

The Oil Refinery in Rijeka: A story of survival

Velid Đekić traces the development of a business that was initiated by the Viennese Rothschilds in 1882, through changes of ownership, corporate structure and nationality.

At the moment when Milutin Barač, the technical director of the Fiume oil refinery,¹ finished writing his notice to the local police announcing that he would put the first facilities on trial the following day, as a seasoned expert he must have known that by signing this notice he was entering a new and important chapter in the history of the European oil industry.

The date was 12 September 1883. As soon as the letter left the office, Barač started to make the final arrangements for what was to follow. And in fact, less than 24 hours later, the facility was already showing the first signs of life. It did this in an impressive way, promptly exhibiting a refining muscle that was unrivalled in the surroundings. What surroundings? Rijeka, today a city in the Republic of Croatia, was then within the Hungarian part of the Austro-Hungarian Empire, run by Governor Count Géza Szapáry, and was called Fiume. The refinery emerged as the tenth facility of its kind on the territory under St Stephen's Crown. However, the total processing capacity of the other nine Hungarian refineries did not even come close to the processing power of the new Fiume refinery.

Furthermore, covering a space of 790,508 sq. feet (73,440 sq. meters), with twelve horizontally positioned cylindrical primary-distillation tanks, six petroleum and gasoline re-distillation tanks, and a total processing capacity of 60,000 tons of crude oil per year, the refinery was the largest plant of its kind on the European continent.² What such a capacity would mean to the



Notification from Barač to the Fiume police, 12 September 1883, that the new refinery will begin partial operations on the following day. Velid Đekić.

country became manifest as early as the first year of full-time operation. For of the 2,648 million forints in import duty for the imported crude oil that were paid into the government coffers in 1884, the share paid by the Fiume refinery was 2,059 million forints,³ a total of 78 per cent.

Fiume was something else indeed. While the other refineries processed crude oil through manufacture, in small quantities, employing as a rule some ten or twenty workers, unsupervised by any petroleum industry specialist, Fiume started its processing operations with 300 employees and a technical director who was a university-trained professional chemist. Fiume was in fact the first European facility for industrial oil refining.

The first five wagons of lighting petroleum were despatched from the facility on 21 September 1883. The product shipment would soon grow to twenty wagons per day. On its road to consumers, lighting petroleum, the major oil product of the time, would be joined by gasoline (including varieties such as hydrir, natural gasoline and ligroin), paraffin, lubricant oils, bitumen, coke, gas oil and phosphates. The refinery's production would satisfy a third of the Austro-Hungarian demand for oil products.

The press could not conceal its enthusiasm for the new facility. Fiume's daily *La Bilancia* first recorded the launch of the refinery in an article which featured expressions such as 'a magnificent factory', 'a miracle of science, industry and money' (21 September 1883), and later also 'a colossal building', 'a dazzling success', and 'the eternal monument to genius and will-power' (3 January 1884). Browsing the news items which followed in the local press, Milutin Barač could not hide his satisfaction. *La Bilancia* was distributed to the most important cities of the empire, which also meant the city some 340 miles away from where it was published, where Barač's superiors were. The newspaper arrived in Budapest, at the headquarters of the Mineral Oil Refinery Company (Kőolajfinomító gyár reszvénytársaság), Nádor utca 12.

Why to this particular address? The very existence of the Mineral Oil Refinery Company was a direct outcome of the Hungarian government's decision to speed up the growth of their home oil industry. The decision was reached following the sharp rise in the country's demand for oil products in the beginning of the 1880s. The tool used by the government to deter the import of finished products and stimulate the import and the processing of crude oil instead, was the customs policy. In 1881 an import duty of two gold forints was placed on 100 kg of oil, compared with one of ten gold forints for 100 kg of petroleum.⁴ Among other things, such terms would stimulate investors to establish a joint-stock company with the goal of constructing modern mineral oil refineries (crude oil was called mineral oil at the time), building similar industrial plants, and managing these facilities.

