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DOW JONES NEWSWIRE

Published September 04, 2009 1:03 PM | A A A

2nd UPDATE: Shell To Unveil More Job-Cut Details Soon - Source



(Adds more details.)

LONDON -(Dow Jones)- Royal Dutch Shell PLC (RDSB.LN) has told staff to brace for an acceleration of its restructuring plans, which will result in substantial job cuts, a person familiar with the matter said Friday.

The cuts point to a broadening of the cost cutting program introduced in May by new Chief Executive Peter Voser, designed to help the Anglo-Dutch oil giant adapt to the new reality of lower oil prices. The cuts have already affected top managers, and will now widen to include lower ranks, the source said.

In an internal e-mail sent to mid-managers in its upstream business this week, the company said "the coming days will bring more information about Shell's reorganization,... subject to consultations," according to the person. Shell's upstream business comprises its exploration and production activities as well as oil sands, gas and power.

In a separate statement posted on the company's intranet, Voser said "ongoing changes will result in significant staff reductions," the person added. Shell declined to comment on the internal communications.

John Donovan, the blogger managing Royaldutchshellplc.com, a Web site critical of the company, said he was told by his sources that staff numbers in the exploration and production division will be cut by 15%.

Dow Jones couldn't independently verify the information, while Shell declined to comment. The company said in July it had already cut 20% of its top management positions from 750 to 600.

Shell has previously said the reorganization will affect about 24,000 employees out of its total of 102,000 staff. Though it's unclear if the number covers job losses, the recent internal announcements show a significant proportion will disappear. They don't say, however, if that will include involuntary redundancies.

The person said Shell's upcoming proposal will involve mid-managers and will first be submitted to its works council. The council is a consultative body where employees and managers meet to discuss company policy.

Staff could then be asked to reapply for their current position or another one, the person said.

The shakeup, announced by Voser even before he took the helm on July 1, involves the merger of the three upstream units into two new geographically-focused divisions, Upstream International and Upstream Americas. Staff in both divisions have received e-mails on the pending restructuring, the person said.

Shell's downstream division, which primarily refines and markets oil products, is being expanded to include trading, biofuels and solar.

A new division, called projects and technology, is managing the design of all major projects upstream and downstream.

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S&P 500	1016.40	▲ 13.16	1.31%
Russell 2000	570.50	▲ 8.01	1.42%
10 Yr Bond	3.44	▲ 0.10	2.99%
DJ Total Market Index	10451.47	▲ 133.85	1.30%
S&P 400	653.35	▲ 8.03	1.24%
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Like most majors, Shell is facing a steep drop in profits after oil prices fell from a peak of \$147 a barrel in July 2008 to about \$70 a barrel today. For the second quarter of this year, net profit fell 66.9% to \$3.82 billion, from the same period a year ago.

The restructuring is aimed at cutting the layers of management, emulating a similar effort launched at BP PLC (BP) two years ago, as well as Exxon Mobil Corp's (XOM) centralized model.

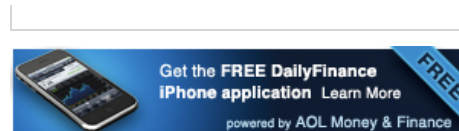
Simplifying the structure could speed up decision-making and ensure projects come on-stream faster with improved execution. That's a key objective for a company that has been heavily criticized for delays and cost overruns at some of its most high-profile oil-and-gas ventures.

By Benoit Faucon, Maarten Van Tartwijk and James Herron, Dow Jones Newswires; +44-20-7842-9266; benoit.faucon@dowjones.com

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