

Balancing Tighter control of crewing costs with talent retention in difficult market.

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Topics

- Examining today's crew – Numbers, nationalities, and skill sets
- Crew costs as a portion of OPEX
- Compensation trends in the offshore vessel industry
- Assessing options for reducing crew costs - Operating with a leaner on-board crew, longer rotation periods, pay cuts, other?
- What is a fair salary? How does this differ by region?
- Local content requirements
- Maintaining high levels of competency, safety and welfare while reducing crewing costs



School of Thoughts



What Happens if We invest in Developing People and they leave us?



What happens if we don't and they **stay**?



Train People well enough so they can leave:
Treat them well enough so they don't want to.

-Richard Branson



The Brands that will thrive in the coming years are the ones that have purpose beyond profit.

-Richard Branson



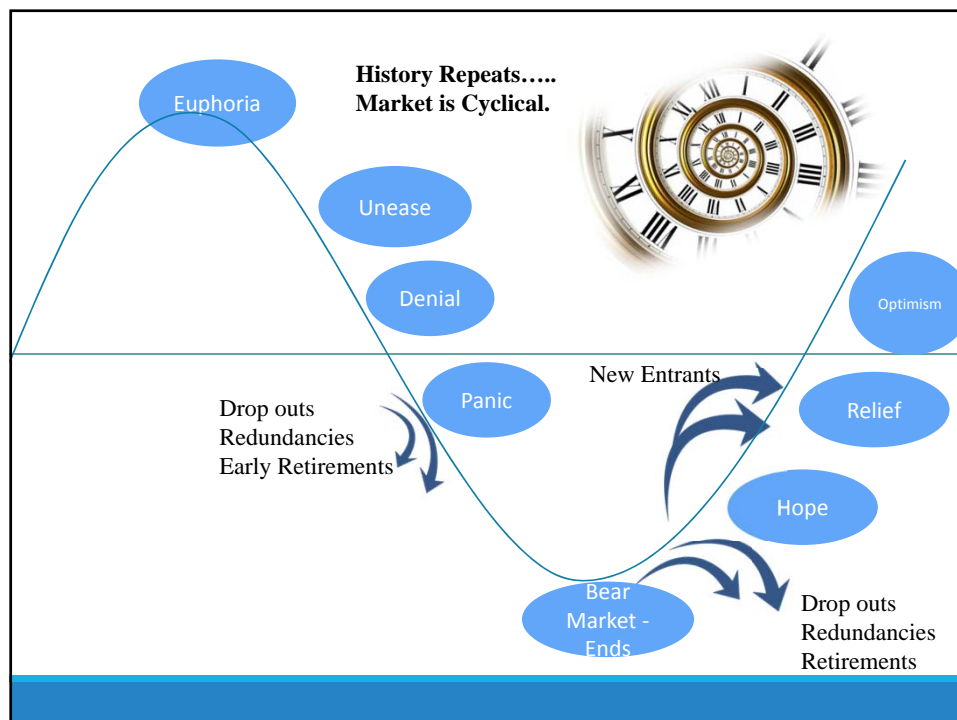
Safety



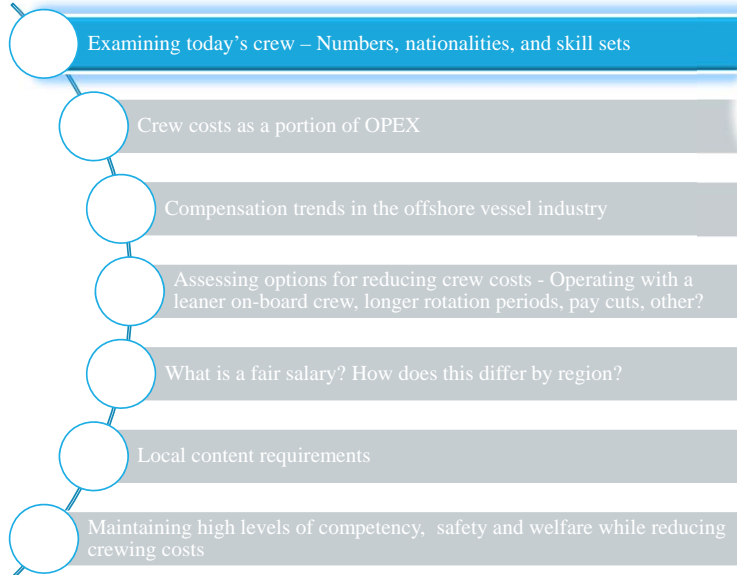
Innovation



Employee Wellness / Welfare



Topics



Examining today's crew – Numbers, nationalities, and skill sets

Crew Numbers

Total Number of crew world wide – 1.187M
Officers – 466,000
Ratings- 721,000

Crew Sourcing Region

- **Important Source**
OECD Members (North America, Western Europe, Japan Etc)

