

UNITED STATES OF AMERICA
NATIONAL TRANSPORTATION SAFETY BOARD
OFFICE OF ADMINISTRATIVE LAW JUDGES

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Investigation of: *

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AXEL SPIRIT/ATON ALLISION *

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Docket No.: DCA-08-FM-002

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Interview of: JOHN ADAMS

Thursday
August 28, 2008

The above-captioned matter convened telephonically,
pursuant to notice.

BEFORE: LARRY BOWLING

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I N T E R V I E W

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MR. BOWLING: It's all friends here. Okay, we are actually -- the digital tape recorder is engaged and so we'll go ahead and start our interview. Again, this is Larry Bowling. I'm at the facility of Teekay Corporation in Vancouver, Canada, and we are in the process of interviewing Mr. John Adams.

7

INTERVIEW OF JOHN ADAMS

8

BY MR. BOWLING:

9 Q. John, can you, if you don't mind, tell me a little bit
10 about your background, how long you've been with Teekay?

11 A. Absolutely, Larry. I've been with Teekay exactly 20
12 years. I head up all of the HR activities. This covers what we
13 call in this industry, all of our manning, all of our manpower,
14 supply to ships, all of the training activities and in my case,
15 this is a global responsibility, covering our national fleets and
16 our main international tanker and LNG fleets.

17 Q. Okay. John, briefly -- well, first of all, you're aware
18 you're being recorded, correct?

19 A. Yes, I am.

20 Q. Okay, thank you. What type of nautical background
21 brought you to Teekay? Can you tell me about your nautical
22 background?

23 A. My background is actually in human resources and in
24 industrial relations, although I did specialize in the shipping
25 industry as a management trainee with one of the large shipping

1 companies in the U.K. So, although I had marine exposure in that
2 organization, it was mainly in a management capacity. That
3 company was Denholm Shipping. I then worked for other large
4 international shipping organizations, including a period as an
5 independent consultant before, as I say, joining Teekay 20 years
6 ago.

7 Q. Okay. Now, as far as the -- your business mailing
8 address in Glasgow, that would be the best address to get a hold
9 of you?

10 A. This business address in Glasgow, as this is one of our
11 Teekay regional offices, of course --

12 Q. Okay.

13 A. -- it is one of our main operational offices and my
14 other hat that I wear is the managing director of this Teekay
15 Glasgow office.

16 Q. Okay. Well, at this point what I'd like to do is get
17 into some specific questions regarding the areas we'd like to
18 explore here. Can you tell me a little bit about the process that
19 Teekay uses to vet mariner credentials when you basically have an
20 application that comes in?

21 A. When we start our process for new entrants joining the
22 company as an external candidate -- maybe I should just make that
23 clear, Larry, at this point because as -- I should also mention
24 we've made a number of acquisitions of companies and we have a
25 slightly different process for that.

1 But if I can take your question, first of all, in terms
2 of external candidates applying to Teekay, we would have what I
3 would describe as a three-tier process, something that I often
4 refer to as our quality criteria. And I say this in the context
5 that we're applying the same process regardless of nationality
6 group that join us. This is very much a global industry, so this
7 is our way of setting a standard for recruitments. This is, I
8 would say, quite unique in the shipping industry, so we're really
9 saying that we would apply this same process whether it be an
10 applicant from the U.K., from the India sub-continent, from the
11 Far East, whatever.

12 That's quite unique, as I say, in comparison to what
13 other shipping companies do. I can take you briefly through those
14 three steps. The first step would involve an initial screening.
15 We would check the application form, we would check the
16 individual's background. We would be checking his sea time and
17 his qualifications against our criteria, our entry criteria,
18 depending on which level he was entering the company at, whether
19 it would be a second officer or such.

20 At that same point, we would also be checking his
21 certification. We would be checking that the individual was, in
22 fact, who he claimed to be, that his certificates were authentic,
23 that his training records were authentic. And I think worth
24 mentioning at this point, that we do not use third-party agencies
25 for this role. We have a network of offices worldwide which are

1 Teekay offices and we would use those offices. If it's not being
2 done here in Glasgow, it would be done in another Teekay office,
3 so we can apply the same standards universally.

4 And still in that first tier level, what we would also
5 be doing at that stage is giving the individual an assessment, a
6 computer generated assessment test, which takes approximately two
7 hours to conduct. This is a test which is, as I say, it's
8 computer generated. It's a database of 6,000 questions. It
9 covers things from deck operations, navigation, engineering
10 controls, instrumentations and engineer course, safety, survival,
11 STCW and such like.

12 The other thing we do is we conduct a PI, Predictive
13 Index assessment of the individual to give us some insights as to
14 the type of person that we have.

15 All of that is done in Tier 1. I should mention that
16 you have to pass through each tier before you can move on to the
17 next one. The next level then is a structured interview and it's
18 a technical interview. It follows the same process, as I say, for
19 everyone. There are different elements to it, of course,
20 depending on the seniority of the rank.

21 But we're able to then demonstrate uniformity in that
22 interview process and this would be done by the people who would
23 be subject matter experts in the role or the position that the
24 individual's coming into. We would have one of our masters, we'd
25 have a senior former master, I should say, working in the office.

