

Making Money in a Tough Market
Courtyard by Marriott, Mumbai
February 05, 2015

**How vetting process can help ship owners
and operators in maximising profits**

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How important is Vetting commercially?



Vessel is on subs for a voyage from Rotterdam to New York



The vessel is rejected by an oil major during screening and consequently the vessel is not fixed for this voyage.

Lost Business for the owners !!

What happened in between?





Oil Companies International Maritime Forum was formed On 8th Apr of 1970.

OCIMF is a voluntary association of oil companies having any interest in the shipment and terminalling of oil.

The OCIMF Mission – To be the foremost authority on the safe and environmentally responsible operation of oil tankers and terminals, promoting continuous improvement in standards of design and operations.

OCIMF has consultative status at the IMO.

What is SIRE?



The Ship Inspection Report Programme (SIRE) is a tanker risk assessment tool.

Ship inspection by oil majors was introduced after Exxon Valdez grounding in Alaska.

SIRE reports do not include a pass/fail outcome.

The SIRE database has **8000** ships, **22500** reports and **311** registered users. The average number of inspections per vessel per year is **2.49** .

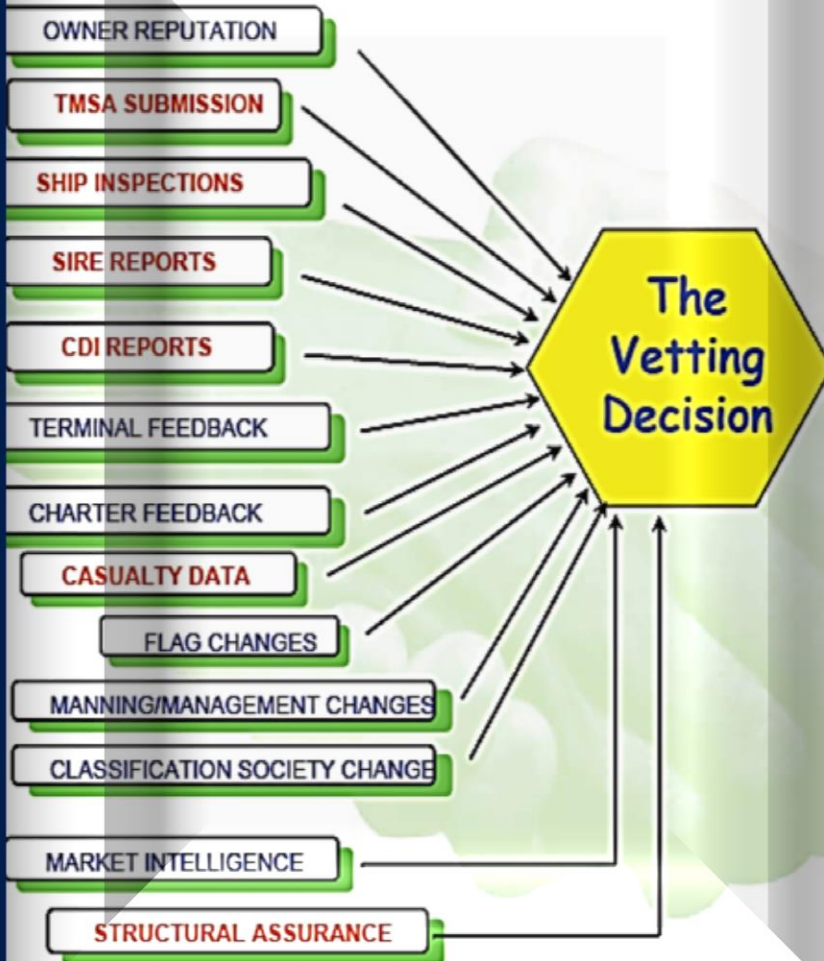
The vetting or the screening process

- TMSA Submission
- SIRE inspection/ reports
- Vessel's age and CAP Rating
- Officer's Matrix
- Casualty (Incidents) data
- PSC inspection
- Terminal feedback/ inspection
- Structural review
- Condition of Class (COC)
- Owners/ Operator reputation





