

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
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## 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*



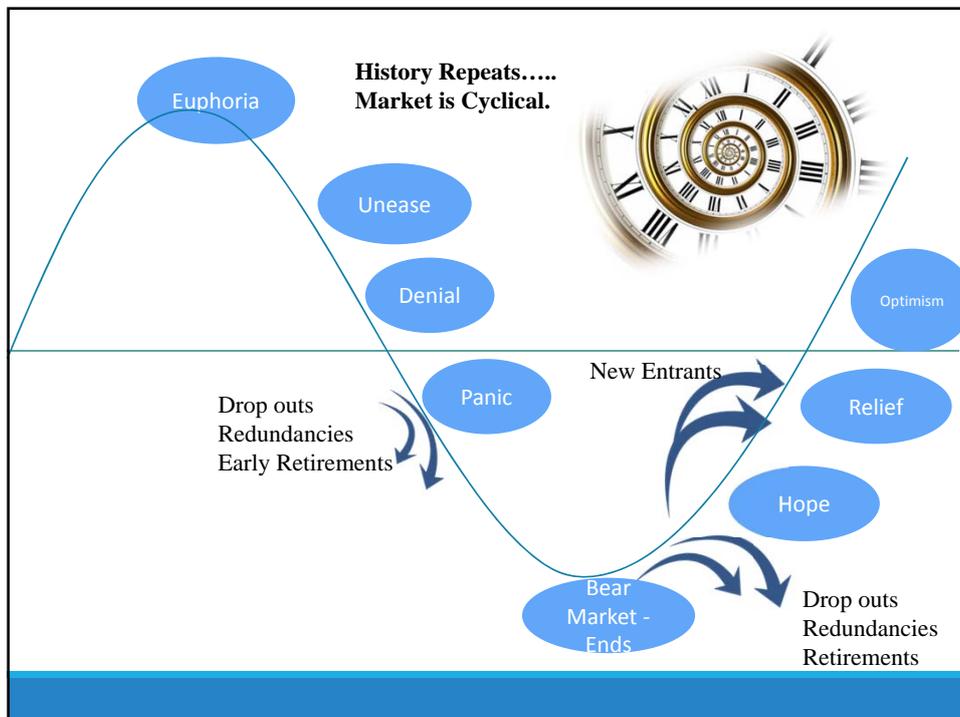
Safety



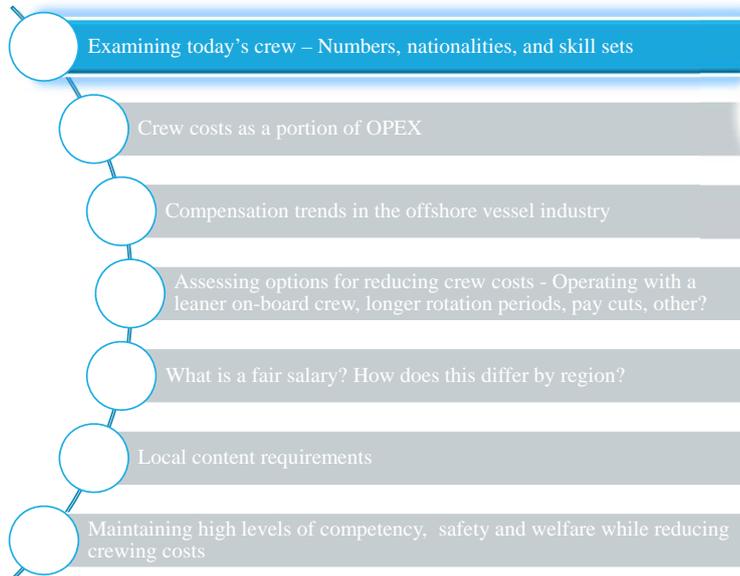
Innovation



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 1<sup>st</sup> 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.



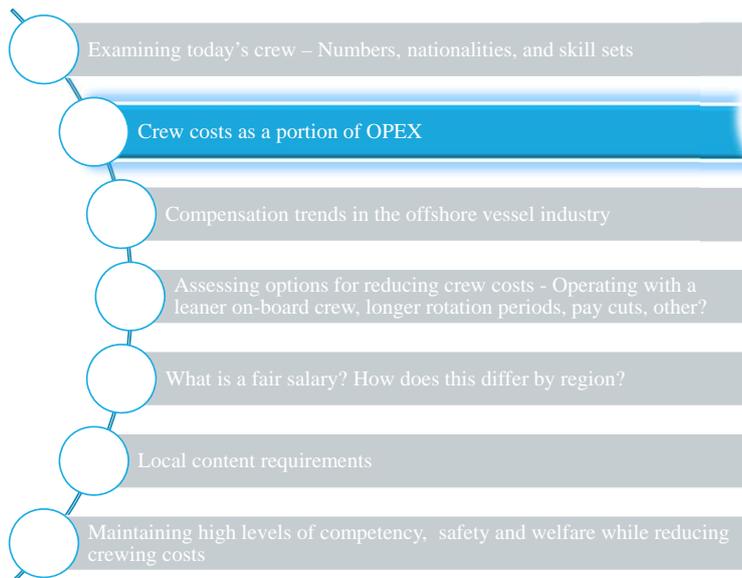
## Examining today's crew – Numbers, nationalities, and skill sets

