


9

From Aramco to Saudi Aramco 1985-1990

"If I were pressed to state the single most important factor in the mutual respect that characterized the Saudi Aramco relationship, it would be the company's training programs."

— Robert L. Norberg

 On Tuesday, November 8, 1988, the Arabian American Oil Company, better known as Aramco, ceased to be the producing agent for Saudi oil. In a meeting in Riyadh that evening the Saudi government Council of Ministers approved a charter for a new national oil company — the Saudi Arabian Oil Company.

The new charter seemed little more than a technicality since, as a practical matter, the Saudi government gained control of Aramco in 1980 when it purchased the assets of the company from American shareholders. For most people it merely meant that the company had a new name; in common parlance it was Saudi Aramco instead of Aramco. Yet, it was a notable change.

Saudi Aramco was now Saudi by law and by name as well as in practice. The company's top executives were Saudis. Seven months earlier at a board meeting in Houston, the Saudi government's Minister of Petroleum and Mineral Resources, Hisham M. Nazer, was named chairman of the Aramco Board of Directors. At the same time, Ali I. Al-Naimi, the company president, assumed the additional title of chief executive officer. Executive Vice President Nassir M. Al-Ajmi was next in the company's chain of command, followed by five senior vice presidents, all Saudis. The senior vice presidents were Nabil I. Al-Bassam, Abdallah G. Al-Ghanim, Abdelaziz M. Al-Hokail, Sadad I. Hussein and Abdallah S. Jum'ah.

John J. Kelberer, the company's last American board chairman and chief executive officer, stepped down in favor of the new Saudi leadership in April 1988. He remained on the board of directors and served as its vice chairman until his retirement a year later. "One of my most satisfying accomplishments as chairman," Kelberer said in a retirement statement, "was the development of Saudi nationals." During his 10 years as head of the company, the ratio of Saudis in the work force climbed from 52 percent to 73 percent, and the ratio of Saudis in supervisory positions increased from 41 percent to 77 percent.

*Opposite:
An instructor
and Saudi
geologists in the
field near Dhahran.
Below: The new
Saudi Aramco
Board of Directors
at their first meet-
ing in Dhahran,
March 1989.*



The passage from Aramco to Saudi Aramco could hardly have been smoother or more congenial. The company newspaper, the *Arabian Sun*, announced the changeover in its November 16, 1988, edition, and printed an open letter from Ali Al-Naimi to all employees. It read, in part: "The most important asset that Saudi Aramco will have upon assuming its responsibilities will be the human resources of the current work force, its depth of experience, its technical competence and its loyalty.

"Working together, we can preserve the many Aramco accomplishments of the past, ensure the success of Saudi Aramco and continue to contribute to the future prosperity of the Kingdom. ...

"All employees may rest assured that all their current rights and benefits as Aramco employees will continue to be preserved and protected," Al-Naimi said.

For the average employee the most noticeable change, aside from the company name, was the modified company logo, an "S" inside the old Aramco "A" interwoven with the stylized letters "C" and "O." The logo was the idea of graphic designer 'Abd al-'Aziz Al-Rudwan and was approved by management in June 1989.

The Saudi Aramco Board of Directors held its inaugural meeting on March 14, 1989. For the first time since the oil company was founded more than 50 years earlier, the board of directors met without the presence of the American companies, the former partners in the Saudi concession. A long-term expatriate employee, Robert L. Norberg, assistant to the vice president of the company's Washington, D.C., office, noted

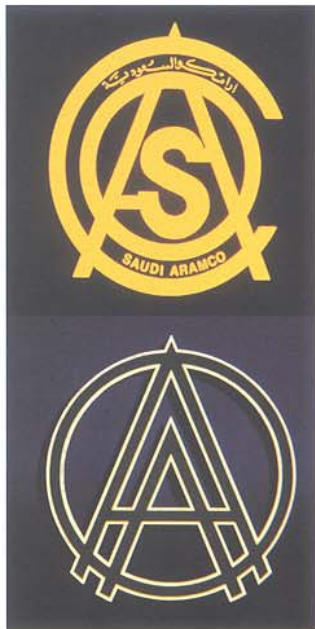
the passing of this era in company history. In a speech at Duke University in Durham, North Carolina, Norberg said: "This month, with the first board meeting of Saudi Aramco, we witnessed the final chapter of the special relationship as we've known it for more than half a century.

"If I were pressed to state the single most important factor in the mutual respect that characterized the Saudi Aramco relationship, it would be the company's training programs. Aramco worked hard toward its own redundancy. Today, the world's largest oil company is being run by Saudis, from the board room to the drilling rig floor. Fifty-six years ago, when the hiring and training of Saudis began, the average recruit was unschooled and illiterate."

Growth of Education in the Kingdom

In the intervening 56 years a Kingdom-wide network of schools had been created and illiteracy rates greatly reduced among both men and women. For the first time, elementary schools, intermediate schools and high schools were within easy reach of nearly every home in Saudi Arabia. These schools, constructed and operated almost entirely with revenue from the sale of Aramco petroleum products, provided tangible evidence of the impact of the oil industry.

