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Richard J Owen
Chairman



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Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600

By email: eec.sen@aph.gov.au

RE: Inquiry into Corporate Avoidance of the Fair Work Act

Dear Secretary,

Esso Australia Pty Ltd ("Esso") welcomes the opportunity to provide feedback to the Senate Inquiry into Corporate Avoidance of the Fair Work Act ("the Inquiry").

Esso does not propose to respond to each of the Terms of Reference, but rather provide a summary of its operations and overview of contracting practices, with specific reference to the award of its recent onshore and offshore catering and cleaning contracts.

Esso – An Overview

Esso is a subsidiary of ExxonMobil Australia Pty Ltd, Australia's oldest oil and gas company. With a total investment of more than \$20 billion and a history spanning over 120 years, we are a substantial investor in the Australian economy and a major contributor to the wealth of the nation.

Esso has been operating in the Gippsland community since first oil and gas flowed from our offshore Bass Strait operations in 1969¹. Esso's Bass Strait operations, including its offshore facilities, Longford Plants, Barry Beach Marine Terminal and Long Island Point Plant, together work to supply 70 per cent of Victoria's natural gas requirements.

As one of the largest and longest standing employers in Gippsland, Esso currently employs around 800 people directly while providing indirect employment to many more.

Changing nature of our operations

Esso has been producing oil and gas from the Gippsland Basin for over 45 years. As with all oil and gas basins, the nature of the resource is finite and crude oil production has been in a period of natural decline for a number of years having decreased from more than 500,000 barrels per day at its peak, to less than 50,000 barrels per day. While oil production has

¹ Esso is the operator of the Gippsland Basin Joint Venture in which Esso Australia Resources Pty Ltd and BHP Billiton Petroleum (Bass Strait) Pty Ltd each have a 50 percent interest.

declined, we continue to look at further ways to invest in the future of Bass Strait – principally to develop additional gas supplies.

This, coupled with changes in supply and demand in markets, means we are continually reviewing opportunities to improve our competitiveness without compromising quality, reliability and safety, while ensuring we have operational flexibility. In the Gippsland Basin, we have seen this through a range of recent initiatives.

We have changed the way we operate some of our offshore platforms where the economics have been challenged by higher operating costs and declining production. We are also exploring opportunities to market some of the offshore Gippsland Basin fields, licences and associated offshore infrastructure, as well as seeking proposals from potential new operators who would be able to better utilize our Barry Beach Marine Terminal which has significant underutilized capacity.

Use of labour hire and/or contracting arrangements

The oil and gas industry relies heavily on thousands of contractors to ensure it can execute on important projects that deliver energy to the nation. Given the size and scope of the projects undertaken within the industry, these projects deliver employment opportunities for many thousands of Australians for scopes of work that are demand driven, specialised or finite in nature.

Esso maintains a principal group of skilled employees to undertake its core business of bringing oil and gas to the market, while engaging various contractors to supplement this resource to deliver services which are ancillary to its core business.

Esso currently manages approximately 160 contracts that deliver a variety of services, with an estimated annual value of around \$700 million, which in turn provide a host of employment opportunities.

The use of labour hire is a relatively minor component of total contract activity for Esso, with core activities generally resourced by either direct employment or supplier service contract arrangements.

Review of contract arrangements

Esso continually looks to find new efficiencies and cost savings to ensure our business remains competitive to attract necessary operational and capital investment but also robust and flexible enough to weather changing business circumstances.

Contracts are reviewed on an ongoing basis, with contracting strategies developed that align current business need with future requirements.

Esso takes into account a number of factors when making a decision to review a contract including, but not limited to, the type and timing of goods and services required, the contract value and term, the market environment for the goods and services, the number of suppliers in the market and change/delivery complexity.

When tendering for contracts, Esso requires contractors to demonstrate compliance with industrial relations requirements, including meeting relevant award, agreement and prevailing legislative obligations as part of its tender process.

Esso's offshore and onshore catering and cleaning contracts

Esso has used third party contractors to provide catering and cleaning services for its onshore and offshore facilities since operations commenced in Bass Strait nearly five decades ago.

In 2015, the decision was made to approach the market using a competitive tender exercise regarding provision of these services. A key requirement of the process was to ensure contractors comply with the Fair Work Act. Where enterprise agreements are entered into by the contractor, they must be approved by the Fair Work Commission.

Following a competitive tender process which included consideration of eight different potential contractors, Esso awarded contracts for catering and cleaning services at its offshore and the majority of onshore facilities to ESS.

ESS has significant experience across the oil and gas industry, both in Australia and globally, including providing the catering and cleaning services for Esso in the 1990s and early 2000s. ESS will determine how it manages the contracts and associated resourcing going forward. ESS is expected to take into account Esso's business requirements and service expectations, while delivering efficiencies to help Esso set up its business for the future and ensure it can continue to provide some of the best oil and gas industry jobs in Australia.

Please contact Andrew Murphy, Public and Government Affairs Manager for ExxonMobil Australia on [redacted] for any queries with respect to this submission.

Yours faithfully,