1 We would have a former chief engineer conducting technical
2 interviews. We would have the fleet directors of the teams that
3 these people would be going to work for involved in that technical
4 interview. And if it's a master, then the sign-off has to come
5 from the Vice President of Fleet Operations and likewise, if it's
6 a chief engineer, the signoff would have to come from the vice
7 president of our technical function.

8 There's a third level to this, which is that there's an
9 orientation program where, in the case of a senior officer, this
10 takes five days working in the ship team and the office of the
11 team where he will be working.

12 So the fleet director he would be working for will have
13 an opportunity to see him through company systems, interacting
14 with vessel managers, technical people and so on. If it's a
15 junior officer, it's an orientation package that we give to our
16 junior officers. There are certain things they have to complete
17 before joining and certain things they have to complete within
18 fixed periods of time after joining. That is, in summary, our
19 recruitment process.

20 Q. Okay. I would like to ask a specific question related
21 to the second officer. As you were going through referring to the
22 three-tier screening process, I was provided with a form on the
23 second officer onboard the Axel Spirit. The correct pronunciation
24 of his last name?

25 A. Nirolosky (ph.).

1 Q. Exactly. Nirolosky?

2 A. Yeah.

3 Q. I'm provided with a Form FM0174. Is that the record or
4 the document that you use to record the process?

5 A. This is the checklist, yes.

6 Q. Okay. Do you have that document in front of you, John?

7 A. I do now, yeah.

8 Q. I have one question on that specific form while we're
9 there and I guess during Part 2 of the screening for the second
10 officer, the operational interview and the checklist, he'd made a
11 note down at HR management that just caught my attention. It said
12 he had witnessed watchkeeping under influence of alcohol be
13 dismissed. That was obviously at another employer?

14 A. Let me find where you're at.

15 Q. Page 6. Page 6 of 7.

16 MR. FERNANDEZ: Do you have a Bates Stamp number on
17 there? Should be on the lower right if we produced it.

18 MR. BOWLING: Yeah. Well, you did. This was in the
19 package to -- I got NTSB 250. It was a seven-page -- it's the
20 SCOPE and non-SCOPE that John was just referring to.

21 MR. FERNANDEZ: And just to be clear, as he's looking
22 for that, that's a piece of the documentation that's involved in
23 the application process and you have to --

24 MR. BOWLING: Right, just a small piece.

25 MR. FERNANDEZ: -- (indiscernible) first and --

1 MR. BOWLING: I understand.

2 MR. FERNANDEZ: -- we produced all those materials, as
3 well.

4 THE WITNESS: This is a comment which is relating to an
5 experience of the second officer having seen this somewhere else,
6 with someone else. It's not something relating to this second
7 officer.

8 MR. BOWLING: Okay.

9 THE WITNESS: This is a general comment talking about HR
10 management, does he understand policies, does he understand
11 procedures, does he understand the importance of discipline at sea
12 and so on, and then the writer here, Captain John Williams,
13 would've made a comment that, from his experience, he sees how
14 important it is. He witnessed another watchkeeper under the
15 influence of alcohol and this person being dismissed. In fact,
16 just to allay any concerns you may have there, Larry, this is
17 relating to an observation of that second officer, not of that
18 second officer.

19 BY MR. BOWLING:

20 Q. Right. What kind of questions would
21 Captain John Williams be asking the interviewee at that point with
22 regard to the human resources management block and then also the
23 ISN code block? What kind of questions would the interviewer be
24 asking the interviewee?

25 A. He would be asking quite fundamental questions of a

1 second officer, I would have to say, but I think that he would be
2 asking such questions as did he understand the importance of ISN,
3 did he perhaps understand why the industry used it as a code, as a
4 standard that we would be auditing against procedures or why
5 regulations would come in. I would suspect, and maybe not in the
6 greatest depth, but I think it would've been to assess the general
7 understanding that as we try to do with officers joining the
8 company, that we're in a highly regulated industry and the people
9 understand the environment that they're working in.

10 I think the same thing would've been done with the HR
11 management side of it. We would've been talking in terms of, you
12 know, the policies that we have, as understanding of policies. We
13 usually have a conversation with people about grievance procedures
14 so that they understand that we have things of that nature. As
15 you can see here in the elements about teamwork, he probably
16 talked about the importance of teamwork to him. The individual
17 tried to give an example again of saying, in working with everyone
18 in the English language, so there's no language difficulties and
19 there's no isolation on board talking together, there's only
20 slight (indiscernible).

21 So just examples of teamwork, again, motivation, these
22 are what we might call softer issues. They're still vitally
23 important. If you understand what's important to us as an
24 organization, to have a highly motivated workforce. If the
25 individual in this case is given some example, working with

1 multinationals on tankers, with a good company, (indiscernible) to
2 high quality ships and good crews.

3 Quality of crews is important too, life style contracts,
4 welfare/opportunities, the possibility of shifting to shuttle
5 tanker fleet. Again, these are just -- the postures we take out
6 of this is we had a conversation with the individual. We're not
7 just on a technical assessment at that point. We're having a
8 conversation with them; we're trying to find areas where we are on
9 a common wavelength. I think that's really the essence what that
10 particular section of the interview is giving us.

11 Q. Okay. You also mentioned a -- the summary of Predictive
12 Index results. Can you give me a little more detail on that? I
13 have a specific question related to the second officer's test
14 results. But can you tell me exactly what that test is?

