

Making Money in a tough market

***“Effective Shipmanagement. Ways to improve operating costs minimize losses.*”**

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Objectives

- Present ways for cost effectiveness / improvement in operating costs
- Provide practical examples for reducing costs
- Describe “loss control management principles to avoid and or minimize losses

Business strategies for tough markets is beyond the scope of this presentation

Trends and Challenges in Ship Management


- Tough market
- Achieve competitiveness / Adding value
- Increase in operating costs
- Limitations on Crew Resources
- Safety and Environmental regulations

TO RESPOND TO CHALLENGES WE NEED TO “MANAGE”.

TO “MANAGE” WE REQUIRE RESOURCES.

To “MANAGE EFFECTIVELY” WE NEED:

- Qualified /Trained and Motivated People
- Manage the risks
- Develop and Implement Dynamic Performance strategies
- Provide Systems Procedures; IT; other infrastructure
- Measure Performance - **“Hands on”**
- Manage Change
- Be **“Adaptive”** to changes



The “Evolution Theory” of Charles Darwin
is apparently applicable to all

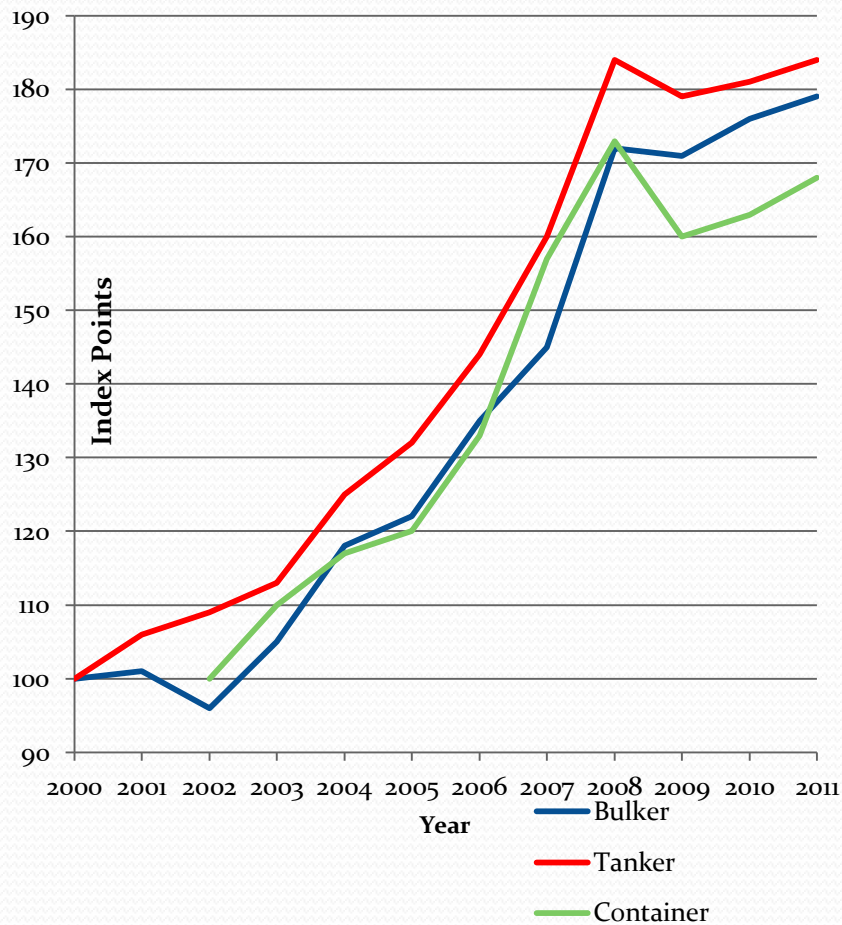
*‘It is not the strongest of the species,
nor the smartest of the species that
survive, but those most adaptive to
change’*