In 1933, when the concession agreement was signed, only a handful of schools existed in the Kingdom, none of them in the Eastern Province where the oil company was headquartered. King 'Abd al-'Aziz instituted an extensive school construction program in 1945 which by 1951 had raised the number of schools in the Kingdom to 226, with 29,887 students. By 1970 there were 3,107 schools of all types, with a total enrollment of 547,000 students. Then came a period of exceptional growth. On average, two new schools opened somewhere in the Kingdom each weekday for the next 20 years. By 1989 there were more than 16,000 schools in Saudi Arabia, with an enrollment of 2.8 million students. These included 86 schools, with a total enrollment of 38,600 students, constructed by the company through the Aramco-Built Government Schools



New Saudi Aramco logo (top) and the old Aramco logo.

Program. More than 60 percent of Saudi students were still in elementary school. But, since 1970, the number of intermediate and high school students had risen to 737,000, a tenfold increase, and enrollment in the Kingdom's colleges and universities was 117,000, about 16 times higher than it had been in 1970. In the expansion year of 1982, the company hired more than 3,000 Saudi employees, about half of them college or high-school graduates. By 1988 the school system had evolved to the point where the company was able to restrict its hiring almost entirely to Saudis with high-school or college diplomas.

Saudi Aramco Responds to 1980 Oil Price Changes

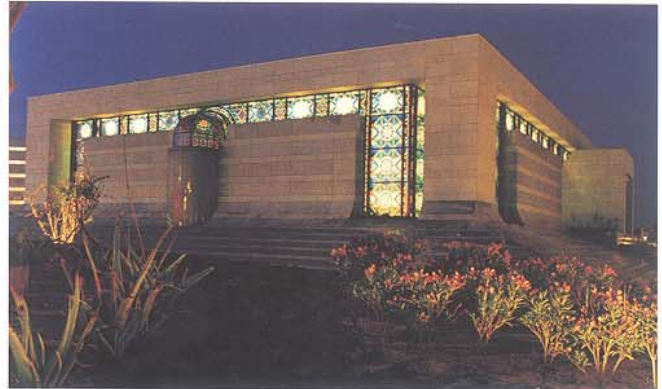
In the mid-1980s oil prices plunged as much as 70 percent below record highs reached earlier in the decade. Saudi Aramco responded by downsizing. Total employment fell from more than 60,000 in 1982 to 43,500 in 1987. More than 14,000 of the 17,000 positions eliminated had been held by expatriates.

Training & Career Development (T&CD) experienced sharp cutbacks in staff, spending and facilities during this time. Between 1983 and 1988, ITC/ITS enrollment declined by more than 50 percent, expenditures for training dropped by one-third, the number of persons employed full time in Training fell by 45 percent, and the space devoted to training activities was reduced by half. On May 1, 1986, T&CD and Employee Relations were consolidated into one administrative area called Employee Relations and Training. Seven months later, on January 1, 1987, training operations were reduced from three to two regional departments — the Southern Area Training Department under Zaki Ruhaimi in Abqaiq, and a newly combined Northern/Central Area Training Department headquartered in Dhahran under Thamer R. Al-Murshed. The Career Development Department was kept intact.

T&CD operations were concentrated in four facilities — the Dhahran North Training Complex opened in 1982 and the huge Aramco training centers opened a year or so later at Abqaiq, at Ras Tanura and in al-Hasa near Mubarratz.

The opening of four training centers, coupled with the decline in recruitment, resulted in a surplus of training space. T&CD mothballed some excess training facilities, turned others over to different departments, and demolished still others. The Ras Tanura ITC/ITS complex built in the 1950s was torn down. The nearby Rahimah ITC, also known as the Jones Camp, was mothballed. In 1985 an Abqaiq landmark, the "Green Building," a training site for industrial workers since 1979, was turned over to Southern Area Manufacturing. The Abqaiq ITC was closed and the building utilized for storage by the Medical Department. The portable buildings that had comprised Abqaiq's Mansur training complex since 1981 were either sold at auction, mothballed or demolished. Two of three buildings in the former Dhahran ITC/ITS center were turned over to the Medical Department in 1987, and the third building (No. 552) was converted to Training offices. The 'Udhailiyah ITC, which opened in 1984, was mothballed in 1987. Temporary buildings housing the old 'Udhailiyah ITC were sold at auction. A job skills training center in 'Udhailiyah's light industrial park was turned over for gas plant operator training. Instead of having nearly 1,500 classrooms and shops, as was called for in the business plan adopted five years earlier, Training operated only 825 classrooms and shops in 1987, of which nearly 30 percent were deemed to be excess space.

The central mosque in Dhahran, 1987.



Ali Daldin Becomes General Manager of T&CD

Training's leadership changed hands in 1986. Robert Luttrell left his post as vice president of Training and Career Development (T&CD) to become a technical and financial consultant in the United States. Luttrell was succeeded by Ali M. Daldin, who had been general manager of Training Operations. Daldin, who retained the title general manager, became the first Saudi to head the company's training organization, still the largest industrial training organization in the world, despite recent cutbacks. At the time, T&CD employed 1,700 teachers, trainers and support personnel and ran training programs for more than 11,000 Saudi employees a year.