15 A. This is a Predictive Index test you're referring to?

16 Q. Correct. It was -- Mike Fernandez labeled it NTSB 254.

17 A. Okay. (indiscernible) having the form in front of me,
18 okay?

19 Q. Okay.

20 A. And I already made the, you know, what might be
21 considered an incorrect way of describing it, because Predictive
22 Index is a company. They tell us it's not supposed to be regarded
23 as a test. It's not a test, as such. There's no right or wrong
24 with it.

25 Q. Right.

1 A. But it is, nevertheless, an indication of the type of
2 individual from the survey. I would have to say I have never
3 known a single individual, of all the hundreds that have undergone
4 a P and I assessment, that does not recognize or agree with the
5 findings of it, so I consider it to be a reliable indicator of the
6 type of individual. And we were using it for junior officers to
7 make sure that we -- and again, remember -- I want to repeat this.
8 This is in the context of the first filter of our recruitment
9 process, I don't want to raise any attributes that we would
10 consider to be a concern.

11 Then we would want to take a view, not take quite a
12 serious view of that. We are really looking for, in terms of the
13 -- there is an ABCD profile indicator attached to it which can
14 give an idea as to whether the people are people oriented, whether
15 they have an energy for workload, whether they have a high
16 patience threshold, whether they have a strong attention to
17 detail.

18 And from that, the character traits we're looking at are
19 people who will follow the rules and regulations, that will go by
20 the book, follow the book, stick to the book. This is the type of
21 thing that we're looking for. We're looking for profiles which
22 might be, to use some of the Predictive Index jargon, they might
23 be specialist profiles and usually, in marine officers, we find
24 generally that's the type of profile we get. The second officer
25 in this particular case had no traits in his PI assessment which

1 would've caused us any concern.

2 Q. Okay. And actually, that was kind of where I wanted to
3 go with that. How much weight is given to the PI in the hiring
4 process?

5 A. I can give a couple of examples. If we were to -- and
6 these are not the examples of people here, I want to just
7 underline that. But we have conducted assessments where someone
8 may have a profile which indicates a rather maverick approach, a
9 cavalier approach. He will be creative. He is looking for new
10 ways to do things. That's not quite what we're looking for in
11 that particular role and we would take that as a concern. We'd
12 rather choose to end the process there or to assess that problem
13 when we get to the technical interview.

14 And (indiscernible) would test it in a structured
15 interview, and I can give specific examples of this, where in the
16 past we have interviewed people who may show up with a PI as being
17 indecisive. When we get to the technical interview, we will
18 structure it in a way where we're forcing them to make decisions
19 based on scenarios just to try and validate what our finding or
20 suspicion might be in the first level.

21 Q. Okay. And I realize you don't have this document in
22 front of you, John, and one of the questions I had on it was the
23 result of the test or the result of the PI, I should say. If you
24 look at the bottom of the form -- and again, I know you don't have
25 this -- on Page 2, you have a summarization of management

1 strategies and it says, "To maximize his effectiveness,
2 productivity, job satisfaction, consider providing Yasic (ph.)
3 with the following," and it identifies four areas that would just
4 be, I would consider, potential areas for improvement or areas
5 that might need addressing.

6 One of them that caught my attention was the last one in
7 the -- of the four, and it basically says, "Coaching in
8 communications and people skills if his future is to involve much
9 direct contact with subordinates or customers or both." How would
10 that have been provided and do you know if it was provided to
11 Yasic?

12 A. Okay. Let me say that we -- and I'll say this first of
13 all, we put great store in the findings of the PI assessment.

14 Q. Right.

15 A. That last section typically is something that is
16 (indiscernible) computer generated by the PI program. This is not
17 typed in by someone saying I know this individual officer, I know
18 his needs and therefore -- I don't attach anymore importance to it
19 than just a general observation, if you like, recommendation by a
20 computer generated report based on that test. So what I'm saying
21 is at that initial interview, I would not be looking at that with
22 the same strength of recommendation as a master; we'd work with
23 him.

24 We'd take him on board, but what I'm just saying is that
25 point, we're taking the context of the initial filter. However,

1 when we do bring him in to our organization, we feel that we have
2 a robust range of assessments, which is ongoing as part of our
3 competence management system and as part of our onboard management
4 system where we would be addressing those issues. We would also
5 always be looking at every junior officer.

6 Any officer onboard the ship has subordinates. The
7 junior officer will have interaction with the Master, with other
8 officers. In this case, that officer (indiscernible) the crew.
9 And we will (indiscernible) those things in the course of his
10 entry into a competence management system.

11 Q. Okay. Can you tell me a little about the -- for
12 example, someone that's being interviewed for a position, deck-
13 wise, like, for example, the second officer, what type of training
14 opportunities that he or she may be provided both internally and
15 externally to help them have greater competencies for, say, a
16 position as a second officer?

17 A. Yes. Okay, this is going beyond the assessment. What
18 we introduce them to, as part of their orientation with the
19 company, is what we would call -- what we do call our SCOPE
20 system. SCOPE is an acronym for Seafarer Competence for
21 Operational Excellence. It's our competence management system.
22 It is the only accredited competence management system. It's
23 accredited by one of the international classification societies,
24 DNB (ph.), and there it is a program which comprises of various
25 competence assessments and is also linked to career development

1 and promotion programs where the individual, in the course of a
2 tour of duty -- and we can demonstrate this. I don't know if you
3 have the documents for Mr. Nirolsky's first tour of duty where he
4 would have a signing-on interview. This is going beyond the first
5 interview.