The Ship Vetting Decision





■ To control the Group's Shipping exposure to risk

■ To assess potential tanker candidates using risk assessment methods

■ The approval by Vetting of any maritime operation is requested when:

- ➔ The cargo belongs to a Group entity
- ➔ The vessel is chartered by a Group entity
- ➔ The loading (discharging) takes place in a Group terminal
- ➔ Any operation related to Heavy Fuel Oil on a vessel over 5,000 DWT

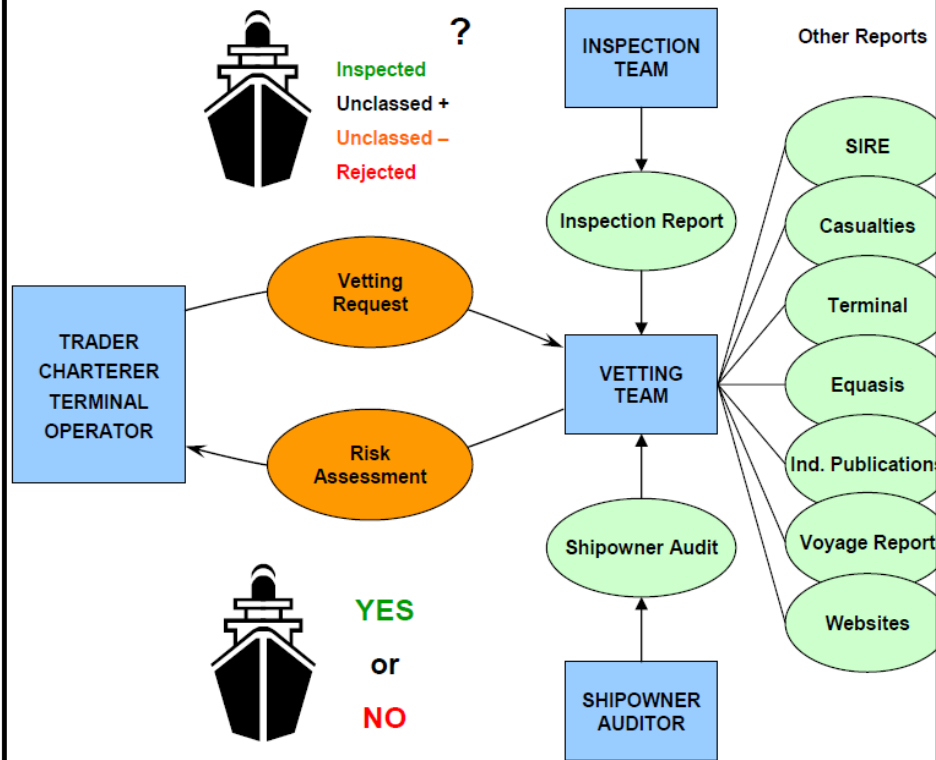
■ More than 1,100 inspections / year by 16 inspectors around the world

