

Compensation Issues 2010

Future of the Marriott Database

Getting Started

- Short time frame - 30 minutes
- Complete attendance sign-in sheet
- Presentation and Report
 - Available on the Website
 - Report copies available here today
- Survey Questionnaire
 - Same questions as at June 2 meeting
 - What do you really think?
 - Publish results on website
- This is not my idea
 - I am 'staff'

Update since June 2 Meeting

- 2 more “Yes’s”
- Top 15 Companies
 - 66.5 % all activity
 - Yes (clients) (10) – 50.1 %
 - Active Review (4) – 13.8 %
 - No Response (1) – 2.6 %
- Next steps
 - Complete Top 15 (in or out ?)
 - Then move on to next 25 (>80% coverage)

Findings to date

- DB Objectives still valid
- DB Principles still valid
- Implies
 - Issue is implementation
- Will a new approach solve issues?
- Won't know until we try
- **Question:**
- Will you agree to 1 year trial
 - To test new approach
- Review success in one year

Focus for today

- What is the prize?
- **But**
- Show-stoppers
- Deal Breakers
- What prevents participation?
- Which problems are fatal?
- What is the 'one' fatal flaw?
- **Why are they fatal for some but not others?**
- Make a list of top 4, but not to debate

What is the prize? – part 1

Five year changes - key indicators

	Mid 2004	Mid 2009	Change	% change
Alberta Drilling *	18279	4555	-13724	-75.08
P&NG Bonuses (\$/ac.)	398.46	136.08	-262	-65.85
Natural Gas Price (\$/m3)	225.62	136.68	-89	-39.42
Alberta CPI (2002 = 100)	105.9	121.5	16	14.73
Adverse Effect per site	1668	1974	306	18.35
General Disturbance per site	1357	1685	328	24.17
Loss of Use (\$/ac.)	242	345	103	42.56
Surface Rentals (\$/ac.)	635	915	280	44.09
Agricultural Real Estate (\$/ac.)	832	1201	369	44.35
First Year (\$/ac.)	2066	3362	1296	62.73
Oil Price (\$/bbl)	38.02	69.68	32	83.27
Land Value (\$/ac.)	1061	1983	922	86.90

* full year 2005 and 2009

What is the prize? – part 2

- Alberta freehold wells and facilities
 - Approximately 125,000
- If they all paid current rates
 - \$400 million – 2009
 - \$280 million – 2004
- Current rate of Increase
 - \$50-60 million per year

What is the prize? – part 3

- More competitive pricing
- Many obstacles
- DB is only one part of solution
- **My position**
- If you can't do the DB
- Then you don't have any hope of
 - solving the other problems

Deal Breakers ??

- Inadequate data coverage
 - Why is it so?
 - How do we increase it?
- 'Bad' Deals excluded
 - Why (Who is) excluding? How many?
 - How do we include them?
- Little (or big) guys will never change
 - Who is really driving rates up?
 - How can we educate them?
- SRB will not accept report as evidence
 - Was never intended to be evidence
 - What needs to change to have it accepted?
- Others - We need to understand

Request of FAM

- Take a Position
 - Can support the DB, or
 - Cannot support it
- Formalize `Deal Breakers`
 - Fully explain why problem is fatal
- Allow me to come back
 - Address `deal breakers`
 - and come up with solutions

Valid Field DB Tool Issues – part 1

- Industry Coverage
 - Not enough companies participating means
 - Not 'accurate' or not 'reliable'
- Completeness
 - Not all data submitted or
 - Excludes 'extra' payments or 'bad' deals
- Solved by
 - Current process to increase understanding
 - Intentional marketing and sales effort
 - Data control protocol for accuracy
 - New governance and brand
 - Identify data gaps of non-participants
 - Identify `outlier` locations with no detail

Valid Field DB Tool Issues – part 2

- DB of no interest to
 - Operators who uses brokers exclusively
 - Large operators who ‘set going rates’
 - Small operators who outsource Surface function
 - Brokers who prefer word-of-mouth
- **Solved by**
 - Enhanced product for
 - large operators - trend analysis, benchmarking
 - and small operators – ‘window’ on surface issues
 - Enhanced product for brokers - index
 - ‘Free’ service for brokers

Valid Field DB Tool Issues – part 3

- Issues raised but requiring more work
 - Develop report for SRB Dispute Resolution
 - SRB hearing decisions need more detail in DB
 - Additional data – price drivers
 - Additional data – outlier identification with contact
- **Solved by**
 - User group consultation
 - for analysis and resolution

Unfounded DB Issues

- Misconceptions about the DB
 - DB data is fraudulent or fake
 - DB will make agents lazy or stupid
 - Discourages agent networking
 - Costs too much
 - Competing price research methods are better
 - DB is too much like communism
 - DB is not updated in 'real' time
 - DB is in violation of the Competition Act
- **Solved by**
 - Active education in associations