Crew Supply Nations.

- Philippines and India
- China – Recent surge but most of them on Chinese fleet, meeting domestic requirements.



Examining today's crew – Numbers, nationalities, and skill sets

Emerging Sources

- Far East and Eastern Europe
 - Majority of ratings are recruited from Far East and South East Asia
- Eastern Europe
 - Major contributing countries – Ukraine, Croatia and Latvia
- Asia
 - Myanmar, Thailand, Sri Lanka, Bangladesh, Pakistan
 - Malaysia is emerging rapidly.
 - Middle East – Egypt, Iran etc.

STCW

- Manila Amendment Commencing 1st Jan 2017.
- Are You Ready?

Examining today's crew – Numbers, nationalities, and skill sets

Skill Sets.

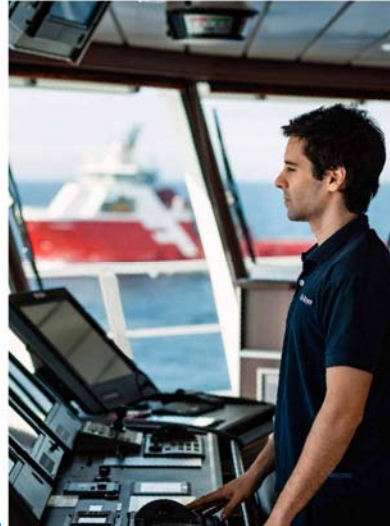
- Awareness
 - Functional / Operational
 - Management
 - Type Specific
 - Specialist
-
- Awareness – Applies to job roles at all levels
 - Functional / Operational – Specific Roles (Junior officers / certain ratings)
 - Management – Senior officers and department heads (MST & C/E).
 - Type Specific- ECDIS (Type Specific, Diesel Electric, Azi Thrust, AHTS of certain designs, DP, Winch Driving, Crane operations etc.
 - Specialist - Deep Sea Anchor Handling, rig move, Operating in harsh condition etc.



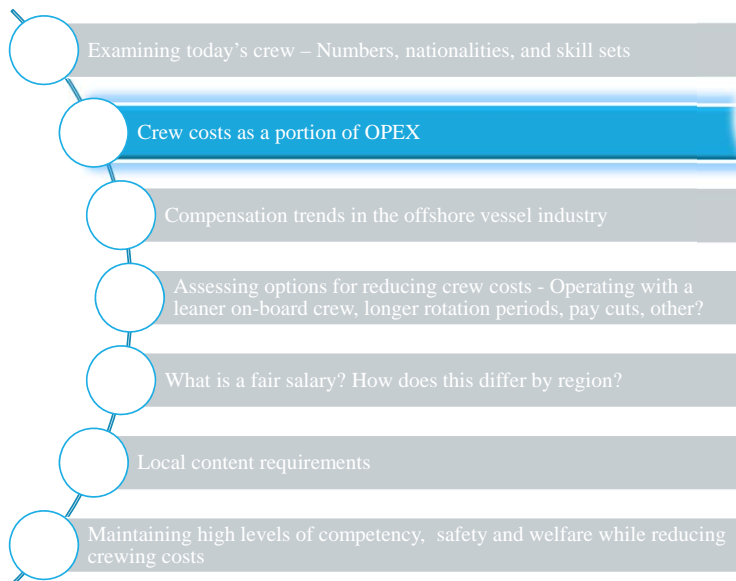
Examining today's crew – Numbers, nationalities, and skill sets