■ More than 15,000 assessments / year by Vettors

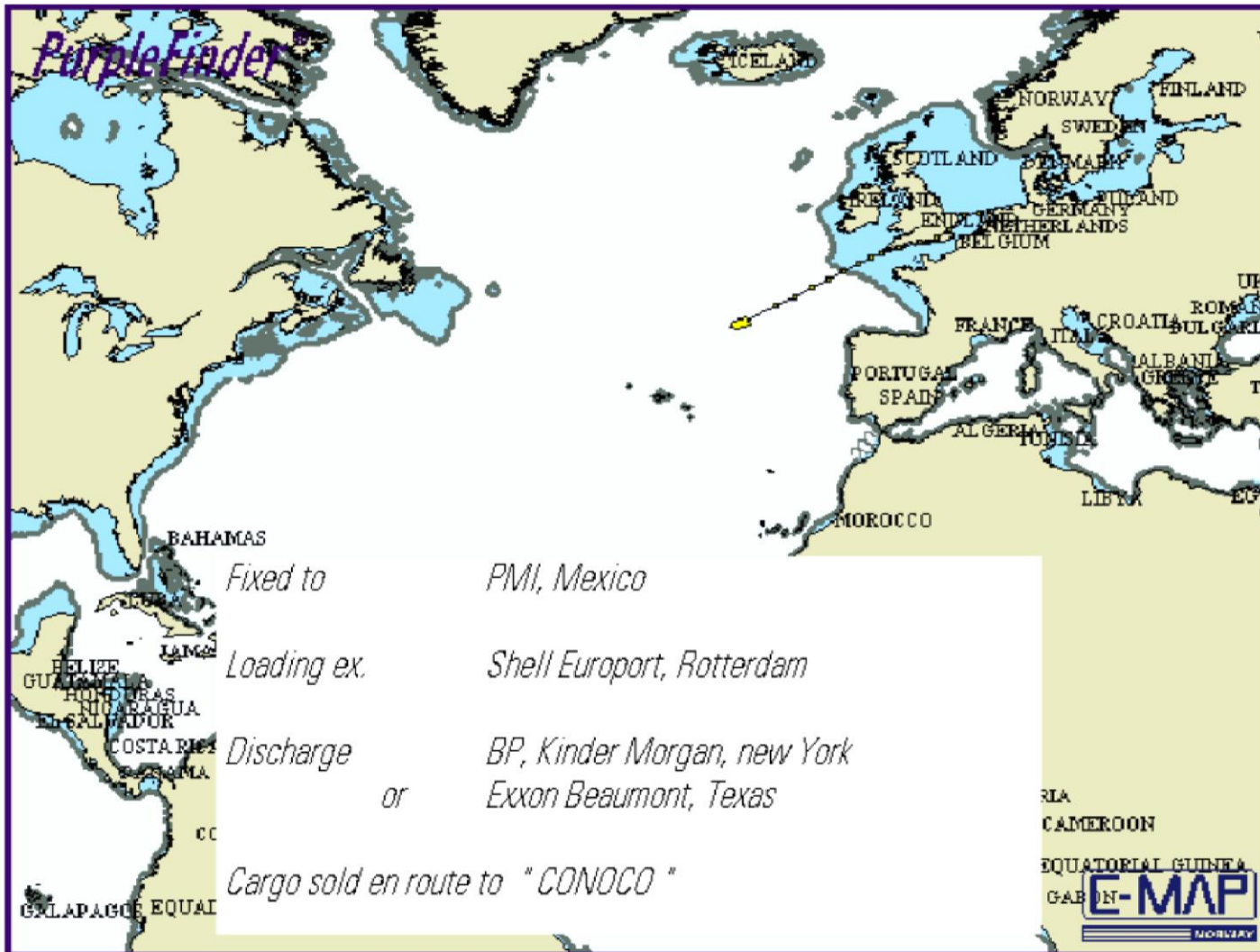
■ About 12 owner's head office audits / year to determine the quality of the technical support offered to the fleet

■ A few Vetting rules

- ➔ No tanker over 25 years
- ➔ If DWT>30,000, no over 20 years
- ➔ No tanker more than 15 years for T/C
- ➔ No tanker aged more than 15 years for Heavy Fuel



What is multiple screening ?



Challenges for the Tanker Operator

- Lack of uniformity
- Proliferation of vetting inspections and prohibitive costs
- Inconsistent assessment of SIRE reports



Challenges for the Tanker Operator

Differing Officer's matrix requirements for various oil majors



Modified: Jan 31, 2015 (System Account)

