

**Keynote Speech for
The Brunei Shell JV Vendor Forum 2012
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By

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Bismillah Hirrahman Nirrahim,

Assalamualaikum Warahatullahi Wabarakatuh

Selamat Pagi and Good Morning,

First of all, I would like to thank Ken, BSP MD for again extending the invitation to me to attend and deliver my thoughts at this 2012 BSJV Vendor Forum. This is indeed a great honour and a golden opportunity for me to meet with you all as important players in our local oil and gas industry.

We have just heard a very encouraging welcoming speech from Ken where he touched on how we must make the right contribution to Brunei. I am happy to note the commitments of the Brunei Shell Joint Venture companies in aligning with and supporting the EDPMO initiatives including in areas that relate to Safety, Integrity, Development of Local Capacity, Capability, Jobs and Enterprise in line with His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Wawasan 2035.

Ladies and Gentlemen,

Let me first set out the scene of the current energy outlook.

Globally and our own region is no exception, the only certainty in the oil and gas sector is its unpredictability. Oil prices remain high and so are the costs of bringing the resources to the market. Sources that used to promise a more secure energy such as nuclear have fallen out of favours, whilst others like renewables are growing in popularity, even with various associated controversies.

With ASEAN sets to become an economic community by 2015, will see greater and freer movements of goods, services, investment, skilled labour and flows of capital. The important question is - are our local businesses ready to face the challenges that come with these changes? We must ensure that we have in place a strong rock-solid foundation for our local businesses, local contents and manpower to grow and remain competitive. These are what our Local Business Development Frameworks are designed for.

Ladies and Gentlemen,

Zooming in now to our very own home front,

The Brunei Shell Joint Venture companies have made a lot of efforts to create a clean and competitive business environment in our oil and gas industry. They have introduced new contracting strategies that place emphasis on developing local investment, training and employment. The make up of Tender Board's membership has helped ensure that various stages of tendering process are properly carried out and managed. These are all good news and in line with what the Government's want. On the flip side, I am still getting complaints especially on communication with the vendors. This is an area that BSJV needs to look at carefully. On supply chain management, I understand there are still staff who have been holding the same positions for years. This is worrying and may compromise the company's position on business integrity.

Please allow me to address the vendors present amongst us this morning.

Our economy is still oil and gas driven. We are producing around 400,000 barrels of oil equivalent per day. We want this number to grow and reached 800,000 boe per day in 2035. Exploration activities are being step up both offshore and onshore.

Next year BSP alone will be spending B\$2.7 billion up from B\$2.4 billion this year on new and existing projects. TOTAL, Shell Deepwater, PETRONAS and others in the upstream will also be spending hundred of millions in total on their own projects. In the downstream sectors, we will be seeing new projects such as Urea and Ammonia and the Hengyi Petrochemical.

To maximise the benefits from these investments, and to create a win-win situation, the operators must be more opened on the projects they planned to carry out over the next few years. The earlier the vendors and service providers know about your planned activities – the more times would they have to prepare their bids for the tendering process, hence resulting in much more competitive offers. As vendors, you must equip yourself to take advantage of this development. It is not just you who will benefit, but also the nation as a whole.

Last year, I touched on three very important issues, namely **Local Business Development, Business Integrity and Safety**. These three remain top in my list of areas that must be improved if we are to achieve sustainable development for Brunei Darussalam through our oil and gas industry.

As locals, we are the ones who must know and understand our very own local conditions and what are required to be taken and put in motion toward developing the local businesses and grow the local contents.

We have a think-tank to help us grow our SMEs. To members of the think-tank, do you really understand the issues at ground zeroes? I am the first to congratulate if you really do. There are still major impediments to our efforts to grow the SMEs. My sincere advise is please don't look at this task as just an opportunity to enrich your collections of research papers or journals, some prepared with the help of the so-called outside experts. Please think outside the box and meet our Brunei SMEs.

I myself have visited more than 50 companies over the last 6 months and to be honest I am able to grasp only some of the issues that our SMEs are facing, especially while looking at these from the companies' point of view. That is why I shall continue with these visits. But sometimes I said to myself, business must be too good and you don't have time to see me. Still in the circumstances, I am happy that you are doing very well.