Skills Training Approaches

- Online
- Class Room Based (Physical and Virtual)
- Simulation Based training.
- Onboard
- Mentoring / safety coach

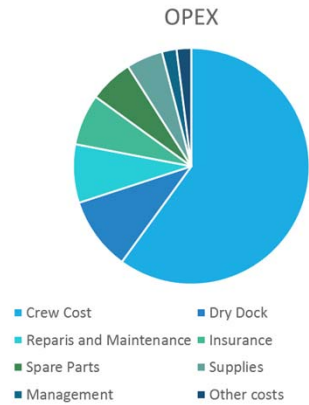


Topics



Crew costs as a portion of OPEX

- Crew Cost – 50% to 70%
- Dry Docking
- Repairs and Maintenance
- Insurance
- Spare Parts
- Supplies
- Management
- Other cost



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Compensation trends in the offshore vessel industry

- Rig utilisations and rates dropped more than 30%
- Offshore Vessel Utilisations dropped and charter rates reduced.
- Vessel lay up.
- Crew over supply thus lower demand
- Compensation Trending down trending
- Crew Salaries drops between 20% to 40%



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Assessing options for reducing crew costs - Operating with a leaner on-board crew, longer rotation periods, pay cuts, other?

- **Communicate**
 - Communicate both on-shore and off shore employees and cost conservation strategies
- **Relocation of Assets to low cost regions**
- **Conversion to Minimum Manning / Near Coastal voyage vessel trading certificates**
 - Remain flexible and alert to switch the manning to international voyage / operational levels / charter requirements as required.
- **Trading in Spot / medium to long term charters**
 - **Longer contract duration for crew**
 - Saves travel cost
 - Beware of fatigue
 - **Job sharing / rotation- 3: 1 ratio**
 - Senior officers and key crew complement
 - Retains competency and recognizes loyalty.

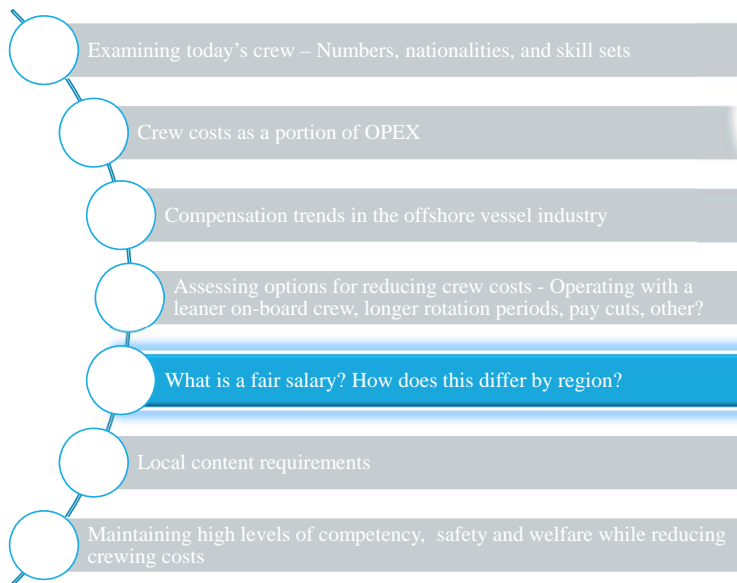
Assessing options for reducing crew costs - Operating with a leaner on-board crew, longer rotation periods, pay cuts, other?

