

9th October, 1935.

ALL COMMUNICATIONS TO BE ADDRESSED TO THE COMPANY.

شرکت سهامی نفت انگلیس و ایران
ANGLO-PERSIAN OIL COMPANY, LIMITED.

برمایه ۲۶ میلیون و پانصد هزار لیره که ۲۶ میلیون و ۱۳۳ هزار لیره آن
تأدیه شده است — ثبت شده در ایران به نمره ۲

LONDON AND ABADAN.

TELEGRAPHIC ADDRESS:
"ANGLOPERS."

لک ۱۵/۱۵/۳۵

ABADAN,

PRIVATE & CONFIDENTIAL.

PERSIAN GULF.

NO. NAG/193.

DATED 20th August 1935.

My dear Gass,

Many thanks for your letter dated the 31st July which describes the present trend of ideas at your end very clearly. These, I may say at once, make me uncomfortable, for I feel that they will, rightly or wrongly, cause unwelcome repercussions in Government circles.

Article 16(3) very definitely lays down that both parties agree to study and prepare a plan which will ensure the annual and progressive reduction of foreign employees, not the production of numbers of trained Iranian employees, although admittedly this is a means towards an end.

Any plan, if such a plan be possible indeed and the article as drafted be capable of fulfilment at all, must in my opinion contain a proposal, subject to the indeterminable factors involved, to reduce the numbers of our foreign employees by x and then $x + y$ and then $x + y + z$ per annum and so on. It is regrettable, but subject to the acts of God and man this is how I, and I am sure many others also, interpret the clause concerned.

If therefore there is any reason or commonsense in what I say, would it not be better to face the music and inform the Government that we have explored every possible avenue since the signature of the Concession to give effect to the provision of Article 16 clause (3), but that owing to the very numerous indeterminable factors and their exceeding complexity which face us in every direction, we are forced to the conclusion, that whilst the spirit and meaning of Article 16 is clear enough, the embodiment of clause (3) into a specific plan in such a manner as will satisfy and be agreed to by both parties is impossible of achievement.

We can only suggest, therefore, that a formula, implying a definite accomplishment be accepted, indicating the lines upon which the Company will do its best to fulfil its obligations,

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subject at all times to the indeterminable factors which have been referred to and specific mention of which can be made.

It is certain that the Government feel that they are entitled to some such proposal, and this it is surely in our power to make if its conditions are safeguarded in a proper manner.

In other words, we give practical evidence of our good faith, which is at present much doubted over this whole question, and at the same time arrange the affair so that we can turn round at any time and in justice say that the results have not been up to expectations for such and such reasons - reserving to ourselves the right to retain this prerogative always.

The formula, therefore, to which I refer, should take the shape of this implication, and it is still my opinion that we can afford and would be wise to offer a definite reduction in the number of our foreign employees for a given period only, after which the position must be reviewed. Any other alternative to my mind simply fails to deal with the agreement that we have made.

Let us then suppose we inform the Government that we are prepared, subject to clause (2) and other indeterminable factors, to reduce our foreign employees for example as follows:-

At the end of the	first year	by	20	or	10
"	second "	"	30	or	20
"	third "	"	45	or	30
"	fourth "	"	60	or	40
"	fifth "	"	80	or	50
"	sixth "	"	100	or	60
"	seventh "	"	130	or	70
"	eight "	"	160	or	80

Say a total of 685 or 360 in 8 years, and that in order to assist this endeavour we guarantee the following undertaking in addition to clause (4):-

- (a) To maintain a minimum number of 400 boys undergoing vocational and apprentice training at our Works in Iran.

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- (b) To contribute entirely towards the primary education of 800 boys and the secondary education of 200 boys in the Province of Khuzistan.

This then, in my opinion, is a plan which I contend would withstand the arbitration of any normal arbiters.

I appreciate very well that Idelson objects to our saddling ourselves with obligations which are so entirely beyond that which our Concession calls for, but my view is that you cannot have a plan based upon thin air, and you must have weapons to wage war and with which to attain your objective. It is for this reason that I regard a production plan alone as far too ephemeral, but a production plan plus a formula to work to has the semblance of some substance.

I can well understand, however, our reluctance to even imply that we can make a definite numerical reduction in our foreign employees each year, no matter how the proposal is surrounded by safeguards. This reluctance is due to the uncertainties brought about by fluctuations in the programme of work and throughput.

Is it not possible then to relate the number of foreigners whom we are required to employ to the annual expenditure, i.e. the Budget, and to the annual production. Thus for instance, can we say that a total Capital and Revenue expenditure of £1 million requires the employment of 400 foreigners to-day, and using this as a yardstick create a formula which would imply a reduction in the number of foreigners employed per £ million - also can we relate the numbers employed to production and work out a formula which would be in conformity with past results, that is to say the formula if applied to the past would give us the position which we are in to-day. In other words, can Mylles work out a relationship between the number of foreign employees, annual expenditure, and production over the past number of years. If so, instead of implying a reduction in accordance with the figures given above, which are quite arbitrary and make no allowance for fluctuations in programme, throughput, or expenditure, we might be able to imply a basic reduction on an agreed datum level which would be influenced arithmetically by the variations in the expenditure and production.

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For example, let the expenditure be £5 million per annum and the number of foreign employees 2000. Then under present circumstances an expenditure of £1 million implies the employment of 400 foreigners. Let us then take the expenditure of £1 million as the datum level and say that we can reduce the number of foreigners relevant to this at the rate of 20 per annum. Then after one year the number required per £ million is 380 and for £5 million, 1900, but should the expenditure rise to £6 million after 2 years then the number of foreigners permissible under the formula would be 2160 or

$$[400 - (20 \times 2)] \times 6$$

Now this is one curve and your next curve should be production in millions of Tons relative to foreign employees, and it might then be possible, by a combination of the two curves, to obtain a satisfactory relationship between the three factors concerned. The great advantage of this procedure, if it be possible, is that whilst we do our best to reduce, and possibly succeed, our basic figure, our totals always bear an automatic relation to the programme.

Yours sincerely,

H. O. Kingham

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