

**Speech of  
Yang Berhormat Minister of Energy in the Prime Minister's Office  
On the Occasion of the BSJV Business Integrity Campaign  
29<sup>th</sup> January 2014  
Empire Hotel & Country Club**

Bismillahir Rahmanir Rahim

Assalamualaikum warahmatullahi wabarakatuh. And a very Good Morning.

Praise be to Allah Subhanahu Wataala, selawat and greeting to Prophet Muhammad Sallahu Alaihi Wassalam, his family and friends and loyal followers from the beginning and the end of times.

Your Excellencies High Commissioners, Ambassadors and Representatives of the Diplomatic Corps,

Dato Paduka Awang Haji Muhammad Juanda bin Haji A. Rashid, Deputy Permanent Secretary (Security & Enforcement) at Prime Minister's Office and Director of Anti-Corruption Bureau,

Managing Directors of the Brunei Shell Venture Companies (BSP, BLNG, BSM, BGC and BST);

Permanent Secretaries & Deputy Permanent Secretaries;

Senior officials from the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam;

President of Brunei Darussalam Chambers of Commerce;

Managing Directors & CEOs from the Services Companies & Banks;

Distinguished Guests, Ladies and Gentlemen,

1. First and foremost, I would like to thank the Organising Committee for inviting me to be here and speak at this Brunei Shell Joint Ventures Companies' Launching of the Campaign on the Business Integrity, an event organized by the Brunei Shell Joint Venture Companies in partnership with the Anti Corruption Bureau at Prime Minister's Office, in short the ACB.

2. Personally, I strongly believe that having an open and honest discussion on business integrity is very important. Issues such as corruption and misrepresentation need to be dealt with seriously as they are diseases that must be cured and eliminated and if left unhindered, could have serious implications to the economic, social and political well-being of the current generation but also of those in the future. The Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam is very clear on matters relating to business integrity, that is having a Zero Tolerance to any forms of corruption. This stand is in line with the Titahs delivered by His Majesty the Sultan and Yang Di-Pertuan, one of which was made during the official opening ceremony of ACB on May 12, 1992, where His Majesty stressed that **"... as a nation which is well esteemed and having a high moral standard, therefore Brunei Darussalam should retain its ingrained sense of awareness in combating corruption even to its roots. We should not be complacent in carrying out preventive measures in whatever forms, especially through the existing legal process..."**

3. Over the years, Brunei Darussalam has strived to improve its position under the Transparency International Corruption Perceptions Index, which ranks countries and territories based on how corrupt their public sector is perceived to be. Our ranking in 2012 was 46 and the country was able to climb up the ladder to 38 in 2013, out of the 177 countries covered by the index. Based on a point scoring system between 1 and 10, where a 10 means the country is perceived to be very clean in term of corrupt practices, Brunei Darussalam obtained a 5.5 in 2012 and improved to 6.0 in 2013. **Among ASEAN Member countries, Brunei Darussalam is ranked second only to Singapore.**

Ladies and Gentlemen,

4. Befitting the theme of our Forum, I would like to touch on several issues that relate to Business Integrity not only in relation to the Brunei Shell Joint Venture Companies but also in connection with the companies' services contractors.

5. On 28<sup>th</sup> November last year, the Brunei High Court convicted and sentenced the owner of a contractor and vendor to BSP to imprisonment of 6 years and 4 months for a number of corruption offences, where by spending a total of B\$101,843.00 to induce BSP's staff to participate in his ill-schemes, he gained around B\$3,219,269 in contract values. What are also important from the High Court's judgement were the reasons given for the penalties imposed. The judgement ruled that as BSP is considered a public body and the backbone of Brunei's economy, any corrupt acts which causes loss to public bodies would directly affects the well being of the people of Brunei because a substantial amount of BSP's profits is used for the betterment of

the public. As BSP is considered a public body, all officers and employees of BSP are treated like public servants and therefore expected to observe a higher standard of accountability, integrity and honesty.

6. This recent judgment also shows that there is no longer safe heaven for money tainted with corruption and cheating. An order was also made for money that is proceed of the offences that had been hidden in Singapore to be recovered. During the recent conference on UN Convention against Corruption, the participants were informed that respective governments were able to recover more than US\$ 2.2 billion of assets obtained through corruption and hidden in foreign countries. This shows the commitments of countries to help each other to tackle corruption.