Operating Costs

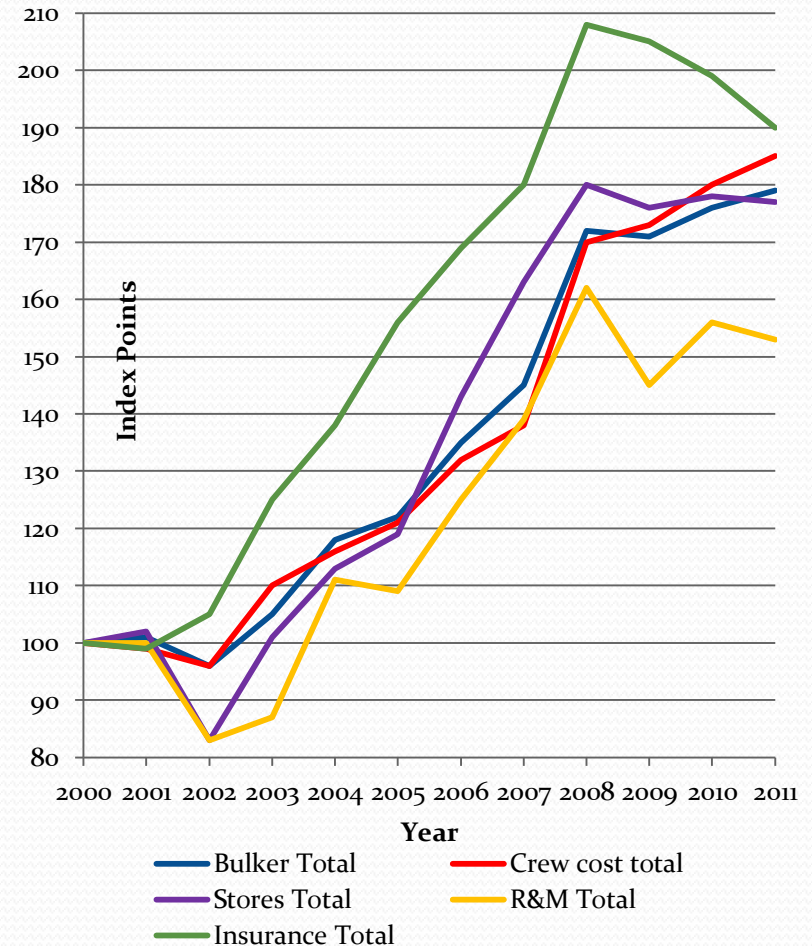
Five main categories:

- Crew Total Cost
- Stores total
- Repairs and Maintenance Total
- Insurance Total
- Administration Total

