Management must be committed to . . . managing

Alan Spackman, IADC Director-Offshore and Technical Affairs

ONE OF THE SURPRISES of the 2001 SPE/IADC Drilling Conference was the frank admission by one of the 10 largest oil companies that, until just recently, it had not put in place a safety management system for its drilling operations. This was followed by a similar admission from one of the largest drilling contractors.

Neither offered explanation or excuse for their sluggish reaction to the events that have changed the industry or for their delay in embracing one of the many management system standards developed by, and for, the industry.

However, each cited both moral and economic factors that caused them to adopt corporate safety management systems for their drilling operations.

RESPONDING TO CHANGE

Absent enforceable mandates, how should an organization respond to change?

This issue is identified for management control by many industry safety, health and environmental management system guidelines as well as the International Maritime Organization's International Safety Management Code (ISM Code).

Almost universally, these guidelines conclude that management should identify and respond to change in mandatory rules and regulations and in other codes, guidelines and standards.

Rig owners—both offshore and onshore—must satisfy their shareholders' expectations while meeting the increasingly stringent demands of both clients and regulators. To remain competitive, they must find ways to be obvious in meeting these demands.

It is not just corporations that are being subjected to new expectations for accountability and transparency, but government organizations as well. With growing acceptance, accountability in the areas of social justice, human rights and the environment are being included in the discussions of inter-governmental bodies such as the World Trade Organization, and international financial institutions such as the World Bank. In some venues, accountability is moving beyond the discussion stage.

A concrete example with an impact on the offshore drilling industry and governments is the 1995 Amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW 95).

STCW 95 required for the first time that governments party to the Convention submit (for inter-governmental review) detailed information that demonstrated full and complete effect was given to the relevant provisions of the Convention.

After review by a body of appointed experts, governments that demonstrated compliance were to be placed on a "White List." While some governments

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easily assembled the required information, others seemed hard-pressed (even with 5 years to do so) to even define the systems used to implement the Convention. Perhaps because the political and practical implications of having a major flag-state fail to make the White List were all too obvious; in the end no major flag-states were omitted.

REGISTRY PERFORMANCE

Regardless of the "White List" decisions made by the IMO, the process has been extremely informative for the owners of MODUs and other ships. Some of the so-called "flags of convenience" have clearly become flags of inconvenience.

They have demonstrated that they are woefully unable to respond in a timely manner, or with consistency, to the challenges of day-to-day business with MODU and other ship owners, let alone fulfill the new requirements of STCW and respond to changes in other international treaties.

It is no coincidence that these same under-performing registries are also often being identified by the various Port State Control organizations for special scrutiny based on above-average vessel detention rates. Some registries have begun to deal aggressively with their own substandard performance and that of owners of substandard ships, including MODUs—others have not.

Some Port State Control organizations have web sites that prominently display information on detained ships and their owners and provide detention rate information on the basis of registry and classification society. The purpose is to put commercial pressure on ship owners, registries, and classification societies.

Can the abandonment of an under-performing registry by conscientious ship owners wishing to avoid inconvenience and damage to their reputations lead to its demise? Only time will tell.

But such registries also face a potential new challenge: The IMO is now floating the idea of implementing a pro-active safety auditing scheme for flag-states, similar to the International Civil Aviation Organization (ICAO)'s safety oversight audit program.

This is not a criticism of all open registries; several have demonstrated a clear ability to out-perform government-staffed registries, many of which are also facing problems that diminish their performance.

CLASSIFICATION SOCIETIES

Positioned between the registry and the MODU or ship owner are the classification societies.

The classification societies have adopted their own quality standards, which

have effectively eliminated some of the under-performing classification societies. The leading societies are pushing for even more stringent standards. Even though they are (or were) clients, certain classification societies have also begun dealing aggressively and transparently with substandard ship owners by prominently posting information on class suspensions on their web sites.

While still performing their original classification services with the owner as their client, increasingly classification societies have chosen to serve as agents to apply (but seldom enforce) statutory and regulatory requirements on behalf of the registries.

As with the registries and ship owners, the classification societies' performance is being rated by the Port State Control organizations that regularly provide information on substandard ships, categorized by both flag-state and classification society.

In addition to reputation, there are practical reasons why an under-performing registry is problematic for the classification societies.