6 Now, there's a signing-on interview onboard the ship,
7 where he identifies certain competencies that he wishes to
8 undertake during the tour of duty and that involves onboard
9 training, it would involve some computer-based training that he
10 will choose to do during that tour of duty.

11 We will also select some competencies for the rank above
12 to show that he has some aims for promotion. There's then an
13 intermediate interview onboard to assess how he's done with those
14 competencies and as I say, all -- we have all three in the case of
15 this officer as a matter of record.

16 And the third one, which really answers your question,
17 Larry, from the point of view that at that point, when we're
18 assessing this ashore, we will take findings of the master, we
19 take our own findings and we would identify training for that
20 individual. And during the course of his time (indiscernible),
21 that training could take the form of additional CBTs or a
22 particular external training course or an internal training course
23 at a training center. That's how we would identify after having
24 assessed him on the job.

25 Q. Okay. Tell me about the -- your own training center.

1 That, I'm not familiar with, where's that located? What type of
2 training is provided? Can you give some details, please?

3 A. Sure. We're still developing the training center. As
4 of this moment, the training center is set up to provide, again,
5 to put this in some context, obviously, as you all know -- I know
6 you have some nautical experts there that say there are marine
7 colleges globally providing training to the industry.

8 We looked at this very much on our tailored needs and
9 what we identified is we were moving as an organization into LNG,
10 that we wanted to provide our own liquid cargo LNG training. So
11 we developed a training center, which was initially a training
12 room, where we employed industry experts and we (indiscernible)
13 instructors. We engaged with industry experts to install this LNG
14 training, to then have it site tested and safe test approved by
15 the appropriate authorities.

16 We had flag state approved as being of the appropriate
17 standard and we now provide training in this office or from this
18 training center in this office for oil, liquid cargo training, LNG
19 liquid cargo training, and STCW training for both oil and gas. We
20 have just installed a Bridge Full Mission simulator and we're
21 beginning to put our course modules together, which will include
22 orientation for officers, but that's the next wave it -- the next
23 step of it.

24 But in the process, maybe I shouldn't tell you what we
25 don't have, but maybe I'll tell you what's in the planning because

1 it's something that's approved, it's just waiting on the
2 equipment. We're installing an engine room simulator in the
3 course of -- we hope to have that in here by the end of this year.
4 We will have our own instructors in-house, we will have our own
5 course designers in-house and we will be able to provide -- and
6 the Axel Spirit will be part of this -- we'll be able to provide
7 our own dynamic learning where we can take the findings of this
8 incident and convert it into a training program and provide that
9 type of dynamic learning in whatever area to our seafarer
10 (indiscernible), the subject matter experts who are based in this
11 office here in Glasgow.

12 Q. And that will be the location of the training center or
13 is the location of the training center, in Glasgow?

14 A. And we initially (indiscernible) to put it in those
15 terms because we're putting it here actually because Glasgow is
16 one of our main operating centers. We're operating two of our
17 large teams here, one conventional tanker, one gas. We will have
18 three of our fleet group vice presidents located here, so it makes
19 sense to develop the program here, develop the learnings here,
20 develop and deliver it to our fleet here, but it's with an eye to
21 having it replicated in other parts of the world. We will be able
22 to run the same training courses in India, in the Philippines, in
23 other major hubs where we have vast numbers of people.

24 Q. Thank you. You mentioned the sign-on interview that was
25 conducted with the second officer, and I actually have a copy of

1 it. Were you referring to FM -- a form -- I should say 0278, NTSB
2 231?

3 A. What was that second number you gave me?

4 Q. NTSB 231.

5 A. (indiscernible), yeah.

6 Q. 230?

7 A. (indiscernible). I really don't have your NTSB
8 references. And I know they provided it for you in Vancouver. I
9 have the Teekay reference link, FM0278, yes.

10 Q. I have that and it should be dated, I believe, the --
11 September the 7th.

12 UNIDENTIFIED SPEAKER: It's the CPD form.

13 MR. BOWLING: Is this it?

14 UNIDENTIFIED SPEAKER: Yeah, the -- it's the continuing
15 professional development portfolio.

16 BY MR. BOWLING:

17 Q. Right. Okay, is that the one you have, John, in front
18 of you?

19 A. Yeah. I got a couple of them here, Larry, yes.

20 Q. Okay. I just had a question on one that I'd like you to
21 clarify while we're on that topic. If you look at Page 12 of 22,
22 it's the signing-on interview report that you discussed earlier.

23 A. Um-hum.

24 Q. Thirty-one August '07, for the second officer.

25 MR. FERNANDEZ: And, just for the record, it's Bates

1 Stamp 231.

2 MR. BOWLING: Bates Stamp NTSB 231.

3 MR. FERNANDEZ: Yeah.

4 THE WITNESS: Larry, (indiscernible) your question
5 regarding the process. I have the intermediate and signing off
6 interview here in front of me. I'll have to get a copy of the
7 signing-on interview. But if you ask your question, I can
8 hopefully answer that one.

