

BENEFITTING FROM OFFSHORE PETROLEUM ACTIVITY

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PRESENTATION STRUCTURE

- ✦ **The Nature of the Opportunities**
- ✦ **Getting Petroleum Work**
- ✦ **Petroleum Work: Case Study Companies**
- ✦ **A Sectoral Perspective**
- ✦ **A Regional Perspective**
- ✦ **Government / Industry Benefits Tools**
- ✦ **Discussion**



EXPLORATION PHASE OPPORTUNITIES

- ★ **Geophysical (including Seismic) and Exploratory Drilling**
- ★ **Expensive (e.g., \$30-80 million a well)**
- ★ **Specialist International Companies**
- ★ **Highly Mobile Equipment**
- ★ **Highly Footloose**
- ★ **Global Decision-making**
- ★ **High Uncertainty: Paramount Concern in Local Planning**
- ★ **Can Contribute to Existing Business**



DEVELOPMENT PHASE OPPORTUNITIES

- ★ **May See Major Local Construction (e.g. Hibernia):**
 - Construction, as much as petroleum, projects
 - Short term; boom-bust issues
 - Need for community impacts management
- ★ **Move to Floating and Sub-sea Systems:**
 - Can be transported around globe
 - Construction specialization in South Korea, Abu Dhabi, etc.
- ★ **Pipelines vs Vessel Transportation:**
 - Oil and Gas (LNG, CNG)



PRODUCTION PHASE OPPORTUNITIES

- ★ Longer-term Industry Commitment to Region
- ★ Long Term Benefit from Using Local Sources
- ★ Increased Operator Concern re Corporate Reputation and CSR (especially where a local downstream presence)
- ★ Increased Opportunities for Local Involvement



GETTING WORK

☀ Organize:

- Individual and group strategies
- Supports

☀ Learn:

- Information requirements
- Methods

☀ Evaluate Opportunities

☀ Contracting and Bidding

☀ Market



GETTING WORK: ORGANIZE

★ Companies:

- Single firm
- Partnerships, alliances and joint ventures (local, national and international)

★ Supports:

- Economic development agencies
- Industry groups (PCOOGA; POEA)
- Government agencies
- Consultants



GETTING WORK: LEARN

- ★ Learn about the Industry
- ★ Learn about the Activity and/or Project:
 - ★ Proponent
 - ★ Phases
 - ★ Timing
 - ★ Management structure
 - ★ Contracting strategy and process
 - ★ Requirements



GETTING WORK: LEARNING METHODS

- ★ Review Literature and Web-sites
- ★ Presentations, Workshops and Conferences
- ★ Trade Shows
- ★ Fact-finding Missions (undertake and host)
- ★ Meetings With Potential Clients



GETTING WORK: ASSESS OPPORTUNITIES

- ✦ **Direct Supply to Offshore Activity:**
 - ✦ **Raw materials**
 - ✦ **Goods**
 - ✦ **Services**
- ✦ **Requirements of Labour Force**
- ✦ **Complement Other Local Industry**
- ✦ **Think Strategically**



GETTING WORK: ASSESS OPPORTUNITIES

- ✦ **Company Capabilities:**
 - ✦ **Current**
 - ✦ **Opportunities for improvement**
- ✦ **Duration of Requirement**
- ✦ **Certainty of Timing**
- ✦ **Key Decision Points**
- ✦ **Contracting Issues and Process**



GETTING WORK: CONTRACTING

- ★ **Who is the Client? (contracting and subcontracting)**
- ★ **Location of Client**
- ★ **Contracting Process Stages**
- ★ **Bid Requirement Specifics (what do they want?)**



GETTING WORK: CONTRACTING

★ Business Requirements:

- ★ Quality
- ★ Skills, competence and training
- ★ Accounting
- ★ Document control
- ★ Health, safety and environment
- ★ Benefits, diversity

★ Bid Packaging



GETTING WORK: CONTRACTING

- ★ **Pre-qualifying (EOIs):**
 - Experience
 - Capability
 - Expertise
- ★ **Requests for Proposals (RFPs)**
- ★ **Proposals:**
 - Technical
 - Financial
- ★ **Monitoring and Reporting**
- ★ **Bidder Debriefing**



GETTING WORK: MARKETING

★ Approaches:

- Materials
- Presentations
- Relationships

★ Key Issues:

- Professionalism
- Experience
- Reliability
- Cost effectiveness



GETTING WORK: THE REWARDS

★ The Bottom Line

★ Business Competitiveness, e.g.:

- ★ New personnel and equipment
- ★ Improved business capabilities (e.g., bidding, QA/QC, accounting, document control and management)
- ★ Confidence, morale and ambition

★ Growth:

- ★ Local
- ★ Exports
- ★ Other Sectors



CASE STUDY COMPANY: STRATOS GLOBAL

- ✦ Hibernia construction, and Hibernia and Terra Nova offshore, communications
- ✦ Niche – ‘mobile and fixed remote communications solutions’:
 - ✦ Offshore petroleum, onshore pipelines, utilities, defence and coastguard
- ✦ Newfoundland:
 - ✦ Operations centre, Inmarsat hub, 200 employees
- ✦ Canada’s fastest growing IT company



CASE STUDY COMPANY: NEWDOCK

- ★ Newfoundland Dockyard privatized in 1997
- ★ New capital investment, improved business practices, ISO 9002
- ★ Grenland alliance to build Terra Nova sub-sea templates and manifolds
- ★ Gulf of Mexico deepwater contracts with FMC and ABB



CASE STUDY COMPANIES

- ✦ **Oceanic Consulting Corporation**
- ✦ **Shearwater Geophysical**
- ✦ **G.J. Cahill**
- ✦ **M&M Engineering**
- ✦ **Cougar Helicopters**
- ✦ **A. Harvey and Company**



CASE STUDY COMPANIES

- ★ **NewTrans Equipment Carriers**
- ★ **Murray Industrial**
- ★ **P.F. Collins Custom Brokers**
- ★ **Atlantic Offshore Medical Services**
- ★ **Jacques Whitford**
- ★ **Oceans Limited**



CASE STUDY COMPANIES

- ★ **McInnes Cooper**
- ★ **CCL Milestone**
- ★ **Robinson Blackmore Printing & Publishing**
- ★ **Imprint Specialty Promotions**
- ★ **Crocker Photography**



CASE STUDY COMPANIES

- ✦ **City Hotels**
- ✦ **Delta Hotel and Conference Centre**
- ✦ **Lansing Properties**
- ✦ **Nautical Nellie's**
- ✦ **Clovelly Golf**



A SECTORAL PERSPECTIVE: TOURISM

✦ Assumed Incompatibility

✦ Benefits in St. John's:

- ✦ Corporate hospitality, meetings, conferences, trade shows, etc.
- ✦ Transportation infrastructure and services
- ✦ 'Cosmopolitanization'

✦ Hibernia Construction Project:

- ✦ \$25 million p.a. on tourism activity, restaurants and bars
- ✦ Industrial tourism

✦ The Effects on Local Culture

✦ The Image Question



A REGIONAL PERSPECTIVE

- ✦ **Petroleum: a Valuable New Sector (?)**
- ✦ **However, Sustainable Economic Development Needed:**
 - ✦ **Eventual end of activity**
 - ✦ **Uncertainty and variability**
- ✦ **Requires Applicability to Other Industries and Activities:**
 - ✦ **Infrastructure**
 - ✦ **Training and skills**
 - ✦ **Business capabilities and ambition**



A REGIONAL PERSPECTIVE

- ★ Learn, including Local Capabilities, Aspirations and Priorities
- ★ Think Strategically and Plan Accordingly
- ★ Review and Manage Potential Negative Impacts on Existing Businesses:
 - ★ Inflation (wages, services, housing, etc.)
 - ★ Congestion and delay
 - ★ Image (e.g. re tourism, fish and agricultural products)



A REGIONAL PERSPECTIVE

☀ Educate and Support:

- ☀ Local businesses
- ☀ Unions, media and the public
- ☀ Training and R&D institutions

☀ Educate and Lobby:

- ☀ Local government
- ☀ The petroleum industry

☀ Participate in Review Processes



GOVERNMENT / INDUSTRY BENEFITS TOOLS

- ★ **Project and Program-related Regulatory Requirements:**
 - ★ **Socio-economic Impact Assessments**
 - ★ **Socio-economic Environmental Protection Plans**
 - ★ **Impact and Benefit Agreements**
 - ★ **Diversity Plans and IBAs**
 - ★ **Benefits Plans**



GOVERNMENT / INDUSTRY BENEFITS TOOLS

★ Benefit Plans:

- Approach, policies and procedures
- Location of decision-making
- Information and communications
- Supplier development
- Procurement (bid packaging)
- Technology transfer
- Training, employment and succession planning
- Research and development



GOVERNMENT / INDUSTRY BENEFITS TOOLS

★ Influencing the Distribution of Benefits:

- ★ Diversity Plans and Impact and Benefits Agreements
- ★ Adjacency principle
- ★ Regional policy (Norway)