That is also why we are here today. We want to have a good session with the SMEs – to hear your opinions and to understand your plights. We must look back to the basic and fundamental issues of how we can grow and sustain our SMEs.

Ladies and Gentlemen,

Sustainable economic development is a must have for the future of Brunei.

To have a sustainable future, our priority must be on developing our local businesses. This is important for the country's social and economic development. A sustainable development rests on our ability to meet three main pillars i.e. social, economic and environmental goals and objectives. Our businesses must be professionally run and managed, with locals engaged across all sections of the companies – doing actual works and not only just mere figure heads or to give the colourful glossary that the companies are truly locals.

Therefore ladies and gentlemen, providing real and quality jobs for our people is very important.

At the recent Job Fair, we registered around 6,000 applicants. This is a big number. Some have PhD, degree, HND, OND, A-Levels and O-Levels and there are those with even lower academic qualifications. That is also why our theme for this vendor forum; *Job Creation & Local Content Development within the Brunei*

Oil & Gas Industry is most appropriate! The real task is not just about creating jobs in big numbers but more importantly as I mentioned earlier, providing real, quality and decent paying jobs in our oil and gas industry, with ample opportunities for training and career progression.

Touching on the creation of jobs, we have set a target of 1000 new recruitments by the oil and gas industry for 2012. Alhamdulillah, by October this year we have exceeded the target by more than 300. Ladies and gentlemen, thank you for your cooperation in making it possible for us to achieve the target. For 2013, we have increased the target to 1600. The new target is very challenging, however it is achievable with the cooperation of the whole industry.

Just last month, I had a table-to-table session with locals recruited after the December 2011 Job Fair. It is sad that most of them do not even know what their future training plans or career paths are! Surely, if this true, their unhappiness and dissatisfaction are natural. Touching on salary, there were complaints that locals are not being treated fairly compared to their non-local colleagues e.g. while the non-locals are given fuel allowances – none is given to the locals. This is especially significant to those commuting daily from other districts as their wages that could be less than \$300 - \$500 per month, are almost gone just to pay for the fuel.

The jobs that we offered must be able to attract locals. I welcome BSP's initiative on rig contracts to provide a more conducive environment to attract locals through change shift patterns to 2 weeks on and 2 weeks off and setting minimum wages for the rig crew. On this, a minimum wage should instead be a reasonable one to both the employers and employees.

Toward setting reasonable wage for the oil and gas industry, with the consent of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam, a Task Force has been formed and is chaired by Yang Mulia Haji Jamain Haji Julaihi, Permanent Secretary (Downstream & Power) with the

Permanent Secretaries from the Ministry of Finance and the Ministry of Home Affairs as members.

Touching again on providing a reasonable wage. I have come across workers who are not being paid the amounts that were stated in the contractors' contracts say for example with BSP. This should not be the case. While the contract states that the worker in a category skill should receive \$40, giving him less would be both unethical and dishonest. Where is your notion of honesty and integrity as an employer here? I was made to understand that this situation in some cases arises, and I repeat in some cases only, are due to commission taking by manpower agencies engaged by the companies. I am even told that these manpower agencies are a new growth area for Ali Babas. Again this is not right at all. To the main operators, do not turn a blind eye on this. We must be serious in tackling these undesirable practices or else all our efforts will fall out of places.

Please do not misunderstand me. I strongly believe in merit system i.e. the pay must be linked to performance and productivity. To the local employees, do not think that just because you are locals you can demand a certain paid package. Please do not equate your remuneration package with those offered by the Government. The industry's package must be market driven. Believe me, given the right environment, a market driven remuneration package would be much better and more satisfying than those offered by the Government.

I have seen success stories during my working visits to some of the companies represented here in term of engaging locals as employees. But there are still those who are insincere. Please do not just hire so that you have the numbers to show that you are meeting the LBD Directives on employment!

