

**Report from TMSA and continuous improvement in tanker operations
conference at Europort - November 2, 2005**

MAIN HEAD

TMSA - strong support, new business process

DECK HEAD

Speakers from NYK Shipmanagement, OSG, Athenian, Andriaki, Transocean and Seaworld Trading showed broad support for the oil companies' TMSA initiative, with some reservations; and estimated the additional costs at up to \$70 per vessel per year

BODY

Tanker Operator held a one day conference at Europort in Rotterdam in November 2005 about continuous improvement in tanker operations and TMSA, the Oil Companies International Marine Forum (OCIMF) initiative to assess tanker operators based on their management systems in different areas of operations.

The scheme will provide oil companies with tools and knowledge to differentiate between the good, medium and "just good enough to pass the rules" tanker operators - and give their business preferentially, or even pay more money, to the good tanker operators, like a star scheme for hotels.

Creating a tiered market system proves a good way to motivate quality in virtually all other industries, where customers who want to pay more for something less than the minimum are able to do this.

Consequently those providing services at the lower end of the market are either motivated to improve their offering, or have to find customers who are happy with their level of service. In other words, customers drive quality.

"Customer driven quality is far and above the solution for improving the image of shipping," said Dimitris Lyras, director of Lyras Shipping and session chairman. "It's not a bad thing that TMSA is an oil company instigated initiative. In the long run, oil companies want to take better vessels."

Mr Lyras pointed out that one of the reasons that the tanker industry is seen as being more threatening than more dangerous industries (such as cars) is that with tankers, the end user (ie the person using the oil) does not have control over the way the oil is transported.

TMSA provides a mechanism to put hand more control over ship operations to the consumers, via the oil companies, which consumers do have a degree of control over (they can fill their cars up from a different petrol station if they disprove of the oil company, as the Exxon Valdez incident proved).

Mr Lyras also said it was possible that TMSA could help the tanker industry improve its credibility with regulators, and stop regulators wanting to impose draconian measures, such as criminalising seafarers. "It is the issue of credibility which has led us to this approach from the US courts," he said.

SUBHEAD

Costs

Aswin Atre from NYK Shipmanagement in Singapore, said he thought TMSA would cost \$60,000 to \$70,000 extra per vessel per year, not including additional training for shore staff.

Kamar Zaman from Drewry Technical Consultants, said he thought shipping companies would have to pay an extra \$45,000 per ship, just to ensure continuity of staff.

Panteleimon Pantelis from Ulysses Systems said he thought it would take an additional 300 man hours per year or so for master and chief onboard, let alone other personnel.

Michael Reppas from Seaworld Trading said that introducing risk management after initial software expenditure would cost \$60,000 per year per ship, initially all inclusive.

Panos Hadjikyriakos from OSG said that workload is the greatest expense, although software is proven to reduce it; for example 10 years ago it took 2 days to do a loading calculation, now it can be done by computer.

Costas Polydakis from Athenian Seacarriers said he thought that Software data population company customisation and deployment would cost \$70,000 to \$80,000 for first vessel. However the next vessel would cost next to nothing if it is a sister vessel, otherwise a minor expenditure.

Antonios Vrondisis from Andriaki said that shipowners could make the investment back from having better maintenance and stock control systems; the improved retention rate would lead to a reduced cost of training new staff; Andriaki has a 97 per cent annual retention rate anyway.

SUBHEAD

Capt. Panos Hatzikyriakos, OSG

Captain Panos Hatzikyriakos, safety and security manager / designated person ashore / company security officer with OSG Shipmanagement, said he saw TMSA as a tool to help ship operators measure and improve their management systems, and report back to the oil majors, thus helping the oil companies to evaluate and rank ship operators.

It brings the idea of risk assessment integrally into the shipping company management system, and forces a change of philosophy to a proactive continually improving system, he said.

The majority of key performance indicators in TMSA are need to reach stage 2 (8 KPIs), he said; OSG is measuring 2 KPIs needed on stage 1, 4 at stage 3 and 2 at stage 4.

OSG is measuring 2 KPIs for critical equipment; 1 for mooring; 4 for change management; 1 for incident investigation and 10 for safety management.

OSG's risk management process includes awareness (training); identifying hazards; assessing/ evaluating risks; looking for risk control options; monitoring and reporting of results.

OSG's strategy for continual improvement for TMSA included evaluating the current position against what TMSA said was required at the desired stage, and assessing risks in parallel; then making an action plan, setting up a monitoring system; and rescoring.

