and a lot of their revenue came from a small transfer tax that they had on supplies that were brought into Bahrain and eventually shipped around the gulf. As a matter of fact, I think at one time the revenues they got from their small transfer tax was almost as great as it was from the refinery. Trade has always been a big thing in Bahrain.

Marcello: Up until 1971, Bahrain was a British protectorate.

Josephson: Was it 1971? It was a little bit before that, wasn't it, that they got their independence? I can't remember when that white paper was signed.

Marcello: I think it was 1971, according to my research. That's when Britain terminated the protectorship, and then Bahrain declared its independence. Let me ask you this. Were there any problems relative to operating Bapco while Bahrain was a British protectorate? Did this bring about any problems or any special situations?

Josephson: Not as far as I was concerned. The only thing was that when Bapco first started up out there, with Bahrain being a British

protectorate, the majority of the expatriate personnel had to be British subjects, and only the key personnel were Americans.

Marcello: According to the original agreement, when Bapco got the concession, I think there had to be as many British subjects as was consistent with the efficiency of the operating the company.

Josephson: As I recall, I think they wanted to have about 90 percent British personnel. It was difficult in those early days to bring Britishers out that knew anything about refinery operations. In the early days, many of the operating staff and the maintenance people were Americans. But it had to be swung over, as you say, to a maximum number of British employees, so you had to justify your retention of Americans with the British government.

It was a very smooth operation. There was never any controversy, as far as I know, on that. It was always a very nice and friendly relationship, with the British and the royal family.

Marcello: Also, during this period, is it not true that there was a British political agent who would more or less be the middle-man or the go-between from the company to the royal family?

Josephson: Yes. He was a political agent. You had to work through him.

Marcello: Was this Belgrave for a long time?

Josephson: No. Belgrave was an advisor to the government. He was not

the political agent. He was the political advisor to the government. There was also a political agent in Bahrain. The political agent was similar to what we would call a consul--U.S. consular office. The political agent reported to the Foreign Office, which later came into Bahrain; and there was a residency agent there, which would be similar to an ambassador in our government. The political agent reported to a higher-up who for a long time was in India. Then that office was moved out of India to Bahrain. Finally, the residency (the political resident) was set up in Bahrain, and he also had a political agent there, too. There was also a political agent in Kuwait and Abu Dhabi and Dubai. All reported to the residency in Bahrain.

Barcello: The refinery is constantly expanding and getting bigger. Where do you find personnel--any kind of personnel--to work in the refinery? What kind of employment policies were developed?

Josephson: In the expansion and early operations, we brought in most of our expatriates from England. We brought in trainee operators, boilermakers, maintenance machinists, accountants. Practically 100 percent of our accounting department were British subjects. You could bring in South Africans; you could bring Australians; you could bring in New Zealanders. We had a mix of British subjects. We also brought in trainee operators from South Africa. Some of our accounting people

were from South Africa. We didn't have many engineers that came in from England because at that they didn't have the engineering schools that fit refinery operations. But we brought in a lot of engineers from Canada. We started laterally bringing in engineers from England.

Barcello: So this all goes back to the original agreement.

Josephson: It all goes back to the original agreement, yes.

Barcello: The concession, I guess it's called.

Josephson: The original concession was that the maximum number of people should be British subjects.

Barcello: Is it not true that Bapco itself was a British company? It was registered in Canada, I think, was it not?

Josephson: It was registered in Canada, correct. It had to be.

Barcello: What policies was the company developing relative to hiring Bahrainis?

Josephson: Originally, Bahrainis served as a very low-caliber employee, but as the company started developing, we started training programs to bring Bahrainis along and moved them into better positions as fast as we could. The company spent a lot of money on training. In the early days, we brought in some of the lower grade operating people from India. We had a lot of Indians out there. Of course, there again, the Indians were part of the British Empire, and you could bring them in. So we had a lot of Indian operators, Indian machinists, and Indian and Pakistani tradesmen along with British tradesmen.

We started developing first to replace the Indians and the Pakistanis with Bahrainis--training them to take over the jobs that they did. There was just no limit in the company policies as to where a Bahraini could go if he had the qualifications. The company gave him the education and helped him and promoted him. Many of the top jobs out there are run by Bahrainis at this time.

Marcello: What kind of pressures were being put on Bapco by the shaikh to hire even more Bahrainis and so on? Was this a constant sort of thing?

Josephson: No, it was not. During my time out there, when I was vice-president and laterally president, Shaikh Isa would say "Joe, you're trying to push the Bahrainis too fast. Maybe you're trying to replace too many of the Britishers." He was a little bit concerned on just how far the Bahrainis could go. This was just a little discussion that I used to have with him personally, when he would say, "Maybe you're moving too fast." This was particularly the case with moving women into the refinery. I negotiated with him for almost a year before he would let me start a training program to bring Bahraini girls in to start doing typing and clerical work.

Marcello: How did you finally convince him to do this?

Josephson: I finally convinced him that we ought to try it, and he let me hire twelve Bahraini girls, but they had to be daughters

of employees. We set up a little training program. We brought a British girl out specifically to take these twelve girls and teach them typing. At that particular time, you had to teach them more English along with it. While they knew English, they weren't able to take dictation. They started out teaching them secretarial work.

For a while I was in charge of the training program in Bahrain. I was given the job of really setting up the training. We decided to try some young Bahraini boys on doing key punch operating for the old IBM system. Before, we had British girls doing that. We selected three or four young fellows. Oddly enough, after they had been on that job for not too long, a lot of those boys were doing key punch operations faster than the British girls were. They took to it very well.

I personally was a great believer in training indigenous personnel. I did the same thing in the Philippines. When we started up our refinery in the Philippines, I was criticized by New York. They said I was hiring too many Filipino engineers for refinery operators. In those days out there, you could hire a mechanical engineer or a electrical engineer for far less than we were paying Americans. And a lot of the American operators were not college men. They were just good refinery operators. In the Philippines, I hired thirty Filipinos, all of them with engineering degrees, and sent

them up to Pernis and Holland to learn then how to do refinery operations.

You said you talked to Fred Dittus. He asked me, "Why are you hiring all these engineers for refinery operation?" I said, "Well, when you can get an engineer cheaper than you can hire Americans, why not?" Oddly enough, those boys out there in the Philippines, particularly with their engineering background and skills, learned more about refinery operations in a year than some of the old Texaco people and Social people we had out there who had been refinery operators all their lives. The Texaco and Social people did not have the technical background to begin to know not just how to run the refining operation. Today, the refinery in the Philippines is 100 percent Filipino. As a matter of fact, practically the whole organization out there is 100 percent Filipino.

Marcello: Is it not true that this sort of thing is now pretty much standard procedure throughout Caltex?

Josephson: It is, right.

Marcello: Like you say, it seems like it made good sense from a business standpoint. First of all, it's good PR, and, secondly, it's not as expensive.

Josephson: It's not as expensive, right.

Marcello: If you have expatriates, you're going to have to pay them higher salaries probably, and you would have to pay their way

back and forth.

Josephson: Incidentally, the fellow that's managing director in the Philippines now is a young engineer that I got criticized for hiring. I think he had a combination chemical engineering and electrical engineering degree, and I was using him as a refinery operator. I got criticized for it--mildly. People thought maybe old Joe was going off his rocker to hire so many engineers for refinery operations, but Gutierrez is now managing director of Caltex (Philippines). He was hired as a refinery operator back in 1952, I guess it was-- 1952 or 1953. He was one of thirty that we hired to train.

I've always been very strong on training. As I said, for two or three years out in Bahrain, I was in charge of getting the training organization set up.

Marcello: Why is it that you had to bring in Indians and Pakistanis? Was there a labor shortage at those levels?

Josephson: No. As I say, in our original concession rights, they had to be as many British subjects as possible. Well, in those days Pakistanis and Indians were British subjects, and they were good craftsmen. You could get good craftsmen from India; you get good craftsmen from Pakistan. They were good boilermakers, good machinists. Of course, you got them an awful lot cheaper, too, so we brought in as many as we could from India and Pakistan. And we hired British maintenance people, too.

Marcello: When did your wife and family come out to Bahrain?

Josephson: My children never did get out there. My wife finally got out there in June, 1946. She was one of the first Americans to get back into Bahrain after the war effort.

Marcello: You were there at that point, then, until 1952. Is that correct?

Josephson: Yes, in 1952 is when I was sent out to the Philippines.

Marcello: What provisions did the company make relative to taking care of their personnel in Bahrain? Let's start with housing. To be more specific, what kind of housing did the company provide?

Josephson: They provided good housing out there—very good housing. Of course, in the early days, during the expansion, we were short of housing. Even with the British we brought out, it would be one contract before we would even consider bringing a family out, and a contract was normally about three years. We just didn't have the housing to keep up with the expansion of our operations. We build a lot of housing out there. That was just one of the projects that we had, was building housing. It was a big operation. Of course, in the original concession, the company had to supply housing for all of its expatriate employees. That included Indians and Pakistanis, all the British, Canadians, and Americans. We had to supply all of the housing.

That's the way Awali was formed. The little town of

Awali was strictly a "company camp," as we used to call it in those days. We were responsible for everything. We had our own schools; we had our own commissaries; we had our own entertainment. I guess you could say it was almost similar to what the Army has now, when they have their little Army compounds. We were a little city within ourselves.

Marcello: It would seem to me that a company would have to do certain things to keep these expatriates happy and to keep up morale. I mean, after all, Bahrain is kind of isolated.

Josephson: Right, but there's one thing about Bahrain. I used to say, when I was in charge of personnel training, if you could get a man to last a full contract, and you asked him if he wanted to come back, you felt that you had a man that was going to make a good foreign service employee. Many of them would come out, and they would never last their first contract. We used to look at them very carefully after twelve months, and if they didn't look like they were settling down, we might let them go before their contract was up. It takes a certain type of an individual to live in a camp like that.

Marcello: What kind of an individual is that? Can you be more specific?

Josephson: Well, it's a type of a person, I guess, that has more of the pioneering spirit, you might say, that many of our forefathers had. The same is true with the British people. Of course, in England it was a little bit different because foreign

service to the British was something they grew up with--going out in foreign operations to many of the colonies of the empire. It was typical for British to go out. But for Americans it was different. We probably had more trouble with Americans--getting them to settle down--than we did with the British. Canadians were more or less in the same category as the Americans. They were used to a different type of a life than the British.

Marcello: That's an interesting statement that you just made because in talking to both MacIver and Smith, it was quite clear from the very beginning they had decided that they wanted some sort of career overseas.

Josephson: That's right. As I say, with the British it was a little bit different. Particularly during our refinery expansion, we brought in most anybody we could. As a rule the Americans were not people that really wanted to be foreign service people. Our turnover of Americans was very, very high during our expansion program, much higher than it was with the British.

Marcello: What seemed to be the major source of discontent or unhappiness among the Americans?

Josephson: It was not too pleasant a life. They came out there into a group of very few women and predominantly men. It was just not a life that a lot of them took to. In my own case, being married and being out there almost six years without

my wife and family, it took a lot of thinking.

Marcello: What kind of a social life could one develop there?

Josephson: We had all kinds of things you could do. The British are more adept at forming a community like that than Americans were. If there was a group that wanted to have an archery club, they'd get an archery club; if they wanted a boating club, they'd get a boating club; if the women wanted painting, they got groups that would do painting. We had almost anything--hockey, golf, badminton, tennis. The company put all of those facilities in. If you got a group that, as I say, wanted to form an archery club, well, the company would help them get an archery range. The British are great for forming those little groups for keeping themselves happy. As I say, I think the British were much more adept at that than the Americans were. That was my observation.

Marcello: I was amused in talking to Mrs. Leslie Smith and listening to her describe how she and Mr. Smith went about creating a British garden.

Josephson: I had the greatest admiration for the British expatriates. There was a very small group of British ladies that were stuck out there all during the war, and Muriel Smith was one of them. Those gals were out there--I can't remember the exact number, but there were maybe between thirty and forty of them--all during the war in predominantly a man's world. Those gals got together, and they had a little

entertainment going. They were just a great help to the entire community in keeping things going--doing things, organizing things--to help keep not only their husbands happy but the entire male community. And Muriel was one of them. There was a group of them. Those gals did a marvelous job during the war years of helping keep everybody happy--just the little social things that they would organize.

Marcello: Was there some sort of a club where the expatriates could socialize?

