

**Keynote Speech for the Brunei Shell JV Vendor Forum**  
**By**  
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**Minister of Energy at the Prime Minister Office**

Bismillah Hirrahman Nirrahim,  
Assalamualaikum Warahatullahi Wabarakatuh  
Selamat Petang and Good Afternoon,

First of all, it is a great honour for me to be with all of you at this vendor forum. I also would like to thank Ken, BSP MD for extending an invitation to me and to Martijn, Head Supply Chain Management (SCM) for accommodating to my schedule by holding the Vendor Forum today. I am pleased to see the high turnout that also means, we do have a large and strong community of entrepreneurs who want to be involved and be successful in the oil and gas industry. Many of you have achieved a lot for your companies, either by successes in growing your company, bringing in new technology through successful international partnership, having a development program for locals or simply having a good HSSE culture and for that I would like to congratulate and applaud you all.

Unlike the previous two Vendor Forums where I did not deliver a speech, I am taking the opportunity to share my thoughts and sentiments on the state of activities involving vendors in our beloved country. During the last three years, I have heard, seen and read a lot on the going on within the Brunei Shell Joint Venture Companies in short, the BSJV Companies. Some are flattering whilst others seem to indicate there are plenty of rooms for improvements both within the BSJV Companies themselves and the vendors' companies.

As Brunei Shell Board Member in September 2008 (not Board member now) and as Minister of Energy at Prime Minister's Office since May 2010, I have taken the opportunities to visit and meet many contractors and to look closely at several BSP sites. I have also had discussions with many of you. So what is my key conclusion from all these visits and discussion? To cut the chase, I'm not happy with the overall situation or at the very least, I have the view that we have missed so many opportunities in so many areas to go further and more successful than where we are here today.

On this, let me start off with this Annual Vendor Forum, which has been held for 5 years now. Last year somebody talked me through the Vendor Forum and explained what had been done and how good it was. But the reality I find is different.

I understand this Vendor Forum is part of the Local Business Development (LBD) initiatives to:

1. Develop and provide avenue for interested local contractors to learn and participate as registered vendors in the BSJV tendering process.
2. Develop competencies, capabilities and competitiveness of local contractors so that they are able to compete inside and also outside the country.
3. Develop successful partnerships between local contractors with international companies with a view to increase knowledge and to allow the transfer of technologies to the local contractors.

On this, I would like to ask you, some of whom I know have been attending this Vendor Forum year on year, has this Forum really been able to achieve all these objectives?

1. Should we all be satisfy and content with what have been achieved to date?
2. How many NEW contractors have been developed or have truly been successful in the last few years?
3. How many of our major contractors have developed new capabilities and able to compete regionally?
4. What is the percentage of Bruneians in the vendors' KEY POSITIONS?
5. What knowledge or technologies have been transferred to our local vendors?
6. How many more years do we have to wait until we ourselves can develop our own expertise, knowledge and technology?

Ladies and gentlemen,

When attempting to answers the above questions and when I first started drafting my speech, I ask myself what exactly it is I want out of this Vendor Forum. I have two choices; I can either be nice or be very critical and blunt. If I were to just being nice by praising everyone for the past achievements, what good will that contribute to advance our journey to achieve Wawasan 2035 especially in the Energy Sector? For this very reason I don't want the Vendor Forum to be regarded just as a showcase as in the previous years. So by first extending my sincere apologies, I want to pursue the latter option, to be critical and blunt.

Allow me to raise **three key subjects**, not only because they are very close to my heart but more importantly, they are vital to the future and continued success of our beloved country. These are **firstly, Local Business (or Local Content) Development, secondly, Business Integrity and thirdly, Safety.**

Let me re-emphasise, as a Regulator, I need to be critical and forward looking. Without any doubt, some of you would welcome this speech and others will give negative reactions BUT I have a clear conscience today. I am doing this for one reason only, for the benefit of our beloved country. The Government of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam views the whole thing very seriously and want real changes to the state of our oil and gas industry and the support activities.

Before that, let me share with you the key strategic goals from the Draft Energy White Paper. These key strategic goals are aligned with Brunei Darussalam's Wawasan 2035, which are to widen and diversify our economy. It means whilst we are pursuing and developing new economic sectors, we must also strive to further strengthen and grow what we have today, including the oil and gas industry :-

**Strategic Goal 1** is to strengthen and grow upstream and downstream activities.

**Strategic Goal 2** is to ensure secure, reliable and efficient supply and usage of energy in Brunei. Having a secure and reliable supply of energy is essential to our economic activities.