The Mineral Oil Refinery Company was founded on 7 October 1882 at the general foundation conference held at the Hungarian General Credit Bank (Magyar Általános Hitelbank), at Nádor utca 12.⁵ Marquis Eduard Pallavicini presided at the conference which featured names that represented the total initial capital of the Hungarian General Credit Bank. These names were: Móricz Dub, representative of the S.M. von Rothschild banking house of Vienna; Eduard F. Ziffer, head of the Austrian Credit Institute for Commerce and Trade (Österreichische Kreditanstalt für Handel und Gewerbe)⁶ – the Kreditanstalt – of Vienna; Lajos Takacs PhD, representative of the Eduard Wiener Company of Vienna; and Rudolf Fuchs, Antal Frank, Zsigmond Kornfeld and Baron Frigyes Kochmeister. Pallavicini, Kornfeld, Ziffer, Dub, together with Henry Deutsch (manager of the Les Fils du A. Deutsch Company of Paris) and Wilhelm Singer (manager of Steinacker and Company in Fiume) were appointed members of the management board of the company. Geza Ghyczy, Frigycó Glatz, Luigi Ossoinack and Emil Stapf were members of the supervisory board. The founding of the company was recorded by the Registrar of Companies at the Budapest Commercial Court on 13 October 1882.

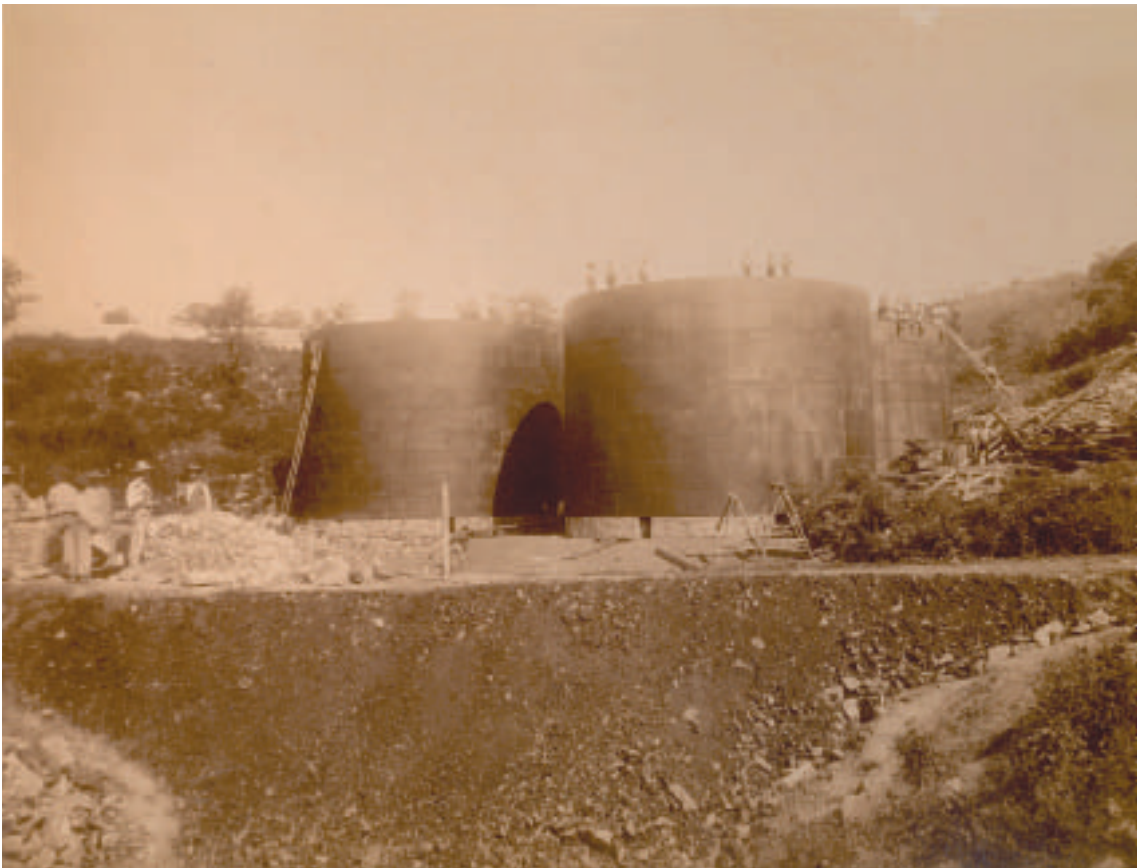
