

**19<sup>th</sup> October 1998**

**Mr Mark Moody-Stuart  
Chairman, Royal Dutch Shell Group  
Shell Centre, London**

**Delivered By Hand**

**Dear Mr Moody-Stuart**

**I enclose copies of the following items for your information and file.**

- 1. An open letter dated 19<sup>th</sup> October 1998, which is being circulated outside Shell Centre, Shell-Mex House and the offices of DJ Freeman.**
- 2. A draft open letter dated November 1998 currently scheduled for circulation in early November.**
- 3. A letter being sent to all Members of Parliament. You already have copies of the enclosures mentioned in the letter.**

**The distribution of the letters and associated materials will continue every weekday outside Shell HQ offices until such time as my son's legal and moral claim in respect of the SMART loyalty scheme is resolved.**

**I am waiting on an imminent important development before writing to my fellow Shell shareholders to supply them with full information, including the letter to MP's, the open letters, and the Shell booklet.**

**You may be interested to learn that Texaco have been investigating matters. It will be interesting to see what steps they may take in regard to Shell SMART.**

**Yours sincerely**

**Alfred Donovan**



# **“A DEEP DEPRESSION IS HANGING OVER SHELL TOWER”**

The above comment appeared in The Daily Telegraph on 2nd April. The story was about the latest coup by BP, which has relegated Shell to third place in the world ranking of oil companies.

Never before has a multinational suffered so many reversals in such a short space of time. Shell's financial reputation, status, and capital value, have all been severely diminished in less than a year.

BP was faced with precisely the same market conditions as Shell, but cleverly turned the situation to its advantage by capitalising on the depressed price of oil. In stark contrast, Shell's antiquated “politburo” - the “CMD”, dithered, dallied, and danced the Macarena.

All of the debacles – the losses of £1bn a month, the abortive merger with Texaco, the fire sale of assets including landmark properties, and the relegation to third place, all occurred after Mr Moody-Stuart took command. You may recall that I first criticised his leadership qualities soon after the 1998 AGM.

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I heard at first hand his up-beat speech, which gave not a hint of any impending financial meltdown at Shell. I compared his address to the “welcome aboard” speech given by the Captain of the Titanic. Many Shell employees probably thought I was mad.

I am sorry to say that the same leadership flaws that became apparent when I first crossed swords with Mr Moody-Stuart have contributed towards the current sad state of affairs.

Following our adverts in Time Magazine, the Shell Shareholders website has received record numbers of visits from international financial institutions, news media, PR consultants, ad agencies, Shell shareholders, and numerous oil companies, including BP. Our most frequent visitors are from Shell companies around the world. They too must be stunned at what we have to say.

Why has Mark Moody-Stuart got into such an incredible pickle? Potential merger partners such as Texaco and Chevron have almost certainly been put off by the fact that he has made a laughing stock of Shell by his failure to deal with us. He is unable to act because he does not want a McShell libel case, particularly when Shell lawyers know that we can substantiate our allegations of outright sleaze and corrupt business practices at Shell UK.

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# SHELL SHOCK!

The FT has stated that “Since Mr Moody-Stuart took over as group head in July, more than £8.5 bn (\$13.6 bn) has been wiped off Shell’s market capitalisation” (while Exxon and BP’s has soared).

Now the latest bombshell - protesters barricaded into the Shell-Mex House office of “departing” Shell UK Chairman, Dr Chris Fay. Riot police apparently had to demolish walls to evict them. Having recently called for his departure, I cannot pretend that I am displeased at Dr Fay’s sudden “resignation”.

The Times has equated the news of Shell’s financial plight to a “horror story”. Their article pointed out that while ICI was trying to extricate itself from bulk chemicals, Shell was plunging in more deeply – a decision Shell now intends to reverse, despite the likelihood of sustaining losses of over a billion dollars. Mr Moody-Stuart has conceded that it is a “lousy” time to sell. Nonetheless, he has announced that Shell will reduce its interest in Montell to 50% and that nearly \$1 billion will be written-off the value of Tejas Gas.

The FT says that “Montell and Tejas are implicit admissions that the present management paid too much in both deals” and “calls into question recent judgements of senior Shell executives”. The Times said on 15<sup>th</sup> December 1998, that: “The men who overpaid for Tejas and bought out Montell are still in charge”. The article went on to say ‘Mark Moody-Stuart became a group managing director in 1991 and in last year’s annual report listed “chemicals” as his core responsibility’.

In this connection, it is interesting to recall what else Mr Moody-Stuart said in the same report on 12<sup>th</sup> March 1998, in which he gave a rosy, but hopelessly inaccurate forecast of Shell’s future prospects.