Josephson: Oh, yes, we had our Bapco Club. In the early days, it was strictly an expatriate club. We had pool tables, badminton. The club was the hub of all of the sports activities that they had there. We had our own theater. The camp was a completely integrated organization within Bahrain. It was integrated almost entirely at the beginning because that was part of the responsibility in our concession, that we had to take care of all of our expatriate people. Of course, there weren't the facilities in the Bahrain community at that time for all of those things. Those all came later. They've developed now to where there's all kinds of sports out there that the Bahrainis are in.

Marcello: Would there be somebody within the company who was more or less responsible for overseeing the activities of this community of expatriates? Was somebody assigned that kind

of responsibility? Not that this person would be a mayor or anything of that nature, but...

Josephson: Not particularly. Your general manager was the one that was responsible for keeping things going as smoothly as he could. Those responsibilities were passed on. On management's part, it was kind of a group effort. You knew that your life depended on keeping everybody happy. That was the attitude of the management group. While it generally rested on the shoulders of the general manager, he had a lot of help from all of the administrative staff.

Marcello: How do you deal with local customs in a situation like this? For instance, I think of Bahrain as being overwhelmingly Moslem. I know what the status of women is in a Moslem society.

Josephson: You accepted that. Bahrain was much more lenient in the way our women could live than they were in Saudi Arabia, and it's still that way. Bahrain, being a British protectorate, had grown up under the British influence. Liquor was allowed. The women had to be properly clothed. During the days of the mini-skirts and things like that, they could wear them around camp, but we didn't want them to get into town if they weren't properly dressed. We had no problems. Once in a while you might have a wife who would be criticized, and if she didn't change her ways, she didn't come back to Bahrain. You had to watch things very closely. But as a

general rule, the people realized what the local laws and customs were, and we observed them very carefully. We never violated any of the local restrictions that the ruler had.

Marcello: This is general Caltex policy, isn't it?

Josephson: I think so.

Marcello: You are guests in these countries.

Josephson: You have to be like that if you're going to be a successful foreign operation. You have to be. You are a guest in a host country, and if you've got people that can't adapt themselves to that, they just didn't stay with the company. We had a few that didn't.

Marcello: I would also think that, given the relative isolation of Bahrain, alcoholism could be a problem. Without citing any specific individuals, could that be a problem from time to time?

Josephson: Well, it was with a few, but it was not a major problem. I was in a management position out there for several years, and I never found it too much of a problem. You had to call in somebody every once in a while and rap their knuckles and say, "Straighten up or else." If they didn't straighten up, it was "or else." We just didn't bring them back. In a community like that, where you are so closely-knit, it doesn't take long to sort out a bad apple. If you've got a bad apple, you just don't bring them back. For people, as I say, who came back on the second contract,

you were pretty darn sure that they were going to be good employees.

Marcello: So everybody that came out there was on a three-year contract.

Josephson: In the early days, yes. Everybody was there for three years. Some of them were less than that, but most of them were three years.

Marcello: And if things worked out, that contract would be renewed if they wanted to stay.

Josephson: It would be renewed. And in the early days, when housing was short, you always tried to bring their family out on the second contract. We used to get a few of them that would get a little upset and say, "Well, if you don't bring my family out, I'm not going to stay here." The hub of our closely-knit organization in Bahrain were the ones that came out with the idea that they knew what the facilities were, and they were willing to work to improve it and live the life out there. They took the rough with the smooth. Some of my greatest friends are people in those years that I've worked with. Many of them are from England, Australia.

Marcello: In those years what kind of leave policies did the company have? For instance, you're out in Bahrain, and your wife is back in the States.

Josephson: I can't remember the definite policies. In my opinion we had very good leave policies. The transportation was paid. Originally, you went home every three years. Then

it got down to every two years that a person could go home.

Marcello: For how long?

Josephson: Originally, in Bahrain it was about three months. In Bahrain it was never quite that long. But I can't remember the formulas we had on how long you could stay home. It was a good vacation policy. As I say, I don't remember just how long it was, but bachelors would go out a little bit sooner than a married fellow. Sometimes for bachelors, after eighteen months they could go home for a month or so. They'd take a leave and then come back.

Marcello: Other than lessening the strains of family life, what was the importance of having one's wife with you--whether it was Bahrain or the Philippines or wherever it might be?

Josephson: It was probably more important in Bahrain because you did not have the community outside of the company that you would have in, say, the Philippines or any other country. Bahrain and Saudi Arabia were about the same way. Bahrain was an organization that you just don't find in other countries. Take any of the marketing operations such as India or someplace else. There was a very large European community--not necessarily the company--in most everywhere else except Bahrain. In Bahrain your European community was largely the company. Practically every expatriate, other than a few political people, worked for the company. You don't find that if you were in South Africa or India. There's

always other companies where they had a large expatriate community. In Bahrain your expatriate community was the company in the early days. It's not that way now because there's more Europeans in Bahrain.

Marcello: In that period between 1946 and 1952, what were your specific responsibilities with Bapco there? Again, we're talking about that refinery expansion with Bapco.

Josephson: I was refinery superintendent. Then I was made manager of personnel. I was on that job, I guess, until I went to the Philippines. Then when I came back from the Philippines, I came back as general manager.

Marcello: Let me ask you this. How did one look at that kind of job? I guess what I'm saying is, you had been used to working with refineries and all that sort of thing, and it seems to me like this is kind of pretty much of a shift away from what you had been doing.

Josephson: Well, it was. But I guess I had always been interested in training. This was before I was made refinery superintendent. The then general manager just called me in the office one time and said, "Joe, you've been doing a lot of hollering about training." He said, "From now on, you're going to staff a training department." That's the way I got into training. In that, you get into more personnel. I worked on that job for, I guess, a couple of years. I don't know how I got into personnel. The general manager

called me in one day, and he said, "You've been telling me for some time that we had to do something about getting our Personnel Department better organized." Being in the refinery, I got a lot of the bitching that came from people that weren't happy with what was happening outside the refinery. I expressed my opinion to the then general manager about how I felt Personnel ought to be straightened out. He just called me into the office one day and said I had been doing a lot of talking about getting our Personnel Department organized, and he says, "As of Monday, you're manager of personnel." I said, "Yes, sir." (chuckle) I don't know how many years I spent on that. I guess it was until I went to the Philippines. I suppose I was on that job a couple of years before I got transferred out to the Philippines and back in refinery operations.

Marcello: During that immediate postwar period, there's a tremendous amount of expansion going on at the refinery there in Bahrain. What caused that expansion? What was responsible for it?

Josephson: The large crude supply from that part of the world plus the demand for refined products. As you say, everything East of Suez--the marketing operations--were just expanding so rapidly that everything we could produce and manufacture in Bahrain was salable. Of course, the maximum production of the Bahrain field never got above 75,000 barrels a day. The rest of the crude was brought in from Saudi Arabia by

pipelines across the gulf.

Marcello: In fact, there was eventually a second pipeline, I believe, going across.

Josephson: There were two lines. They were parallel. We brought in up to 200,000 to 250,000 barrels a day of crude from Saudi Arabia.

Marcello: Is it quite clear that the amount of oil that was available in Bahrain was limited?

Josephson: Right from day one, it was realized that the Bahrain field was never going to be an expansive field like some of them found in Saudi Arabia. It was unfortunate for the ruler that that field was fairly well confined in comparison to some of the fields you find in the Middle East--Iran, Iraq, and particularly Saudi Arabia.

Marcello: It's quite clear in the postwar years that Bahrain is going to play a very, very minor role, so far as oil production is concerned.

Josephson: But politically it was to be very, very important.

Marcello: Why is that?

Josephson: Because Bahrain historically has been the hub of trade in that part of the world.

Marcello: I think it's also interesting, too--and I'm picking up on something you said awhile ago--that the way things were set up when Bahrain was a British protectorate, one-third of the oil income would be used to support the shaikh

and the royal family, one-third would be used to operate the government, and one-third would be invested overseas as a reserve.

Josephson: As a reserve by the royal family, right. That was a policy that, I think, was really set up by Shaikh Sulman, who had very good foresight. He knew that oil was limited in Bahrain, although he couldn't accept it that we shouldn't be able to drill and get as much oil in Bahrain as we had in Saudi Arabia. Plus, the astuteness of Mr. Belgrave as political advisor to the government was important. They set up this policy of building up a reserve. I think that has been depleted under current conditions, but it was a good policy. It was set up by Shaikh Sulman, the father of the present ruler.

Marcello: You mentioned Belgrave a moment ago. What can you tell me about him?

Josephson: Well, Belgrave in my opinion was a very astute and dedicated man in the job that he had. I don't know how he was originally brought out as advisor to the government. I suppose it was through the British government. He was set up as an advisor to the ruling family. I had the greatest respect for what he did. His wife, particularly, started schools for children, for girls. He was very instrumental in getting a school system set up for Bahrainis and trying to develop them. Belgrave just did a lot in guiding the

ruling family on how to set up a government for their operations there. I have the highest regard for Mr. Belgrave.

Marcello: I guess you would say he was one of those people who represented the best traditions of the British foreign service.

Josephson: Right. He was dedicated. He was later criticized for some things--I think unjustly--but I always felt Mr. Belgrave did a marvelous job in setting up a good, sound basis for a developing country like that. Of course, he had help from the British foreign office, too. He was strictly an advisor to the ruling family. That was his job. He had men working with him that followed through very well on that.

Marcello: Of course, as time goes on, the royalties paid to the shaikh increased. I think at one time, for instance, originally it was about 14¢ a barrel. By 1949 it was up to about 29¢ a barrel. I believe in 1952 the income was split 50-50. Does that sound about right to you?

Josephson: You'd have to talk to the financial people on that. In the early days, I don't know how the split was, but I do know that laterally, when I was general manager out there, the equation was more, as you say, 50-50 of the proceeds for the government. While we in the field had to administer a lot of the policies, they were pretty much set by the shareholders and through the New York office.

Marcello: That's a good transition into the next thing I want to pursue.

Here you guys are, out in the field in Bahrain. Does one after a time develop a notion or the attitude that "New York doesn't know what the hell's going on out here? Why don't they leave us alone and let us do our job?" Is there always that friction between the home office and the field?

Josephson: I never felt that way. The time I was there, I know some of the people felt that perhaps we should have had more say. I always got along very well with New York. The time I was working closely with New York, I never had any problems like that. I knew what we had to do, and it was my job to administer them.

For a long time there, our board meetings were generally held in Bahrain, and I sat in on those. We had two Texaco men, two Caltex men, and two Socal men on the board. The time that I was out there as assistant general manager and later president, you conducted the board meetings. I never had any problems in feeling New York was trying to tell us too much what to do. Some of the people before me might have felt that way, but I don't think that I ever felt that they were trying to tell us too much of what to do. You had to realize that in our refinery operations in the early stages, Caltex (New York) was made up mostly of marketing people. You had to realize that if you didn't have a good marketing department, you didn't have a refinery.

You asked about the way the profits were split up.

Bahrain, in the early days, was the main money gainer for the company. There again, how do you distribute the profits?

My understanding is that profits were distributed mainly so that you would put your highest profit ratio where you could keep the most without having to pay too much taxes on it.

Marcello: For a long time, is it not true that Bapco really didn't pay a dividend to the parents because of taxes or because of tax purposes?

Josephson: Well, dividends as such, I guess not. How that money got funneled back to the parent company is something that I was never involved in. Les Smith could tell you more about that, which was his job. MacIver and some of those people would also know. Just how the money was funneled back to the parent companies is something I'm not qualified to speak on. I don't know.

Marcello: Is it safe to say that in that postwar period, and maybe just about all the time, Bapco is essentially a distributor of product as opposed to being a distributor of crude?

Josephson: We never did distribute crude.

Marcello: It's all products.

Josephson: All refined products. We never shipped crude. We had crude sales by Caltex, but that crude was by negotiation with the Saudi government and the Saudi organization. Caltex distributed crude for Saudi Arabia or Aramco and other producing areas. We were an importer for crude.

Marcello: So essentially, then, when Caltex purchased the T-2 tankers and then eventually with all the other tanker construction got underway, that really wouldn't have had too much effect on the operations of Bapco.

Josephson: Except that the tanker fleet was to keep up to 250,000 to 300,000 barrels of refined products a day on the water. You have a heck of a lot of refined products under transport. Some of those trips were a thirty-day round trip, so you've got an awful lot of refined products on the water. You need a big tanker fleet.

Marcello: This, of course, opens up an entirely new topic. Here you have the T-2 tankers, which were purchased after the war, and then later on you have the super tankers and so on and so forth.

