Seeking & Finding the
RightShip

In a digital world, controlling the physical risks associated with ocean shipping is no longer a subjective task. An increasingly sophisticated and affordable tool at the cutting edge of technology is available for tanker and Drybulk charterers alike.

Finding the right ship has never been this easy. by Joseph Keefe

The prequalification of tonnage, otherwise known as vetting, has come of age. Ship inspection reports on the world’s fleet of chemical and LPG tankers can be had from the Chemical Data Institute (CDI). The Oil Companies International Marine Forum (OCIMF) system is known simply as SIRE. That standardized inspection system – based primarily on safety issues – evolved to the point where it arguably became the standard against which all tankers were judged for suitability for hire. For both systems, vetting personnel had to possess minimum qualifications and undergo a certain amount of training before being allowed to inspect tonnage to assess risk.

By the mid-1990’s, some charterers and receivers – unsatisfied with rigid vetting protocols that either ignored the commercial aspects of a vessel’s suitability or simply did not meet their internal criteria – branched out and created their own third party rating systems. These systems, although unsophisticated and largely paper driven at first, also melded the commercial concerns of traders with the safety considerations of risk professionals. The new approach recognized that the safest ship in the world that can’t perform on charter is as much of a loser as a substandard, poorly manned and maintained vessel. Culling information from a myriad of sources, far beyond the simple physical vetting itself, it was realized that risk management for oceangoing tonnage could be much more than “vetting.” At the forefront of that effort was a company named RightShip.

VETTING GROWS UP

Formed in 2001 as a boutique ship vetting company, aiming to lift standards in dry bulk vetting, RightShip Pty Ltd has since changed the shape of the global vetting scene forever. Started as a partnership between BHP Billiton and Rio Tinto, RightShip was to provide services to two organizations that wanted to roll out vetting as a company-wide and indeed, a global initiative. Eventually, and responding to outside requests, RightShip began to provide third party services to others.

Speaking from his headquarters in Australia, RightShip CEO Warwick Norman described the RightShip system by saying, “We operate on a different system and understanding of where the tanker vetting has come to – and SIRE has come a long way in the last 40 years. We started as a primarily dry cargo vetting system – there was no SIRE, no industry database from which to tap into. We had to devise a different platform from which to access the silos of information – some of which was untapped, uncoordinated, focusing all of it around a single platform. Using that information, we put together a risk
algorithm based on those safety parameters to come up with our vetting system.” Cargill came to the party 4 years later. Significantly, RightShip is now owned in equal shares between three organizations, who represent less than 50 percent of RightShip’s vetting activity. Says RightShip CEO Warwick Norman, “We have a healthy spread of third party clients.”

**ECONOMY OF SCALE**

RightShip offers online evaluations that support business decisions about the charter of ships. For an annual fee, clients get unlimited 24-hour access to the web-based system. Beyond the obvious advantages of a system that incorporates the largest swath of marine data available on the market today, the RightShip platform gives clients the competitive and risk management advantages of an in-house vetting service, without the associated costs.

Speaking to RightShip’s business model, Norman explains, “We bill on a subscription basis, based on historical vetting numbers, built around the client’s particular requirements; vetting criteria, volume of work, etc. For smaller clients, they are using the system, of course, but also tapping into in-house expertise. So, when we look at a particular company’s prospective vessel, we are also wearing that customer’s hat. We are unique in addition to being a Web-based service, there’s also a human being that comes as a part of that service. The more the client uses the human side, the more that variable comprises of the vetting cost.”

When every business decision ultimately comes down to price, the prohibitive cost of running a standalone, in-house vetting system drives many charterers to look for better value elsewhere. An internal system involves IT costs and the overhead of employing dozens of technical personnel. For smaller mid-size trading houses, the corporate budget can be even tighter. Nevertheless, RightShip’s CEO says that there is more to the decision than just cost alone. Echoing that sentiment, RightShip client and Manager of International Marine Logistics for Huntsman Corporation Amy Hark says, “RightShip was instrumental in helping us to implement a robust and thorough vetting practice, globally, through the use of their web based application that facilitates the process but even more importantly, is supported by experienced Ship Captains reviewing each vessel.”