We have a simple rule. We want to see quality jobs to be made available to locals. So how can this be *done*? Companies have the responsibility to have in place a proper *Human Resource Development* (HRD) and *Human Resource*

Management (HRM) for its employees. Proper HRD and HRM must always be considered as essential parts of a Contract Performance Review. Remember, this is in line with Wawasan Brunei 2035 that wants the country to have well educated and highly skilled people. **It is all about growing our Bruneian human capital.** Surely, it is not too much to ask you all to do your parts in providing jobs for the locals. We have local companies holding contracts worth in the tens of millions, but still have very poor record on career developments. Please do not forget your responsibility on these. If you can't or just simply won't do it, there are others who can and will!

The Energy Department and some of you here have worked successfully to provide apprenticeship to locals who are looking for jobs within the oil and gas industry. We started with the young energy graduates or YEG in short, then due to popular requests, extended the scheme to HND holders and may yet be extended further to those with lower qualifications. The scheme's main aim is to provide the job seekers with enough industry experience so that they would be more marketable in the future. Your support is crucial if this initiative were to go on working as intended. Indeed out of the 200 or so that we have successfully matched with the various companies, some have already been given permanent jobs! Again, please look at these placements with your companies as part of your corporate social responsibilities – not as an easy way of obtaining short term or cheap workforces.

Ladies and Gentlemen.

Let me share with you now as to why I am extremely disappointed with some of the big companies operating in Brunei Darussalam.

I recently visited a drilling company that has held contract with BSP for 18 years now valued at almost B\$ 840 million. 18 years and only 27 % of the employees are local! They also paraded in the meeting, the local owners who they said are key persons in the company and expected me to be impressed! These local owners did not even say a word during the meeting. My message is

clear, you may be one of the top service provider e.g. Rig of the Year but if your LBD's record is poor, you do not fit into the industry that we want!

Let gets this right and clear. International companies are welcomed with open arms as long as they contribute to the socio-economic development and conduct themselves in accordance with the laws of the country. We want you to bring in new technologies, employ and provide our locals with as I mentioned earlier 'real, quality and decent jobs'.

I must say that we do have international companies in Brunei Darussalam that are contributing to our drive to develop and upgrade the capabilities and expertise of Bruneians. To them I thank you. Allow me to name two of these companies i.e. Schlumberger and Baker Hughes. Schlumberger has about 35 locals working in their organisations outside the country and one of them is heading their operation office in Thailand while Baker Hughes has 10 locals working overseas where 1 is Operations Manager in Malaysia. This would enable these local employees to gain more experiences and skills. It also shows how locals can achieved the standard that is recognised worldwide if given the proper training and career development. These are companies that Brunei needs and welcome whole-heartedly.

Ladies and Gentlemen,

Since the Vendor Forum last year, the Energy Department have introduced two Local Business Directives i.e. LBD Directive 1 to prevent monopoly or market-dominance and LBD Directive 2 to increase local employment and local content. This is not an unfair requirement. To me the true assets for the country are the right companies, the right people and the right facilities. You may have the best people in the industry but if they are not right for the Brunei's oil and gas that we longed for, then they are not true or real assets to us. To you yes but not to us!

That is why your cooperation in adhering to the LBD Directives No. 2

especially on regular and truthful reporting is very important. We need to have these regular inputs and feedbacks in order to know how things really are within the industry and what we have to do in order to remedy any weaknesses. It is not of use to have inputs that are not complete or irregular in term of the contents and submissions. That is why failure to adhere to these requirements may inevitably result in no works being given to your companies.

Last year, I mentioned about Ali Babas where local companies being managed by Bruneians on paper only. It is sad to note that the situation still persists. It is unbelievable how some Bruneians are willing to put their reputations and financial standings at high risk by agreeing to be named owners of some companies in return of some quick commissions or payments. I do not need to go further, there are plenty of examples of the consequences to the locals. These practices are unacceptable to us and placed our LBD drives at risk. We have now put in place a mechanism in the Brunei Shell Joint Venture's Tender Process to identify and weed out these unhealthy practises.

Please do realise why we want to have locals genuinely owning and managing the companies. It is more about building our local capability to manage our own companies. How can there be any business integrity for the company, when from the onset you are not even honest about who the real owners are!