Josephson: The jumbo-izing of the T-2's and all of that, yes.

Marcello: This, it seems to me, is going to require all sorts of modifications of the port facilities there on Bahrain, are they not?

Josephson: Yes. As the refinery expanded, so did our port facilities. We built new wharfs. We started out with just a little island wharf, where we could handle a couple of tankers, and we expanded that to where we could handle four tankers. Then we built the main wharf, where you could handle six tankers. Plus the island.

Marcello: What can you tell me about the Great Bahrain pitch pond?

Josephson: (Chuckle) During the war years, we had to operate under

blackout conditions. For the coking operation that we had been doing prior to the war, you had to have lights. It was a twenty-four-hour operation, and you had to take the coke out and dump it in the coke piles, and you had to have trucks to haul it out there. You couldn't run it under blackout conditions. But we operated under complete blackout conditions, so instead of going to the coking operations to get rid of residual, we went to a pitch operation, where you took the refining process down to where you didn't go into a solid coke, but you went into a very heavy residual, which we termed as "pitch." If you let it get too cold, why, it would solidify. We had the long pipeline, and we ran the pitch out from these coking units. Instead of running to coke--instead of going to that final stage--we ran it to pitch and pumped it out into the pitch pond. It's just a way of keeping your refinery production up and getting rid of a non-salable residue.

Marcello: Were you always trying to figure out what to do with this pitch?

Josephson: Originally, you didn't think too much about it, but after we got something like ten million barrels of this stuff stored out there, you wondered what the hell you could do with it. That's right. There were various projects studied on how to take the pitch and convert it to coke. We had companies come wanting to buy the pitch pond, but I don't think it ever was sold. I guess it's still out there (chuckle).

The oil pitch was strictly an operation during the war years where you had to operate under blackout, and we could not run the coking operations under those conditions.

Marcello: One more question before we get you to the Philippines. Is it not true that after World War II is when the use of oil as an under boiler fuel takes off?

Josephson: I don't follow you.

Marcello: I guess it was used for heating, to run power plants, and things of that nature.

Josephson: You mean world-wide?

Marcello: Yes.

Josephson: We shipped an awful lot of fuel oil out for power plant operations. We shipped a lot to Japan. Our biggest residual operation went to Japan.

Marcello: Does that become a very important part of the refinery operations in that post-World War II period?

Josephson: Well, getting rid of your heavier ends, yes. That's why we originally went into coking, because we did not have an outlet for all of the residual fuel oil or what would eventually go into fuel oil. After the war, when more expansion came, we did ship more and more fuel oil.

Marcello: It seems to me that after the war is when you get that great conversion from coal to fuel oil.

Josephson: That's right, yes--world-wide. In the refinery operations, fuel oil got cheaper than either gas or coal, so all through

Europe many of the coal-burning power operations switched from coal to fuel oil. The economists, looking at their crystal balls, felt that fuel oil was going to be cheaper in the long run. Then it got to be where it was more expensive, and a lot of them switched back to coal and gas (chuckle).

Marcello: The increasing use of fuel brings me into another topic. Caltex arranges some pretty lucrative contracts with the military during that post-World War II period, did they not, relative to supplying the military with oil?

Josephson: During the war was when the contracts were made. Bahrain supplied practically all of the diesel oil for the submarines and aviation gasoline for the reciprocal engine-type airplanes that they had. At one time practically all of the products from Bahrain were going to the military. Laterally, a large amount of fuel oil went into a big contract for running the Navy's fleet.

Marcello: That also becomes a rather lucrative business after the war, too, does it not?

Josephson: Oh, yes. As a matter of fact, we had two Naval inspectors that were stationed in Bahrain all the time to do nothing else but check over the products that we made for the military.

Marcello: Is it not true that even though it was a lucrative deal for Caltex, the Navy was also getting a pretty good deal?

Josephson: Sure. They were getting their products at a good price, yes.

A fellow named Walter Uhle could tell you about that. I don't know if Walter Uhle is still alive or not. I think he died. He was the one that negotiated many of those early contracts with the military.

Marcello: Mr. Josephson, in 1952 you were assigned to the Philippines as manager of the Batangas refinery. First of all, give me background on how that assignment or transfer came about.

Josephson: I guess it comes from looking for somebody to go down there and help them get a refinery built, and I was the fellow they needed to do it. I was sent down there and actually coordinated the design and worked laterally on the assignment of the construction contract. I had the job of coordinating construction and getting it started operating.

Marcello: How closely would you have been working with the marketing people, for instance, in the construction of the refinery?

Josephson: How close were we?

Marcello: Yes, how closely would you have been working with the marketing people?

Josephson: At the onset, it was just to get the refinery built. That was more or less administered out of New York. I reported directly to New York during the construction, until after we got it built and started operating. Then once we put it on stream, I reported to the local managing director.

Marcello: What role did you play in the selection of the site at

Batangas? Did you play any role in actually selecting that site?

Josephson: Yes. Originally, they had two sites in mind. One was on the Bataan Peninsula, which was north of Manila, and the other one was down in Batangas, which was about seventy-five miles south. At the time I arrived out there, they were still undecided, but the pendulum swung toward setting up the site at Batangas, which, in the opinion of the refining people and New York Engineering, was an ideal spot for a refinery because it had deep-water facilities for bringing crude in. All the crude had to be imported. The only problem at that time was the transportation of refined products to the distributing points throughout the Philippines. There again, with the harbor facilities that they had at Batangas, and the small coastal tankers that the Marketing Department used, you could ship out of Batangas about as easily as you could if you brought it into Manila. Since I've left there, in latter years they have built a pipeline from the refinery to Manila. Before, we shipped an awful lot of it by little coastal tankers.

Marcello: Now this is a question that perhaps I should have asked you earlier, and I'll throw it in now. As all of these national refineries are coming on the line, whether we're talking about Batangas or Kurnell or the several in Japan or whatever, is that to some degree lessening the importance

of Bahrain in the overall Caltex scheme?

Josephson: Not initially. Caltex was expanding so fast that they just needed the crude outlets. They needed places to refine, and it was more logical to set up refineries in the large consuming areas than it was to try to ship crude.

Marcello: I guess what I'm saying is, again, as these national refineries come on the line, then that means they're not going to have to get products from Bahrain.

Josephson: Yes, but there was still plenty of requirement for products out of Bahrain. We never cut down too much and operated up to 300,000 barrels a day. In Saudi Arabia, however, that refinery expanded up to 500,000 barrels a day.

Marcello: That's Ras Tanura?

Josephson: The Ras Tanura refinery, yes. The crude had to be brought into Bahrain over the trans-Arabian pipeline.

Marcello: Where was Batangas getting its crude?

Josephson: Batangas brought its crude in from Indonesia.

Marcello: That's a different type of crude altogether from what you found in Saudi Arabia or Bahrain.

Josephson: Yes. The refinery had to be designed specifically to handle a high wax content of crude oil, which the Minas crude was. It had a very high wax content.

Marcello: Let me ask you another question. This may be out of your line of expertise, but I won't know until I ask. Of what significance was that Indonesian discovery relative to

Caltex's position in the Far East?

Josephson: It was a very important discovery because it gave them a source of crude that was closer to the marketing areas.

Marcello: In other words, I'm assuming that Exxon and Shell, for instance, were getting their crude either from Saudi Arabia or Iran probably.

Josephson: Well, let's see. I think Shell had some operations in Indonesia, too, at that time. I know they did in Borneo. I think Exxon probably also had some fields there, but Caltex had the major field in Indonesia. The Minas crude was what we referred to as a sweet crude. It had a very low sulphur content, but it was waxy. It had a high wax content, but it made beautiful diesel oil and good gasoline, and it had good qualifications for all products. The residual had a high wax content in it, but we had dewaxing units there that could take care of that.

Marcello: I've been told on several occasions that from time to time the building of a national refinery is, or can be, a defensive measure. In other words, if the company wanted to maintain its market share, it sometimes had to build a refinery maybe even against its better judgment.

Josephson: That might have been true, depending upon the agreements they had with the government. In many countries the government would rather bring in crude. The company could bring crude without a tax problem. Like in the Philippines

it was the source of employment for the people. There's a lot of things that go into the judgment on that.

Marcello: Of course, I guess a lot of times a country wants a national refinery for foreign exchange purposes, does it not?

Josephson: Yes, if it's advantageous to the country as well as it is to the company. Those are negotiations that people like Jim Voss and Bill Tucker can give you more of an insight on the "whys" and "wherefores" and some of those decisions.

Marcello: We've talked about this a little bit before, but I think I'm correct in saying that the employment policies in the Philippines, to a large extent, resembled those that were gradually evolving in Bahrain, that is, you hire as many nationals as you possibly can.

Josephson: That was not a criteria in the Philippines.

Marcello: Is that right?

Josephson: No. In operations like that, I think we could have probably hired 100 percent...they wouldn't have liked it, but we probably could have brought a majority of expatriate personnel in there. The company policy was to use as many indigenous as we could, which is a good policy. Initially, while I wasn't criticized, I wondered whether I went too far in trying to develop indigenous personnel rather than expatriates, but it worked out fine.

Marcello: Who were the company's principal competitors in the Philippines at that time?

Josephson: Standard Vacuum and Shell were the two big ones. Standard Vacuum at that time was the marriage between Standard Oil of New Jersey and Standard Oil of New York. When we went out there, originally Standard Vacuum was the foreign operation of those two companies. That split-up came later-- in the late 1950's, I guess.

Marcello: Were there any special problems that developed in the construction of that refinery at Batangas that you think we need to get as part of the record?

Josephson: (Chuckle) Well, we had the Huk problem out there in the Philippines at that time. They operated pretty extensively in the area. At one time some of our people were returning from Manila to Batangas, and they got waylaid and taken off up into the hills by the rebel Huk group. Another time some of our equipment got taken off by the Huks. It was just something that you learned to accept.

Marcello: How closely do you have to work with the Filipino government in the construction of this refinery?

Josephson: With the government in Manila, generally not too closely, but I worked very closely with the provincial governor there, just for the sake of good relations, to build up good relations with them and with their people.

Marcello: How do you go about doing this?

Josephson: Just treat them like people. I never had any problem in any of the areas I had of getting along with the local people.

As a matter of fact, in Batangas I was made an adopted son of the province of Batangas just, as it said, just because of my understanding and my working with the Filipino people. The governor of Batangas gave me that honor as recognition of our good relations. Since I left I think "Cy" Miller, who eventually took over there, was made an adopted son, too, but I'm not sure.

Marcello: My next question is kind of predicated on current events. When a lot of people think of the Philippines, especially the Filipino government, corruption comes to mind. First of all, what kinds of policies was the company formulating or developing relative to getting involved in the politics of a country?

Josephson: I didn't become involved in politics at all. The only problem with corrupt tendencies that I had (and which were quite evident in the Philippines) was that to get anything done, it was best to kind of butter your way along. That was always against my principles, and I don't think I ever paid to get anything done. In the Philippines at that time, I think there were probably certain under-the-table payoffs that were done to get some things done. I remember one case that was very definitely on getting clearance on equipment coming in. The customs people...if you didn't kind of butter them up a little bit...

Marcello: Before the tape ran out, and I didn't catch it, you had

been talking about the problems that you had with certain customs people in the Philippines. Could you just repeat what happened there?

Josephson: It was not a problem; it was just accepted. If you didn't make little payoffs to some of the customs inspectors, they would be slow in clearing cargo.

At that particular time, Ramon Magsaysay was minister of defense, and I'd gotten to know him quite well. He was a very fair-minded person. When the director of customs was giving a little problem, I mentioned it to him, and he says, "Well, let's go down and talk to him." We went down to the office and between the three of us, I just said, "Well, I have to have things cleared. I don't want to have to pay to get them cleared. What we're doing for the Philippines is good for your country, and I expect your cooperation in clearing things as fast as you can." It was kind of an "okay." We shook hands, and from then on we never had any problems.

The same with security. Magsaysay was minister of defense at that time. He later became president. I told him we had to have a certain amount of security. He said, "I'll set you up with a top-notch man." He turned over one of his colonels in the defense department and set him up as head of our security department.

We had to watch things. In those days all Filipinos

carried .45's and knives and one thing or another. They were pretty trigger-happy. We had a sign in front of the refinery during the construction days: "Deposit Your Guns and Knives." We wouldn't let them come into the refinery. The security people checked everybody and made sure that they didn't.