In-house data can become stovepiped instead of becoming part of a wider pool of data. Within the RightShip server, a customer has the ability to store information that can be accessed enterprise-wide. Properly genericized, data (using strict protocols) can be shared from a thousand different places, and with a full range of clients. In this way, the charterer fixing just ten ships annually gets virtually the same quality (and breadth) of information available to another client doing 300 times that volume. Warwick Norman insists, “Vetting is an experienced based system, so if you are only doing ten per year, it is going to take a long time to get the kind of data you need to make the proper comparisons.”

**QUALITY EVOLVING**

A typical vetting report takes the form of a 1 to 5 “star” rating system. Three or more tables, each with multiple criteria, are used with points given for various benchmarks. As one of the world’s largest users of port state control data, RightShip can rate a vessel based on company, operator, high risk flag, third party bloc, age, Class Society, P&I Club and a myriad of other variables. The
information system is continually updated – weekly and daily – to capture new sources and automatically update that which they already possessed. RightShip personnel don’t necessarily have to go out looking for it. The hard part is ensuring information coming in is accurate and correcting the data, if need be. Norman cautions, “This comes with responsibility. The system is dealing with a lot of variables.”

The quest to improve the process is aptly demonstrated in the increasingly sophisticated nature of the RightShip algorithm. A new feature of the software allows technical personnel to rate a vessel by using filters to compare owner to owner, flag to flag, to its representative class of ship, classification society, type of service and the vessel to the entire fleet within its owner pool. Norman explains, “This allows us to drill down to sort out the problem against what you are trying to use the vessel for and, more importantly, the client’s risk tolerance.”

THE HUMAN ELEMENT

The RightShip vetting method effectively eliminates the chance of a 4:30 Friday afternoon decision being different from the Monday decision. Norman explains, “By applying data in a uniform standard as opposed to a subjective human interpretation, the client can make a commercial decision based on that systematic approach.” That’s not to say that there isn’t room for analysis within each piece of RightShip vetting advice. There is.

Lots of 2-star vessels get approved. For example, a vessel otherwise having an excellent rating except for a port state deficiency might end up with a “2” but that deficiency might not disqualify the vessel. Norman explains further, “To a certain extent, vetting involves changing behavior; the carrot and the stick. Downgrading the vessel until it repairs the deficiency incentivizes the owner to do better.” On the other hand, it may have to go through a manual vetting process, each and every time. He adds, “That can delay a vessel from getting approved and that delay comes with risk for all parties.”

Norman runs a pragmatic shop. That savvy runs the full gamut of avoiding blanket decisions based on stovepiped data. “That discussion usually revolves
Ahead of the Curve

Green Ratings

Like every other aspect of the RightShip system, the groundbreaking environmental risk rating incorporates a raft of variables. The shipowner and the vessel itself can be rewarded for performance where it has gone beyond what is required by the regulations. For example, Section 5 of the rating system awards ten points of credit for a vessel certified to ISO 14001. Similar incentives await those affiliated with Green Marine in the Great Lakes, certification to class environmental standards, the presence of a ship’s energy management plan and other similar protocols.

Standalone at the moment, the module allows RightShip – for those who want it – to provide a tool that can benchmark environmental performance including but not limited to identifying hazardous materials on board before recycling. For shipowners, it is a good news/bad news proposition. For those ships involved with a Marpol deficiency / oily-water separation violation prosecution, the Green rating won’t look so good. While encouraging poor performers to improve, the RightShip approach goes even further. Norman says, “We’ve developed a rating system where ship owners are going to start having to look at and reduce their emissions along the lines of corporate requirements. For example, a charterer might charter one “dirty” vessel but then have to make up for it on the next three so that the overall average is within compliance. So, while you might be looking at individual vessels, the target for a charter or owner might be an overall ten percent reduction in emissions over time.”