Although his appointment as general manager was a significant moment in training history, it was not what Daldin personally considered the highlight of his career. "I would go back to January 1, 1984, when I was named general manager of Training Operations. That was my personal milestone," he said. "That was the time major training issues first came under my control. I did not have overall training responsibility, but I did have the key area reporting to me — the Program Development and Evaluation Division. That was the policymaker. Having it report to me meant I was in charge of all proposals, new training policies, programs and testing. Guiding the future, being instrumental in changing policies and procedures, was to me very important."

When Daldin became general manager of T&CD, the company's business plan called for a 20 percent reduction in training activity over the next five years. "We were surplus-ing teachers and trainers in considerable numbers," Daldin recalled. "Every year we were down by 100 to 175 trainers and staff." Among those who took early retirement were four bilingual trainers who had helped the company weather a critical period in its history. They were Khalil Nazzal and Ghazi Nassar, both originally from Palestine; Jamil Milhem, from Lebanon; and Wadie R. Abdelmalek, from Egypt. These four were among scores of Middle Easterners hired by Aramco in the '50s and early '60s, at a time when the largely non-Arabic-speaking training staff was close to being overwhelmed by the influx of young Saudi recruits. Frank Jarvis, one of the American trainers on staff at the time, believes the arrival of bilingual instructors averted a labor crisis.

"Back then they saved Aramco's hide," Jarvis said. "I don't think many people realize how the Middle Easterners kept the company going and how they kept the company from having severe labor problems. We had no books, we had nothing to teach these young kids who kept coming to us like a flood. The Middle Easterners could teach very well the lower levels of English, arithmetic and general science," he said. "They could teach in English. More importantly, they could teach bilingually."

Downturn Reversed

The petroleum market began showing signs of renewed vigor during the late 1980s. Oil prices climbed by more than \$4 a barrel during 1987, ending a five-year-long downward spiral. The company increased production in 1988 to an average of 4.92 million barrels of crude oil a day, the



Ali Daldin, fourth from right, at a day-long meeting of Aramco trainers in Dhahran.

highest amount in six years. At the same time, Saudi Aramco took on some heavy new responsibilities. At the direction of the government, the company's exploration activities, previously limited to a concession area in the eastern part of the country, were expanded to cover about two-thirds of the entire Kingdom, an area almost as large as the combined size of Germany, France and Spain. In November 1988, Saudi Aramco took its first step into the downstream oil business overseas by having its subsidiary, Saudi Refining Inc., enter into a joint



Signing the Star Enterprise agreement in London, 1988.

venture with Texaco to form Star Enterprise. The joint-venture partners were to refine, distribute and market petroleum products under the Texaco trademark in the eastern and southeastern part of the United States. That same month, Saudi Aramco took over direct marketing of gas and crude oil in the Kingdom. In addition, the company made plans to increase its sustained production capacity to 10 million barrels of oil per day. It would be a long-range, multi-billion-dollar project calling for reactivation of facilities mothballed earlier in the decade, construction of new facilities, costly upgrades of existing facilities, and the addition of hundreds of new employees.

Despite these new responsibilities and expectations for future growth, total employment remained static at about 43,000. Not surprisingly, there were questions raised about the availability of trained Saudi personnel to handle the increased workload. Thousands of expatriate craftsmen had been let go during the mid-1980s downsizing. In 1987 the ratio of expatriate employees in the work force, 27 percent, was the lowest since 1975. Saudis held 130 out of the 193 department head and above positions, and three-fourths of all supervisory jobs. But the process of Saudization in the industrial and clerical work forces had been uneven. For example, nearly all oil and gas plant operators were Saudis. An all-Saudi crew started up a new oil plant for the first time at Safaniya in 1983, yet Saudis occupied as few as one-third of the skill positions in some other job categories. Only one-fourth of Saudis in the industrial work force had reached the journeyman level. An analysis made during 1987 of nationalities in various job skills categories found 9,000 positions for which Saudis needed to be trained to replace expatriates.

The number of skilled and semiskilled Saudi workers in critical crafts such as instrument technician, electrician and machinist actually declined by three percent in 1986, mainly due to the company's early-retirement plan. Furthermore, line organizations were unhappy with the overall quality of new employees assigned to entry-level jobs in these fields. Training, which had just assumed responsibility for job skills training programs started by the line organizations, studied this issue and concluded that some of those employees had neither an aptitude for, nor an interest in, the work they were being asked to perform.

In the opinion of many veteran employees, much of the difficulty in the Saudization of craft fields could be traced to large-scale, direct hiring during the start-up of the maintenance training program in the early 1980s. Jim Nolan, former manager of the Maintenance Resource and Planning Department, was involved with the maintenance training program almost from the start. He said, "We hired many people directly onto the Aramco payroll that were not able to make it up to the standards we wanted. We should not have put them on the payroll. We should have put them in as apprentices and let them get through the basics, to determine whether they should become regular employees or not."