

**BERNHARD SCHULTE  
SHIPMANAGEMENT**



Global Shipmanagement Services

# **4<sup>th</sup> Tanker Operator Singapore Conference**

**11 October 2013**

**Improving Economic Performance**

**What works and What doesn't?**

**Arvind Sharma, Director-Loss Prevention & HR (Marine),BSM**

## Strategies of Managing Crew Costs -

- ④ Can we better manage this highest of all vessel operating costs?
- ④ What are the areas we focus on why?

## THE CHALLENGE

- ④ **To reduce operating costs in every area in order to survive in the prevailing economic environment.**

# OWNERS OPERATING COST

- ④ A Vessels Operating Costs Consist of –
  - a) **Crew Costs** (Pre-joining Costs, Wages, Allowances, Benefits, Victualing, Travel, Training, Crew P&I Insurance)
  - b) **Technical Costs** (Ship-managers Fees, Stores, Spares, Repairs & Maintenance, Lubricating Oils, Dry-dock, Insurance, Communication, Classification, Vetting Inspections)
  - c) **Mortgage/finance costs**

# CREW COST

**In crew costs the main expenses consist of -**

- ④ Manning Agency Costs
- ④ Crew Wages
- ④ Travel
- ④ Training
- ④ Crew P&I claims

# CREW COST

**Let us now review each of the listed crew cost components to see what improvements are possible -**

## CREW COST- Manning Agency Costs

- ④ Manning Agencies usually charge market level manning fees per month.
- ④ In case of large companies, they may have their own manning office in the crews country.
- ④ In both cases, costs savings are possible and we have tightened up our costs of our manning offices in 14 countries by removing duplicate work and reducing numbers where possible.
- ④ Similarly we have reduced costs of supplying Overalls, shoes and uniforms by hard negotiation

# CREW COST-WAGES

The Highest component in Crew costs is Wages

- ④ Ratings Wages are dictated by various Unions and there is limited potential here.
- ④ Officer Wages are dictated by the supply /demand. While continuous pumping in of cadets has resulted in some balance in supply /demand of Junior Officers, due to which we are looking at rationalising their wages somewhat, there is still a shortage of Senior officers, hence limited room for reducing costs



## CREW COST- SPIRALLING WAGES

WRT Senior officers - Many Owners have taken a short term view and shifted to lower cost nationalities

- ⑤ THIS MAY GIVE SHORT TERM RELIEF BUT IS DESTRUCTIVE IN THE LONG TERM!
- ⑤ It causes poaching between companies and wages to spiral up further as shortages increase.
- ⑤ It also gives rise to accelerated promotions and sometimes results in incompetent or inexperienced people in senior positions.

## CREW COST- SPIRALLING WAGES

- ④ What about **Retention**? Would you agree that it has serious impact on Crew costs?
- ④ Our observation - Various Benefits and a no Blame culture help in retaining and growing talent.
- ④ How about a talent pipeline? Do all companies have structured cadet plans, & career development plans in place?
- ④ SIMPLE TRUTH : IF YOUR PEOPLE ARE HAPPY TO WORK WITH YOU, THEY WILL NOT AUCTION THEMSELVES TO THE HIGHEST BIDDER IN THE MARKET!

## CREW COST- TRAVEL

- ④ Travel costs are the necessary cost of doing business.
- ④ They cannot be done away with, but can be reduced with better planning.
- ④ Expenses incurred in carrying out crew changes in faraway ports, having people wait in hotels for days, due to mis-planning are definitely avoidable.
- ④ In BSM , in addition to close focus on the PLANNING, we exclusively use our inhouse travel company, who purpose of existence is offer maximum savings.

## CREW COST- TRAINING

- ④ Damages and the number of incidents and accidents continue to rise in the industry.
- ④ Is training a cost or an investment?
- ④ Is training an option? Or a necessity?
- ④ Is the basic STCW courses or even additional technical training carried out by some good Companies sufficient?
- ④ We besides having performance KPIs for shore and ship staff, have our own training centers in 5 locations for continuously training our seafarers

## CREW COST- TRAINING

- ④ One of our KEY FOCUS is soft skill training, dealing with motivation, teamwork, people management & personal pride and responsibility.
- ④ Another KEY FOCUS is Development and talent management. Not to allow cadets to be left to their own devices onboard. Not to allow Cadets to be used as cheap labor but rather with a focus that they are our Management level officers of tomorrow

## CREW COST- P&I

- ⑤ Costs of medical treatment and repatriation can add substantial expenses to the Operating costs.
- ⑤ It is essential to have reliable, regularly vetted Clinics for pre joining medical examinations.
- ⑤ It is necessary to regularly monitor the P&I cases and effect adjustments in medical tests.
- ⑤ We have instituted enhanced pre joining medical examinations s
- ⑤ Continuous Training and a robust safety culture onboard are invaluable to reducing injuries.

# CREW COST- CONCLUSIONS

- ④ Have a structured cadet plan and a defined talent pipeline.
- ④ Have proper planning in place and maintain some flexibility in relief dates to keep travel costs in check.
- ④ Training or learning, is a necessary and ongoing investment. Focus more on soft skills and motivation. Reduce micromanagement from shore and let the seafarers manage their vessels...

## CREW COST- CONCLUSIONS

- ④ Having Motivated and Skilled people onboard will automatically reduce your costs of operation and this should be the area of focus.
- ④ Regularly review the effectiveness of pre-joining medicals and effect changes in tests as found necessary.



**THANK YOU**