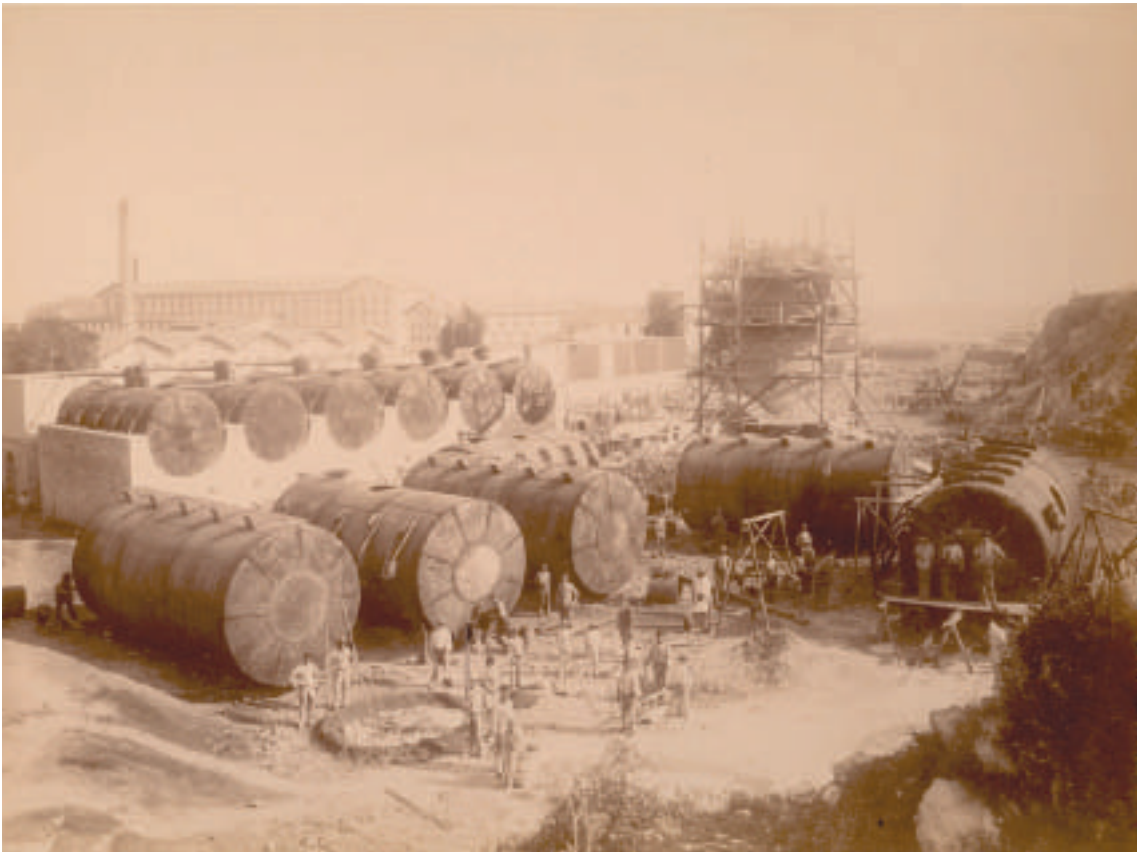
The new company did not conceal its connections to its parent, the Hungarian General Credit Bank. One of the eight largest financial institutions in the country at the time, the Hungarian General Credit Bank had the objective of aiding the growth of the Hungarian economy

Opposite

The construction of the refinery facility in 1883. The smoke stack was only decommissioned at the end of 2003. Heirs of Milutin Barač.

Opposite, below

Building of the first storage tanks in the summer of 1883, some of which remain in place. Heirs of Milutin Barač.



and had decided to spread its activities into the oil business. The bank had been founded in 1867, under the auspices of the Creditanstalt. The Creditanstalt, in which the Rothschild bank had a controlling interest, provided the financial framework for the newly founded bank and became its most important business partner. In 1877, S.M. von Rothschild and the Creditanstalt held 7,550 out of the total 11,595 shares of the Hungarian General Credit Bank, 65 per cent in all. In 1878 they held 11,730 shares out of 20,130 (58 per cent); in 1894, 16,500 out of 20,945 (78 per cent); in 1903, 15,000 out of 19,000 (79 per cent).⁷ They were always distinctly the biggest shareholder, theirs the lion's share.