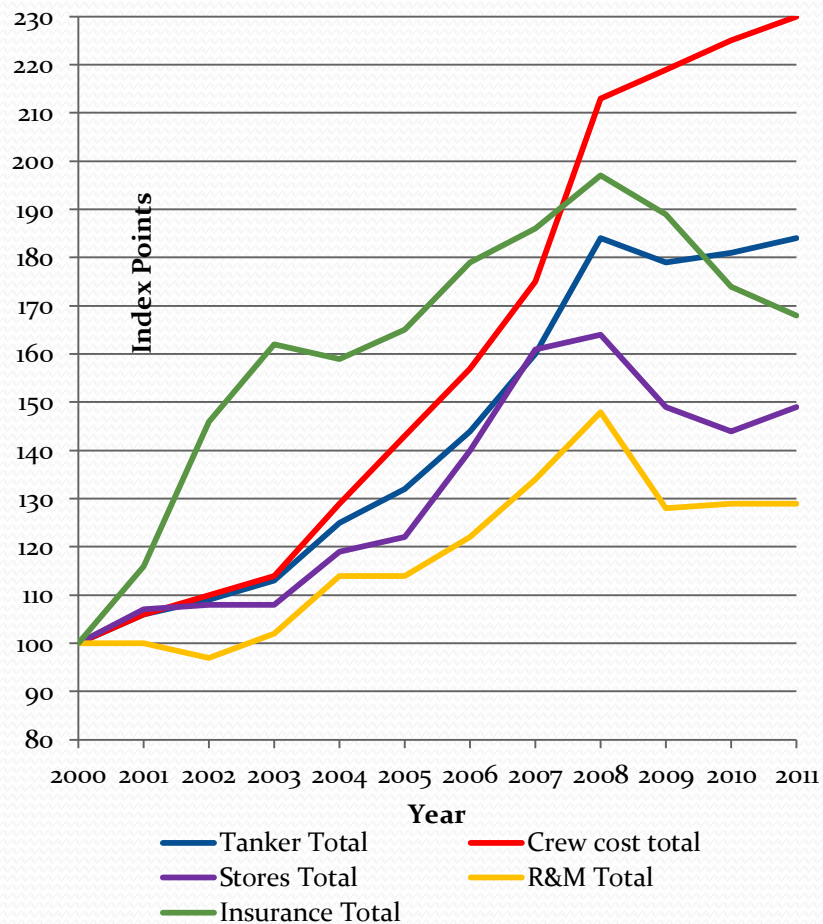
OpCost Indices



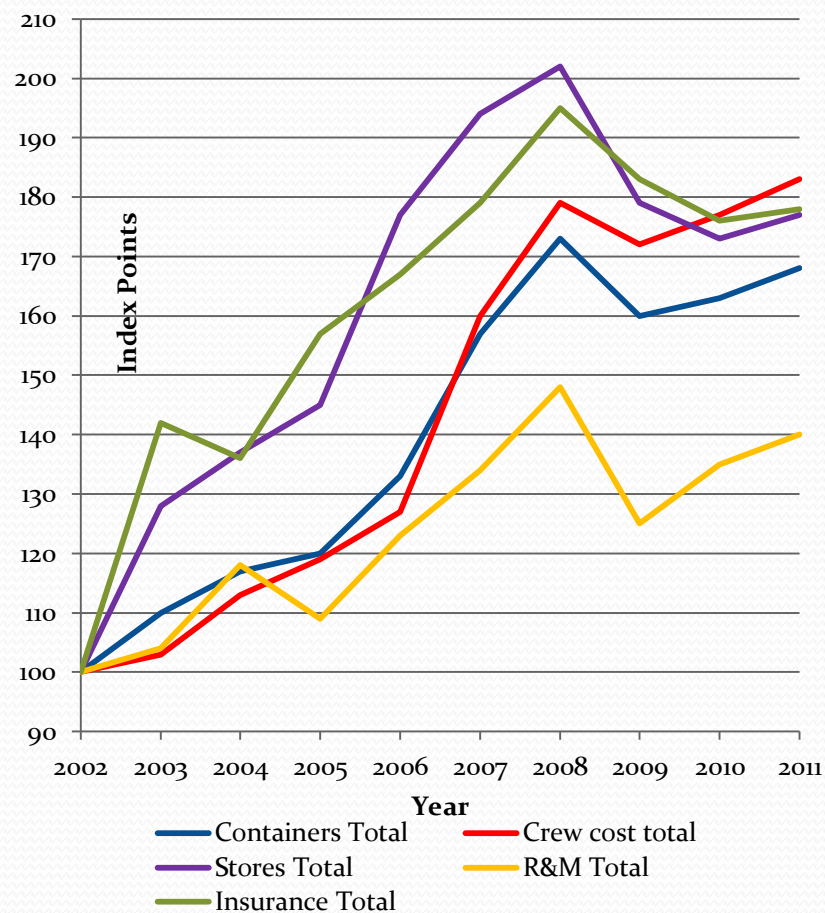
OpCost bulker Indices



OpCost Tanker Indices



OpCost Container Indices



Operating Costs may be improved by:

- People
- Control measures for cost effectiveness
- Implementing “Loss control Management principles”
- Effective Planned maintenance (no short cuts)
- IT investment

Control Measures for Cost Effectiveness

- Continuous evaluation of operating cost results. These should reflect accurately the context of measurement
- Benchmark against industry standards
- Systematic measurements of relative changes (variances) and not only, against yearly budgets
- Reviewing Company's processes for identifying improvement areas
- Implementing Changes (Process reengineering, work alterations etc)
- Re measure to reflect the achievement (measurement of outcome effects versus implemented courses of action)

Improvement area (Spare parts)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual cost of Spare Parts	Operational Improvements	<ul style="list-style-type: none"> Review maintenance procedures prolong life Use Integrated IT systems for accounting / spare parts / PMS etc. Train / Motivate Human resources Rechecking Inventories 	Performance measurements
	Purchasing Effectiveness	<ul style="list-style-type: none"> Obtain more quotes. Built up business relationships with suppliers Increase business revenues for higher returns (Use maker's list if company is involved with NB to get guaranteed prices / discounts 	Use KPI's

Improvement area (Spare parts)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual cost of Spare Parts	Technical issues	<ul style="list-style-type: none"> • Optimize spare parts specification • Identify spare parts that can be used on more than one ship • Experience feedback • Selection of makers of machinery at the new building stage 	Performance measurements Use KPI's
	Supply Chain Optimization	<ul style="list-style-type: none"> • Optimize spare part supply and delivery to minimize delivery costs 	

Improvement area (Stores)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual operating costs of Stores (Lub oil)	Operational Improvements	<ul style="list-style-type: none"> • Implement slow steaming • Identify source of leakages take countermeasures to reduce or stop • Experience feedback 	Performance measurements Use KPI's
	Purchasing Effectiveness	<ul style="list-style-type: none"> • Relationship with the suppliers (better value of money) 	

Improvement area (Stores)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual operating costs of Stores (Lub oil)	Technical issues	<ul style="list-style-type: none"> Review maintenance procedures. Are they adequate? Retrofit new technologies i.e. use pulse or spray lubrication 	Performance measurements Use KPI's
	Supply Chain Optimization	<ul style="list-style-type: none"> Optimize port / delivery to save costs 	