7. Unfortunately this is not the end of it, sometimes this year charges relating to corruptions will be tendered in court against a number of BSP's staff. We need to open our eyes, heart and mind on this matter. Corrupt practices occurred when opportunities are plentiful for both the givers and receivers. We must eliminate these opportunities through proactive and severe punitive actions. Contractors and staffs who choose to collaborate to cheat the companies must be dealt with in no uncertain ways with immediate suspension, eventual dismissal and monetary loss be part of these process. It is no good to allow the wrong doers to terminate their contracts with the companies and then being allowed to withdraw their monetary entitlements, when it is clear that the main reason for this is that they are being investigated for corrupt practices. Indeed, a person is deemed innocent until proven guilty. If they are really that innocent, then why have they taken the decision to leave the company? Or is it that the company is willing to let them go soonest possible for PR purposes – so that

when brought to court, these are ex-employees and not serving staff of the company.

8. The BSJVs have put in place check and balance designed among others, to remind their staff on the need to observe rules and guideline on business integrity. However, when we asked their staff to make a simple declaration on a voluntary basis that they do not have a conflict of interests between their tasks and responsibilities and their business dealings with the contractors, there is clearly a lack of support. BSJV will reach 100% declaration by end January 2014. On the part of the company, you should look at the possibility of making these declarations compulsory.

Ladies and Gentlemen,

9. The Services Companies in the Oil and Gas Industries are important to us and the Energy Department at Prime Minister's Office is here to facilitate and expedite the resolution of any issues that might arise. We want our local SMEs to grow both in numbers and strength. More importantly, we want them to be companies that are managed properly with good governance, law abiding and free from business integrity issues.

10. In the His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's New Year 2014's Titah, His Majesty stated that:

**"Recently, the country's ranking in 'Ease of Doing Business' has shown an encouraging improvement, from the 79<sup>th</sup> position in 2012 to 59<sup>th</sup> in 2013. I hope that this achievement will further spur our determination to introduce more reforms to facilitate further growth.**

**Our objective is clear – to make the Sultanate truly pro-business, where our economy *insyAllah* will be able to grow and be sustainable with more employment opportunities’**

11. Touching further on the ease of doing business, I have now received assurance from BSP that the registration period for companies to participate in tenders has been reduced to just 5 working days. Indeed if this assurance could be realized and maintain, it would go a long way in helping the country reached its objective of being truly pro-business. Similarly, I would like to ask BSJV to look at the registration renewal process, again with a view of getting the waiting period shortened perhaps to even on a ‘same day basis’. The renewal process should not take that long to complete as data on the companies is already with the BSJV, and any assessment if required could be made well in advance.

12. When I delivered my keynote address during the BSJV Vendors Forum in October 2011, I touched on several key challenges that Brunei Darussalam’s oil and gas industry was facing in developing a healthy and sustainable business environment in the oil and gas industry. These key challenges were the present of monopoly practices where just 5 big companies were basically controlling the market. I also asked then with sincerity, after 80 years since we first discovered commercial oil:

Firstly, how many of our vendor companies are truly run and actively managed by Bruneians?

Secondly, how many employment opportunities are created by the oil and gas industry and what is the percentage of Bruneian employed, especially by our vendors? And

Finally, 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?

13. The Energy Department at Prime Minister's Office (EDPMO) has also issued two Directives on LBD known as Directive No. 1: Local Business Development and Directive No. 2 - Local Business Development Framework for the Oil and Gas Industry. The revised LBD Framework strives toward among others, maximizing Local Content including employments of Bruneians, developing Bruneian Businesses and ensuring a level Playing Field with no monopoly, whilst giving spaces and opportunities for new and small businesses. One of the other key objectives behind the introduction of the Directives is indeed to cement the culture of Business Integrity within the industry. We want to have transparency in the awards of contracts while at the same time encouraging fair competitions that are free from misrepresentation, manipulations, corrupt practices and managed properly in line with the principles of good governance.

14. Two years have since passed. Have we really been able to tackle the underlying issues that would help us bring about a healthy and sustainable business environment in our oil and gas industry? Let me get back to the questions that I posed 2 years ago.