Ladies and Gentlemen,

I want to get maximum feedback from this Forum on how we can work together to develop true Bruneian SMEs in the oil and gas sector. But please be constructive, if you want to just complain about your individual tender submissions then this is not the place. A strong company does not rely on just one contract. Being a true entrepreneur - just as the word describes, you must be both innovative and creative. You must not just look for business opportunities but also create them. You must remain robust. It would be really sad if we were to find our contractors going bust just because they failed to get a

contract from the main companies.

The Government of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam are not just leaving it to the industry to provide trainings for the current and future local workforce. The efforts include: -

Firstly, introducing schemes for those interested to pursue further studies at local institutions where the costs are either fully or partly covered by the Government through the Economic Planning Development Department, there are also tax rebates scheme offered by the Ministry of Finance in addition to the Ministry's scheme to encourage employment of locals through partial funding of salaries and so on.

Secondly, with the cooperation and supports from various Ministries including the Ministry of Education and the companies such as PetroleumBRUNEI, BSP and TOTAL, we are preparing the Energy Industry Competency Framework (EICF), a document that will be used as a guide in preparing courses that offers training syllabuses that are more akin to what the industry needs, thus ensuring greater marketability for our fresh graduates and trainees, and at the same time, providing the industry with ready and capable workforce. This document will be ready by end this year for implementation next year. The EICF will provide the standards that we want from the courses – all must adhere to this standard. Let's be transparent here, if we were to allow freedom for any company to set up training centre without taking into consideration our own national's agenda – their actions and self-interests may be in conflict and have unwanted impact on our efforts.

Thirdly, toward providing up-to-date teaching facilities, we are also planning to set up new technical institutions through Private Public Partnership catered specifically for the oil and gas industry. Apart from developing up-to-date technical skills, we also want to develop new skills as well, such as those for seafarers to levels that are recognised internationally by the International

Maritime Organisation (IMO).

These initiatives are very much in line with the Titah of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam on the occasion of the Hari Raya Gathering organised by Sultan Hassanah Bolkiah Foundation, Tuesday, 9 Syawal 1433/28 August 2012. The said Titah amongst others commanded that:

“My Government through various related agencies is and will be preparing a variety of strategies, services and facilities to assist and further developed the private sector, covering education and staff professionalism”

Ladies and Gentlemen,

I would now like to move on to talk about local contents. The most popular definition for local content is “the added value to the host nation through the activities of the oil and gas industry”. This may be measured and undertaken firstly, as I have elaborated before, through development, employment and training of the local workforce, and secondly, through investments in suppliers development, including by developing and procuring supplies and services locally.

Definitely a fly-by night company does not provide added value to the country. Nor companies that are only interested to gain profit by providing supplies and services without giving much thoughts to developing our local capabilities to produce the products or provide the services required through technology and knowledge transfers.

Again, here we have seen some successes from joint ventures between foreign companies and locals, in term of development of local capabilities to produce and supplies items that are needed by our oil and gas industry. For example in producing perforated tubing used in the production of oil and gas.

This capability not only open up business opportunity but reduce waiting time for the product, which used to be done outside the country. This to me is a win-win situation for the local company and its joint venture partner, and to the industry and the nation as a whole.

In order to maximise the benefits of local contents, we must have strong local companies with proper governance and always in compliance with the laws and rules of the country. These following are some of the attributes of very good corporate citizens.

Firstly, submitting in time financial returns to the authority as required by the Companies and the Income Tax Acts. Surely a properly run and manage company will keep a proper record of all its expenditure and income. Indeed, it is in your interest to keep these records in order and properly audited to avoid mismanagement and even fraudulent activities. Brunei Darussalam's taxation regime has been revised and is already very competitive compared with others in the region. It would be very difficult to believe a company that has been in business for so many years cannot yet recover its investments and so, has not been able to pay the taxes.

Touching on auditing of company accounts, I have come to know of a strange and funny claim, if not because for the seriousness, that in Kuala Belait, there is only one auditor doing all the audit businesses. This said the claimant leads to delay in preparing audited accounts and thus, the failure to submit the audited accounts and tax returns in time. There are even companies that have not been audited for more than one or two years. I was also informed that audit firms have members or employees who are also in the management team of other companies. So my question is what is the role of Accountant Association on this? Do you not see there is as conflict of interest here? Our University of Brunei Darussalam is producing a number of accountants annually, but we have only one accountant who undertakes audits for the industry in Belait District!