9 BY MR. BOWLING:

10 Q. Okay, thank you. On that, the signing-on and the
11 signing-off interview record, I had a question concerning a
12 comment. The signing-on interview was conducted, according to the
13 record here, the 31st of August and it -- under long-term
14 competency objectives, the -- there's a note on there. It looks
15 like it's in the second officer's own handwriting. It says, "to
16 complete competencies for a second officer in the next two tours
17 of duty." And then on the following page was the beginning of the
18 signing-off interview record and you get down to the competence
19 summaries and comments. And they talk about priorities for next
20 trip, and there's a note which again looks like the second
21 officer's own handwriting.

22 It says, "achieved competency for present rank and max
23 two tours of duty," and that may have been signed October, 19
24 October, so just prior to the incident with the Axel Spirit. And
25 I was just curious if you could tell me a little bit, at least,

1 what would've led to those comments, possibly. And I know -- it
2 looks like Captain Sineye (ph.)?

3 A. Yeah, Sineye. Yeah. Yeah, maybe I should also explain
4 that Captain Sineye (indiscernible). It's quite unusual he would
5 have done the signing-off interview. (indiscernible) second
6 officer for quite a period of time. He was signing-off, which he
7 knew would be just a few days before the second officer, he
8 completed the signing-off interview. So (indiscernible) you have
9 a complete record.

10 Q. Okay. For clarification, actually, it looks like the
11 date of the signing-on interview was actually July 7th of '08
12 (sic).

13 A. Okay, okay.

14 Q. And then they did a follow-up on the 31st of August
15 of '07. But could you repeat your comment or your response back
16 to me? I'm sorry, I lost some of it. I was talking with Mike.

17 A. Well, I knew you were checking something. What I was
18 actually adding an additional comment to is the fact that the
19 master in this occasion completed the signing-off interview
20 because he knew he was leaving the ship around a few days before
21 the second officer and completed the signing-off interview. So at
22 least (indiscernible) a complete record on the second officer.
23 That was the only point I was making.

24 Larry, your question is (indiscernible) the signing-off
25 comment that you mentioned, which page was that on that you --

1 Q. Well, it's on the -- Page 17 of 23 on my copy of
2 Form 0278 and it's stamped by the attorneys at -- it has NTSB 232.

3 A. Okay, well -- yeah, this is under the heading of --
4 because this is an interactive process.

5 Q. Right.

6 A. I mean, this is actually the strength of the whole
7 system. This is he and the master having an interaction, talking
8 about competencies he's done, experiences he's gained, and this is
9 them talking about priorities for the next trip. To me, he's just
10 reaffirming what he said on the signing-on, I want to have
11 achieved the competency for present rank and for maximum tour of
12 duty. He realizes he's got another tour of duty to do. He's
13 identified that as a priority. I see that as a positive, if I was
14 reading that, not knowing anything else, I would say that's a
15 positive step. That's something I would as a good thing.

16 Q. Okay. But at that point, at least according to my
17 interpretation of the data I have, he was still sailing or he was
18 sailing as a second officer, correct?

19 A. Yes.

20 Q. Okay.

21 A. Maybe I can explain a little bit about these
22 competencies, that -- so that we don't give the wrong impression
23 of --

24 Q. Yeah.

25 A. -- what we mean by competencies. People should not have

1 any misconceptions, because a competence record has not been
2 completed, that the man is not competent. Let me explain how it
3 works.

4 We know that in the case of the second officer, when we
5 have validated all of his qualifications, that he has a
6 certificate of competency for that rank that he is sailing in. We
7 know that he had completed seven trainings in bridge team and
8 bridge resource management. We assessed him at the interview, so
9 we know we're taking on someone who should be fit for purpose in
10 that rank.

11 What the SCOPE system is really saying to our officers
12 is that there are certain critical competencies in our program
13 that we ask all officers to complete within 24 months of joining
14 the company. So we're saying to them that as a way of continually
15 refreshing, continually working on your competencies, you will
16 complete all, in this case, second officer competencies within
17 a 24-month period.

18 But the SCOPE system is also saying we want you to, at
19 the same time, start looking at competencies for the rank above.
20 So in addition to working through that process, you will work on
21 competencies for the rank above, so when we're doing an assessment
22 of your suitability for promotion, we have a criteria laid out
23 that says you will have completed the critical competencies for
24 your present rank and X number of competencies for the rank above
25 and then you can be considered for promotion. So it's quite a

1 dynamic system in that sense.

2 Q. Okay. And actually, I'm glad you did that. I had a
3 little bit of confusion on my part. Earlier, during our
4 interaction and then just recently, you brought up some comments
5 or made some comments about the company's effort to validate
6 documentation such as licenses or Certificates of Competency, STCW
7 certificates. Can you tell me exactly what is done to verify
8 those documents? Do you go to flag state? Do you go to, for
9 example, if it's an STCW certificate, do you go to the vendor that
10 provided the training? What level of scrutinization is put upon
11 the Certificates of Competencies and other certificates that a
12 mariner presents?