We had a couple of a killings on the refinery site while I was there, but it was nothing to do with the company. It was just little village arguments, where they got into arguments generally over women (chuckle) and took to head cutting or body ripping. On two different occasions we found bodies on our refinery site, where there had been a village dispute and a Filipino had been killed. We had a couple of Filipinos killed in the refinery--our own people--more or less from the surrounding village conflicts. There were little barrios around, where they didn't always agree. In those days you have to remember it was not too long after the war, and the Filipinos were pretty trigger-happy.

As a matter of fact, when Elsie and I first went out there, we lived in the Manila Hotel for a couple of months before we found a house to live in. There was a sign there at the Manila Hotel to deposit your guns at the desk before you came in. They had a big dance there every Saturday night, and Elsie and I used to go down and sit there and watch those and see these prominent Filipinos in there with their

wives and all dressed beautifully, and you'd see a .45 tucked in his belt. They carried them.

Marcello: When you were talking about security a moment ago, I wasn't quite certain about what kind of security to which you were referring, but I think that kind of clears it up.

Josephson: It really was security. We had guard stations all around the refinery.

Marcello: Could theft be a problem?

Josephson: Theft was a problem, yes. As a matter of fact, we had one occasion there where the head of our security came to me and said that there was a group that wanted to steal some two-inch pipe that we had for the refinery. They were artists at stealing. I said, "We can't allow that." And he said, "Well, I worked out a deal. They're going to steal it tonight and sell it to a Chinese in Batangas tomorrow." And he said, "They'll have it back in the refinery by the day after tomorrow." So they stole the pipe from us. It wasn't all that much, maybe five or six hundred feet or a thousand feet of two-inch pipe. They stole it from the refinery, hauled it in and sold it to a Chinese merchant in the town of Batangas. The next night they stole it back from him and put it back in the refinery. I just had to turn my head to it. They would have stolen it, anyway, regardless. You'd almost have to have a man every hundred feet around the perimeter of the

refinery to keep them from doing that.

As I say, they were artists at stealing. We lost a certain amount of stuff, I suppose, but you do that on any big construction job. You plan on losing a certain amount wherever you are.

Marcello: As manager of the Batangas refinery, once it is built, how closely are you coordinating your function with the marketing function?

Josephson: Once it's built and it's all completed, and you have your official start-up, then you're working very closely with the local marketing. Up until that time, it's a New York organization building a facility for the marketing organization. Once that facility is complete, it's turned over to them, and it comes under the jurisdiction of the Marketing Department.

Marcello: You mentioned that while it's being built, it's under the jurisdiction of the New York organization. Would this be Fred Dittus and his department to a great extent?

Josephson: Engineering Department. Fred Dittus had charge of it. Any big refinery expansion program was all coordinated by the Engineering Department. They did all the design criteria, all the purchasing materials, supplying the personnel to oversee construction, and letting the contract for the building of it and so forth. This was all handled by the New York Engineering Department.

Marcello: And then, like you say, once the refinery is built...

Josephson: Once it's all completed, and they said, "Okay, here's a ready-to-go operation," then it's turned over to the marketing organization.

Marcello: When you say it's turned over to the marketing organization, it's turned over in the sense that they then determine what kind of product is going to come out of the refinery.

Josephson: They do. But in the marketing organization, they have your supply and distribution. That goes into New York and is plowed into their overall picture. If there was any surplus from the Batangas refinery, why, it could be shipped someplace else. Normally, we just supplied the local market.

Marcello: Did you enjoy your stay in the Philippines, or would you have rather been back in Bahrain?

Josephson: Very much. I can't look back on anything that I did not enjoy about it. I enjoyed working with the Filipino people, and I had many friends over there. I had no regrets at all. As a matter of fact, when I was called and asked if I wanted to go back to Bahrain, I was kind of sitting there thinking that I might be in the Philippines the rest of my life. It was the same thing when I was in South Africa. I thought the same thing about it.

Marcello: Well, I guess you weren't really in the Philippines too long after the Batangas refinery went on the line.

Josephson: I was there seven years. It took us just over eighteen

months for construction and getting it on line. Then the balance of that time, I worked for the marketing organization there. I was vice-president in charge of operations, and that had the refinery and the Pandacan terminal. It was really the getting of product to the Marketing Department where they could sell it. We had our own little supply and distribution department there, and they worked out ahead of time what their requirements were going to be and turned that over to the refinery. We made the product that was required, and the Marketing Department sold it.

Marcello: It was around this time that Caltex underwent a reorganization. The company was divided into Caltex East, Caltex West, and Caltex Services Company. My question was going to be, how did that organization affect you either in the Philippines or later when you returned to Bapco?

Josephson: It had no effect on me, personally. We had our job to do, and we still did it.

Marcello: Is it safe to say that that reorganization would have had more of an effect on New York than the operations in the field?

Josephson: I think that was strictly a corporate structure division. As far as I know, it didn't have any effect on my operations that I was in charge of in the field at all. I still was told what to do, and my job was to get out the product that they wanted in the quantities they wanted. That was the

refining organization's responsibility.

Marcello: Did you ever hear anybody talk about that reorganization as to whether they liked it or disliked it or whatever?

Josephson: Oh, yes, I did! There were comments for and against it. As I say, in my job I never paid too much attention to it because it really had no basic effect on what I did as a refinery man.

Marcello: In 1958 you returned to Bahrain, and you're now general manager of Bapco. That's quite a promotion.

Josephson: Well, from manager of one refinery to general manager of the other one. Bapco was the biggest refinery in the circuit. That's true.

Marcello: In the Bapco organization, is the only person above you the chief executive officer?

Josephson: Well, we had a president in New York, and we had a vice-president in Bahrain. So there were two men over me, but as general manager of the refinery, my responsibility was to run the refinery. The vice-president was more of a political position at that time. He handled all the negotiations with the ruler. I reported to him. He didn't bother with the day-to-day operations of the refinery. That was my job. When I was general manager, my job was to keep the refinery running smoothly.

Marcello: At this point let's talk a little bit about the decision-making hierarchy--if we can call it that--of Bapco. I

assume that Bapco had a board of directors like the parent company did, for instance.

Josephson: They had a board of directors consisting normally of two Texaco men and two Standard Oil of California men and two Caltex men and then the local man in charge of the Bahrain operation, which at that time they had a president in New York and a vice-president in the field. Those two fellows sat on the board.

Marcello: Is there any British subject or citizen who sits on the board?

Josephson: No, not as a British subject at that time. Well, there could have been if we had anybody in the company that was up to it. And since that time they have had, but not at that particular time. They were all Americans.

Marcello: What kind of decisions would this board of directors be making?

Josephson: The board of directors only met once a year. That was mainly to review what the operations were going to be in the coming years as near as they could tell--if there was any expansion, remodeling, or, as we used to say, streamlining or removing choke points, increasing production, the money that we needed. Those things were all discussed at that board meeting. Your operating budget was set, and your capital investment budget was set. From then on it was up to the local management plus the people that were in New

York to see that you operated within that budget.

Marcello: Was the Bapco board of directors, that is, the specific individuals, different from the board of directors in New York?

Josephson: Well, that was the Caltex board. Yes, it was different.

Marcello: But even in the Bapco board, you still have two Socal men, two Texaco men, and two Caltex men.

Josephson: It was the same way with the Caltex organization, only there was no Bapco man sitting on that. It was strictly a marketing organization. But there were two boards, and I think it remained that way right up until the Bahrain government took over.

Marcello: Who were the two Bapco people on the board when you came back there?

Josephson: When I came back in 1958, it was the resident vice-president and the man in New York.

Marcello: Who were those people? Do you know?

Josephson: Oh, golly. In 1958 it was Milt Lipp. He was resident vice-president. I don't remember who was the man in charge in New York at that time.

Marcello: But this Bapco board would only meet once a year.

Josephson: Once a year. Caltex had the Executive Committee in New York, and if we had any problems that would come up, it would be passed through the Executive Committee in New York; and then if something could be handled just within the

Caltex group, it was just handled directly there. I can't remember how often the Caltex board met, but they probably met once a month or whatever it was. Any problems that we had would be brought up through the Executive Committee meeting, and it was either approved or disapproved and then ratified by the board later.

Marcello: By the time you returned to Bahrain in 1958, had any significant changes occurred in the operation of the refinery? In other words, had strategies changed, had objectives changed, or anything of that nature?

Josephson: The objectives in those days were to run as efficient an operation as you could. I was told that that was one of the reasons why they wanted me to come back to Bahrain, because operating costs had skyrocketed, and there were just conditions that had taken place that our New York management wasn't happy with. I was told that the local management had let things get a little bit out of control, and they wanted somebody to come back and take a new look at it and see what they could do to cut down expenses. That's why I went back.

Marcello: I do know that in 1954, there had been some labor problems. In fact, I believe there had been a strike, but as I recall, the strike was more in opposition to the ruling family than it was to the company.

Josephson: There was a lot of unrest in that time. I think it was outside

influence. They got to the students, the younger group of people. Yes, there was a lot of unrest among the young people. They not only went on strike...well, they never did go on strike against the company. They tried to, but they were not successful. They did a lot of damage in town--broke windows, set service stations on fire, set a bunch of our busses on fire at our bus depot. Just malicious. It was opposition--a group of young people. A lot of them were our trainees--our young student trainees that we had sent off to England for training and then coming back to Bahrain. All they would say is, "We want our rights!" That's all I ever got out of them.

One particular time when they were trying to strike... we knew that there was unrest, and I had been working very closely with the merchants in Bahrain and with His Highness trying to avert anything like this. We were doing everything we could to keep them happy. This group was so militant in the refinery, and they came marching up and tried to come through hall in a group. I just went out and confronted them. I said, "What is your beef? Why?" "Well, we want our rights." "Well, what rights do you want?" They wouldn't tell me. They just wanted "our rights." I think they wanted a little bit more say about their government, and the government at that time did appoint a civilian legislative group, but it didn't pan out. It lasted about a year and finally

went out of existence. In my view, they had no reason to complain about their rights. They were getting a free education. I told these boys, "We're paying for your education; the government gives you free hospital, free schools; you don't have to pay any taxes. What more do you want? You're being treated very well." I couldn't get them to agree, so I just alerted our security to bring in the government security people. They were still pretty radical, so the local security came in, plus our security, and just loaded them on the busses and sent them home. I said, "When you get ready to talk sense, why, you can come back to work. If you can't talk sense, you don't come back to work." I think we hired maybe 50 percent of them back again, but the rest of them were never hired them back. We never had any more trouble after that.

Marcello: This kind of leads me into the next topic I want to discuss very briefly. Talk about the kinds of fringe benefits and so on that the company established for workers there at Bahrain.

Josephson: The fringe benefits for our employees...

Marcello: Again, I'm mainly referring to the Bahrainis and people like that.

Josephson: You're talking about the Bahrainis.

Marcello: For instance, there was a pension plan, was there not?

Josephson: Oh, yes, there was a pension plan. We had a housing program

for them, where they could borrow money and build their own homes at a very reasonable rate. The pension plan was good. Our housing program was one of the main things that they liked. We had set aside a certain amount of money that we loaned out to them. They had very generous terms on paying it back.

As conditions developed, we started integrating more of the young Bahrainis into higher-level jobs. Some of them became supervisors and so forth. We arranged it so they could come to the club, and Bahrainis were allowed to be members of the club. As they progressed, that was just one of the things that they could shoot for.

Marcello: How about medical care?

Josephson: We had medical care for them, yes. They had a hospital strictly...

Marcello: This was a company hospital, isn't that correct?

Josephson: Yes. It took care of the employees. Not necessarily all of his family, but it took care of any of the ailments of the employees. Of course, their government hospital took care of the families, and they would take care of our employees, too. We did have an employee hospital that took care of all of our employees. Whenever they'd get sick, they were taken care of.

Marcello: I think one of the other things that was instituted was a forty-hour workweek with no reduction in pay. I think that was done.

Josephson: Yes, that was another thing that was done, yes. We reduced work time at no reduction in pay, which was typical of many industries in those days. We did the same thing in Bahrain. That was just not new by Bahrain.

Marcello: Sure.

Josephson: That was world-wide--reduction of work hours.

Marcello: I also believe that as time goes on, the percentage of Bahrainis in the work force at Bapco actually increased.

Josephson: Well, yes and no.

Marcello: I think not drastically, but I think it was a steady increase.