Improvement area (Example Repairs & Maintenance)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual operating costs of Repairs and Maintenance	Operational Improvements	<ul style="list-style-type: none">• Train personnel both ashore and onboard• Use PMS Establish failure trends• Retrofitting new equipment• Use Incident analysis techniques to identify root cause of damages• Provide experience feedback	<p>Performance measurements</p> <p>Use KPI's</p>

Improvement area (Example Repairs & Maintenance)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual operating costs of Repairs and Maintenance	Purchasing Effectiveness	<ul style="list-style-type: none"> • More quotes • Built up business relationship with suppliers • Use own “repair teams” 	Performance measurements Use KPI's
	Technical issues	<ul style="list-style-type: none"> • Review maintenance procedures. Are they adequate? • Extend overhauling periods? • Providing guidance for problem solving without attending onboard 	

Improvement area (Example Repairs & Maintenance)

Current situation	Areas of Improvement	Example and Ideas	Measure Improvements
Large annual operating costs of Repairs and Maintenance	Optimizing maintenance periods	<ul style="list-style-type: none">• Maintain all equipment as appropriate during docking periods to avoid stoppages during vessel's trading	Performance measurements Use KPI's



It should be remembered, however that:

- Severe cost cutting measures may have a severe impact in areas beyond financial statements
- The impact on those areas however, may not be readily apparent to the stake holders in the short term

Loss Control Management

The domino “cause – consequence” loss control model (ILCI)

Lack of Control	Basic Causes	Immediate Causes	Undesired Events / Facts	Results / Losses
Inadequate Management System or Non compliance	Personal Factors or Job Factors	Substandard acts or Substandard conditions	Accident or Incident	People Property Process Environment

Management System Standards

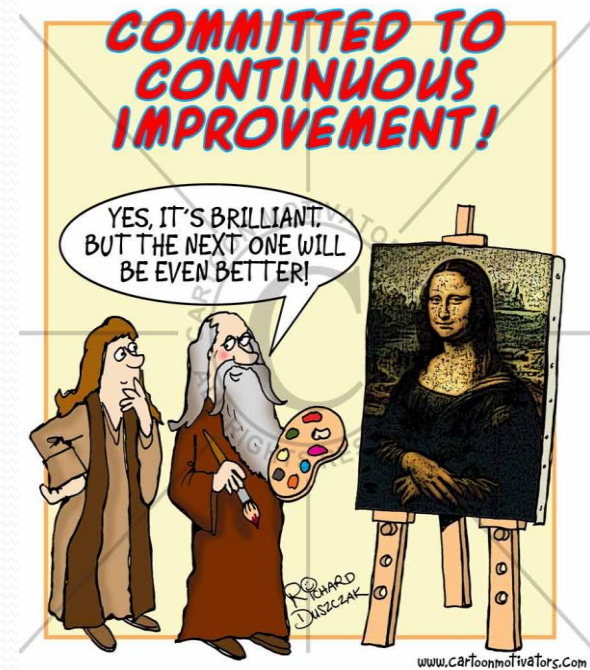
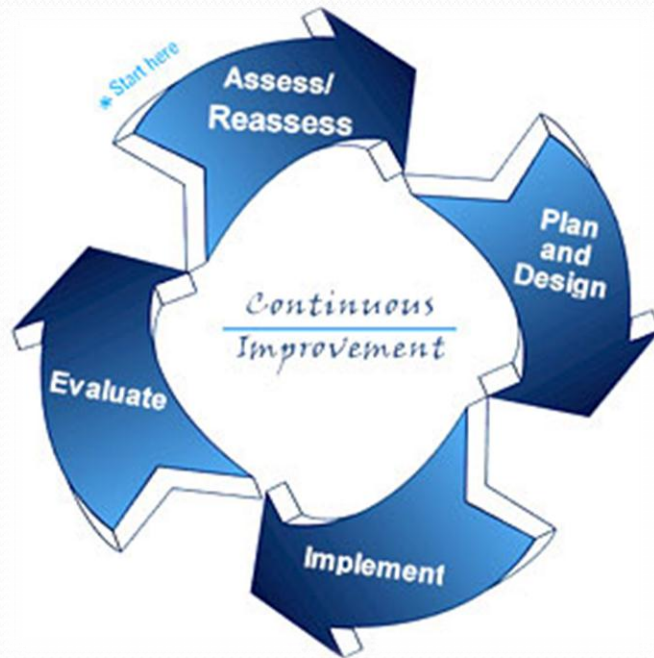
- ISM
- TMSA
- ISO series and so on