Nationality	Cert of Competency	Issuing Country	Signed-On	Identification #	Admin Acceptance	Tanker Cert	Specialised Tanks	Radio Qual	English	Years Operator	Years Rank	Years This Type	Years All Types	Years Watch Offices	Comments
Philipino	Class 1	Philippines	Dec 23, 2014	EC2668957	Yes	Oil and Chemical	Advanced	Yes	Good	3.5	4.2	11.3	26.3	0.0	STG in the last 12 months = 4, Total = 29
Philipino	Class 1	Philippines	May 06, 2014	XX5663183	Yes	Oil and Chemical	Advanced	Yes	Good	1.3	6.2	13.2	16.2	0.0	STG in the last 12 months = 1, Total = 1
Philipino	Class 2	Philippines	Dec 23, 2014	EC2030402	Yes	Oil and Chemical	Advanced	Yes	Good	8.6	2.2	4.1	10.1	0.0	STG in the last 12 months = 3
Philipino	OOW	Philippines	Dec 23, 2014	EB6281265	Yes	Oil and Chemical	Advanced	Yes	Good	11.1	1.8	0.0	18.1	3.0	
Philipino	OOW	Philippines	Mar 10, 2014	EB3097663	Yes	Oil and Chemical	Advanced	Yes	Good	6.3	2.8	1.6	2.8	2.8	
Philipino	Class 1	Philippines	Dec 23, 2014	EC2815888	Yes	Oil and Chemical	Advanced	N/A	Good	11.4	7.6	10.1	16.1	0.0	
Philipino	Class 2	Philippines	Jan 19, 2015	EB4387131	Yes	Oil and Chemical	Advanced	N/A	Good	7.2	0.0	4.5	24.2	0.0	
Philipino	EEOW	Philippines	May 06, 2014	EB1220822	Yes	Oil and Chemical	Advanced	N/A	Good	1.7	3.7	4.1	4.3	4.3	
Philipino	EEOW	Philippines	Jan 19, 2015	EB3740980	Yes	Oil and Chemical	Advanced	N/A	Good	7.0	2.0	3.2	3.8	2.0	

Requirements For: Chevron

Years with Operator	Req. Value	Matrix Value*
■ Combined aggregate for Master and C/O shall not be less than 2 calendar years.	2.0 years	15.3 years
■ Combined aggregate for C/E and 2/E shall not be less than 2 calendar years.	2.0 years	9.1 years
Years in Rank		
■ The combined in-rank experience of the Master and C/O must be at least 2.5 years actual sea-time on tankers.	2.5 years	9.7 years
■ The combined in-rank experience of the C/E and 2/E must be at least 2.5 years actual sea-time on tankers.	2.5 years	5.7 years
Years on This Type of Tanker		
■ Master shall not be less than 1 year experience this type of tanker (sea-service).	1.0 years	5.6 years
■ C/O shall not be less than 1 year experience this type of tanker (sea-service).	1.0 years	7.2 years
■ C/E shall not be less than 1 year experience this type of tanker (sea-service).	1.0 years	10.2 years
■ 2/E shall not be less than 1 year experience this type of tanker (sea-service).	1.0 years	8.4 years
Years on All Types of Tankers		
■ The sea-going experience of the Master on 'any type of tanker' should be no less than 2.5 years.	2.5 years	15.9 years
■ The sea-going experience of the C/E on 'any type of tanker' should be no less than 2.5 years.	2.5 years	12.3 years
■ The sea-going experience of the C/O on 'any type of tanker' should be no less than 2.5 years.	2.5 years	7.2 years
■ The sea-going experience of the 2/E on 'any type of tanker' should be no less than 2.5 years.	2.5 years	9.4 years

Officer Matrix Compliance Analysis

Requirements For: BP

Years with Operator	Req. Value	Matrix Value*
■ Combined aggregate for Master and C/O shall not be less than 2 years.	2.0 years	15.3 years
■ Combined aggregate for C/E and 2/E shall not be less than 2 years.	2.0 years	9.1 years
Years in Rank		
■ Combined aggregate for Master and C/O shall not be less than 3 years.	3.0 years	9.7 years
■ Combined aggregate for C/E and 2/E shall not be less than 3 years.	3.0 years	5.7 years
■ Combined aggregate for 2/O and 3/O shall not be less than 1 year.	1.0 years	3.9 years
■ Combined aggregate for 3/E and 4/E shall not be less than 1 year.	1.0 years	7.8 years
Years on All Types of Tankers		
■ Combined aggregate for Master and C/O shall not be less than 6 years.	6.0 years	23.1 years
■ Combined aggregate for C/E and 2/E shall not be less than 6 years.	6.0 years	21.7 years
■ Combined aggregate for 2/O and 3/O shall not be less than 1 year.	1.0 years	5.7 years
■ Combined aggregate for 3/E and 4/E shall not be less than 1 year.	1.0 years	24.2 years
Time Joined		
■ A minimum of 14 days shall lapse between replacement of the Master and C/O	14.0 days	50.0 days
■ A minimum of 14 days shall lapse between replacement of C/E and 2/E	14.0 days	22.0 days
■ A minimum of 14 days shall lapse between replacement of 2/O and 3/O	14.0 days	63.0 days
■ A minimum of 14 days shall lapse between replacement of 3/E and 4/E	14.0 days	22.0 days