15. **Firstly, how many of our vendor companies are truly run and actively managed by Bruneians?** I had visited companies of different sizes over the last two years in order to find out more about these companies and also of their needs and difficulties, if any in running their businesses. I am

happy to say that there are around 60 successful companies that are truly managed by locals. Yet there are also companies that have introduced to us locals as their partners, some even as their Chairman etc., although it was clear to see that these locals are just puppets without an inkling of knowledge of the activities of the companies, leave alone to be able to advise or help chart these companies' visions and future directions. The Owners of the SMEs, which we want to build must: -

- a. Have knowledge and understanding of their businesses.
- b. Ensure that they honour their contractual commitments.
- c. Ensure that payments due are made and on time. This will mean wages to employees and money owed to their subcontractors.
- d. Develop Local Human Resources Competencies.
- e. Develop their companies to over time compete out the country.

16. **The second question I posed was "How many employment opportunities are created by the oil and gas industry and what is the percentage of Bruneian employed, especially by our vendors?"** We have now made it very important criteria for a company to bid on certain categories of tender to show that they have so many percentages of locals under their employment. But there must be a system in place to ascertain that the percentages given true and not just fancy figures to satisfy the bidding requirements. We don't want to have a situation where once a contract has been awarded, the winning company then started to provide excuses in order to be allowed to take in foreign workers.

17. It is important to produce local employees with the skills required by the industry. We have introduced the EICF program, where locals are being



trained in skills such as bricklaying, scaffoldings, marine crews etc. in order to make it easier for the service companies to engage locals with the necessary skills. We have set high targets for new employment of locals in the oil and gas industry. In 2012-2013, we set a target of 1600 and surpassed this with a recruitment of 2610. For the current period of 2013-2014, we have set an even higher target of 3000 new employments. We are confident with strong continuous supports of the players in the industry, this target is achievable.

18. **And my third question touched on 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 in BSP?** Two years ago the figure was as low as a mere 10 % or even less. That was an unacceptable percentage. Alhamdulillah, the percentage has grown over the last two years but I was made to understand that the main players are finding it difficult to increase the local contents to a level of 23 percent. Surely, there must be ways to improve further on this. We must think in a more nationalistic way, putting the interests of the nation above anything else. For example, have we monitored how many of the service companies both locals and foreign are utilizing other Bruneians SMEs in the conducts of their activities, or are patronizing our local banks.

19. One of the often hotly debated topics is monopoly. Often stability of prices and ability to provide efficient and effective services are given to support the practice. Yet monopoly and in some instances, collaboration between the companies involved in the same segment of the market, had lead to the suppression of healthy competitions, price fixing at unreasonable levels and so on. The question I would like to pose here is, have we really managed to stem out this problem. Results from a market dominance

analysis carried out by BSP in November 2013 indicated that although none of BSP's market segments was dominated by a single company, 9 out of 30 of its market sub-segments were dominated by one vendor (i.e. one vendor having more than 50% of the market sub-segment). This figure is down from 13 when a similar analysis was carried out a year before in November 2012.

20. So can we be really happy with the analysis? As the study was based on BSP's Actual Contract Values (ACVs), we have no doubt as to the accuracy of the data used. It shows that despite all the efforts that had been taken, elements of monopoly practices still exist. How could we let one single company dominate 9 sub-market segments at any one time? It could mean that our SMEs are still limited in their capabilities to compete against each other for some categories of contracts with the BSJV. If this is so, we need to go further toward identifying the root cause of the situation. We must admire the ability of the vendor to out maneuver his competitors and dominated not just one but 9 market sub-segments. Yet we would like to see also the pies being shared with more vendors. BSP with all the expertise and resources at its disposal should be able to remedy the situation by identifying ways and means to help other companies with the right potentials to develop the capabilities to compete and have a fair chance of entering these sub-segments, and thus encourage healthier competitions.

21. I have earlier this month visited Oman where the focus on LBD was very different from what we have here in Brunei Darussalam. There the main driver for LBD is not the Government but PDO, the Petroleum Development Oman. PDO is described as the foremost hydrocarbon

production and exploration company in State of Oman, similar to what BSP is to us here in this country. I understand that George Menane, Finance Director of BSP, has gone to PDO in Oman to obtain good practices on their LBD initiatives that can also be implemented in BSJV and is now on the way back to Brunei. I look forward to BSP adopting and assimilating some of these practices into the company's existing LBD Framework. This task should be treated as part of the company's corporate social responsibility.

Ladies and Gentlemen,

22. In order to tackle the various challenges relating to business integrity, we must first admit that they exist. The strongest point of a rope is also its weakest. Let look at where and what some of our weaknesses are.