13 A. Again, I have to start by saying that this is done at
14 our local office, a Teekay office, in that specific location.
15 Therefore, they will have an intimate knowledge of the licensing
16 authority and, in the case of Poland, in fact, we also have a --
17 our managing director in Poland also has a very close relationship
18 with the training institutes there, so we're able to verify, by
19 citing the documents, that it's an authentic document in the case
20 of -- we're not just checking a certificate. We're checking
21 passports, we're checking visas, we're checking medicals. We're
22 able to check that these are, in fact, authentic documents.

23 We would know, from the physical checking of the actual
24 document itself, that is a real document. We are able to verify
25 the training documents. I would say to you that this would be

1 done on the basis that, having cited the documents, passports,
2 medicals and so on, which we're all used to doing and we've all
3 done it at various times in our working day, my working life, we
4 would know if there was something if it looked suspicious or if it
5 was odd. We might be doing other cross-checks. We're checking
6 the references on this individual, we're talking to the companies
7 that he's been with and we can verify, in the case of the second
8 officer, one of his previous companies was Essberger (ph.), one of
9 the shipping companies.

10 So when we spoke to them about the reference, they were
11 also able to validate that he had done training, he had been on
12 the ships that he said he was on at certain times. We checked his
13 service record. So it's been an extensive check of all these
14 things.

15 Q. Okay.

16 A. And we're satisfied that the person we're talking to is
17 the real (indiscernible).

18 Q. Okay. I'd like to get up to a general question here.
19 How does Teekay ensure that vessels in service are manned in
20 accordance with their safe manning documents? What safeguards are
21 in place there?

22 A. Okay. There's a number of safeguards. I suppose what
23 I'd like to say, first of all, is -- and I know you will
24 appreciate, is that we would regard the safe manning certificates
25 as very much a minimum level of manning and that we would not

1 consider sailing (indiscernible) and therefore not something that
2 we would focus on as a standard of any sort.

3 What we have done is internally, and we have documents
4 which can verify this, we have set our own standard for the
5 manning of tankers. For example, in the case of the type of ship
6 that the Axel Spirit is, an Aframax tanker, we have set the
7 minimum standard at 22 personnel onboard, and that is the minimum
8 starting point that we would have for any tanker.

9 What I need to tell you, just in addition to this, is
10 that -- well, before we go to the next step, that also provides an
11 additional deck officer. So all of those ships will carry,
12 obviously, a master, chief officer, second officer, third officer,
13 and then either an additional third officer or an additional
14 second officer. They're interchangeable. But the main point is
15 they'll have an additional deck officer. That's still within our
16 minimum of 22.

17 When we look at each ship and each ship team in
18 practice, we have a process whereby the fleet directors, who are
19 each responsible for a group of maybe 15 ships on their team, will
20 interact with their vice president of fleet operations. They'll
21 have a review at various times in the year, but one review I think
22 I'll use as an example is at the budget review, they will go
23 through every ship in the fleet. They will assess it in terms of
24 how old is it, what is its trading requirements, what is its
25 requirements for manning (indiscernible), does it need extra deck

1 ratings, does it need extra engineers?

2 So therefore we'll have some ships with 24, 27, 30
3 people on board and it's done at the time of setting the budget.
4 We're going to be setting realistic budgets for the operations
5 that we have and all of these are in excess of and bear a relation
6 to the safe manning certificate.

7 Q. Okay.

8 A. The way that we uphold that -- sorry, I need to add to
9 that. There's a marine personnel officer assigned to each team.
10 It is their responsibility to make sure that each ship is manned
11 in accordance to the manning levels that we set as an
12 organization, and everyone onboard is properly certificated and
13 qualified by checking -- (indiscernible) of checking the documents
14 that are in place.

15 Q. Okay. Tell me about the marine personnel officer.
16 That's the first I've heard of that term.

17 A. Okay.

18 Q. Tell me what that title is and what it entails.

19 A. Okay, let me say to you that the marine personnel
20 officer is pretty well -- this is beyond interviews and this is
21 when someone is actually serving with the company. This is more
22 of a day-to-day management of the ships and day-to-day management
23 of the people. We have two personnel officers attached to each
24 team, so each group of 15 ships or so would have two personnel
25 officers. They would then be responsible for checking all of this

1 SCOPE material and therefore, in essence and effect, this is our
2 performance management.

3 This is making sure that all of these sign-on/sign-off
4 interviews, competencies are being completed, training needs are
5 being identified, pass that back to people in my organization in
6 the training department, who would then (indiscernible) on the
7 training.

8 The marine personnel officer is also what you might call
9 the main relationship builder with our sea staff. This is where
10 they're really wearing a true HR hat. They're talking to them
11 about their next appointments, they're talking to them about
12 whether it be a compassionate area, they need compassionate leave
13 time at home, if any seafarer is ill or injured, interfacing with
14 them and their families, so they're really in that frontline role.
15 We tend to keep scheduling, as such, a little bit apart from them
16 and we need that in a centralized group, who are dealing with
17 logistics, so they focus on what I might call people issues.

18 Q. How long has that position been in place?

19 A. That's been in place -- well, (indiscernible) we
20 developed the ship teams in 1999 as not fully autonomous, but
21 certainly independent ship groups, and that's when we developed a
22 system whereby they'd be headed up by a fleet director. There
23 would be a number of vessel managers or what you might call
24 superintendents. There would be commercial managers, there would
25 be also then marine personnel officers on that team.