**Strategic Goal 3** is to maximize the economic spin-off from the energy sector activities in order to create business and employment opportunities for Bruneians.

Again with sincerity, I would like to ask you all, after 80 years since we first discovered commercial oil:

1. How many of our vendor companies are truly run and actively managed by Bruneians?

2. How many employment opportunities are created by the oil and gas industry and what is the percentage of Bruneian employed, especially by our vendors?

3. Do we have any idea at all, what is the **true local content** of the B\$4 billion that we spent every year for the whole oil and gas industry in Brunei Darussalam, not only BSP?

**Ladies and Gentlemen,**

The fact that we do not have good answers to these questions, tell us that PERHAP we are either not actually serious in confronting these matters or just being complacent and to leave the burden to somebody else instead. Are we so naive to think that things will change for the better on its own without us having to do anything?

Let me come back to the three subjects that I would like to talk about, i.e. local business or local content development; business integrity and safety

**First, I would like to talk about Local Business Development.**

Honestly, there are very few who really cares about LBD in the true sense. Many of you would disagree! Perhaps then, your understanding of LBD is limited to only how many contractors or vendors are owned by Bruneians. Simply put, if this is the only condition, we are just promoting Ali Babas NOT LBD as I understand it. Let me ask:

1. How many Local Businesses are actively run by their owners and fully understand all aspects of the businesses?

2. What is the percentage of Locals in your management team?

### 3. How many Bruneians do you employ?

To me the real Local Businesses must NOT only be owned by the Locals but also actively run by their owners. They must also be fully managed by locals and a majority of their employees must also be Bruneians.

If you recall, Brunei Shell has been here for years and yet there is much to be said on the LBD performance. There does not seem to much care on LBD eventhough this will result in the country suffering if the current state continues. I am yet to find those who will really drive LBD be it from the Company or the Vendors themselves.

I want to provide a few examples. Brunei Shell Petroleum has contracted out around 60 supply boats to service its offshore operations. I was in a meeting with the marine contractors about three weeks ago. When I looked around the table, less than two-third of those attending were actually Bruneians and yet the registrations indicate these are all Brunei companies. How can I then talk about LBD? It is not surprising that LBD can't be pursued effectively. To make my point clearer, there were hardly any owners attending the session with the Minister. Or in other words, the owners don't even have time or be passionate on LBD to meet and discuss the issues with the Minister! Maybe for the owners, it is enough to send in Pushpa or Robin to respectively discuss on LBD with the Minister. This sector employs around 1,000 seafarers but less than 10% are Bruneians and very few contractors who own their own boats.

Let me give another example. A particular contractor has been in the business for more than 17 years but less than 30% of the workers are Bruneians. Now if we turn to the main contractors to BSP, out of the few thousand employees in the skilled workers category, less than 20% are actually Bruneians.

There are reasons for everything that had happened. Personally, I heard of the various reasons during my meeting with the marine contractors that I mentioned earlier. The representatives who are mostly non-locals presented all the excuses and reasons they could find. It made me wonder if this situation would be any different if the owners themselves were present and be able to discuss the LBD issues with me ? I will leave you to ponder on the answer to this question.

If we keep coming up with excuses, we will not be able to achieve anything, even in next twenty years. If we do care, we must come up with solutions. If we don't care, we live with those reasons forever as if collectively we do not have the power to change.

On this, I am pleased to hear that BSP is reviewing its LBD Framework and that is after so much pressure from Energy Department at Prime Minister's Office. But please know that this review takes time and we must not rush just so we can make it for the Vendor Forum only a week away. There must be a proper due process. The revised LBD Framework must be consistent with the Energy White Paper in terms of maximizing Local Content, maximizing Bruneian Employment, Developing Bruneian Businesses and Ensuring Level Playing Field and No Monopoly and giving spaces for new and small businesses.