ISO 14001 : 2004		ISO 9001 : 2008		OHSAS 18001 : 2007		ISM Code		TMSA	
4	Environmental management system requirements	4	Quality management system	4	OH&S management system elements			Element 9:	Safety Management
								Element 10:	Environmental Management
4.1	General requirements	4.1	General requirements	4.1	General requirements	1	General		
4.2	Environmental Policy	5.1	Management Commitment	4.2	OH&S Policy	2	Safety and Environmental Protection Policy	Element 1:	Management, leadership and accountability
		5.3	Quality Policy						
		8.5.1	Continual Improvement						
4.3	Planning	5.4	Planning	4.3	Planning				
4.3.1	Environmental aspects	5.2	Customer focus	4.3.1	Hazard identification, risk assessment and determining controls			Element 7:	Management of change
		7.2.1	Determination of requirements related to the product						
		7.2.2	Review of requirements related to the product						
4.3.2	Legal and other requirements	5.2	Customer focus	4.3.2	Legal and other requirements				
		7.2.1	Determination of requirements related to the product						
4.3.3	Objectives, targets and programme(s)	5.4.1	Quality Objectives	4.3.3	Objectives and programmes	1.2.2	Safety management objectives of the company		
		5.4.2	Quality Planning						
		8.5.1	Planning for continual improvement						

4.5	Checking	8	Measurement, analysis and improvement	4.5	Checking and corrective action			Element 12:	Measurement, analysis and improvement
4.5.1	Monitoring and measurement	7.6	Control of measuring and monitoring devices	4.5.1	Performance measurement and monitoring	10	Maintenance of the ship and equipment	Element 4:	Reliability and maintenance standards
		8.1	General measurement analysis and improvement						
		8.2.3	Monitoring and measurement of processes						
		8.2.4	Monitoring and measurement of product						
		8.4	Analysis of data						
4.5.2	Evaluation of compliance	8.2.3	Monitoring and measurement of processes	4.5.2	Evaluation of compliance				
		8.2.4	Monitoring and measurement of product						
4.5.3	Nonconformity, corrective action and preventive action	8.3	Control of nonconforming product	4.5.3	Incident Investigation, Nonconformity, Corrective Action and Preventive Action	9	Reports and analysis of non-conformities, accidents and hazardous occurrences	Element 8:	Incident investigation and analysis
		8.4	Analysis of data						
		8.5.2	Corrective Action						
		8.5.3	Preventive Action						
4.5.4	Control of records	4.2.4	Control of records	4.5.4	Control of records				
4.5.5	Internal audit	8.2.2	Internal Audit	4.5.5	Internal audit	12	Company verification, review and evaluation		
						12.1	Internal Safety Audits		
4.6	Management review	5.6	Management Review	4.6	Management review	12.2	Company review		

4.4	Implementation and operation	7	Product Realization	4.4	Implementation and operation				
4.4.1	Resources, roles responsibility and authority	5.1	Management Commitment	4.4.1	Resources, Roles, Responsibility, Accountability and Authority	3	Company responsibilities and authority	Element 2:	Recruitment and management of shore-based personnel
		5.5.1	Responsibility and authority			4	Designated Person(s)		
		5.5.2	Management representative			5	Master's responsibility and authority	Element 3:	Recruitment and management of ships' personnel
						6	Resources and personnel		
		6.1	Provision of resources						
		6.3	Infrastruture						
4.4.2	Competence, training, and awareness	6.2.2	Competence, awareness and training	4.4.2	Competence, Training and Awareness	6.5	Training		
4.4.3	Communication	5.5.3	Internal Communication	4.4.3	Communication, Participation and Consultation				
		7.2.3	Customer Communication						
4.4.4	Documentation	4.2.1	General Documentation requirements	4.4.4	Documentation	11	Documentation		
4.4.5	Control of documents	4.2.2	Quality Manual	4.4.5	Document and data control				
		4.2.3	Control of documents						
4.4.6	Operational Control	7.1	Planning of Product Realization	4.4.6	Operational Control	7	Development of plans for ship-board operations	Element 5:	Navigational safety
		7.2	Customer-related processes					Element 6:	Cargo, ballast and mooring operations
		7.3	Design and development						
		7.4	Purchasing						
		7.5	Production and service provision						
4.4.7	Emergency preparedness and response	8.3	Control of nonconforming product	4.4.7	Emergency preparedness and response	8	Emergency preparedness	Element 11:	Emergency preparedness and contingency planning

Continuous Improvement



THANK YOU