



Oil and gas rotator programs: Unlocking efficiencies at every turn

Two types of rotation, one mechanical, the other human, drive the action on drilling rigs around the world. The mechanical involves steel, tungsten, and diamond bits twisting through the earth toward a hoped-for strike. The human is the continual rotation of oil and gas services personnel, aka rotators/commuters, who keep rigs and fields operating offshore and in remote lands 24x7x365. Dozens of energy jobs are staffed on weeks-on/weeks-off rotation schedules, from platers, pipefitters, and riggers to engineers, architects, and geophysicists.

The more specialized and expensive the rotators' skills, the greater the incentive for energy service providers (service providers) to reduce their downtime. One way to do that is to loan or second them to other drilling sites, which might be a state, country, or continent away.

These deployments may trim idle time. They also may increase rotator program complexity and requirements related to talent management, rewards, compliance, and data management — factors that

together signal the need for an approach to utilize this population in alignment with a service provider's broader business objectives.

Developing a rotator strategy can be like opening a safe's combination lock. Each action, each turn of the dial, sets a tumbler. When all the tumblers are in place, the vault door opens to reveal great value, in this case a strategy-driven, business-aligned, and financially efficient rotator program.

Talent management: from model to pipeline

Many rotators live nomadic lives. Those with specialized, highly valued experience may end up at half a dozen locales in a given year. While rotators are indispensable resources on rigs, demand for their skills fluctuates with the known vagaries of the O&G business. This fluctuation can lead service providers to hurried hiring in boom times, fast firing at downturns, and a resulting shortage of talent for the next uptick.

Underlying this cycle for many services providers is the lack of a rotator talent model — a framework to help align global mobility with business strategy and improve the structure and execution of rotator deployment. A sustainable rotator talent model may be the requisite path to establishing a talent pipeline that satisfies the requirements of today's reliably unpredictable markets.

Development of a talent model can begin with a basic supply and demand analysis. Where do we need rotators? From where are we sourcing them? How deep are our rotator benches, should sudden needs arise?

Geographic patterns identified through analysis of rotator deployment may support creation of regional resource pools adapted to local needs. Segmenting rotators by market, with local

talent earning local market rates, can help control costs. Rotators can also be segmented, and assessed, by the scope of their work in a hierarchy of domestic, regional, and international resources.



Segmenting talent in this way also provides the foundation for a talent pipeline. Top domestic performers can move into regional slots, regional stars may become international resources, and international superstars may become global legends. Career-pathing and competency models can help identify candidates and create opportunities for cross-product and cross-market development. With the talent model established, a service provider facing the next market downturn should be familiar with its rotator workforce — which people are where, who can be moved, who are top performers, and who are reduction-in-force candidates.



Rewards: from visibility to rationalization

Compensation is integral to rotator talent strategy. Tying the talent pipeline to compensation can help reveal the costs to do business in a region.

Making that connection may not be easy. In-demand rotators routinely strike individual agreements with service providers, and their total rewards profiles can be hard to assemble. Greater visibility into rotator compensation can enable analysis that guides pay rationalization by product lines and work locations.

From this analysis, service providers can develop individual compensation strategies for segmented populations. Pay strategies strengthen and support the talent model. Standardized, harmonized pay structures may promote greater internal equity. Improved reward structure may help match rotators to assignments and compensation.

Rotator tax regulatory issues

Generally, employees and service providers don't want to pay more taxes than they owe. But neither do they want to incur the fines and penalties that can result from underpayment or late payments. When rotators are involved, it's not unusual to rely on inter-company invoices to calculate the employment taxes payable to each country in which a rotator performs services.

To fulfill its employment tax obligations, a service provider should know who is working, where and when they are working, the compensation they received for that work, and select personal information. That's no small task in the world of rotators, as energy services companies can struggle to track rotators' whereabouts and movements.

As noted, visibility into rotator compensation can be less than ideal, which compounds the problem. Special contracts terms may generate lump-sum bonuses for workers in high-demand, specialized roles, with no indication of where they earned the money.

As efforts progress to improve talent management, align compensation, and track employment movement, savings attained by avoiding overpayments and late payment or underpayment penalties could help fund rotator efficiency initiatives, increase international margins, or support more-competitive bids on future work.