Josephson: I wouldn't say there was ever an increase. During the construction days, we had close to 9,000-10,000 Bahraini employees. As we expanded our operation, more of the Bahrainis came into higher jobs, but I can't recall a period where we could say that we increased the number of Bahraini employees. What we did do is decrease the expatriates and fill those jobs with the existing Bahrainis. We hired all the time. We hired good people. Anytime we could find a good Bahraini, we would hire him. One of our problems was making adjustments for the redundant people that had been with us a long time as we consolidated our operations and cut down on our work force. It was more of a problem of figuring out redundancy settlements for them. That created a few problems for us, too.

Marcello: In 1961, Shaikh Sulman died. He was replaced by his son,

Shaikh Isa. Were there any changes that occurred in the relationship between Bapco and the government as the result of the death of the father and the coming of the son into power?

Josephson: No, you just paid your respects to Shaikh Isa the same as you would his father before him. You gave him just the same respect and consideration as you did his father.

Marcello: Earlier in our interview, I had you give me a character sketch of Shaikh Sulman. Do the same thing for Shaikh Isa. And I'm assuming you may have even known him better than his father, considering your positions.

Josephson: I do know him better. In my opinion Shaikh Isa is probably one of the most gracious rulers that you could ever want to meet. He's a very gracious man, very generous. He was generous to his friends, helping his friends. He was generous to his people. He took a lot of money that had been put out in reserves and spent it on improved hospitals, improved schools, improved roads. He took money and built what they called Isa Town, which was a housing project for his subjects. Isa Town was similar to the housing program we had for our employees. Any of the Bahrainis that were subjects could get money and buy houses from the government. They still have these huge housing projects, where they build houses for their people. Those were all things that Shaikh Isa did. He was a very gracious and kind man. He was

superkind in many ways.

Marcello: What kind of knowledge did he have of the outside world in contrast or comparison to his father?

Josephson: You'd be surprised at what they know about the outside world. They have lines of communication that you might refer to as a bamboo telegraph or whatever. They kept very well-informed of what things were going on. The ruler always had people that worked with him on various assignments with the government. They kept a very close association with what was taking place on the outside world. He kept well-informed.

Marcello: What kind of pressure is the new shaikh putting on the company--if pressure is a good word--relative to finding more oil?

Josephson: Well, he always wanted to find more oil, and we spent a lot of money trying. During the time I was out there, there was nothing I'd have rather done, if I'd been able, than to go to His Highness and say, "That exploration project, boy, we've hit it!" We spent millions of dollars in seismic surveys and test hole drilling, and we just couldn't find another pool of oil in Bahrain. We found gas, which was a godsend. We helped to form the aluminum plant through our ability to supply gas. We were instrumental in getting that started for the Bahrain government--the company was.

Well, getting back to His Highness, I think he kept up

very well on world affairs. Sure, he was anxious to get more oil. We tried but we never found it. It was just one of those things that we knew way back, that the oil supply of Bahrain was finite and was eventually going to poop out. So the company made lots of efforts to try to encourage more industries to come into Bahrain. The Aluminum Company of Bahrain was part of this. We had the huge gas reserves and knew the company that was interested in building a smelter someplace. The company worked very close with that group to get them to come to Bahrain, which they did do, and they built a big smelter. I think it's up to about --I don't know--200,000 tons a year of smelting capacity now. It's almost doubled in size from the original plan. The alumina was brought in from Australia. The electricity that it takes to run the pots for converting it to aluminum is generated by turbo-driven generators with gas supplied from the Bahrain field.

Marcello: So the discovery of that gas would have had all sorts of uses there. You could probably even use it to run the refinery.

Jsoephson: You generally have enough off-gas, when you're running a refinery, that all of your boilers and everything that run pretty much on gas. We had to use some fuel oil occasionally, but we used most of our gas. We had to flare some of it. As we discovered more gas, why, the power plants for the government

were all gas-driven turbo generators.

Marcello: Was the company actively engaged in trying to establish alternative...

Josephson: Sources of income?

Marcello: ...sources of income for the royal family?

Josephson: Yes, we had a little program one time there that was done by the company. It was during my administration. We sent out a survey and asked people--Bahrainis, anybody--to come in with suggestions on what industries could come to Bahrain that would help the economy. We got all kinds of things. One of them that came out of that--it didn't come really out of that survey, but it was an aftermath of that survey--called for bringing in the aluminum manufacturing process. Another suggestion called for bringing in assembly lines, doing more things like that. The company continually tried to think up ideas. As I say, there was a jillion schemes that were turned up of what could be done. With the natural resources of Bahrain being mainly oil, however, it was a difficult thing to do.

Banking was one of the things. The company was instrumental in getting some of the banks started. Of course, after I left, we got both Chase Manhattan and National City Bank of New York to set up branches. When they set up branches and people began to realize that Bahrain would be a good banking area, why, more of them

started coming in. By the time I left Bahrain in 1972, I can't remember how many banks had come in there, but the Bank of Jordan and some Indian banks had come in.

Marcello: So this was the beginning of...

Josephson: About 1971 or 1972 was the expansion of the banking industry in the Middle East, and particularly after the prices of oil went up and after Beirut started getting into trouble. When Beirut started going down, then many of the banks moved in to Bahrain. I don't know what the count is out there now, but I think at one time there were seventy or eighty or maybe a hundred banks out there; and forty or fifty of them were offshore banks that were just there to handle international monetary problems. They didn't bank at all in Bahrain. They were referred to as the offshore banking industry. There were millions of dollars that came through there.

Marcello: This may have occurred after your time, but I've heard it said that because of the development of all these banks, Bapco at times was hard-pressed to find Bahraini employees for its own operations. Was that a problem?

Josephson: Yes, even before I left. Sure, they would pay...golly, even among the merchants, you could go into almost any shop around Bahrain and find ex-Bapco employees. Sure, they could afford to pay twice the salaries that we were able to do. We had to maintain a level of compensation that didn't upset the economy of the whole industry. Take a small bank

that started up over there, they'd hire our accountants. Leslie Smith can tell you that. They'd come in and offer one of our bright, young accounting boys...they'd take him from an ordinary accounting job in our place and make him chief accountant in the bank. And he could do the job. Sure, we lost lots and lots of them. Oh, yes. That's why, as I say, we were training like crazy there for years, and probably 75 percent of the people we trained went right into jobs in the economy of the country (chuckle). There again, we felt--at least it's always my feeling, and I didn't have too much trouble convincing our directors--that we should spend the money that we did on training problems. We spent a lot of money on training. Yes, you're quite right. We lost a tremendous amount of people. It's leveled off now, but there for a while you could go to almost any shop around there and see an ex-Bapco employee (chuckle).

Marcello: Is there anything you can do about this brainpower drain other than complaining to New York or whatever?

Josephson: We never complained. It's just one of the things you have to accept. We knew we couldn't pay the price. I think our directors understood the problem. They might not have liked it all that well, but it was just one of the things you had to face.

Marcello: There was one other thing that happened during this tour of Bahrain that I'd like to have your comments on. I do know

that it was in 1965 when Continental Oil Company was given certain offshore concessions.

Josephson: That was because we had given up at that time. We told His Highness that we just couldn't justify spending large sums of money doing any more exploration. Continental and Superior both came in, and they got concessions. Luckily for us, and unluckily for His Highness, they found dry holes. They didn't find anything. It took the monkey off our back a little bit--off the company's back, I should say--because it verified what we had said. "We just can't find it." I understand that right now--I keep very close contact with the minister of engineering development--they're going to spend money again on exploration. I'll be seeing him at this board meeting in June, and it'll probably be coming up; but I understand they want to spend a lot more money on exploration. With the new techniques, who's to say that there isn't going to be more oil found out there. I don't know. We've got new techniques. We're going in with the techniques they have in seismic surveys and so forth. Now we're finding oil that ten years ago people would have laughed at. You know that.

Marcello: On the other hand, did it kind of shake you up a little bit that the shaikh would go out and make this deal with some other oil company? I mean, after all, you had a monopoly, more or less, up to that point.

- Josephson: We did. We had full concession rights, but, no, we didn't have any trouble in making a concession and saying, "Sure, go ahead." That happened during my time.
- Marcello: I knew that the one in 1965 dealt with Continental, and, like you mentioned, Superior got a similar concession in 1970.
- Josephson: Yes, they came later. That's right. They were both during the time that I was out there. We spent a lot of money. We took what records that we had and both Texaco's and Socal's best types of computer operations that reviewed all the data we had and all of the information gotten from our seismic surveys, and by the time I left, we didn't feel there was any more oil there. I do know that they're going to spend more money out there, and, as I say, who knows? They may have some techniques...somebody may come in and find more oil, and I hope they do.
- Marcello: At this time where was most of Bapco's product going? To whom were you selling most of the product? We're talking about that period when you were vice-president and general manager.
- Josephson: We were shipping all over--anyplace where there was a short fall, in any country where there was a short fall of a specific product. Sometimes we shipped to Spain, even though we had operations in Spain. We had a refinery in Spain. We might have been shipping it to Rotterdam.

We might have been shipping it wherever there was a short supply. That was all handled by the Supply and Distribution Department out of our New York office. If there were certain areas where they knew they were going to be short, why, Bahrain made up the short fall.

Marcello: Well, that's kind of interesting because it again indicates how Bahrain had been changing over the years.

Josephson: Yes, but Bahrain was always a hub for the refining end for all of the Caltex operations.

Marcello: I guess what I'm saying is, at one time Bahrain would have been supplying Australia, maybe; at one time Bahrain would have been supplying Philippines. But now you were supplying all over.

Josephson: Even from the beginning we were supplying them. We sent to India; we sent to South Africa.

Marcello: But during those early periods Bahrain was almost their sole source of supply.

Josephson: Sure. Yes, it was in those days. We shipped to them. Then they built new refineries in India; they built new refineries in South Africa. Other companies did, too. Caltex was not the only company that was expanding refinery operations. As I say, in the Caltex circuit, Bahrain was kind of the hub, and it was a short order refinery. We always tried to say, "Boy, you tell us what you want, and we'll make it." (chuckle)

Marcello: I should have had your comments on this earlier, and I think

it applies in your own case. As all of these national refineries are coming on the line, is it not true that Bahrain is supplying them, at least in part, with technical expertise and personnel? In your own case, you go to Batangas.

Josephson: Oh, yes. In my own case, while I was vice-president and general manager and later president, in practically every refinery that Caltex had, you could look some place, and you'd see an ex-Bapco man, either as refinery manager, assistant manager, superintendent, or maintenance superintendent. I think there for a while practically every country that had national refineries, you'd see somebody that had been in Bahrain at one time or another. It was a great source of supply for personnel.

Marcello: Was this a conscious Caltex policy? In other words, would Caltex maybe start people in Bahrain and see how they do there and then ship them out?

Josephson: They would send people out and ask us to train them. During the time I was there, I always tried to make it a policy that if any man--it didn't make any difference which job he was in, even at the supervisory level--was picked out tomorrow, I always had somebody ready that could step into his shoes. That was one of my strong points from a personal view. I didn't advertise it to the company, but I always told them, "If you need somebody, let me know." I always tried to have somebody that could step in and take over.

Marcello: In 1962, you're called back to New York. I think it was in 1962, wasn't it?

Josephson: Yes, 1962.

Marcello: You have a period there between 1962 and 1964 when you're dividing time between New York and South Africa.

Josephson: In 1962, I got into a little bit of an argument with the then vice-president. I was general manager. I got into an argument with him over policy, which I felt I was right and he felt I was wrong. The then president of Bapco came out, plus the coordinator from New York. Fortunately, the decision came in my favor, that he was being a little bit unjust with me, but both of us felt at that time that Bahrain was not big enough for both of us. The Indonesian job was coming up, so they brought me into New York and said, "Well, we want you to take over Indonesia." That would have probably have happened under any circumstances, but it just so happened that the thing that really sparked it at that particular time was--I might be talking out of school--this difference of opinion. It was the only time I ever had a disagreement with my boss. He was a little bit tough to get along with, but I stuck to my guns. Of course, when the decision came in my favor, when it was all arbitrated by the "powers that be" in New York, they did send me to South Africa in 1962. The Indonesian refining didn't develop.

Marcello: As you look back on this difference of opinion that you had

with your boss, was it a major policy decision?

Josephson: No, it was not. It was just a pet peeve with him. He was jealous.

Marcello: Okay, so you're sent back to New York. What do you do in New York?

Josephson: Well, when I first went back there, they were talking about building the refinery in Indonesia in 1962. It was a case where the company did not want to build a refinery in Indonesia, but the Indonesian government was wanting one. They said that I might be going down there if the government insisted on having a refinery. They sent me out a letter to Bahrain saying that they wanted me to come home, and that would be probably what I'd do. It was while I was home on vacation that the Indonesian refinery fell through, and the South African refinery blossomed. So instead of going to Indonesia, they later put me in charge of the South African refinery.