To administer the various treaty requirements—for example, the Safety of Life at Sea (SOLAS) Convention—on behalf of the registries, the classification society must be able to provide accurate and timely information to ship owners regarding the national application and interpretation of these requirements, particularly in regards to adoption of new or amended requirements. Here too, these registries are failing.

Ultimately, the classification societies will be forced to respond to these under-performing registries. Will they assume even more responsibility from these registries in order to assure quality and timeliness to their client ship owners, or will they disassociate themselves from the registries?

Time will tell, but it may be sooner rather than later. The registries and ship owners are facing a broad array of new requirements, including:

Fire Systems Safety Code. This new Code is mandatory and will take effect on 1 July, 2002. It applies to the fire safety systems of ships the keels of which are laid or which are at a similar stage of construction on or after 1 July, 2002, and to modifications to earlier ships.

Amendments to the 1974 SOLAS Convention. These amendments address: Emergency towing arrangements for tankers; prohibition of asbestos; the incorporation of the Fire Systems Safety Code and rewrite of the fire safety regulations; a revised chapter on navigation safety which is applicable to all ships, including MODUs; clarifications to the safety management system regulations and adoption of the High Speed Craft Code. Absent objections, the amendments will be deemed accepted on 1 Jan, 2002, and will enter into force on 1 July, 2002.

Amendments to the 1988 SOLAS Protocol. These amendments modify the navigation equipment list provisions of the SOLAS certificate. Absent objections, the amendments will be deemed accepted on 1 Jan, 2002, and will enter into force on 1 July, 2002.

Amendments to the ISM Code. These amendments primarily address governmental responsibilities for certification and verification. Absent objection, these amendments will be deemed accepted on 1 Jan, 2002, and will enter into force on 1 July, 2002.

Carriage of Voyage Data Recorders (VDRs) on Existing Cargo Ships. The IMO is encouraging ship owners to install VDRs on existing ships, including MODUs, on a voluntary basis, so that experience might be gained from their use. It also is doing a feasibility study on the carriage of VDRs on existing ships which will examine technical problems relating to retrofitting of VDRs, adequacy of performance standards, and experience with existing VDRs.

Mandatory Application of the International Maritime Dangerous Goods (IMDG) Code. After vigorous debate, the IMO's Maritime Safety Committee decided in principle to make the IMDG Code mandatory aiming at an entry into force date of 1 Jan, 2004. Under current plans, it will apply to all ships, including MODUs.

Subdivision and Damaged Stability. The IMO is continuing its efforts on the harmonization (across vessel types) of the subdivision and damaged stability provisions of SOLAS based on probabilistic damage estimates. The effort is scheduled for completion in 2003.

Revision of the Technical Regulations of the 1966 Load Line Convention. Revised technical regulations for the 1966 Load Line Convention are scheduled for completion in 2002. They will apply to all ships, including MODUs.

Harmful Aquatic Organisms in Ballast Water. IMO continues its development of a legal instrument for the control of ballast water for consideration by the Diplomatic Conference on Ballast Water Management to be held during 2002-2003. There is little doubt that the instrument will apply to MODUs.

Banning of Organotin Anti-Fouling Paints. A draft legal instrument developed by the IMO's Marine Environment Protection Committee would ban application or re-application of organotin coating systems effective 1 Jan, 2003. Ships would be required to comply by 1 Jan, 2008.

These are some of the short-term issues at IMO. Included for the longer term: Controlling greenhouse gas emissions from ships and environmental best practices for offshore oil and gas operations.

Can ship owners afford to be represented on these issues by registries that are institutionally incapable of developing or representing a cogent position on any issue?

If this weren't enough of a challenge, the industry is also faced with the beginning of the process of reviewing a suite of standards it has developed using the International Standardization Organization (ISO). Standards now being circulated for comment or ballot include:

- ISO CD 19901-1, Metocean design and operation conditions;
- ISO CD 19901-2, Seismic design procedures and criteria;
- ISO DIS 19901-5, Weight control during engineering and construction;
- ISO WD 13819-4, Floating systems (formerly 19904).

IADC has represented its members' interests in the development of most, if not all, of these standards. However, in the end, it is government's choice to consider each standard for imposition as a mandatory requirement, and each company's choice to consider complying with or adopting the standard.

Government or corporate, the coming months will test management's commitment to . . . managing.