OSG developed a risk assessment computer based training module for its seagoing staff. It conducted risk assessment seminars for shore staff and seagoing staff. It did an onboard audit of how well it was following its management system.

On the principal question, "can TMSA add value to a quality operator," Mr Hatzikyriakos said that the answer was yes. "A quality operator finally has a documented chance to make the difference," he said.

SUBHEAD

Aswin Atre

Aswin Atre, managing director of NYK Shipmanagement, said that NYK had been preaching the concept of continuous improvement well before TMSA; NYK is Japanese owned and the Japanese have long been interested in these business ideas, under "Kaizen" culture.

NYK conducted an organisational assessment as to how well it reached best practise as defined in TMSA, and identified a "vital few" number of areas where it could improve.

It is important to clarify the assessment goals and potential benefits to staff, he said.

It is nice to have a consensus about the best way forward, but not essential; at times senior management can step in to get the process going. You should set and adhere to a timetable.

The initial reaction in the company to TMSA was one of scepticism, he said. "Oil companies getting rid of their responsibility and putting it on the manager."

The company set up a task force to look at all aspects of TMSA, and encouraged brainstorming.

Altogether it took nine months for the company to self assess itself. "Is it worth the time? I think it is," he said. "But whether there is appreciation for the effort only time will say. It's difficult to put a dollar view on it."

Mr Atre said that NYK is applying the procedures to other vessels in its fleet. In particular its car carriers are becoming very demanding. "They used to give us cars covered in plastic sheet," he said. "Then

Toyota said, lets put a clean car onboard and play hell if cars get dirty."

Following TMSA, NYK has put extra attention to machinery calibration reporting and knowing your machinery, he said.

SUBHEAD

Mike Reppas, Seaworld

Michael Reppas, HSE Director, Seaworld Management and Trading, said that TMSA introduces the tanker industry to the idea of business excellence.

"It comes to give us a push," he said. "You have a new objective - you assess yourself against your own objective."

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Costas Polydakis, Athenian

Costas Polydakis, technical manager, Athenian Sea Carriers stressed that tanker operators should not see TMSA as something they should "comply" with.

"The shipping industry is infected with a compliance virus," he said. "We translate this into "this is what you have to comply with.' We're trying to comply with TMSA."

"Getting rid of the compliance process will not be very easy."

Mr Polydakis said it was vital to be completely honest with self assesments. "Not being completely honest with our self assessments can be a disaster," he said.

Take the question - do you have a planned maintenance system (PMS).

"A few senior managers have said, "yes we have a PMS" - move onto the next question," he said.

"In TMSA - it says a PMS should be vessel specific. Each vessel should have a formal maintenance plan. There must be a formal system for reporting defects.

"If we have different systems for the vessel, eg form a comprehensive plan for new ships but not start ups , we don't meet the TMSA 'all the vessels in the fleet' requirment."

"The PMS should cover all cargo and ballast equipment. The system should cover all the engine room and all electronic equipment."

"If we have all of the above, then we can say, yes, we have PMS."

SUBHEAD

Antonios Vrondisissis, Andriaki

Antonios E Vrondisissis, quality manager and DPA, Andriaki Shipping talked about the issues of convincing staff to adopt new processes.

"People on the ship are getting sick of us sending new requirements," he said. "They said, it's like being on a treadmill."

"We say - don't think like a mouse, think like your mind. Don't you want to know more than you do today?"

"But at the end - we should hopefully have a low cost, safe and efficient operation."

"A process should always get better," he said. "With knowledge and experience it improves over time."

"Every company can improve by utilising their exiting resources and that's the way it should be done if we want to be profitable."

To start, a tanker operator should "do simple and cheap things first and quickly," he said. "Do not try to do it all at once. Set up a plan and do it in stages. Some small improvements can be major improvements."

"Celebrate, acknowledge and reward accomplishment," he said. "Get a positive environment for improvement. Bring up continuous improvement issues in all meetings."

One plan was to put an English teacher onboard all of its vessels, and now every one has an English teacher onboard. "A lot of charterers look for vessels with an English teacher onboard," he said.

"Look at your industry and competition and best practises," he said. "Competitors can show you a better way. Look outside your industry - eg to the airlines. Be hungry for new ideas and new ways to improve."

"With the amounts of data that come in, the computer is the most logical way to go to manage it," he said.

"Take your time in choosing a system - make sure you talk to companies that have installed it. Configure it to map the way you work."