LBD does not mean that Foreign Vendors are no longer welcome to Brunei Darussalam. For one, we will always require foreign investment, technology and management capability. I am also please to inform you that all the foreign vendors that I have talked to welcome Brunei initiative to maximise Local Content. Some of them were surprised why suddenly and only now LBD has been made a priority when such LBD initiatives have been practiced by other countries for years. The good thing is they understand and welcome these LBD initiatives and recognized that they are important parts and parcels of doing sustainable business in the country. This includes the need to develop Bruneian

companies. However, for those contractors who just want to make a “quick buck” i.e. adopting a concept of “fly by night”, and are not interested in the development of Local Business, they are definitely not welcomed in Brunei.

For the Brunei local vendors, we know that some of the local vendors are below par and they not able to perform. We shouldn't make LBd as an excuse and that nothing can be done. Let me remind that no company is an exception and performance of the company is still the main criteria.

As part of the Energy White Paper, The Government of His Majesty through Energy Department at the Prime Minister Office underlines four key policies for maximizing economic spin-off from the energy industry:

1. To ensure the maximization of local contents by creating both business and employment opportunities in Brunei. In this regards, we want to see the local content to gradually increase to around 60% with at least 50,000 employment opportunities by 2035. There are four key initiatives. Firstly, to enact regulatory framework to create conducive environment such as Free Trade Zone in order to promote investment. Secondly, to establish Pulau Muara Besar as a base for Energy Service Hubs. Thirdly, to pursue specific investment initiatives, led by Government Linked Companies. Fourthly and equally important, to conduct a comprehensive study on local content development.

2. To ensure the overall percentage of local employment especially in the energy service sector is maximized. In this regards we want to increase the percentage of locals employed to around 80% by 2035 and in certain identified skilled and semi-skilled workers, we have set a target for 70% in the next 5 years. We also want create at least 5,000 professionals and 35,000 skilled and semi-skilled workers. Again, we have four key initiatives. Firstly, to establish the Energy Industry Competency Framework, designs to provide the right training and produce the right skills needed by industry. We have one booth at this Vendor's



Forum to explain some of these initiatives. I am also pleased to announce that a joint Job Fair and Roadshows will be held in December to drive recruitment efforts in the oil and gas service sector. I expect full participation from all the vendors. Secondly, to promote recruitment and training of locals by using the available Government HRD Fund. Thirdly, to expand the capacity of education and training institution including inviting foreign training providers. Fourth, to conduct a comprehensive study on ways to ensure a more conducive working environment.

3. To develop truly Bruneian companies that are not only owned, run and manage by Bruneians but also employ Bruneians. We also have a target for at least five if not more, Bruneian owned companies to be able to venture and compete regionally. Our initiatives to develop Bruneian Company will focus on the three areas, firstly capacity building, secondly on facilitating access to financing and finally, a more joint and coordinated effort to pursue significant investment opportunities inside and outside Brunei. I welcome and value your ideas on how we can develop truly Bruneian company that can compete regionally.

4. To provide a level-playing field for existing and new players and to create opportunity for all and not limited to only few. There must be **No Monopoly**. Big players must enhance their capability, move into higher category, venture into new market outside Brunei and give space to small players for the low tech or low category jobs. We don't want only five companies dominating the whole market. We have heard of the same person being a Board Director or even worse the REAL OWNER of various companies, competing for the same work which obviously would raise issue about competitiveness. There are also contracts being awarded to their own subsidiaries. The issue here is on competitiveness and unethical behavior. These are all unhealthy for the country energy industry. We have recently issued an LBD Directive on NO MONOPOLY and the companies concerned must ensure that this Directive is enforced. Indeed, with

or without the Directive, every contractor must instill and maintain high ethical values within your own organisation.

Now let me now move on to the second of the three key subjects I want to deliver today, **Business Integrity**. The Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam want **ZERO Tolerance on Corruption** in any business dealings. Here, both sides the BSJV and the vendors must be transparent about contract opportunities, tendering process and contract award.

I applaud the BSJV on their clear Business Principles and Anti-Bribery and Corruption programs. How can we make sure, these programs reach out to every individual member of the staff? How do we know, it is effectively implemented across the organisation? Do the vendors have similar program?

Let me ask these following questions to the owners and managers of our vendors:

1. How many of you have stood up in front of your staff and talked about Bribery and Corruption and how it can destroy the fabric of our society?
2. How many of you, have look straight into the eyes of your managers, and tell them to deplore any form of corruptions and to stop lobbying?
3. How many of you have a clear policy of no gift, no entertainment, no golfing holidays for example, at Eastwood Golf club, having drinks in Miri pubs or any other holidays and entertain the BSJV's Staff to lunch no matter how small they are?
4. How many of you have a system in place to prevent corruption, monitor and investigate if there is an allegation?