1 So then that structure of the ship teams, they've been
2 in place for the past -- well, almost 10 years or nine years at
3 this time. We had personnel officers before that, but that's when
4 we took a global view of the fleet from a central point. There
5 would be (indiscernible) teams working more closely with the ships
6 and that's for the last nine years.

7 Q. Okay. John, I have a few more questions and then I'll
8 turn it over to one of my teammates, if you don't mind.

9 A. Absolutely.

10 Q. The master on board had been with the company
11 approximately 22 years, I believe, 20 years. Were a lot of these
12 things with him retroactive? In other words, were existing
13 employees, as these programs came on line, your SCOPE program and
14 your other programs, how did you incorporate the existing
15 employees into the program?

16 A. Okay, your question with regards to Captain Mack (ph.)
17 is specifically with regard to SCOPE. Then we would have
18 evaluated that as on the basis that we would've taken all of his
19 records. We would've put them into the Continuing Professional
20 Development portfolio. A bit of a mouthful, sorry about that, but
21 it's a CPD portfolio. Every officer of the fleet has to have one
22 and that's how SCOPE works.

23 People like Captain Mack, who had -- by the time we had
24 introduced SCOPE going into 2006, he had been with us for quite a
25 number of years. My arithmetic can't work that fast, so quickly,

1 but he's been with us for 19 or so years by that time.

2 Bearing in mind, when we say 19 years we're -- we have
3 to highlight the fact that Captain Mack joined us through an
4 acquisition of Bona Shipping, so we accept those years as part of
5 their service with Teekay. But nevertheless, what we would do
6 then is we would populate the CPD portfolio with all of his
7 training, which would be his current training and so on. We would
8 accept him having had, as an experienced master, a certain number
9 of these competencies and therefore we would not expect to have
10 him revalidate those competencies for the (indiscernible) period
11 after the time that he had entered the SCOPE system.

12 In the case of Captain Mack, that would've been 2010.
13 But still (indiscernible) all other external parts of his
14 training, such as his bridge resource management, bridge team
15 management, which he did in 2005, so we made sure that all of his
16 training and necessary training was fully up to date.

17 Q. Okay. And bear with me one second, John. I want to ask
18 Mike a question.

19 MR. BOWLING: Mike, that is the document that you
20 provided me, correct, his -- you're referring to it as a CPD, that
21 -- where you summarized the training, John?

22 THE WITNESS: Yeah, it's the Continuing Professional
23 Development portfolio, Larry, and from over this end of the wire,
24 I'm not sure which document you have, but --

25 BY MR. BOWLING:

1 Q. Well, I think I have a copy of it. I'll get with Mike
2 and I believe it -- I didn't make a copy of it to bring with me,
3 but I'm pretty sure I had it. This a different form, so -- while
4 he's looking at that, two final questions and I'll give them to
5 you both. Can you tell me the current status of Captain Mack with
6 the company and the current status of Mr. Nirolsoky?

7 A. Captain Mack has retired and the second officer,
8 Mr. Nirolsoky, was dismissed.

9 Q. Okay. With regard to Captain Mack's retirement, how --
10 was that a voluntary retirement or was it resign or -- can you
11 tell me a little detail on that?

12 A. It's a bit of a combination of events, that we knew that
13 one of the recommendations that came through from our internal
14 investigation group was that Captain Mack should retire. I think
15 he was, if not quite 62, around 62 at that time and that was an
16 age that we had used for retirement, so it would not be unusual
17 for someone to retire at that age. And then a discussion held
18 between one of my colleagues -- I did not speak to Captain Mack
19 personally, but in a conversation between one of my senior
20 colleagues, I would have to say Captain Hewlitt (ph.), who was one
21 of our HR directors, in essence, Captain Mack felt that -- I think
22 his feeling following the incident is that he wanted to retire.

23 Q. Okay. And regarding the second officer, you said he was
24 dismissed?

25 A. Yes.

1 Q. And that was for cause or what was the basis for the
2 dismissal?

3 A. Well, we could still see at that point that he had -- he
4 would still fall within the probationary period and, given the
5 significance of the incident, we also felt there was sufficient
6 cause to dismiss him.

7 Q. Okay. And he had initially been hired in, if I got my
8 date correctly, on the -- like May 7th of '07?

9 A. Yeah.

10 Q. Okay.

11 A. He was still contracting for what should've been a four-
12 month tour of duty which ran beyond that.

13 Q. Okay. What is the normal probationary period for
14 persons like --

15 A. Four months.

16 Q. Four months, okay.

17 A. But by that meaning they'll be tied to a tour of duty,
18 to the first tour of duty.

19 Q. Okay.

20 A. The tour of duty's four months and we tie it to that.

21 MR. BOWLING: Okay. Thank you, John. Stand by one
22 second. Let me turn it over to Jon?

23 MR. FURUKAWA: No questions.

24 MR. BOWLING: Jon Furukawa? Barry?

25 MR. STRAUCH: Yeah, I have a couple questions.

1 BY MR. STRAUCH:

2 Q. John, how many people altogether do you oversee?

3 A. Barry, how many people do I oversee? Do you mean how
4 many seafarers do we have?

5 Q. Yeah, I guess. I mean, you oversee HR for the shipping
6 company, so how many people would fall -- would you be responsible
7 for, I guess?