Marcello: Now that was not the building of a refinery in South Africa.

Josephson: Oh, yes, as it developed.

Marcello: That was the building of a new refinery?

Josephson: Oh, yes, going in there and negotiating. Actually, the thing that got me in such a panic on that was that I was home on vacation. I was up here on a river not more than twenty-five miles from here fishing with friends of ours. I was down on the river fishing, and my wife came down, and she says, "You just had a call from the operator in New York

that they want you to call the New York office immediately." I said, "Geez! How'd they know where to find me?" She said, "I don't know." She says, "The operator says she's been looking for me for about three days." So when I got on the phone and called our New York office, the first thing they said, was, "Where the heck are you?" I said, "I'm fishing on the Rogue River in Oregon. What's up?" "Where's your passport?" I said, "California." And he said, "We've got a problem in South Africa." This was on a Thursday. "We've got to have you down there by next Tuesday for a meeting with the government on a refinery in South Africa. We're planning on building this one, and there is a location problem. We want you to get down there as soon as possible." So I said, "How soon do you need me back in New York?" I said, "This is Thursday. I'll go home tomorrow and get my passport, and I can catch the night plane to New York, and I'll be in New York 7:00 Saturday morning." "Good. We'll have a group waiting." At this time I didn't even know they were talking about a refinery in South Africa.

So I spent all day Saturday getting briefed on what the problems were. Then I took the night plane to London and spent all day Sunday in the London office getting more briefings on some of the things that were being considered in the refinery down there. I got on the night plane to get into Cape Town in order to be there by Tuesday for a

meeting with the managing director and the government on refinery locations. I made it all right, but I hadn't had much sleep.

Marcello: Now did you stay down there during the actual construction of the refinery?

Josephson: First, I went down and got that all settled. Then I went back to New York and told them what we were doing, and they said, "Well, fine. We need a coordinator, so you're assigned to coordinate the design and construction of the refinery." So they put me on that job. I worked about four or five months in New York on coordinating it. Elsie came and joined me in New York. After we got the design all worked out, I went back down to Cape Town and began getting ready for setting up an organization down there for construction. I came back into New York after we had all of our household stuff sent down there. We had just rented an apartment, and we got some new furniture built and were getting all ready to settle in in South Africa for what I thought was the balance of my time with Caltex.

I was just finishing up a meeting in New York, and the secretary of the Engineering Department came in. We had just let the contract to a bidder. I'd had a little problem with one of Texaco's coordinators on how we built a refinery and the design of it and one thing or another. He and I hadn't gotten along very well during that period, but I

thought we had all of our differences straightened out. Anyway, she put this note in front of me and said, "You're wanted immediately in the board room." The only thing I thought was, "What's going wrong now? What's happened?" So I went up there, and they were sitting around the table.

Marcello: This is the Caltex Executive Board.

Josephson: This is the Caltex Executive Board.

Marcello: Or Executive Committee.

Josephson: Yes. Well, it was the chairman of the board, and Nichols, who was vice-president. I can't remember who all was there. Anyway, he says, "Well, Joe, you've done a pretty good job on the refinery down there. Everything looks just great. How soon can you be back in Bahrain?" I thought, "For God's sake! I've just gone down there and been made a vice-president down there." See, my future was going to be in (chuckle) South Africa. They kind of laughed. I guess I must have turned a little bit pale, but Mr. Nichols said, "Well, we'll give you until tomorrow morning to say 'yes.' Come in and I'll tell you about it tomorrow morning."

Marcello: They hadn't told you at this point yet that you would be vice-president and general manager. So this is 1968, and you're now back in Bahrain?

Josephson: This is 1964, and I'm back in Bahrain. I was two years in South Africa.

Marcello: That's right. I'm sorry.

Josephson: 1962 to 1964. I was there almost two years to the day.

Marcello: And you're actually vice-president and general manager at this point.

Josephson: I'm coming back as vice-president and general manager and taking over the same job that my predecessor had. At that time the president was in New York. The vice-president and general manager was in charge of everything. I had a refinery manager under me, but as vice-president and general manager, I was government relations and refining.

Marcello: So you're actually running the whole show now.

Josephson: The whole ball of wax, yes.

Marcello: Okay, you're in charge. What are you going to do differently?

Josephson: The main thing, when I got back, was to mend the fences between the government and the company.

Marcello: What was the problem?

Josephson: I'd rather not mention it. It was strictly a personal problem between the then vice-president and general manager and the government.

Marcello: It was a personality clash.

Josephson: Personality clash between the two of them. I'd rather not go into that.

Marcello: So how'd you go about mending the problem?

Josephson: By just treating him like he was the ruler of Bahrain, not that he was supposed to do what the company said, we did what he wanted. It was no problem. It was just the other

fellow being unreasonable. It was easy for me to fit in. I never had any problem at all. Within a week after I was back there...well, the day I arrived, the ruler came to meet the plane, which was unusual.

Marcello: Now during this period from 1964 on, what plans does New York have for Bapco?

Josephson: Nothing new on expansion there. It was just to streamline the refinery as much as we could; keep the costs down because with all the competition we were having from the other new refineries around the world. We wanted to keep production up, but the main thing was to run that refinery just as efficiently as we possibly could. As I say, in my refining experience, I kind of prided myself in always running a pretty tight ship. I think I had that reputation with our people in New York.

Marcello: Now in a situation like this, where you're the number one person with Bapco, can you pull people out of other refineries in other parts of the Caltex system if you so desire? I mean, obviously after getting somebody's approval to do so.

Josephson: The main people that we were concentrating on was trying to get...we were looking for more oil at that time, and we were trying to expand our Exploration and Producing Department. We did bring men in from Socal and some from Texaco on exploration--specialists. Those were about the only additional people that we asked for, was just somebody to try to help

us do everything we could to find more oil in Bahrain. That was our main thrust at that time, which, as I say, we were never able to do it. Most of the time, New York would say, "Well, we'd like to send so-and-so out for some field training." They'd leave it up to me to put him on a program to give him the information to help him wherever they were eventually going to send him. That's why I say that if you go around to any of the operations in Caltex, you could always find somebody that was from Bahrain.

We had a unique operation in Bahrain, really, because we had exploration, producing, drilling, refining, marketing, and shipping. We had the whole ball of wax out there.

Marcello: I was going to ask you about it awhile ago. I'm glad you mentioned it. I usually think of Caltex as being marketing and refining and leaving the exploration and drilling to somebody else. That's where Amoseas normally comes in.

Josephson: Right. Basically, we reported to Amoseas on that, but all of our exploration came under the management of Bahrain Petroleum Company.

Marcello: That's unique, is it not, in the Caltex system?

Josephson: It was, but it was a way of growing because you have to remember that that's where oil was found in the Middle East. It was on Bahrain. Bahrain was first. Bahrain Petroleum

Company was an exploration and crude-producing operation. The refinery was built as an outlet for getting rid of the crude. Then Caltex was formed as an outlet to get rid of the refined products by a good marketing organization: Texaco.

Marcello: As you look back, can you believe that Standard Oil of California got that concession for \$50,000?

Josephson: Well, under the circumstance, yes. Who had been out there? British Petroleum had been out there.

Marcello: Eastern and General Syndicate or something like that.

Josephson: Eastern and General Syndicate were the promoters.

They were the ones that got paid royalties on it, which used to gripe the hell out of me (chuckle), because we had to pay them royalties. Eastern and General Syndicate were the promoters of it, but British Petroleum had been in there looking for oil, and I think they had one of their top geologists make the remark--I think there was an article in the Saturday Evening Post about it way back--that John Bull's face was red. That's after Socal found the oil out there. They had had the concession and looked around for oil, and their lead geologist said he'd drink all the oil they ever found in Bahrain or some such comment as that. This was way back in 1925 or 1926, before I knew too much about Bahrain.

I didn't start learning about Bahrain until about 1930, when they started building the refinery. I got in on some of the refinery operation problems--writing operating

instructions and so forth. Then British Petroleum, as I recall, sold their concession rights to Gulf. Gulf at that time was operating in Kuwait. Gulf decided that they didn't want it, so they made a deal with Socal: "Well, we'll give it to you for \$50,000." They thought, "That's just \$50,000 in our pocket. We sold them a nice lemon." I think that's about what went through their mind. Let's see...who was the chairman of our board at that time?

Marcello: It wasn't Kingsbury, was it?

Josephson: Kingsbury, that's right. It was Kingsbury. I think that when he agreed to take it, he wasn't sure. They sent Ed Skinner and Fred Davies out there--two top-grade geologists. Fred Davies looked over the structure, and he said, "By golly, this is a natural for an outcropping of an oil field." He concluded this just by looking at the physical outcroppings. If you look at Bahrain and see that periphery of anticlines all around in the center of it, it's what you might refer to as a textbook field. They decided to drill: "We think there's oil here." I don't know how many months later they hit oil. From the first hole, they hit oil.

Marcello: And then to add to that story--at least from what I've heard--some geologist looked across at Saudi Arabia...

Josephson: Saudi Arabia's the same. Ed Skinner and Fred Davies were out there, and they got on top of the jebal and looked over there. Of course, they had been looking at Saudi Arabia.

Marcello: And they said, "Hey! The terrain looks very similar."

Josephson: That's exactly right. That was Fred Davies and Ed Skinner. They went back, and with Lloyd Hamilton they negotiated the concession with Saudi Arabia, and they did that through a man named Twitchell, who was with American Cyanamid. He had been out in Saudi Arabia many, many years on the old King Solomon mines. They were reworking all of those tailings there and getting gold concentrate out. Twitchell had negotiated that. He was another promoter kind of like Frank Homes, who was the negotiator for the Bahrain concession and later with Eastern and General Syndicate. Twitchell helped Standard Oil get that concession, and they got the entire concession with Saudi Arabia. I didn't have too much to do with the company then--I was just a punk--but I can remember all those latrine stories about how they got this concession that was bigger than the state of California out in Saudi Arabia and what the hell are they going to do with it.

Marcello: Getting back to our story. You were the vice-president and general manager beginning in 1964, and then in 1968 you were made president and chief executive officer.

Josephson: Either it was 1967 or 1968. I can't remember.

Marcello: According to your vita sheet, it was 1968.

Josephson: Okay, 1968.

Marcello: At that stage, am I correct, from what you said awhile ago, that as president and chief executive officer of Bapco, you

are no longer in Bahrain? You moved back to New York.

Josephson: No.

Marcello: You stay in Bahrain.

Josephson: Up until that time, the office of the president and chief executive officer of Bahrain Petroleum had always been in New York. When they made me president, they said it was time that the president...Arabia had already said, "You know, we're getting tired of having to go to New York for everything. We want the chairman of the board out here." I don't know whether that had any influence on it or not, but they just said, "We're appointing you president, and your office will still be in Bahrain." I think His Highness liked it better that way, too.

Marcello: As I look at this period from 1964 until you retire in 1972, there are all sorts of--what I consider--important things that happened during this period. For instance, in 1967, the shareholders moved back into the European operation again, and Caltex has moved out. First of all, did that in any way effect the operations of Bapco?

Josephson: Not to my knowledge. No, we were still a hub refinery. We took care of all the short falls of the whole system.

Marcello: On the other hand, it's obvious that--at least back in New York--the shareholders were having certain problems. Did the repercussions of those problems ever filter down to Bapco?

Josephson: No. No, I never got in on that at all. My job was to run Bapco. I think they were just happy to let Bapco run out there. It was a good organization. They were not worrying about us. These things were all way above me.

Marcello: Okay, that takes care of one of those momentous things that happened that you didn't know much about and didn't concern you very much (chuckle). Something else came up in 1969. This would have been after you were president and chief executive officer. A new marketing company was established in Bahrain—Caltex-Al Khalij.

Josephson: Al Khalij.

Marcello: Describe how it all came about. What do you know about it?

Josephson: As I said, Bahrain was rather unique. At that particular time, our little marketing organization was just in Bahrain. We had supplied the service stations. We had one company-owned service station, but for almost all of them we had locals running the service stations. Our marketing operation was largely with the service stations that we had there. We had a big fueling contract for jet fuel, so we had quite an extensive jet fuel business.

Marcello: This was right there at the airport.

Josephson: Yes. Of course, those contracts were all let out of New York, but we had to supply them with oil. We supplied a certain amount of marine lubricants, too, to ships and so forth. That all came under our marketing organization.