SUBHEAD

Stephan Polomsky

Stephan Polomsky, managing director of Transocean Shipmanagement, talked about the importance of the shipping industry controlling its safety, rather than authorities.

"If the shipping industry loses its self control mechanism we are all in a disaster," he said. "It is very important that we can maintain the self regulation of our industry."

"We don't want competition between the classes; we don't want more rules; we want stricter appliance of the existing rules."

Mr Polomsky was concerned that TMSA would just be an extra burden on tanker operators. "We have to push that TMSA is very integrated in normal vetting procedures," he said. "The key word is always harmonisation."

SUBHEAD

Burden and image

A discussion was held on whether TMSA was an additional burden on tanker operators on top of an already enormously complex burden keeping up with all the rules and requirements, or if it would lead to a possible simplification, or convergence, in the amount of rules tanker operators need to follow

Dimitris Lyras, conference chairman, said that TMSA could lead to a simplification in the number of rules tanker operators need to follow, because it gives an easier way for them to communicate the quality of their management systems.

Mr Lyras also said that the tanker industry's image could improve, if its quality was seen to be assessed by a customer rather than by a regulator.

"Everything which improves the public opinion of our industry is essential," said Mr Polomsky. "We have to have influence on the rules and regulations to make this workable."

Mr Polomsky said he thought that there could be an element of charterers transferring their responsibility for shipping quality onto the tanker operators. "They are asking you to be honest and then they come along and check," he said. "At the end of the day they will always blame you."

Mr Atre said that he thought that the image of the tanker industry, and by extension the way local regulators look at it, depends on the number of serious newsmaking incidents it has.

Captain Reppas said that in general a continuous improvement approach should reduce the number of incidents, the same way that vetting and inspections have.

Captain Hatzikyriakos from OSG said that the only way that the image of the tanker industry could be improved is from more positive media coverage, or industry spin doctors. "The industry is not recognised for what it is offering," he said.

Dimitris Lyras, conference chairman, said that having a spin doctor, seen to be telling lies, would be a very bad thing after any accident, since it would make the industry look much worse than if it was completely honest.

However he said that tanker operators should all act as spin doctors for the industry in their own regions of the world, spreading the message of the good things the industry is doing.

Captain Hatzikyriakos said he agreed with the US Government on the tough stance it has taken against seafarers for falsifying logbooks and bypassing oil water separators.

"The US government is right," he said. "We should have done something. I agree with them.

One audience member said that he did not think that the image of shipping had been a driver for TMSA. "The public in general is not concerned," he said. "It is all about liability. Oil companies want to move more liability onto the owners."

Mr Atre from NYK said that tanker operators can be found liable for things which are not their fault. "In the US, if a ship collides with you and you spill oil, you are liable," he said. "If something happens in the US, you are liable - period. The high end bushy tailed attorneys in the US want to prosecute the company."

Patrick Mathy from oil company Total disagreed that liability shifts from the major to the operator.

"After the Exxon Valdez- a lot of oil majors looked at the marine business. They realised - even if the operator is another company - the main responsible party is the oil major," he said. "Total's vetting department is operated without any interference from commercial people."

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Vice Admiral Kechis, KC Lyrinzis

Vice Admiral Kechris, deputy managing director, K. C. Lyrinzis Group of Companies, said he thought TMSA could create a continuous improvement culture.

The principal concerns were how objective a tanker operators assessment of its score would be. Also how the new requirements could be practically implemented; whether it would improve safety or just add more paperwork; and whether the shipboard personnel could absorb the additional workload.

SUBHEAD

Apostolos Belokas

Apostolos Belokas, managing director of International Business Consultants, said he thought the biggest new things that TMSA requires are updating the management system, computerised planned maintenance, risk management, change management, crew training, communicating planned changes, and using KPIs to monitor and improve.

"TMSA is not a project, it is a way of living," he said.

Change management involves explaining to staff the need for change, making them want to participate and support the change, knowing how to

change, implementing the change and reinforcement to keep the change in place.

Five common problems with change management include operators not understanding that they have to deal with change; aiming for compliance with a fixed standard rather than continual improvement; management focussing on expense minimisation rather than investing in cultural change; poor communication with crew; lack of resources allocation.

Mr Belokas thought that ISM code was actually lower than stage 1 of TMSA, which is commonly thought of as ISM level.

He noted that OCIMF has not offered any reward to tanker operators for aiming for high TMSA scores (such as reduced inspections)

Tanker Operators who think they are already at stage 4 are probably either "in the wrong market or assigned the wrong role," he said.