If the Viennese branch of the Rothschild family was the chief owner of the Hungarian General Credit Bank, did they also own the Mineral Oil Refinery Company?

The answer is affirmative. On its foundation the capital of the joint stock company was two million forints, divided in 10,000 shares with a face value of 200 forints.⁸ At the foundation conference Móricz Dub represented S.M. von Rothschild, with 3,834 shares; Eduard F. Ziffer represented the Creditanstalt, with 3,083 shares at their disposal; Marquis Pallavicini was present on behalf of the Hungarian General Credit Bank, with 2,633 shares; Lajos Takacs represented the Eduard Wiener Company, which owned 250 shares. Baron Frigyes Kochmeister, Antal Frank and Zsigmond Kornfeld held 50 shares each.

Through S.M. von Rothschild, the Creditanstalt and the Hungarian General Credit Bank, the Rothschild house was distinctly the company's biggest shareholder. This left no doubt about the owner of its facilities.

Of course, when the foundation conference was held, the Fiume refinery was but a project on paper. If the company was founded in order to build new refineries and kindred industrial plants, all these facilities had yet to be built. Which would be given precedence? The second of the Articles of Association was categorical: it stressed that the company's mission was to build a crude oil processing facility 'in Fiume first'.⁹ Why in Fiume of all places? With no large deposits of its own, Hungary imported crude oil, mostly from the American continent. And the transport by sea of the raw material meant it would be delivered to the then leading Hungarian port, Fiume. Besides, given the special appeal Fiume held for capital, the Hungarian General Credit Bank had already established a subsidiary in the city. It had functioned since 1880, at first under the name Steinacker and Co., and from January 1887 as the Fiume Credit Bank (Fiumei Hitelbank, or, Banca di Credito Fiumano). The bank's supervisory board director was the mayor Giovanni Ciotta. Among the more important companies from Fiume, whose foundation was supported by the bank's subsidiary, were the rice-husking plant (1881), the biggest in the Austro-Hungarian Empire, and the shipyard Ganz-Danubius (1905).

The company would start to enact the goal defined by the formulation 'in Fiume first' forty days after its founding. In the suburban area of Ponsal (today Mlaka), a parcel of land for the future facility was acquired on 18 November 1882. The request for a building permit was submitted to the municipal authorities on 11 December, and the first general blueprint of the refinery was created on 9 December 1882 with the signature of Mate Glavan,¹⁰ an architect from Fiume. The authorities issued the building permit on 8 February 1883. This was the sign to start levelling the terrain through mining, which would remove 430,000 tons of rock to be used in



Nádor utca 14, Budapest, the headquarters of the Hungarian General Credit Bank from 1913 is today occupied by the Hungarian Ministry of Finance. Photograph by Miljenko Marohnić.

the simultaneous building of the petroleum port in front of the facility. Milutin Barač would head the building of the refinery: after responding to the advertised job vacancy he received Marquis Pallavicini's notice on 13 December 1882 appointing him the 'technical director of the Fiume Mineral Oil Refinery in founding'.

Barač would head the refinery's operations for the next forty years. To be more precise, he would lead the facility as long as its direct management was in the Nádor utca in Budapest, and would achieve impressive business results in that time. The initial work of the refinery was marked by the predominance of Pennsylvanian crude oil, while as early as 1890 the majority of raw material arrived from the Caspian and Black Sea regions. When the refinery's ship *Etelka* arrived in the petroleum port on 12 December 1892, carrying 350 tons of oil, the refinery would once again make history: *Etelka* was the first and the only Austro-Hungarian tanker. In the period between 1883 and 1896, 750,000 tons of crude oil were processed in Fiume, with the annual average of 56,000 tons of processed crude oil and the production of 46,000 tons of petroleum. The utilisation rate was around 95 per cent. The refinery's shareholders were satisfied: from the mid 1880s to the mid 1890s, the initial capital multiplied tenfold.¹¹ The good results of the company's first refinery turned out to be the stimulus for purchasing the petroleum factory in Braşov (today in Romania) in 1890, and the refinery of Count Larisch-Moennich in Oderberg (today Starý Bohumin in the Czech Republic).



The refinery today, with an annual refining capacity of 4.5 million tons of crude oil. Photograph by Zoran Žimirić.



