

April 2006

Firstly, I regret the small delay in issuing this *NEWSLETTER*. You will recall that we were seeking **Frequently Answered (or asked) Questions (FAQs)** under each of the following headings:

Organisational culture and motivation**Communicating****Training (staff), educating (managers) and incentives**

The quality of the response has produced enough material to keep the Group in correspondence for some months, so I intend to start with the most basic point(s) raised, then progress at frequent intervals. I will aim to deal with no more than two features each time and one of these may be an item of breaking NEWS within Risk Management that is relevant to our interest.

In future issues, this opening part will deal with selected bullet points raised by Members in reply to the last *NEWSLETTER*.

For the features covered this month, I am grateful to Edward Sankey for the first item and to our Chairman, Michael Ocock, for alerting me to the major problems reported in the *Financial Times* on 17th April with regard to *BP's* safety fears.

Feature 1 of 2

Q - How do you get employees to report losses and near misses that may not be noticed by other people?

A - To be completely frank, this is a subject in itself and is one of the oldest and most common problems faced by Risk Managers. I would like to put an example to you based on previous experience in the road haulage industry – it is for you, the reader, to consider if any of the information could apply to a scenario with which you are familiar.:

Following a disastrous year of claims experience, motor fleet insurers needed to be shown what was being done – it was noted that the firm already charged drivers the £250 Accidental Damage excess for avoidable accidents, indeed this had led to an increase in non-reporting which was of great concern to insurers.. A Risk Management Consultant was brought in and subsequently a letter was issued to drivers with one of the pay packets explaining the problem – the introduction of a bonus scheme was announced along with a simple three

question form to test the drivers' perception of risk with a well publicised prize being awarded to the driver with the best result. Needless to say, the award went to a name that the insurers had never heard of from their claims records!

The bonus scheme went something like this: A bonus (payable one year ahead just before Christmas) of £300 (£450 at current time values) was allocated to each employee, "lives" of £100 (£150 now) each would be lost in any of the following circumstances:

(a) Any accident or non-reported accident where the £250 excess (more now?) re-call

applies.

(b) There has been abuse of the vehicle causing mechanical or other damage, for example

tyres, transmission, tipping gear, bodyworks etc.

c) There has been a continual disregard of tachograph rules.

If, at the end of the 12 month period, a driver has no careful driving bonus, an assessment will take place.

You will note the reference in (a) to non-reported accidents, indeed the RM Consultant wanted two lives lost for non-reporting, but the firm's MD was concerned that would cause animosity and he was proved right in so far that the general uplifting of morale did the trick (had the scheme proved unsuccessful, then the two life penalty would have been brought in the following year). You will also note that the scheme went far beyond the remit of insured risks.

12 months later, the result was remarkable – the worst year in the firm's claims history had been followed by the best! Whilst the employer had to pay out quite a lot of bonus money, it was estimated that this was saved on vehicle abuse alone.

Feature 2 of 2

The BP Story - the following is a brief summary of the *Financial Times* report:

The leader dealt with the deferment of maintenance and delayed repairs at the Texas plant and then echoed the scenario in Alaska. The features being the explosion in Texas City during 2005 killing 15 people and injuring an estimated 500 at the refinery and then went on the draw in the story of the biggest ever oil spill (quoted later as 270,000 gallons) at Prudhoe Bay, Alaska - North America's largest oil field.

The article went on to state that a Texas based Consultancy had done a safety audit and much of the problem was put down to corrosion and a BP spokesperson commented that the company had increased its inspection and maintenance programme in line with regulatory requirements and that the situations was now "manageable".

Limitation of space prevents me from dwelling in greater detail and you must remember that we are looking at this case purely from the concept of *PEOPLE RISK*, so what do we deduce? Many of our members are students, so I will remind them that much of risk management research takes something of a

“forensic” mode. Further, the writer has no specific knowledge of *BP*, so what follows is purely a gut feeling opinion based on the newspaper article and general knowledge:

BP is a UK based multinational and the subject losses all occurred in the USA. Whilst the two States involved are both part of the US, they are very different from each other – Texas is one of the wealthiest places on earth, with a background of Spanish and Mexican influence and perhaps more than its fair share of “excesses” (visions of JR come to mind, for those of us old enough to remember “Dallas” on the TV). Alaska, whilst being a US State, once belonged to Russia and only joined the Union in 1959 - it has much in common with many third world counties – a great expanse of wilderness, high raw material value, extreme climate and the culture of indigenous people - mainly Inuit-Aleut Eskimos.

Clearly the fault does not appear to be local, as both States, in spite of their differences, have the problem – a higher, more *imperial* culture, is probably at the root of it all. Also, as the problem is not global (at least to the extent of being featured in the article), then the Main Board in London (*HIGHER HIGH MANAGEMENT*) would appear to have only ultimate responsibility rather than direct blame, which would seem to lie with the Regional Board in the USA (*LOWER HIGH MANAGEMENT*).

Michael and I have recently had a discussion on this problem in the context of an unrelated major disaster scenario, and this very important interface of strategic and upper operational management will be featured later in the year.

- ***Newsletter – No. 5***

This will be issued as soon as possible during May giving a report on the next batch of information received, which will be largely based on a substantial contribution from Brian Rowlands, plus any significant developments and the conclusion of views on the *BP* story. – *SO KEEP SENDING THOSE COMMENTS IN.*

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