- **Lay ups**
 - Vessel selection for lay up from the fleet, size, tonnage and capabilities, balanced portfolio.
 - Selection of Lay up location – cost to re-mob and access to the potential markets
 - **Warm Lay up (Rafted)**
 - Maintaining competency onboard with lean crew complement can be vital across different types.
 - Preparedness to re-mob on short notice is key to remain competitive.
 - Remember what matters is the ability to respond quicker on a competitive market.
 - **Cold Lay up**
 - Reactivating can be a challenge, less marketable vessels should be last out.
- **Selling older tonnage**
 - Be selective about the buyers and their market.
 - Re engaging competent crew back into the fleet
- **Re negotiation of crew salaries**
 - Review your crew cost and commercial competitiveness
 - Keep your finger on the pulse for industry best practice and salary levels.
- **Redundancies**
 - **Permanent Employees**
 - Consider cost of redundancy
 - Evaluate the option to balance between contract and permanent employees
 - Fair selection criteria for redundancy.
 - ❖ Performance, disciplinary, seniority etc.
 - Voluntary redundancies before forced redundancies
 - Treat employees with dignity, fairness and respect during the process.
 - Address, Communicate, be visible and personal, Set the tone

Assessing options for reducing crew costs - Operating with a leaner on-board crew, longer rotation periods, pay cuts, other?

- **Redundancies- Post merger / acquisitions**
 - Are complex and complicated
 - Establish leading positions, mitigate conflicts.
 - Communicate and set the tone – Ensure fairness across business units.
 - Prioritize group / company's interest above all.
 - Emerge as an organization with synergy, by building on strengths
- **Review crew sourcing strategies**
 - Conservative sourcing countries vs emerging sourcing countries.
- **Fleet Replenishments**
- **Standby Crew vs Operational crew**
- **Outsourcing Crewing functions / part / full**

Topics



What is a fair salary? How does this differ by region?

Risk VS Reward

Fai Salary?

- Bargaining Agreements
- CBAs / EBAs
- ITF Standard Contracts



Asia – Fragmented Market

Local GDP and Per Capita Income

Government Tax

Life Style

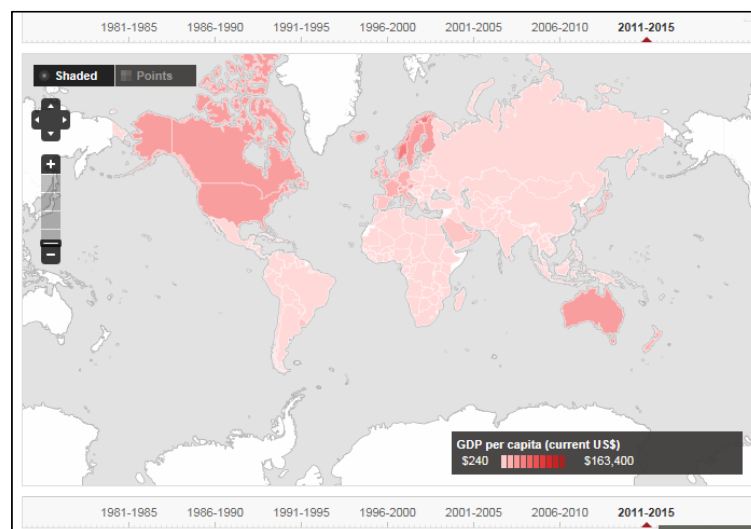
Charter Rates

Operating Cost

Salaries in related industry – Airline, Mining etc?