### **Skills Training Approaches**

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

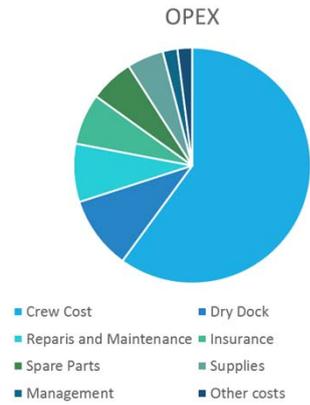


### **Topics**



### 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**

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

### Risk VS Reward

#### Fair Salary?

- Bargaining Agreements
- CBAs / EBAs
- ITF Standard Contracts



#### Asia – Fragmented Market

Local GDP and Per Capita Income

Government Tax

Life Style

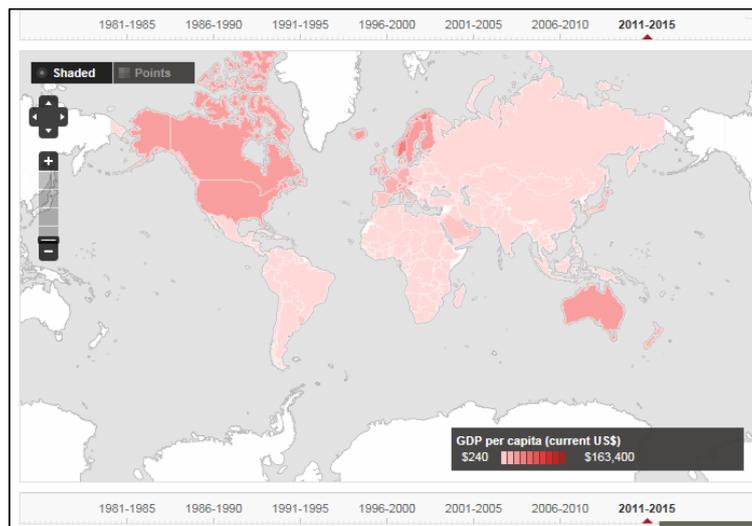
Charter Rates

Operating Cost

Salaries in related industry – Airline, Mining etc?

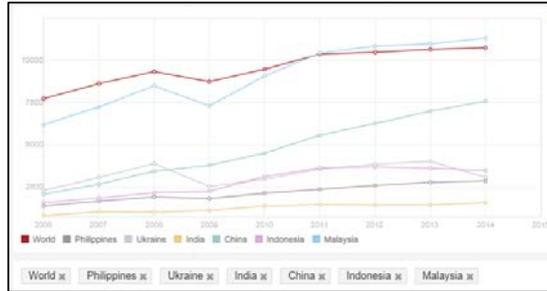
### GDP per capita (US\$) - by Region

-World Bank

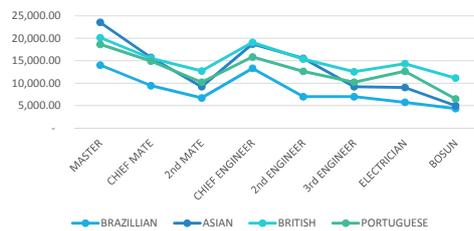


### GDP per capita (Current US\$)

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



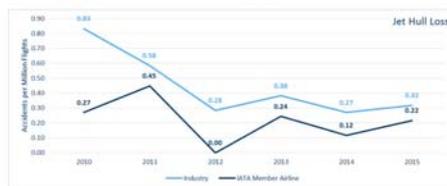
Graphical Comparison of Crew cost across nationalities – To Operate in Brazil in USD



### How Safe are Marine Jobs?

#### Airlines Accidents Trend

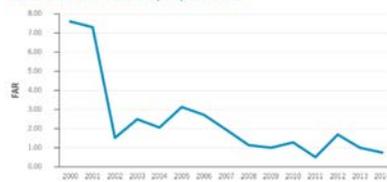
Source: IATA fact sheet



#### Marine Fatality Rate

Source: International Chamber of Shipping

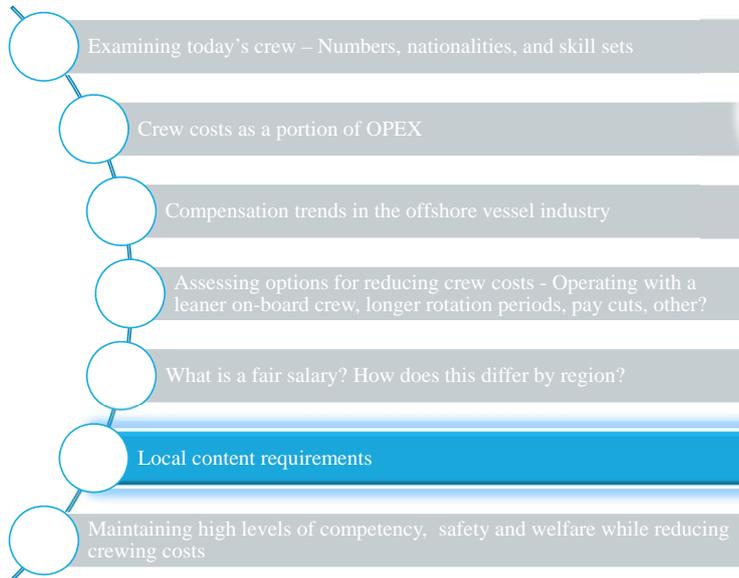
Overall fatal accident rates (FAR): 2000-2014



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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