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He boasted of “many accomplishments”, including “the creation of a global chemicals business” and “the purchase of Tejas Gas and the remaining 50% of Montell”. Yes, the very businesses bought under his authority, now being placed in a fire sale less than a year later. It does not inspire confidence.

One analyst has aptly declared that Shell still has “an acute credibility gap”. Perhaps he was obliquely referring to Mr Moody-Stuart, who in addition to his other miscalculations, has conceded that under his leadership, Shell overestimated the speed of the world’s economic growth, misjudged the strength of economies in Asia and overpaid when Shell bought Tejas Gas. It seems that his incompetence has no bounds.

Mark “Macarena” Moody-Stuart. The Captain who was learning to dance the Macarena at a Shell jamboree when he should have been watching out for impending financial icebergs. Yet despite the litany of blunders and unmitigated disasters during his tenure, Mr Moody-Stuart is still brazening it out.

Indeed, he has stated that he will continue to look at “merger possibilities”. I have pointed out that Texaco made inquiries regarding our allegations against Shell before the Shell/Texaco marriage was aborted. Chevron has now displayed a similar interest. No one can blame them if they are concerned about Shell’s bad reputation. It cannot be restored by appointing PR guru’s to advise on “reputation management”. It is far too late for rhetoric and false pledges. Shell senior management must abide with and uphold the STATEMENT OF GENERAL BUSINESS PRINCIPLES at all times. Not just pay lip service to them as (in my experience) Mr Moody-Stuart does.

Given the increase in protest activity, the likelihood of Shell shareholders baying for his blood and the media interest in the misfortunes of Shell, it should be an interesting AGM this year. Shareholders will be staggered at the revelations in the leaflets that I will be circulating outside and inside the meeting.

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# **SHELL - TEXACO**

## **MARRIAGE CALLED OFF**

As Shell has declined to comment, we can only speculate about why oil giants Royal Dutch/Shell and Texaco abandoned their talks on a planned European downstream alliance. Perhaps Texaco decided that it did not want to link-up with a company that has such a tarnished reputation.

What I can say as a matter of fact is that Texaco has recently looked into the serious allegations that Don Marketing has made concerning the disreputable business practises of Shell. Texaco is not the only Oil Company interested in the question-mark over Shell's reputation. At least one other major company is keeping a close watching brief on developments.

To ensure that all potential partners for Shell are fully aware of the situation, detailed information about the Don Marketing Saga is being distributed at the HQ offices of all major oil companies in the UK. It is also being sent to oil companies overseas, such as Chevron, who don't have offices in the UK. They all need to be warned about getting into bed with Shell.

Companies who visit DM's website ([www.don-marketing.com](http://www.don-marketing.com)) are probably baffled as to how Shell has got itself into such an incredible pickle regarding the Don Marketing Saga. Shell senior management has made itself into a laughing stock among Shell staff, its petrol station operators and the entire petrol retailing industry. They have a track record of gross incompetence and indecision on the matter.

DM brought a High Court Action against Shell for the 1994 Make Money game. Shell dismissed the claim out of hand, yet subsequently settled out of court. DM Directors then brought a libel action and a County Court claim against Shell.

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Both were discontinued in exchange for Shell agreeing to fund DM's legal costs (of over £125,000) to sue Shell for two other promotion concepts that Shell had allegedly stolen. The bizarre arrangement must have been a first in the history of litigation. DM also had to disband the Shell Corporate Conscience Pressure Group that over 10% of Shell's retailers had joined.

In 1996, Shell settled the "Nintendo" and "Now Showing" claims in DM's favour that had previously been dismissed by Shell's lawyers as having no merit. DM Managing Director, John Donovan, even received an unsolicited letter of apology from Dr Chris Fay, the Chairman and Chief Executive of Shell UK Limited. In all, the legal actions had cost Shell shareholders several hundred thousand pounds.

DM subsequently found it necessary to sue Shell in respect of the SMART loyalty scheme. Shell lawyers have described the claim as being "doomed to failure", even though they have been unable to produce evidence of a proposal for the scheme emanating from any other source. Once again, it seems they are pursuing a defence based on an Immaculate Conception.

During the course of our dealings with them since 1993, Shell has used unscrupulous business methods, involving deceit, treachery, threats, cover-ups, and outright lies. This brings us to the question of why Shell has not issued proceedings to prevent the repeated publication of such serious allegations. The answer is simple. They know that there is absolutely overwhelming documentary evidence to substantiate all of my charges. That presents a real problem to Shell. They have no appetite at all for a McDonalds style libel case – "McShell".

I warn any business contemplating having any relationship with Shell to act with extreme caution, as in my experience, they cannot be trusted. In recent years they have broken every agreement that we reached with them.

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