Requirements For: LUKOIL

Years with Operator	Req. Value	Matrix Value*
■ Combined aggregate for Master and C/O must be 2 years with the company (calendar years).	2.0 years	15.3 years
■ Combined aggregate for C/E and 1/E must be 2 years with the company (calendar years).	2.0 years	9.1 years
Years in Rank		
■ Combined aggregate for Master and C/O must be 3 years in rank (sea-service).	3.0 years	9.7 years
■ Combined aggregate for C/E and 1/E must be 3 years in rank (sea-service).	3.0 years	5.7 years
Years on All Types of Tankers		
■ Master must have a minimum 5 year experience on tankers (sea-service).	5.0 years	15.9 years
■ C/O must have a minimum of 3 years on tankers (sea-service).	3.0 years	7.2 years

Remarks

NOTE: Tankers will not be considered for LUKOIL Group business if VPQ, Crew Matrix and TMSA reports are not available on the OCIMF website for assessment.

The tour of duty - not more that six (6) months for Officers and nine (9) months for ratings.



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Sample mails received from few oil companies regarding inspection

Good morning Capt.

Would You pls find here attached our last vetting policy as flws :

In this respect, since the vsl has been tendered for operating for our account, we will be glad to visit her during disch.

Operation in order to verify her compliance with our M.S.C.

In case You will be interested, would You pls let us have Yr official request together with Yr company's full style (including VAT nمبر), agency indication and vsl's itinerary as well.

Would you also keep into consideration that our inspection report will be duly submitted to SIRE.

Dear Capt.,

Thank you for the message. That is correct. In accordance with "XXXX Oil Terminal Reminder for winter conditions 2014-2015" risk assessment based on XXXX Oil Terminal SIRE inspection is required.



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Examples of close out of the inspection from oil majors

- Good day,
- Thank you for your message below.
- Please note that once your comments have been uploaded please consider the inspection process complete from our side. We do not have any further follow up needed and no further communications will be sent.
- Please be advised that we review vessels clearance acceptability on a case by case basis at time of nomination through our commercial department.
- This completion of the SIRE inspection process is NOT to be misinterpreted as a pre-approval of the vessel for future business.

Dear Sirs,
Thank you for your response to the observations revealed during the subject inspection. We have now received sufficient information with regard to this vessel and will not normally require re-inspecting the vessel for a 12 months period from the date of the inspection. Please note however that this letter does not constitute a blanket approval of the vessel for XXX Group business or for visits to XXX terminals or facilities. The vessel will be screened by us on each occasion it is tendered for XXX Group business or intends to visit one of our terminals or facilities. Amongst other criteria, our decision will be based on the continued satisfactory performance of the vessel and any feedback we may receive. Owners and operators are also reminded that the chartering process is greatly enhanced when correct HVPQ's and Online Crew Matrix have been updated in the SIRE system. Any accidents, incidents or near misses involving the subject vessel should be reported immediately.



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Negative screening by oil majors- few examples



• Good Day Sirs,
• We have reviewed your responses to the XX SIRE inspection report of the above mentioned vessel.
• The inspection identified observations in the following areas:
• Chapter xxx
• Chapter xx
• These specific aspects along with other observations have led us to form the view that the vessel is not being operated to the standards we require.
• Once you have addressed the above and you have satisfactory evidence to demonstrate that there have been improvements onboard, you should have a new operational SIRE.

The last sire report XXXX was not positively assessed. Vessel's status is now negative in our database.

Good day,

Last sire report from XX was not positively assessed.