We had a man set up there as marketing coordinator. Then we built a little asphalt plant, and it had been running and operating, and we shut it down when the asphalt business was not too great.

We were shipping liquified petroleum gas down to Abu Dhabi and to Dubai through a local dealer. They were importing all of their refined products there because they didn't have refineries down there. We got the idea that maybe... well, we had been shipping some refined products down there. We went down there, and we got a contract to supply an asphalt-based product for building roads, because they wanted to build roads. We built a little station down there where we could ship heated asphalt down in tankers and store it in heated tanks down there. We had a contract to supply both Abu Dhabi and Dubai with an asphalt-based product for road building.

While we were working on that, I had been down there, and they had a couple of service stations in there, and I thought, "Well, maybe we ought to get a service station." So I asked for permission from New York to see if they would be interested in getting a service station down there. They said, "Yes, but we don't think you can get one. We've never been able to break the market." I met the rulers of Dubai and Abu Dhabi. I'd met both of them on visits that they'd had with His Highness in Bahrain.

Through Bahrain government, I told His Highness that we would like to go down, and would he have any objections if we opened up some stations down there. He thought that would be great to ship product from Bahrain down there. He made some appointments for me to go down and see both the ruler of Abu Dhabi and the ruler of Dubai. The first visit I had was with the shaikh of Abu Dhabi. Anyway, I had a Bahraini who had come well up in the organization and who had been working with me, and I had him as administrative assistant to the president. Actually, his main job was to keep me informed on what the heck was going on around in Bahrain on employee problems and one thing and another. He was very well-liked among the Bahrainis. I told him that we were going down to talk to the shaikh about getting a service station down there. We'd looked at a location where we wanted to get one through one of our Bahraini representatives who was selling gas down there. The idea was that he would build a station if we could get him in there.

So we chartered a plane and flew down there, and we were supposed to meet the shaikh around 5:00 in the afternoon. We went to his local place there, and he wasn't there. Nobody seemed to know where he was. They have a wonderful way of shielding their rulers from people that are inquisitive (chuckle). It's hard to get to him unless you know exactly

what's going on. Finally, it worked out that, after piddling around, they finally said, "You can go to our guest house, and we'll let you know." It was always, "We'll let you know. We'll let you know." So we went ahead and had dinner, and it got to be 9:00: "We'll let you know." It got to be 10:00 at night: "We'll let you know." It got to be 11:00 at night: "We'll let you know."

So we were just sitting around there on pins and needles, and along about 12:30, one of the ruler's henchmen came in, and he said, "His Highness will see you. We will take you to him." We get into a Mercedes touring car with a driver, and, boy, we took out across the desert over the sand hills and around corners and up and down. After riding about forty-five minutes, we see a bunch of lights out there in the desert. We get up to a very short distance from that, and here's armed guards. They say, "Stop." "Well, we're coming to see the shaikh." We got in to see him. He's sitting in his little desert tent, on the ground, no chairs. He knew we were coming. He was well aware of it. They have a way of not being too anxious and not letting you think they're too anxious to see you. That's just a way of their life. I think probably, purposefully, he kept me waiting just to see what my reactions would be. Well, I was aware of those things, too.

So I went in and introduced myself. I just thanked

him for seeing me. By this time it was 1:00 in the morning. I just sat down, and we chatted. He mentioned that he had met me in Bahrain and how nice it was that I had come to meet him at the airport when he came into Bahrain. We just sat around there and chatted for maybe an hour or so. He was a great hunter, and I told him that I liked to hunt. He used to make trips into India and hunt tigers and stuff like that. He used to go up into Iran quite often, too, hunting. Anyway, we finally got around to business after an hour or so of drinking their Arab coffees and chatting. Our conversation was all through an interpreter. I didn't speak that much Arabic, and he spoke no English. The ruler of Bahrain spoke fluent English. Anyway, he got around to saying, "I understand you want an outlet here and would like to have permission to build a station." After just a few minutes of chatting he says, "Okay." So that was the way we got our feet in there. Then we went down and talked to the shaikh of Dubai and got permission to sell there. We built two service stations there, and that originally was under Bapco operations.

Neal Lilley was chairman of the board at that time. He had an appropriation on our budget for building the service stations and expanding the marketing operations. Lilley was a strong marketing man and a strong Caltex man. During that board meeting, he said, "Well, Joe, I know you talked about

putting this under Bahrain, and you got the man that can do it. But we think it would be better for you to keep your little Bapco marketing operation in Bahrain, and we'll set this up under Caltex jurisdiction, and that will relieve you of all responsibilities. We will approve the appropriation for the money." At that time they transferred the project over to the Caltex board. That's the way we got started in marketing down there.

Marcello: But eventually, I think, that gets into Kuwait, Muscat, Oman, Qatar?

Josephson: No, we never built anything in Kuwait. Muscat, yes, and Oman. That came after my time. No, we never had an outlet in Kuwait. Kuwait had its own refinery. Yes, Muscat, Oman. Well, Oman and Muscat are all one and the same.

Marcello: How about Qatar?

Josephson: I don't know that. Those things all took place after I retired. The two outlets in Abu Dhabi and Dubai...also, we went down and talked to the ruler in Sharjah, and we got permission to put one in down there. That was before I retired. But the actual development of that all came afterwards. They set up a Caltex man in Bahrain. His office was in Bahrain, but he just had an office space in our building. He was in charge of marketing in the Trucial States. But it was taken completely out of Bapco's hands after that board meeting.

Marcello: Another rather serious event or situation that occurred while you were CEO of Bapco was the Iranian claims on Bahrain. We talked a little bit about this off the record. How did Bapco get involved in that, or how did it affect Bapco?

Josephson: As I said, the Shah of Iran at that time...I can't remember ...1969 or whenever it was. Every once in a while, all during the years that I'd been out there, they would do some, what we call, sabre-rattling in Iran. I think mainly it was probably to take tensions off some internal problem. I think they'd say, "Well, let's go back and take over Bahrain. Bahrain is our territory, and it was taken away from us." So they used to sabre-rattle like that. After Bahrain got its independence and was no longer under the...well, it was still...in their white paper agreement, they had an agreement that in the event of an attack, Britain would come to their rescue. That was typical of what they did. They had the same agreement with Kuwait.

I can't remember timing on it, but, anyway, there was an awful lot of sabre-rattling in Iran about sending a fleet over and taking over Bahrain, and it just scared the dickens out of the ruler. His minister of the interior was a very close friend of mine, Shaikh Mohammed Ben Mubarek. He was a very outstanding young man. He was scared to death. I had told him, "There's just no way that Iran is ever going to take over Bahrain. Number one, I don't feel that the

United States would allow that to happen." I said, "Your friends, the British, won't let it happen." "Oh, yes, but they could come in overnight." I said, "I don't think they will."

I was keeping New York informed of all this. I used to write confidential reports on political situations. I had to do that every month. I don't know how New York got George Balleau involved in it, and I think the other man's name was Malloy. You could get that information probably from Jim Voss or Bill Tucker, either one. It wasn't an important thing. Anyway, they went to Iran. Balleau was a very highly thought of government relations man with Standard Oil of California. For years he was on that job until he retired in 1974 or 1975. But they sent George and this other person that knew Iran pretty well. They went out and talked to the Shah just to find out how serious this was. I think the Shah, from what they told me, admitted that it was a scare tactic and that they didn't think that they would ever try to take over Bahrain because by this time they were both members of the United Nations. There again, the company had helped Bahrain to be a member of the United Nations.

We went and talked to the ruler, and they suggested that they have the plebiscite. The ruler at first was scared to death. He was afraid to have one. He was afraid that there was enough unrest among the Iranians in Bahrain

that they might go against him. They finally convinced him that it was the thing to do. They had the plebiscite, and it was just 100 percent in favor of His Highness. I don't think there was an Iranian in Bahrain that didn't pledge his loyalty to the ruler.

Marcello: So it is the Iranian claims on Bahrain that lead to the plebiscite whereby Britain terminated the protectorship?

Josephson: No. The protectorship was terminated before that. That's why the ruler was so frightened. I'm pretty sure on the timing that the plebiscite was after granting Bahrain its independence. That's what worried His Highness so. I think that's correct.

Marcello: I'm reading my notes wrong. You are correct. That's correct.

Josephson: That was a big assist to the well-being of Bahrain, and that was largely a company push to help the ruler in establishing his rights there.

Marcello: Could the company do such things as go to the Bahrainis who were working for Bapco and say, "Well, if I were you, I think I'd vote for the...."

Josephson: We encouraged that. Our employees were all loyal to His Highness. They knew what we did for them and the top Bahraini employees. As I say, through this fellow that I had--his name leaves me now--he was the Bahraini administrative assistant to the president, and he was my go-between with the employees. I worked directly with the government. We

kept the employees well-informed about how the company felt about the association between the ruler and Iran and one thing and another and how our feelings were. The workers knew how well off they were. They knew it. The ruler was, as I say, a very gracious and just a wonderful man, but he had a feeling that maybe some of these Iranians that we had here...there was a Shi'ite faction in Bahrain. They were a little bit militant, but when they were asked, "Would you rather be under the Iranian government or the Bahrain government," there wasn't a darn one of them who said Iran. They wanted to stay in Bahrain. I think that was 100 percent. I don't think there was any that they interviewed out there that didn't pledge their allegiance to the ruler.

Marcello: Now there are a couple more political events that I also want to cover. It seems like a great many of the things that happened when you were CEO out there involved political things not of your own making.

Josephson: I got into a lot of them.

Marcello: Well, you mentioned a moment ago that the company was also instrumental in the admission of Bahrain to the United Nations. Discuss that.

Josephson: They helped promote that, yes.

Marcello: What can you tell me about that?

Josephson: Well, I can't tell you too much about the negotiations that took place. Standard Oil and Texaco, through their Washington

diplomatic service, worked in favor of getting Bahrain in. They just kept plugging and pointing out the value of having Bahrain in the United Nations.

Marcello: This has absolutely nothing to do with what we've been talking about, but it just came to my mind, and we need to get it on the record, I guess. In terms of paid holidays and things like that, did Bapco grant its workers perhaps "X" number of Moslem holidays and things of that nature?

Josephson: All of the Moslem holidays were observed by the company, yes--all of them. In our operations Thursday and Friday were our days off. Friday was a Moslem holiday. To get to the five-day week, Thursday and Friday were the days off. Saturday was the first day of the week. We observed all of those holidays. Plus, we observed most of the American holidays such as Christmas and New Year. We also observed the Queen's birthday. Those were company holidays. The Bahrainis got all of those, also, so there were probably more holidays out there when you took the ones that we observed. But all the rest of them were Moslem holidays. Then we also observed the birthday of the ruler. There were quite a few holidays. Basically, all of our holidays were revolving around the typical holidays of the Bahrain government and the Islamic religion.

Marcello: How did OPEC and the Arab oil embargoes of 1967 affect the operations of Bapco?

Jospelson: It just about closed us down. That was a very interesting period. That was in 1967. I had always been interested in Rotary. In 1967 the International Rotary Conference was in Nice. Shaikh Mohammed, being the charter president of our club, went along with us. Quite a group of us went from Bahrain to the international conference in Nice. We were aware that Nasser was going to cause trouble somewhere along the line. It was while we were at this conference that I got up one morning, and I heard where Nasser had crossed the Nile to attack Israel. I immediately got hold of Shaikh Mohammed, and I said, "Did you hear the news this morning?" He said, "Yes." I said, "We better take a plane immediately." This was right in the middle of the conference in Nice. I said, "We better take a plane immediately and get back to Bahrain." He said, "Do you think so?" I said, "Yes, very definitely. You should be back in Bahrain, and I feel I should be back, too. I don't know what's liable to happen with everything being very critical." He said, "Okay." So we made reservations to go back, and we told the other people that were in our group, "You can stay, but we recommend that you come back as soon as you can." So Shaikh Mohammed, Elsie, and I took off and got back to Bahrain. I think the day after we go back, all the air-corridors were closed. They were closed for about a week; if you remember, during that time. If we hadn't gone back

when we did, why, we would've been stuck in Nice.

When we got back to Bahrain, it was tense. The Bahrainis got pretty agitated. They were mad at the company for supplying materials to the Israelis. This was something that had been boiling for a long time. The Arabs were unhappy about what they felt was the unequal handling of our association with Israel and the Arab world, which is still going on.