Secondly, as good corporate citizen, you should help in developing the

local content by using local banks and finance institutions. I was told that our local banks are very stingy with their monies, they preferred to give to their friends only and not to others and even, accusing the bankers of unhealthy practices. Well, some of our top bankers are here. I told the bankers what I have heard, and they said it is their business to lend money and therefore they cannot be stingy. However, they must be careful and exercise due diligent before giving out loans especially those involving very big amounts. One of them even said it was difficult to consider a batch of loan applications by different companies when each submitted an almost carbon-copied business proposal without proper financial governance.

I understand that Ministry of Finance is also looking into these various issues relating banking, accounting and further developing our local SMEs. I have now made it a must to have a team of local bankers and a representative from the Ministry of Finance to join me during my working visits to the various companies so that they could provide advices and explanation on matters relating to financing and financial matters if and when required.

Ladies and Gentlemen,

Issues relating to business integrity such as corruption must be dealt with firmly and eradicated.

We are still hearing news of vendors and service providers getting into trouble with the Anti-Corruption Bureau. These are all due to pure greed. On tenders, we want you to win on your accord based on your company's capability and reliability, and not through unfair means. His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Titah made during the Yayasan Sultan Haji Hassanal Bolkiah's Hari Raya 2011's Gathering touched on how important honesty is in doing business.

Quote "What is that basic and valuable ethic? The answer is honesty. In carrying out any enterprise or business, this characteristic is very important

because without it, your company or business may be facing problem. Dishonest entrepreneurs and businessmen would be inviting variety of problems." Unquote.

Another practice that can also be regarded as business integrity's issue is monopolistic practice. We will continue to look seriously at these practices. This is neither good for the country nor for the business communities as a whole. We want to create a level playing field for businesses to compete in a healthy way. We cannot have companies seemingly competing against each other but in reality in term of ownerships, these companies are one and the same. If there is no competition, then the owner of the monopoly can set the price at whatever he wants, and control the entire market for that sector. We need fair and clean competition to drive the suppliers to provide superior quality products and keep prices at reasonable level.

Ladies and Gentlemen,

Let me now touch briefly on matters relating to safety.

We still noticed that some companies are treating issues such as safety and health, not only of their own employees but also to others very lightly. Some have glowing documentation on HSE, yet these are not implemented. For example during one of my visits, I saw sandblasting activities being done within an area that was not completely covered. Mind you, the company is an international company that has a very extensive manual on safe practises. Safety and protection of personnel, facilities and environment are very important. The Government of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam are currently drafting new rules and regulations that will be enacted under the Workplace Health and Safety Order 2009. You will be required to conduct yourself within a certain standard and if you failed to comply, you can be penalised under the law. We must be pro-active on this. It is our duty and responsibility to ensure the safety of everyone.

As contractors, and corporate citizens, you all must be committed to demonstrating a high standard of environmental protection, sharing of best practices and provision of a safe and healthy workplace. This can be achieved for example through conservation of resources, preventing pollution, eliminating accidents, occupational illness and injuries at work as well as ensuring adherence to all applicable legislations and so on. Let us as stakeholders work together toward continuous improvement of our environmental, health and safety management system.

Ladies and Gentlemen,

I have given a lengthy speech. If I were to provide a summary, it would be that our local businesses must be sustainable for the benefits of everyone. To achieve this, we must make all the necessary efforts to turn our businesses into well-managed and true corporate citizens. All these will help us achieve what His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam wants us as a nation to strive for, creating a sustainable development to ensure that the prosperity and peace that we have now will also be enjoyed by our future generations.

With that, and by reciting the qalimah *Bismillah Hirrahman Nirrahim*, I declare open this 2012 Vendor Forum.

Thank you.

WABILLAHI TAUFIK WALHIDAYAH WASSALAMU'ALAIKUM
WARAHMATULLAHI WABARAKAATUH