The refinery's first smoke stack, built in 1883, was only taken out of commission in December 2003. It was accorded special protection by the Ministry of Culture of the Republic of Croatia. Photograph by Zoran Žimirić.

The emperor and king Franz Joseph I visited the Fiume refinery on 23 June 1891. His was the first in a line of famous names entered in the official record of the refinery's visitors. The Archduke Franz Ferdinand, the Archduke Franz Salvator and Princess Ann, Count Szécheny, Count Wickenburg, the Prince of Siam, Bey Saadi and others would follow.

The golden age of the refinery as a joint-stock company lasted until the mid 1890s. When large oil fields were discovered in Galicia, Fiume's geographical position ceased to be an advantage. The Galician fields were nearer to Hungarian and Austrian consumers, and so the great number of new refineries in that section of the empire reduced Fiume's significance. However, the precious processing experience from Fiume was not for a moment forgotten in the seat of the company: the Fiume refinery technical director was appointed head technical director of all the company's refineries. He transferred his expertise from the Fiume refinery directly to the facilities in Brašov and Oderberg. Moreover, in 1895, with the responsibility of modernising the facility in Brašov, Barač was set the task of rebuilding the refinery in Oderberg in order for it to reach the capacity levels of Fiume.

In the last year of World War One, 1918, the Creditanstalt would hold 15,703 of the company's shares, S.M. von Rothschild 14,437, and the Hungarian General Credit Bank 14,033. After the end of the war, in 1920 the company would become the owner of two more refineries, in Drohobycz (today in Ukraine) and in Budapest. These would be among the last business moves of the company. At the end of the year, its entire assets would end up in the hands of the Nederlandsche Petroleum Maatschappij Photogen Company from Amsterdam. The emergence of Photogen raises some questions, especially if one knows that it worked in Budapest, and at a curious address – Nádor utca 14, which had been the seat of the Hungarian General Credit Bank from 1913. Even more curious is the fact that the management board of Photogen consisted of the people from the management board of the bank. Was there a business trick behind the story of the transfer of assets to Photogen? The Netherlands was neutral in the war, so its assets, unlike those of Hungary, were not under the threat of seizure in payment for war damages. Was Photogen just a Dutch front for the Hungarian General Credit Bank, which was thus successfully protecting its assets?

Be that as it may, Photogen would prove to be only a temporary solution for Fiume. The post-war pressure exerted by the Monarchy of Italy to encompass Fiume within its territory was so great that it was decided to sell the refining facility to the war victors. Why was the city of Fiume so important to Italy? At the time the Italian oil market was in the hands of the American Standard Oil and the British-Dutch Royal Dutch Shell. To pull the country out of this kind of economic-political dependence, the Italian government decided it was necessary to start building its own oil industry, and such an industry could not exist without large crude oil processing facilities. After the Italians and the Hungarians, through Photogen, jointly founded Romsa (Raffineria di Olii minerali Società Anonima),¹² a joint-stock company, on 28 April 1922, the Italian side gained full shareholder control over the Fiume refinery the following year.

Photogen and Romsa are the names of companies associated with the beginning of the refinery's long odyssey, during which it operated for different owners, in different social systems and under different national banners. Its role was usually a crucial one. For example, the Italian government chose the Fiume refinery to be the 'nucleus of the Italian oil programme',¹³ and the national oil company Agip grew out of it in 1926. In other words, after having been the birthplace of the modern Hungarian oil industry, the Fiume refinery became the cradle of another European country's oil industry – Italy's. Ending up inside the borders of Yugoslavia after the Second World War, with its war wounds healed, the refinery grew to become the most important crude oil processing plant in the country. With a new facility just outside the city, at Urinj, it would reach a processing capacity of 8 million tons of crude oil per year. During the



Opposite

Milutin Barač (1849–1938),
the first director of the
refinery.
Heirs of Milutin Barač.

1990s, it would be one of the crucial factors in founding the independent Republic of Croatia, as the only domestic oil products supplier for the Croatian army and Croatian citizens during the Croatian War of Independence (1991–1995).