Will need a new one to re-assess the vessel
Best regards

Dear Sir,

Thank you for the message. Please be advised the vessel was rejected due to nature of the last SIRE and PSC inspections observations. Therefore Risk Assessment based on XX SIRE inspection is required for the subject vessel.

Best regards,
Inspection Coordinator



What does the charterer or the oil trader
require?

**We have to meet the requirements of the
charterer or the cargo trader.
His deals pay for all of our activities.**

What does he want ?

**The trader's #2 objective: Competitive
cost**

**A charter rate that is better than market.
What is the trader's #1 objective?**



What is the charterer's or trader's primary objective

OPTIONALITY

The ability to deliver the cargo *anywhere* the ship can safely go.

So the ships that make the most money for them are not necessarily the cheapest ... but the ones that are universally accepted.

They offer the greatest **optionality to the charterer**.



What role does the vetting department of the operator perform?

- The job of the vetting department and ship's staff is to ensure that the vessel remains acceptable to all parties at all times.
- **QUALITY – RELIABILITY - FLEXIBILITY**
- Worldwide trading flexibility to our customers' demands at all times being acceptable by the Oil Majors **vetting departments.**



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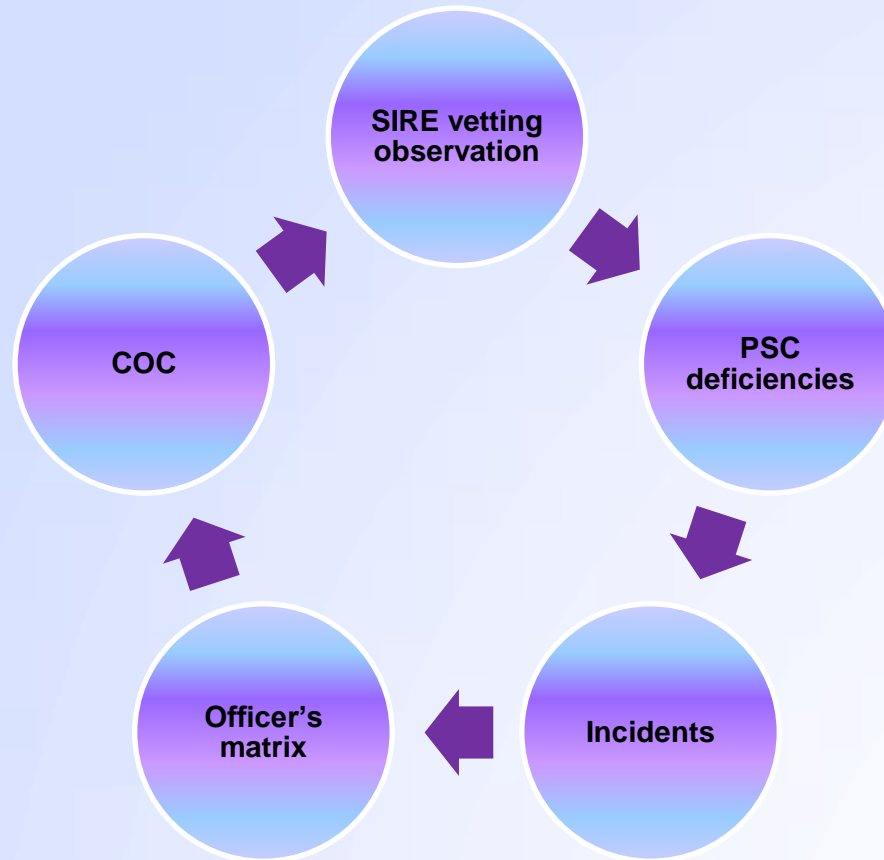
SIRE INSPECTION REPLIES AND CLOSE OUT

A world-class response includes:

- A convincing statement that the **root cause** has been sought and found.
- A statement that managers possess, “objective evidence”, sufficient to prove that the Report is closed (or will be completed by a stated date).
- A statement of action taken to avoid a repetition of the observation in the future (SMS change, etc.).



Key drivers for Vetting



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TORM
CELEBRATING
125
YEARS OF
SHIPPING
WITH PRIDE



Thank you