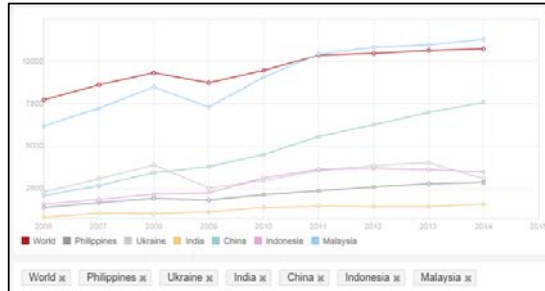
GDP per capita (US\$) - by Region

-World Bank

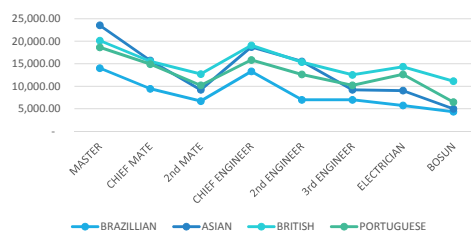


GDP per capita (Current US\$)

- World
- Philippines
- Ukraine
- India
- China
- Indonesia
- Malaysia



Graphical Comparison of Crew cost across nationalities – To Operate in Brazil in USD



How Safe are Marine Jobs?

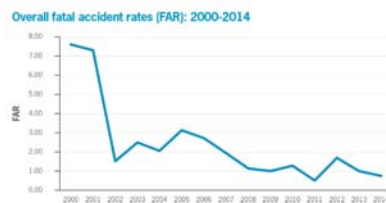
Airlines Accidents Trend

Source: IATA fact sheet



Marine Fatality Rate

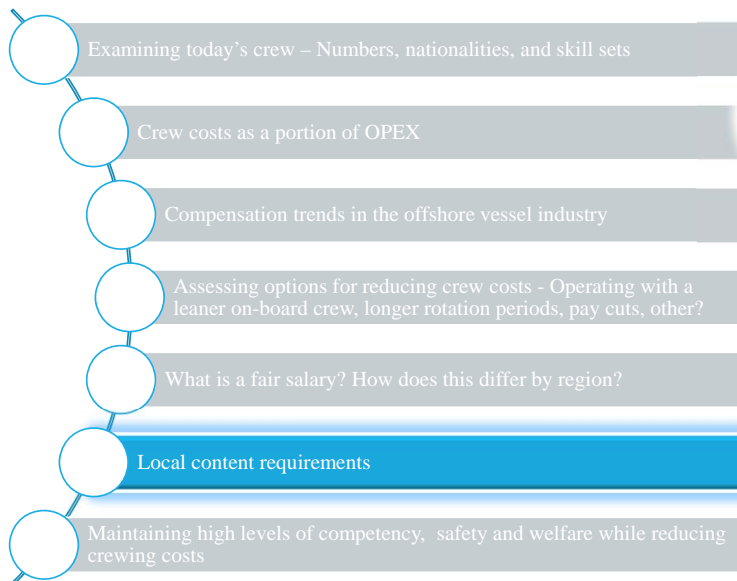
Source: International Chamber of Shipping



Life Lost Onboard- Impact of STCW and ISM

- Human Element, Training and Watchkeeping (HTW)
- Down Trend of Lives Lost on board

Topics



Local content requirements

Definition

When a foreign company makes products in a country, the materials, parts etc that have been made in that country rather than imported. A minimum level of **local content** is sometimes a requirement under trade laws when giving foreign companies the right to manufacture in a particular place

How Does it Applies to Crewing?

Full local or specific percentage (As laid down government bodies) Crew complement onboard Foreign Vessels

Countries

Indonesia
Malaysia
Thailand
India
Brazil
Brunei etc...

Management of Local Content

Reporting and Mitigation

Local content requirements



First Indigenous Master in the Making



Karanba Classes in the Rio Office

TANZANIAN TRAINEES ON BOARD FAR SCOTSMAN



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Maintaining high levels of competency, safety and welfare while reducing crewing costs

- **Improve Safety Records**
- **Attracting More incumbents in to the offshore / marine industry**
Offshore should mean safety
- **Invest in Competency, Skill and Training – Retain**
- **Balanced supply of crew VS World Wide Fleet**
- **Increase retention rates**
- **Sustainable Crew cost**
- **Sustainable Business.**



Thank you!!



Reference

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