For those who said yes, yes, yes and yes, I salute you. But we know for certain, from time to time, contract information is leaked. Vendors have contract information that they are supposed not to have. There are even some vendors' employees who have free access to companies' offices or sites. Non-conformances to tendering process do happen. During contract execution, milestone zero requirements are not met but the contract continues. In some cases, 'false' claims whether intentional or not were made. There have been also instances where contractual obligations were not met but no actions were taken on the defaulters. My question to the owners and managers of the vendors:

1. Do you have a system in place to monitor this and to correct it right away? or
2. Do you rely on say BSP to pick this up and if they missed it intentionally or not, are you happy to reap the benefit that should not be yours?

On the need for transparency, it has come to my attention that the Brunei Shell's website is being not being updated accurately. For example in the Tender plans, there were once only thirteen contracts being tabled. This cannot be! How can we have transparency and opportunity for all if the basic information is not there? There is also much to be said for the current Vendor Registration process, which can take months or even over a year! The Energy Department at Prime Minister's Office has raised these grave concerns and it is now good to hear that BSP through Martijn, Head of SCM has committed to ensure that registration process will be done within a month, with the proper documents submitted, and that only during any tendering, will the assessments be made. All Tender Board Factsheet submission have a section specifically for LBD component. However I still find it an irony that sometimes the Company actions are already set at a certain decision eventhough it is not in LBD interest. This could be in view of the timing of tender submissions, which I understand is only tabled even up to a day before it expires. Is that what Brunei Shell as an organisation runs its business? It

makes us think that the Company is not serious about LBD or its tender process.

We have heard allegation that a certain contractor or individual is dominating or controlling departments like TSW (Drilling) or STL (Supply and Logistics). We should not be taken on a ride by claims that they are controlling for example the TSW Department for the sake of national interest. How can it be if this particular individual is reaping personal gain of 20% from each transaction? The bottom line is all of us have a duty to make sure that there is a level playing field in this area. No one in oil and gas industry should be above the Law. I do hope that this is merely an allegation but still want an investigation to be carried out on this. I leave it to the appropriate authority to look into this matter to ensure nothing like this ever happen in the SCM process. On the Government's part, we will be focusing our investigation on this as well. We will put all our effort to ensure that such thing does not happen in Brunei. More opportunities needs to be given to our local players and and we should not allow for certain sectors in the industry to be dominated by a few. Hence, there is a need for the LBD Directive On No Monopoly which I had mentioned earlier, that has been issued by EDPMO. Remember also, we do not want Bruneian companies to become known for its lobbying or corruption and use this avenue to keep being awarded contracts.

On similar issue of integrity, we cannot have Contract Holders and Technical Authority holding same positions for year on year with no change. This is not a lifetime job. We also cannot have Contract Holder becoming contractor in the same area of work when they retire. On those Company employees retiring and straight away joining the contractor in the same area of work, is this right? They will know what are the rates and submissions from the various contracts to the disadvantage of other contractors. Don't you think that they must be prohibited for a certain time so as to ensure integrity? Coming back to the Technical Authority (TA), I fully understand the accountability and responsibilities they hold. I have no doubt that most of you are accountable to

process safety and technical integrity, be it in procurement or assessments of personnel for particular jobs. However, some TAs has made questionable judgments. What I am asking for is for there to be transparency on any disqualification so that such actions are not open to questions. If there is any discrepancies on this, Energy Department at Prime Minister's Office will ensure that actions are taken for example, by requiring audits to be done to verify the facts.

**Ladies and Gentlemen,**

For any issues on contracts, there is the LAPOR process. In addition, SCM has also set up an online system to receive inputs on any contract issues. On this, EDPMO will from now on be asking that copies be made of all the submissions for monitoring and if required for further follow-up. I know some of you may feel that we will not be able to improve on business integrity, I can assure you that we will prove to the contrary. This will indeed be taken seriously and not tolerated.

I want to see significant improvements in Business Integrity and the Vendor Forum is an excellent avenue to initiate the discussion on this subject. I look forward to receiving recommendations from you all in the next few months.