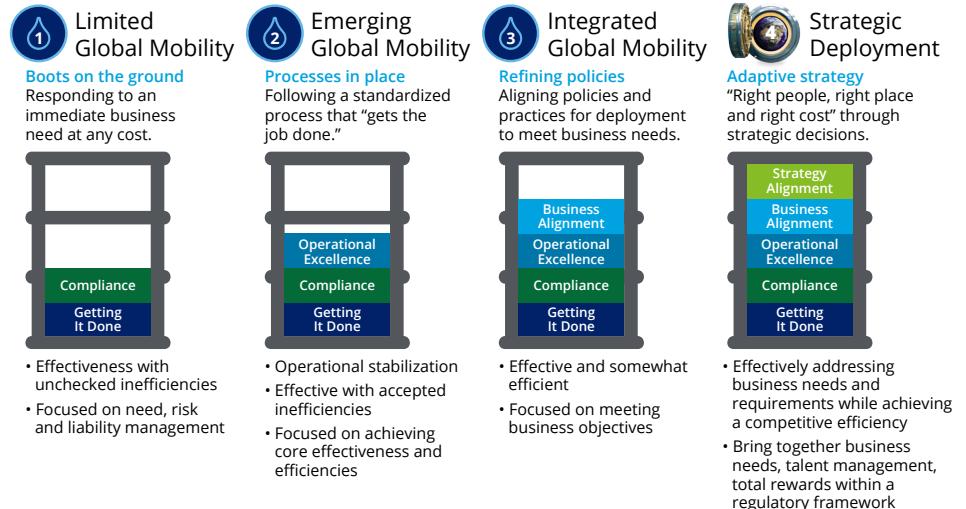
Data management

Identifying geographic rotator deployment patterns, segmenting rotators by market, developing career-pathing and competency models, tying the talent pipeline to compensation, efficiently fulfilling employment tax obligations — each element of a rotator strategy represents a turn of the dial in unlocking efficiencies and value within a rotator program. The common factor underlying each of these elements is data. By effectively capturing, cleansing, and managing data across the enterprise, service providers can apply data analytics that help produce insights into the activities and management of their rotator population, including:

- Utilization — are current rotational schedules enhancing the utilization of rotators and do they provide revenue-generating activity?
- Cost — once all costs are factored in, is the use of an international rotator bringing the value and margin expected or is work being done, unknowingly, for practice?

- Data model — does the data structure regarding individual employee groups facilitate analysis of key points of interest and thereby enable more informed decisions?
- Rotator demographics — what can slicing and dicing available data reveal about rotators by service line, location, and other key decision-shaping factors?
- Process standardization — by automating intercompany rebilling and other rotator-related processes, can costs be more accurately assigned to the correct entities based on where the rotators actually work rather than where they were assigned?
- Tax efficiencies — by better understanding available skills sets, costs, and tax footprints, can more effective choices be made when sending an employee to a specific location?
- Risk management — is the hard data available to support the service provider's tax positions if local tax authorities conduct an audit?
- The data that can help lead to these and other types of insights about a rotator program may already be available within service provider organizations. Often, it is a matter of identifying where the data resides, refining processes for producing the level of granularity, and then having to people, tools, and processes in place to analyze the data and generate the desired insights.

Implementing an effective mobility program is an evolutionary process



Steps to strategic rotation

Development of a strategy for deployment and management of rotators can help service providers address several related talent considerations (see Rotator strategy: key areas of impact). Among elements of the process are:

- Segmenting talent rationally — creating regional talent pools and compensating based on what specific markets will bear can help contain rotator costs while providing appropriate compensation. Segmentation can include designations of rotators as domestic, regional, and international resources.
- Turning on the talent pipeline — segmentation can provide the foundation to develop and nurture promising rotators, turning domestic personnel into regional talent, regional stars into international players, and international achievers into go-anywhere problem solvers.

Establishment of a talent pipeline can prove invaluable when the time inevitably comes for force reductions. Top performers can be protected, promising talent redeployed efficiently, and identified reduction in force candidates addressed appropriately. When the time comes to ramp operations back up, key talent resources are securely in place.

- Addressing the tax requirements — with accurate tracking of rotators in place, service providers can begin to proactively pay employment taxes in the right place, in the right amount, at the right time.
- Establishing a data management and tracking system — knowing where rotators are and what they are working on can provide a foundation for capturing more value from these vital employees.

Rotator strategy: key areas of impact

Establishing a strategy for management and deployment of rotators can provide an impressive array of potential benefits:

Speed to deployment

Service providers can send employees where they need to be quickly and compliantly.

Global talent mix

Talent resources can be balanced correctly to revenue opportunities.

Total rewards design

Employee value propositions can be rationalized to help maintain competitiveness, attract and retain talent, and achieve margin targets.

Payroll reporting

Reporting can accurately reflect where employees are and whether reporting is required.

Ease of administration

Rotator locations can be tracked effectively anytime, anywhere.

Geopolitical landscape

Local processes and processing times required can be accurately identified for different employees.

Cost efficiency

Service providers can improve margins by understanding the rotator value/cost equation.

Tax compliance

The triggers for mobile employee individual tax filings in different locales are understood, as well as whether the service provider is at risk of corporate tax exposure.

Driving value through rotator strategy

Rotators are the backbone of revenue generation for many oil and gas companies. Mobile employees provide technical skills needed to keep operations humming in far corners of the world, fill local capability gaps, transfer knowledge, and enter new markets. By taking a strategic approach to talent management, compensation, tax compliance, and data — an approach that aligns with the overarching goals and strategies of the business — service providers can be better equipped for the demands, vagaries, and opportunities of the energy business and potentially unlock hidden value in their rotator programs.



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