

# RISK VERSUS BUSINESS REQUIREMENTS

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# RISK

According to the *Business Dictionary*:

- **risk** is the probability or threat of damage, injury, liability, loss or other negative occurrence that is caused by external or internal vulnerabilities and may be neutralized through preemptive action
- the **probability** that actual return will be less than expected return

# Business Requirements

According to *Merriam-Webster Dictionary*:

- **requirement** is defined as something essential to the existence or occurrence of something else
- **business requirement** is defined as something essential to the existence of the business - in the private sector, organizational existence is primarily dependent on profitability, while in the public sector tends to be dependent on the service provided versus a public need

# External Vulnerabilities

## ENVIRONMENTAL

- a vessel goes to sea and is battered by heavy weather that results in loss of containers overboard, or a hull fracture and pollution, or passengers thrown around and injured
- as a vessel is docking an unanticipated heavy current causes it to collide with a pier resulting in hull damage
- a vessel collides with another vessel through no fault of its own resulting in loss of life and damage to the vessel

## Security or Threat-based

- an oil tanker is rammed by a terrorist small craft resulting in loss of life and pollution
- a ferry is boarded by a passenger with an IED in backpack that is detonated in passenger spaces resulting in loss of life and damage
- a port experiences a terrorist attack that results in a complete business shut down

# Internal Vulnerabilities

- **physical fitness** - the captain of an oil tanker becomes incapacitated while approaching pilot station which results in the vessel grounding and pollution
- **human error** - a crew member on a passenger vessel *ignores* the vessel security plan which results in a major security breach, injury to passengers and crew and damage to the vessel
- **mechanical** - the steering gear on a container ship fails as the vessel is navigating a narrow channel which results in a collision, personal injury and damage to the vessel



# Risk Mitigation

- risk management begins with **competent personnel**
- objective **vulnerability assessments**
- well-developed and effective **management systems, accountability and monitoring procedures** (internal controls, safety management systems, security plans, spill response plans, emergency procedures, etc.)
- personnel **training and effective drills**
- appropriate **technology**
- periodic competence assessments
- strict adherence to all applicable **regulations and statutes**
- demonstrated **support** of senior management and employee **feedback** to promote **continuous improvement**

# Private Sector Risk Mitigation

- In a normal business cycle – what is risk mitigation worth?
  - MTSA & ISP mandate risk mitigation
  - customer expects risk mitigation
  - vessel owners' liabilities require risk mitigation
  - it's expensive, but tends to improve bottom line
- In a down business cycle – what is risk mitigation worth?
  - MTSA & ISP mandate risk mitigation
  - customer expects risk mitigation, but might not want to pay for it
  - vessel owners might be willing to assume more risk
  - it's expensive and safety and security tend to be victims of economic downturns

# Public Sector Risk Mitigation

- In a normal business cycle – what is risk mitigation worth?
  - MTSA & ISP mandate risk mitigation
  - public expects risk mitigation, but it's expensive
  - vessel owners' liabilities necessitate risk mitigation
  - public agencies may be held to a higher standard
- In a down business cycle – what is risk mitigation worth?
  - MTSA & ISP mandate risk mitigation
  - public expects risk mitigation, but might not be willing to pay additional fees and taxes for it
  - public agencies might be willing to assume more risk provided they are in compliance with regulations and statutes
  - it's expensive and safety and security tend to be victims of tight budget cycles



# Challenges

- human element and internal vulnerabilities
- external vulnerabilities
- economic uncertainty
- public perception
- objectivity of assessment

# Summary

- maritime industry is an inherently risky business and risk management has always been prominent
- there is no way to neutralize risk in the maritime industry aside from not being in the business in the first place – must accept a certain level of risk and strive to mitigate
- there is a natural nexus between safety and security and how we mitigate the related vulnerabilities, all of which leads to safer and more secure operations and improved bottom line outcomes
- must ensure that risk and vulnerabilities are assessed objectively and understand that we cannot eliminate risk- we can only mitigate to an acceptable level

Questions?

Thank  
You