The Government of His Majesty the Sultan and Yang Di-Pertuan Brunei Darussalam has recently appointed four senior representatives from the Government to be members of the BSP Tender Board, namely the Deputy Permanent Secretary Energy (Downstream and Power), the Deputy Permanent Secretary, Performance and Compliance of Ministry of Finance, the Acting Director of Anti Corruption Bureau and also Senior Special Duties Officer at Office Minister of Energy as of 21st October 2011. The purpose is not meant to take over BSP operation but to ensure the highest integrity in Tendering Process and to further advance local business development towards a genuine Bruneian

business. I know many of you including some of the Bruneian Leadership Executive BSP members, may be skeptical whether this can actually help to advance LBD and that, it may even affect the smooth operation of the company. I can assure you these senior officials representing the Government have experience in oil and gas industry and know the business. This will therefore not affect the operations processes of the BSJV Companies and will in contrary, add value to them.

Before I conclude this subject on the business integrity, I also would like to advise all the vendors that during the tendering process, you must observe the current procedure even if it is not perfect. If you happen to be not the winner, you cannot continue lobbying and complaining about the specific contract.

However, I welcome constructive suggestion on how the current process or procedures can be improved. For this BSJV with the participation from the Government can organise regular forum with the vendors to address those concerns.

It is always in the interest of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam to ensure competent and safe operations of Brunei Shell Joint Venture Companies and that the companies be able to achieve its production and other goals. With this I now come to the last topic of the day that is **Safety**.

Safety in the oil and gas industry is paramount and there is no short cut. I have said enough on this topic during the Safety Forum held two weeks ago, and I will keep it short this time. We have seen many process safety-related incidents in the oil and gas industry worldwide such as the incident at the Gulf of Mexico that cost life and devastating economic impact. We have seen similar incidents in Brunei but Alhamdulillah, we are fortunate that none had escalated into a bigger incident or cost a single life. As we know all, Brunei simply cannot afford it. As

owners and leaders of your companies, you are simply accountable and responsible for any HSSE incidents. You cannot escape by delegating this role to your managers. I would like to see a system where for every potential HSSE incident, there are roles or responsibilities given to the leaders in preventing such unwanted incidents from happening and to make them personally accountable for effective implementation of the follow-up actions.

Whilst I agree we should not have a blaming culture, we must have a proper consequence management especially at the leadership and management level of the companies. How many times have we heard that despite their failure in meeting contractual obligations including those on HSSE, some vendors are still being invited to tender and winning new contracts! Do not save money by short cutting on HSSE. In this industry, the best performing companies are those who have continuously investing in HSE.

As I have announced before, we are in the final stage of developing a new HSSE Regulatory Framework to regulate the safety of the whole Energy Sector.

**Ladies and Gentlemen,**

Lastly let me again remind you the three things I mentioned just now –In summary, firstly Local Business Development, secondly Business Integrity and thirdly, Safety. They are essentially the ingredients for License to Operate.

As owners and leaders of your companies, the change must start from you. If you do not show interest, no one else in your companies will also. We want real change. Make those changes now to earn your License to Operate.

As my final closing remark, the Government of His Majesty The Sultan and Yang Di-Pertuan Brunei Darussalam are committed and serious to these initiatives. To ensure change and that this initiative is fully supported we will not

only establish legal framework but will go even further by facilitating and creating incentives and opportunities. However, the Government of His Majesty the Sultan and Yang Di-Pertuan can do certain things but you are the entrepreneurs who know about your business and what are the risks. It is your call at the end of the day. You are the ones who know what investment is needed and to that I pray to Allah the All Mighty that may you all be guided toward greater successes in your existing and future endeavours with unquestionable integrity and putting the National interest first.

I would like to call upon your all to cooperate and give your full supports to the Government of His Majesty the Sultan and Yang Di-Pertuan's drives to develop further our oil and gas industry by doing your own parts. The future of our oil and gas industry is a responsibility for all of us. We must make it prosper in the right directions for the benefit of the current generation and those who will come after us.

With that, and by reciting the qalimah *Bismillah Hirrahman Nirrahim*, I declare open this Vendor Forum.

Thank you.

WABILLAHI TAUFIK WALHIDAYAHWASSALAMU'ALAIKUM  
WARAHMATULLAHI WABARAKAATUH