Anyway, it wasn't long before Saudi Arabia said it was not going to supply any more oil to either England or America for their support of the Israelis against the Arabs. The same thing came out in Bahrain. At that time, we were still in the Vietnam War, and we were supplying a tremendous amount of...I think about 35,000 barrels a day of jet fuel was going to Vietnam for the Air Force, and also fuel oil for the fleet. Theoretically, we should've been shut down because, as I say, the Arab countries got together and said they would supply no more oil to American operations.

I went to the ruler and said, "The heart of the Bahrain operations for many years has been our supply contracts with the U.S. Navy and the armed forces." I said, "If we cannot continue to supply that, it's going to jeopardize us very dearly." He asked, "But how can I let you ship?" I said, "Well, let me do it very quietly. I will put out a notice that I will guarantee that no oil from Bahrain will go to any U.S. or British port." Now they didn't care if we sent

oil to Spain or oil to some of the other countries, but the embargo that Saudi Arabia and all the Arab countries put on at that time was strictly against the United States and Britain. I went also to the political resident, and I said, "It's very important that we try to keep our refinery running." We had threats of a shutdown, and a lot of our workers walked off the job. As I say, I was almost living in the ruler's pocket for weeks there while we were working on all this.

I also sent cables in to New York and kept telling them, "If you'll send non-military ships to Bahrain, we will load them." Before, all of our military supplies went out in what we called the "Gray Ships"--the U.S. Navy transport ships--the big tankers. I said, "If you'll send in merchant ships, we can continue to load." When I'd gotten permission from His Highness, I said, "I will not load anymore U.S. military ships." I lied a little bit, I suppose. I also put out a notice that we would not load any ships that are either going to Britain or the United States. That was published in the papers and announced over the radio that Bapco would not do that so the employees should keep on working.

Through the British residency, and working with him and through the company, the British turned over a lot of ships to us. We would load just regular merchant ships, and some of them would go out to sea and transfer into a Navy cargo

vessel. We did that kind of on the quiet for about two or three weeks before it got settled down. So we were able to keep our contracts going, much to the Pentagon's surprise and to New York's surprise.

Marcello: Well, if anybody had been watching, where would they have thought all this jet fuel was going?

Josephson: Nobody knew except us, and the ruler knew where it was going. Actually, at that time they were not interested. They knew we supplied the Navy's ships. As a matter of fact, the flagship of the commander of Middle East forces was in Bahrain at that time. Of course, I worked very closely with him, too. I said, "We'll load the bloody ships if we can get non-Navy ships in there." It worked out; it was successful. We satisfied the fear of the ruler by guaranteeing we wouldn't ship anything to England, and we wouldn't ship anything to America. They didn't know how much we shipped, anyway. Of course, the Arab embargo that came out worldwide was against America and England--no supplies to either of those countries. Theoretically, we were right because we were not sending any fuel oil or jet fuel to America. It was in our Vietnam operations where it was critical. So in a way, we were telling the truth, and we circumvented the boycott.

Saudi Arabia wasn't as lucky. They were shut down completely. They wouldn't let them hardly ship anything out of there, while we managed to do so. I had good support

from the ruler's younger brother, Sheik Mohamed. We were having trouble out on the refinery, and then the boys on the shipping terminal, where the tankers came in, were scared to death. They and their families were threatened. All company employees' families were threatened: "If you do anything to circumvent this boycott, why, look out!" These were radicals within Bahrain. Sheik Mohamed went out to the wharf with me one afternoon, and he said, "We want you to support the company as much as you can. Mr. Josephson has guaranteed that none of this oil is going to the United States or England. Help him to keep the oil flowing out of Bahrain. It's for your own good." They all went back to work. Of course, after a week or ten days, it quieted down again, and things came back to normal. But it was critical...very critical.

Marcello: In all of this, are you working in any way with any officials or representatives with the United States government, or are you keeping them out of this altogether?

Josephson: Oh, no, I worked very closely with the commander of the Middle East forces who had direct contact with the Pentagon. Neither New York nor the Pentagon thought this could be done. They said, "Well, Josephson must be crazy. How can he load those ships?" They were diverting ships to other ports and desperately trying to find where they could get jet fuel to support the operations of Vietnam to the point where they were about to put a very strict ration on all jet fuel operations

here in America. Through our efforts, we loaded ships and got them going, and we got around that operation, luckily (chuckle).

Marcello: From time to time, I have to ask these kinds of questions when they pop into my mind, or otherwise I'll forget them later on. Again, this is another question that's out of sequence. We may have mentioned this briefly earlier in our conversation. At one time was everything shipped out of Bahrain by the case-and-can method?

Josephson: No.

Marcello: Never? They always had bulk terminals and so on.

Josephson: The only thing we ever shipped out in case-and-cans was asphalt. After we built our asphalt plant, we shipped asphalt to India in cartons and drums. That went out in these little typical containers that you ship asphalt in. But those went out solid. No, we never shipped anything else in cans. We used to ship propane--bottled gas--down into India. We filled those bottles and shipped them down to India. In thinking back I believe some diesel was shipped in drums.

Marcello: As you look back, can you give me some sort of an idea as to how the product make-up changed over the years at Bahrain? For instance, if you go back to the pre-World War II period, when you had those markets in India, China, and places like that, I'm assuming kerosene would have been a big product.

Josephson: Gasoline and kerosene were the big products. That's why we went into coking in the early days, because we didn't have a market for the residuals. In order to get maximum out of a barrel of crude, why, they built the coking units in early 1938 and 1939.

Marcello: Okay, so before the war, it was gasoline and kerosene and maybe other products.

Josephson: Diesel.

Marcello: Okay, how does it change in the years that follow?

Josephson: Well, in the years that followed, as jet fuel started coming in then, why, more of your product was turned into jet fuel.

Marcello: How about just plain fuel oil?

Josephson: And plain fuel oil. We went back into supplying fuel oil and diesel. But the emphasis went on to jet fuel, and still is. Jet fuel is a big market, and diesel is a big market now.

Marcello: So at the time you left Bahrain, what was the principal product at that time?

Josephson: Gasoline, I suppose. Gasoline and jet fuel were our biggest products. Then we always supplied a lot of diesel for military and industrial use. We shipped a lot of fuel oil into Japan. They were our largest consumers.

Marcello: I guess Japan was really the country that made Caltex in the postwar era, is it not?

Josephson: Oh, yes, Japan used an awful lot of products from Caltex--

big operations. Caltex handled all the crude sales, and a lot of that went into Japan. What'd we have? Three or four refineries at least. I mean, they were owned half-and-half. Caltex was involved in 50-50 operations in all of those refineries there. Yes, Japan was an awfully important part for Caltex in its expansion in the postwar period.

Marcello: This is beyond the scope of your experience, but, of course, it was in 1979 and 1980 that the government in essence takes over Bapco in Bahrain.

Josephson: I didn't get in on too much of that. I knew about it, and I followed it as much as I could, but it was something that was being talked about even before I retired. I don't know. I used to say, even in 1971 and 1972, that if the oil industry as a whole didn't change its policies on the payment of revenue into the host countries, they were going to rebel sometime or other and demand more. We weren't paying really too much in those days. It wasn't long before OPEC came into being, and I guess everybody knows what happened after that.

Marcello: How was the royalty payment to the shaikh arrived at?

Josephson: It was an accepted world-wide policy of a 50-50 thing, where the company would go in and spend all the money for exploration--this was on crude--exploring and developing the field. If they didn't find oil, that was the risk they were taking; if they found oil, then the governments would share on a 50-50 basis and gradually pay back their 50 percent

cost to the company of the exploration and development of the fields. That was a typical arrangement. They split the profits on a 50-50 basis.

Marcello: That's the way it was when you were CEO there.

Josephson: It was still that way. It got up to \$2.86 a barrel or something like that, but it still wasn't very much.

Marcello: Well, I believe I mentioned this to you earlier in the interview. My research indicated that the original concession paid the Bahrainis 14¢ a barrel, and then in 1949 the rupee was devalued and all that sort of thing, and the payment went up to 29¢ a barrel. And then in 1952--and I think this was in line with the general tendency in the whole area--there was the 50-50 profit sharing of new income.

Josephson: In those early days, I wasn't in on how much went to the government and how much went to the company, but I know it was always in favor of the company.

Marcello: During the period when you were CEO, did the Shaikh ever threaten you either directly or indirectly to the effect that if the company didn't increase the royalty that there was a good possibility that expropriation might occur?

Josephson: No, there was never a threat, but he did talk about having more of a share of it. But he never, ever did it as a threat. I wasn't in on that; it came after my time. But the relationship was on a friendly basis. They might have gotten into some little arguments on some of the finer points,

but it was one of those things that the Saudis had already taken over. It was just obvious that Caltex was going to have to do something with the Bahrain government.

Marcello: And I guess the Shaikh couldn't do anything earlier because if he took over the refinery and so on, he had nobody to run it.

Josephson: There was always that relationship, just like Aramco runs all of the operations for the Saudis now. I don't think there was ever any doubt in his mind that he would work out something where Caltex would be the operator and market it for him. They knew that they couldn't market it, just like the Saudis knew that they couldn't do all their marketing. They do sell some of their crude direct, but not much.

Marcello: Well, like I said earlier, that seemed to be a pretty good deal, considering that Bapco once paid a quarter a barrel for the oil and sell it to Caltex for \$1.05 or \$1.15 and then have Caltex sell it for whatever the traffic would bear, in essence.

Josephson: Yes. Well, those were intrigues that, as I say, I didn't get in on in those early days.

Marcello: I've got one last question, Mr. Josephson. From time to time as I've done these interviews, I hear some of the retired executives talk about the "Caltex family," and what they seem to imply is there is a close bond that has developed among the various executives or employees of the

company. Are you familiar or aware of something like the "Caltex family?"

Josephson: I think all of the Caltex organization is like it was in Bahrain. We were a close-knit organization, and they still are out in Bahrain. I don't know whether you can say it's a family relationship, but I've always felt that there was a good rapport between all of the executives in the company and the people that ran it.

Marcello: Didn't you mention something in one of our off-the-record conversations? You mentioned that to this day, you still conduct letter correspondence with various colleagues in the company, do you not?

Josephson: Not as many as I did. I probably correspond with more of my Bahraini friends in Bahrain than I do with company officials. My secretary that I had for many years, Miss Picken, we keep in close contact. She never tells me any secrets, but she fills me in on a little bit of the scuttlebutt that's going on. Some of the fellows that took over from me, I've written to them. But after I retired, I felt, "You've got to let loose, and those guys are running it now."

Marcello: I do have one last question. In our conversations today, you seem to have talked more about Bapco than you have about Caltex.

Josephson: Well, I'm a Bapco man, really. See, I was seven years with Caltex in the Philippines and two years in South Africa,

but there again, when I first went out to South Africa, my main objective was to get the refinery built. Then I thought I'd be coming back to Bahrain. But laterally they set me up, I guess, officially or unofficially--I don't know--as vice-president in charge of operations for the short time I was there and would eventually have had more responsibility in that operation. And then I got sent back to Bahrain, and that was all withdrawn.

So my affiliation with Caltex as a marketing group... I never felt that I was ever an integral part of that. My job has always been to refine the oil and turn out the products. Let the marketing people take care of sales. That's how we in the refinery felt. All of the refinery people said, "Well, we're refiners, and they're marketing people." I don't care whether it's Bahrain or fellows who were managers at, say, Kurnell or India or Korea, wherever. Those fellows feel that they're refinery people. Well, they were although they worked closely with the marketing people. They're still an affiliation in the refining operations in New York, and there still is a refining division in New York that takes care of the refining problems for all of the refineries. It's just like the marketing directors of the various areas. All they do is watch over that area. And we have the same organization in Dallas now that does nothing else but watch over the refining operations of all the refineries throughout

the system. So you do have a close-knit marketing organization, and you have a close-knit refining organization. In Bahrain that's the only one where you have the exploration and work with Amoseas. At one time an Amoseas man was president of Bapco.

Marcello: Well, I think that's a pretty good place to end this interview. on behalf of Caltex, I want to thank...

Josephson: Well, there's a lot in this that you'll have to verify. I don't remember dates and names too well. Some of the things I remember might be figments of my imagination or things that I secretly may have liked to have seen happen.

Marcello: Well, the dates are a part of the record. That sort of thing can easily be found. But again, on behalf of Caltex, I want to thank you for having taken time today to talk with me.

Josephson: Personally, I don't think I've added an awful lot to what you haven't gotten already from other people. Most of mine is personal experiences that I've had.

Marcello: Well, this is a way of verifying and corroborating what they said.