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Expanding The Nautical Institute and the services we offer p6

The Nautical Institute

Don't sweep safety under the carpet

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The last two decades have seen a distinguishable improvement in the safety standards and awareness of marine personnel working in the oil and gas industry. The difference is generally quite pronounced compared to their counterparts in the dry bulk sector. The oil majors have been sowing seeds of safety for over a decade and continuously monitoring their growth through stringent audits and inspections. They have been demanding more than the basic ISM Code and raising the benchmark for all vessel owners and operators serving the oil and gas industry. This approach has worked so far, but is it entirely sustainable? Could it ultimately make the HSE philosophy counter-productive?

It is my belief that the relationship between charterers and ship owners/operators is at a new low over consistency in vetting and auditing standards.

The customer is king, so the charterer's requirements in these matters are seen as a 'command'. Any nonconformity may lead to punitive measures; even the loss of a charter. However, the absence of a pragmatic, calibrated, and rational approach to nonconformities forces owners to divert their resources into covering up potential issues and appointing smart managers tasked with keeping problems well out of sight, rather than solving them. Owners and operators leave no stone unturned to ensure that their records and documentation are immaculate. We all know that documentation is important, but a check on actual HSE standards on the vessel may show that the reality is a far cry from the picture painted by flawless records.

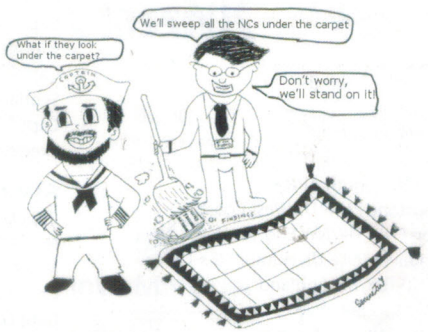
By contrast, a positive, free and open approach, with no punitive measures by charterers, would motivate owners to invest more in health, safety and the environment (HSE), assuring better HSE standards and quality ships. This attitude has precedent in other industries – one of the 14 management principles of Toyota, for example, is 'Respect your extended network of partners and suppliers by challenging them and helping them improve.'

Safety benefits everyone

However big the charterer, they still require a vessel that is safe, sound and seaworthy. Similarly, every vessel owner or operator will be glad to work with a charterer who encourages communication and works jointly with them to mitigate risk. But does that really happen? Are vessel owners and operators really free to communicate their nonconformities and areas that need improvement without fear of a loss of charter or other punitive measures? Perhaps not. And yet, is it not a business requirement for every shipowner to ensure that their vessel (asset) is safe? How can we solve safety issues if we cannot admit to having them in the first place?

An entrepreneur buys, or charters, a ship to make money. Ensuring that the crew and their asset are well protected and safe is therefore paramount for the survival of their business. Implementing good standards of safety is the vision and responsibility of every ship owner or operator. So if the ship owner or manager and the charterer both want a safe ship, where is the conflict? It is a question of relationship management. Open communication without fear is perhaps the weakest link in the management of the oil and gas supply chain.

The safety process should be a cooperative inclusive effort by all parties, including the charterer. It should not be an adversarial relationship. Unfortunately, this is all too often the case today. For example, responsibility for compliance with regulations on hours of work or rest lies with the Master and operator, whilst scheduling is set by the charterer. If the Master decides to stop operations to get some rest for his crew, the vessel will certainly be put off hire. Should the charterer not be accountable for contributing their share of safety? Is a slight delay to operations or rise in costs not better than engaging staggeringly expensive lawyers to defend against even more staggeringly expensive claims?



Relationship management

Part of the answer is to improve the relationship between charterer and owner/operator. The shipping industry and their customers would do well to learn from the experience of the automotive industry in Japan. Their quality standards were based around the work of Joseph M Juran, and later W Edwards Deming in 1928. Both men believed that failures and nonconformities are the most essential travelling partners in the journey to excellence. By the 1970s, Japanese products were leading in quality standards and in high demand. On the other side of Pacific, the US automotive industry was doing amazingly well. However, supplier-friendly Japanese auto companies with their culture of quality management became a considerable threat to the three US auto majors, and keep them on their toes even today. According to Dr. Jeffrey K. Liker, Professor of Industrial and Operations Engineering at the University of Michigan, in his article 'Building deep supplier relationship', one supplier explained that: '[The US auto giants] set annual targets for cost-reduction and to realise those targets they'll do anything, including a reign of terror which gets worse every year. On the contrary, Japanese auto companies helped us dramatically to improve and rewarded us with more orders'.

The importance of successful relationship management is further underlined in the upcoming revision of the ISO 9001 quality standard. The updated standard is expected to include an amendment which would require every ISO 9001 certified company to include

a relationship management process, not just for their suppliers, but perhaps even for other stakeholders including company personnel and employees, interested parties, customers and so on.

Finding a win-win solution

There is at least one practical measure that can be taken to improve the efficiency of audits and create better relationships within the shipping industry. OCIMF's Tanker Management Self-assessment (TMSA) guidance document takes ten of its 12 elements from the philosophy of the ISO 9001, 14001 and OHSAS 18001 standards. However, it omits two significant elements from the ISO/OHSAS standards, one of which relates to suppliers and service providers, and another which demands customer focus. Their inclusion would create a win-win situation for both the oil majors and the owners/operators.

Monitoring the quality of suppliers/service providers would improve the quality of service deliverables, while implementing a customer focussed approach would ensure that all implied and expressed needs of the customer (in this case, the charterer) are structured and taken into consideration, thereby leaving nothing to chance.

Diligent implementation of these requirements would not only improve the 'deliverables' to charterers, but also improve the overall management practices and bottom line profits of owners and operators.

Inclusive safety management

IMO circular MSC 88/16/1 on 'Just Culture' states that 'It is normal for all people, including experts, to make mistakes, every day.' What ship or floating structure in the world is ever 100% safe? There is an element of *Torrey Canyon or 'Exxon Valdez'* in every ship afloat. The degree of this element may vary according to the people, the company culture, the processes they follow, and the age and condition of vessel, but it can never be entirely absent. Nothing ever has been perfect, nothing is perfect and nothing ever will be perfect, even in future. Only by recognising and owning up to the potential for these elements can we begin to deal with them.

Better relationships must work in both directions. Oil majors must educate their legal experts on the needs of the shipping sector; perhaps even send them for ship and rig visits. This would give them an opportunity to appreciate that hazards in this business cannot be zeroed, but have to be managed jointly with an inclusive approach.

Aiming high

One yard stick for measuring quality is Sigma performance level, measured in terms of defects per opportunity. At 6 Sigma – currently the highest level – a company would have 3.4 defects per million and a 99.999% yield, while a 1 Sigma company would have 691,462 defects per million and a 31% yield. It would be very optimistic to say that a good shipping company would be around 2 Sigma – 308,538 defects per million and a 69% yield. Anything beyond 2 Sigma will remain a dream for shipping and offshore companies until there is a paradigm shift in the way we identify, receive, treat and follow up on nonconformities and failures.

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