# AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

## BUSINESS ETHICS

## The Environment

### The Oil Spill from the *Exxon Valdez*

On March 24, 1989, the oil tanker *Exxon Valdez* ran aground in Prince William Sound, Alaska, while fully laden. Ten million gallons of crude oil were released into the marine and coastal environments. It took 18 hours for the partners in the venture — Exxon, and the Alyeska pipeline joint venturers, British Petroleum, Arco, Mobil, Unocal, Amarada Hess and Phillips Petroleum — to respond, despite an emergency plan which provided for immediate action in such an event. Within a few days, Exxon had admitted that it could not contain the spill. Promised equipment was not available and co-ordination with the Coast Guard was difficult to secure. The plan that was supposed to be implemented could not be launched.

The Chairman of Exxon, Lawrence Rawls, refrained from public comment for a week. When he did speak, he blamed others for the disaster, including God. He had adopted a “lean, mean” approach to company management after taking over in 1985, cutting staff by 80,000. Amongst those retrenched were all the oil-spill experts who had planned Exxon’s response to such an eventuality. Tanker captains complained of crew cuts and falling safety standards. The company's top environmental expert was demoted, thus signalling a lower priority for environmental and safety issues. Cost cutting at Alyeska meant the sacrificing of equipment, personnel and emergency preparedness. It had failed to employ adequate spill clear-up measures in three “spill drills” in the years before the *Valdez* ran aground, and when the port of Valdez proposed to establish its own oil spill team, Alyeska went to court to stop it.

The captain of the *Exxon Valdez* was tested for alcohol after the incident and allegedly found to have prescribed concentrations in his blood. It is also alleged that he suffered from a history of alcohol abuse.

By the end of 1989, more than 180 civil suits had been filed against Exxon amounting to $400 million plus punitive damages. The clean up cost the company more than $2 billion and has not been as successful as was hoped. Compensation to the fishing industry and others has been $180 million. Early in 1990 Exxon was charged with 2 felonies and 3 misdemeanours and faced fines exceeding $700 million.