The steaming plants and the smell of freshly produced oil products at the Rijeka refinery today confirm that the story, begun on the same location in 1883, is still current. The historic facility of the Rijeka refinery, now under the name of INA Maziva Rijeka (a part of the Croatian oil company INA), is the third oldest working refinery on the continent. Interestingly, the Rijeka refinery and the second oldest European plant of the kind, the refinery in the Romanian city of Braşov (today the Lubrifin refinery) used to work as a single organisational unit in the time of the Budapest joint-stock company. The Fiume refinery director Barač was in charge of the technical condition of the Braşov facility as well.

Crude oil processing of such longevity is an extraordinary occurrence especially given the extremely turbulent historical circumstances under which the processing went on in Rijeka. Due to the constant border changes, the city and the refinery lived and worked in seven different states in the twentieth century alone. State replaced state as ruler in Rijeka – the Austro-Hungarian Empire, La Reggenza Italiana del Carnaro (the first fascist state in the world, founded by Gabriele D’Annunzio), the Free State of Rijeka, the Monarchy of Italy, the Third Reich, Yugoslavia (in its different forms, from the Kingdom of Serbs, Croats and Slovenes, to the Socialist Federal Republic of Yugoslavia). Rijeka is today part of the Republic of Croatia. Not counting the smaller, local conflicts, the facility survived three devastating wars, paying the price in full – taking impacts from 260 airborne bombs weighing between 550 and 1100 pounds and the explosions of 23 torpedoes, activated as mines.

National banners, market terms, technological approaches to production and numerous other factors on which the working of the refinery depended were constantly changing throughout this time, yet some sections of the facility continue to testify to its early beginnings. The evidence? The first refinery’s smokestack built in 1883 and some oil containers from 1883 and 1884 are still where they were when Milutin Barač first saw them. These are living testimony which confirms that there is more left than mere paper, the text of a director’s notice of the first trial run of the facility over a century ago.

Vélid Đekić, MA, is author of several archive and museum exhibitions, documentaries, and publications on the industrial and cultural history of Rijeka. His works include Crude Oil Processing in Rijeka 1882–2004 (Rijeka: INA, 2004), and Milutin Barač (2004). He works in the Corporate Communications Sector of the Croatian oil company INA.

NOTES

- 1 The present-day Rijeka was known, at the time of the construction of the refinery, as Fiume, and lay within the Hungarian domain of the Austro-Hungarian Empire. Today, Rijeka is part of the Republic of Croatia. When referring to the city before it took its modern name, this article will use its former name of Fiume.
- 2 Lajos Máté, *Fiume Abbazia – Crikvenica és a horvát partvidék (Kroatisches Küstenland)*, (Budapest, 1894), p.141. Also János Sziklay and Samu Borovszky, *Magyarország vármegyéi és városai: Fiume*, (Budapest: Appollo and Nyomdai, 1897), p.269.
- 3 Sandor Matkovits, *Magyarország gazdasági és köznevelődési állapota ezeréves fennállásakor*, (Budapest: Második reosz, 1897), p.156.
- 4 Sziklay and Borovszky, p.265. Also *Das Erdöl*, vol.III, (Leipzig: Verlag von S. Hirzel, 1911), p.46.
- 5 Magyar Országos Levéltár [Hungarian National Archives in Budapest], z 58, 361.t, vol.89, Kőolajfinomító gyár részvénytársaság Alapszabályai (statutes of the Mineral Oil Refinery Company).
- 6 György Tallós, *A Magyar Általános Hitelbank (1867–1948)*, (Budapest: Közgazdasági és Jogi Könyvkiadó, 1995), pp.46–52.
- 7 Tallós, p.144.
- 8 Kőolajfinomító gyár részvénytársaság Alapszabályai, pp.3–4.
- 9 Kőolajfinomító gyár részvénytársaság Alapszabályai, p.10.
- 10 Državni arhiv Rijeka [Regional State Archive in Rijeka], JU-36, box 30, contains Glavan’s project and construction documents.
- 11 Béla Adamy and Andras Németh, *A Magyar Kőolajfeldolgozóipar Története az államosításig, Az Országos Kőolaj- és Gázipari Tröszt Feldolgozóipari Főosztály kezdeményezésére*, (Kézirat, 1968), p.27.
- 12 Državni arhiv Rijeka, PR-3, box 1077, written material prepared for the assembly.
- 13 *La Raffineria d’oli Minerali S.A. di Fiume nell’anno XVIII*, (Rijeka, 1940), unnumbered pages.