23. We are encouraged by a report from BSP that in 2013, there were 100 companies that were first time bidders for BSJV's contracts, with 16 of them being successful and were awarded a total of 21 contracts. Yet what happened to the other 84 of the new to BSP bidders? What have the BSJV done to help these companies so that they have a much better chance of winning contracts in the future. Without assistance, some of these companies will not survive for long, leave alone being able to grow into strong and healthy companies financially. Some may need more training and exposures on HSSE, others on preparing their annual budgets and work programmes, or even in preparing their very own company's governance on business integrity – BSP have its own SCM Local Business Development Team, surely these are some of the training areas that can be easily accommodated.

24. Let me provides a very good example of the challenges faced by a

new contractor to the industry. I was informed that for tender submission, a standard template is used regardless of whether the bidders are new players or not, that requires information on historical performance. The big question is how can the new bidders provide their historical performance if they are new players. Yet, failing to do so may also likely to result in failing the technical and HSE evaluations. If these technical assessments could not be made to accommodate the new players, again stressing here without compromising on standards, our drive on getting more SMEs into the industry would be hindered, and participations would again involved the same existing players. I urged BSJV to look at ways to address this issue so that the whole process chain from EOI to award for contracts, especially in the Basic quadrant – normally the entry points for new comers.

25. I applaud the BSJV's initiatives in helping the contractors that failed to obtain a contract with the joint ventures. These include arranging debriefs and follow up meetings for local vendors. Vendors can also come to the BSJV's ASK program with all their questions and to discuss their plans and achievements. I understand that the vendors can also apply to participate in the Energy Business Academy. Here BSP has informed that the Ask Program is under subscribed and I wonder why? Having all these programs are commendable, yet do we have a transparent tracking system in place to ensure that they are effectively implemented, and able to meet the desired objectives. Frankly, for now, I cannot see these programs as having achieved their objectives, if most of the 84 companies I mentioned earlier continue to be unsuccessful in obtaining contracts with BSP in the near future.

26. Providing the right education is very important. The Business Integrity Campaign is a right step forward. To be more effective, the

campaign must be done in a continuous and more holistic way. It is not enough to highlights the various offences and penalties under the Prevention of Corruptions Act or the Penal Code. We must also brought in the religious aspects as well, that honest conducts of our tasks and duties or in doing business would lead to halal and barakah incomes, to feed and provide for our families.

27. Touching further honest conducts in doing business, there are still instances that several companies being owned or partly owned by an individual person. Two or more of these companies sometimes submit separate bids for the same contract. How can your companies bid against each other? Where is honesty on the part of the individual concerned in all these? You may try to hide your true identity of the owner of these multiple companies behind a 'legal curtain' – yet there are ways for us to find this out. Again this practice must be stemmed out, as it hindered healthy and true competitions among contractors. Here the role of our Registrar of Companies at Ministry of Finance is very important. This is also a global issue. Mr Kofi Annan's, former United Nations Secretary General during the 5<sup>th</sup> Conference of State Parties of the UN Convention Against Corruption, Panama City in November 2013 stated that among the non-transparent business practices identified is **"When a company's ownership is hidden, then how do we know it is honest?"**

Ladies and Gentlemen,

28. Before I conclude my remark, please allow me to once again stress that a clean business environment especially in our oil and gas industry is important if we want our country's economy to develop in a sustainable way. There is no alternative to this. We must stem conducts that are

contrary to the principles of Business Integrity swiftly and in non-compromising way as they are harmful not only to our companies, but also to the nation as a whole. A quick look at the business environment as far as those of the BSJV is concerned, shows that it is generally all right, although some feedbacks that we received stated otherwise. We must look at these feedbacks as some may contain valuable inputs that can help us improved further in areas of business integrity.

29. Again I would like to repeat my call for more to be done by the BSJV to help the local SMEs. There is no point for us to have the Incubator Scheme to train our SMEs, when we are not on the SMEs' side when they are facing unfair competitions or other hindrances that made survival almost impossible. At the same time, our SMEs must prove their abilities to perform and complete their parts of the contracts to full satisfaction, free from any perception of dishonest practices. Insya Allah, this will help to paint a better future for the oil and gas industry in this country.

With that, please allow me to again thank the organizing committee for all your hard work and inviting me to this afternoon's function and to our Chinese friends, very early happy greetings for the coming Chinese New Year of the Horse.

Thank you.

WABILLAHITAUFIKWALHIDAYAHWASSALAMU'ALAIKUM  
WARAHMATULLAHIWABARAKAATUH.