

## Terror overseas alerts oil patch

### Energy firms reassess foreign operations as bombings elevate risk

**BY MONICA PERIN**  
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The terrorist bombings in Saudi Arabia and Morocco that killed 70 people in the past two weeks have upped the ante for U.S. companies that operate in high-risk countries.

And federal officials warn that more such attacks against U.S. interests are highly likely in the near future, which prompted the Bush administration to raise the color-coded threat level to orange, or “high,” earlier this week.

Security specialists in the private sector are advising clients who operate in such places to upgrade their emergency preparedness plans.

“They need to assess their physical security and counter-terrorism mechanisms and beef them up,” says Jim Francis of Kroll International, a global security firm based in New York.

But oil industry and security experts in Houston doubt that even these latest events will cause major changes in business operations in the oil patch.

“Companies will incur security premiums, but these concerns have been baked in the cake since 9/11,” says Greg Barnes, managing partner in the Houston office of Korn Ferry International executive recruiting firm.

“Definitely it’s going to get harder to recruit” people to take assignments in places like Saudi Arabia, says Ralph Stevens of Houston-based Preng & Associates, a global energy search firm.

“I would guess that taking family there will be less likely than before, and that only essential personnel will be there,” says Stevens.

John Griffin, who heads the Houston-based upstream and oilfields services practice of Korn Ferry, predicts three things will happen:

- Companies will expand their expatriate base to other groups of less targeted people, such as Asians or other foreign nationals, and decrease recruiting of Westerners.
- People who are close to their goals of making a certain amount of money, retiring and getting another job will stay in Saudi Arabia but send their families home.
- Companies will pay more and heighten security to get people to stay there or go there.

“At the end of the day, it will be a matter of money, whether in direct salaries or increased security,” Griffin says.

## **PREMIUM PAY**

Oil companies have traditionally paid premiums to employees working in difficult or inconvenient places. Executives who have been paid \$200,000 to \$350,000 a year might now get additional premiums of as much as 75 percent to work there.

But a proposed change in tax laws could offset increases in compensation.

David Preng, president of Preng & Associates, says many expatriates are concerned about a Bush administration proposal to remove the current tax exemption on the first \$80,000 earned abroad.

“This, coupled with security concerns, may cause some people to re-evaluate their current posting or alter their current thinking about accepting an overseas posting,” Preng says.

His colleague Stevens expresses doubts that companies will try to “throw money” at the problem.

“All the money in the world can’t buy your life,” Stevens says. “People will either be willing to do it, or not willing – premiums aside.”

In the past, he says, security wasn’t an overriding issue for his clients who did business in Saudi Arabia, although the perceived risk level would vary by company from mid-level to high.

Now, he says, “it’ll jump all the way to the top.”

Although oil industry companies are tight-lipped about what measures they are taking as a result of the Saudi bombings, Stevens says he knows some people have been taken out and sent to England.

Locally, Baker Hughes, Inc., Schlumberger and Shell Oil Co. declined to comment. ExxonMobil, BP and ChevronTexaco also have remained mum in response to media queries.

A U.S. spokesman for the American Business Council of the Gulf Countries told the Associated Press that he has not heard of any foreign companies planning to “pull the plug” on operations in that region.

And a Philadelphia-based firm that manages travel for companies told AP there has been a spike in departures from Saudi Arabia by family members of Western executives, but not a lot of employees have left.

The U.S. Bureau of Consular Affairs estimates that about 150,000 Americans live in the Middle East.

## **OTHER HOT SPOTS**

In recent months Shell and ChevronTexaco have evacuated employees from Nigeria, while other companies have followed suit in Venezuela and Indonesia because of local uprisings. Companies such as Schlumberger evacuated employees from Kuwait before the start of the Iraq war, but they have since returned.

Houston security expert Kevin Swailes, chairman of Swailes & Company, points out that kidnappings and terrorist attacks have been going on for years in countries such as Colombia, Nigeria, the Ivory Coast and elsewhere.

“Companies that operate in these environments understand the risks and they are very proactive,” Swailes says. “They have to be out in front of it.”

Companies active in Saudi Arabia will be “reassessing what they have in place, the nature of their business operations in-country, and whether they still feel comfortable with those protocols after the recent acts,” he says.

In the long run, he says, organizations that are better-equipped for handling the risk will stay put.

“You won’t see a huge shift,” Swailes says.