8 A. Okay, all right. Okay, well let me answer that in a
9 couple of ways and it should cover the point. We have, globally,
10 in this marine HR organization shore-based, we have 74 people.
11 This includes -- let me tell you who that includes and what it
12 doesn't include, which is quite interesting in itself. For marine
13 HR, what we call in internal jargon -- sorry, but that's where the
14 company has it, our own standards and policies group, which we
15 still currently call here marine HR. We have a group of
16 management in Norway who would deal with HR issues and training.
17 We have the same in Spain. We have the same in Australia. That
18 would cover the national fleets. And then, internationally, we
19 would have groups at India, Philippines, and in Poland, and in
20 Glasgow. And we would provide a network globally for managing all
21 of our people coordinating training.

22 Interestingly, the personnel officers that I mentioned a
23 few minutes ago, we would (indiscernible) marine HR, and they are
24 personnel officers, they would not be counted as within my group.
25 They would be counted within the ship team, providing that service

1 on the ship team, and I -- and my group would provide advice to
2 them on any day-to-day activities. But even providing that
3 service, if you like, if you multiply that by the number of teams,
4 that means that we would have another, I think it's six or eight
5 personnel officers also globally based in places like Houston,
6 Singapore, as well as Glasgow, providing that service to the ship
7 teams.

8 So all in all, it's quite a significant number, Barry.
9 We're talking in there probably about 80 people globally providing
10 the support service for the marine HR function and the marine HR
11 service to our seafarers. I didn't give a number earlier of the
12 number of seafarers. The actual number is around 5,500 at the
13 moment.

14 Q. Okay, 5,500 seafarers. How many people report to you
15 directly?

16 A. I would say, currently, 74 or 73. I can probably
17 exclude myself from that.

18 Q. How many of those are in Glasgow?

19 A. In Glasgow we have, in the marine HR function, it's 20,
20 22. I'm not giving a complete figure there because there's one or
21 two positions we just added. I think it's 22.

22 Q. Okay. The rest would be in Philippines, Poland,
23 Australia, (indiscernible)?

24 A. (indiscernible) if I may say, we have some in Australia,
25 Norway and Spain that would cover the international fleets -- I'm

1 sorry -- national fleets. And then internationally, we would have
2 India, Philippines, Poland.

3 Q. Okay. Now, what do you do to make sure that you know
4 what the people in India, Poland, the Philippines, Australia are
5 doing what you want them to do?

6 A. Okay, we have a number of nationals there. The first
7 thing we do, of course, is that -- and I've alluded to it already
8 -- we have quite detailed standards and policies that we set up.
9 For example, these various things you've alluded to, like the
10 FM0278 or the interview checklist forms for recruitment, we have
11 other things that measure and tally things like manpower planning
12 and scheduling and so on.

13 So we have a basis that we can measure them against. So
14 then what we do is we will audit them. We will have both internal
15 and external audits to measure how well they're doing against
16 those set standards. And then, like any other audit, there will
17 be findings, observations, as it's more serious, doing non-
18 conformities and there will be remedial action, out HSEQ. So we
19 have a robust auditing. Some of our HSEQ people in Vancouver can
20 show you this, but there is a robust auditing process where we
21 would manage them. That's how we would do it on a black and white
22 documented monitoring of their activities.

23 Over and above that, we have other things such as I
24 engage in a weekly global meeting like this with all of the heads
25 of our regional offices. That is (indiscernible) follows up on

1 with each individual, there's action items that they have to --
2 where we have issues, where we have priorities. We have an annual
3 -- for marine HR alone, we have an annual strategy meeting. All
4 the heads come together in Glasgow. We look at our performance
5 over the last year. We have a balanced score card which we go
6 through. We have measures which we have to have met. We set new
7 measures, we set new strategies for the year ahead and we roll
8 that in to Graham's group as part of the overall Teekay Marine
9 Services.

10 Q. Okay. Now, you said that you -- let me see if I
11 understand. You oversee the hiring of seafarers, the training.
12 Can you just describe what else you and HR oversees?

13 A. Okay, if I can take it in a number of ways that --
14 strategically, we're still looking at that. Let me just explain
15 just one thing to you, perhaps just to give a little bit of
16 perspective to it. We have marine HR and the structure that it is
17 at the moment so that we can follow, basically, find main -- focus
18 of finding. And what is it? We set standards for the teams and
19 we police those standards and the teams. We're monitoring our
20 operation.

21 We do certain functions for the teams, such as providing
22 recruitment, providing training, providing promotion standards and
23 career development plans for them to follow. We will also focus
24 on continuous improvement, but because we're not dealing with the
25 day-to-day, we are able to look at new initiatives and look at new

1 strategies for the organization going forward, so that we have
2 equal focus on the day-to-day, focus on the engine room, if you
3 like, to use that analogy of our operations, and at the same time
4 be able to provide this service (indiscernible) to support them,
5 to support the organization and its future aims.

6 The other fourth key element that we have is that we
7 support growth. And I want to mention to you that the way that we
8 say that we have supported growth is if we have -- if we have a
9 focus on standards and policies and continuous improvement, if
10 that's working well, then we are able to bring in new fleets and
11 new people to the organization and have those managed by putting
12 another team in place where we can retain the standards. I know
13 we're talking about this in the face of a serious incident, but
14 I'm saying that that is anomalous to the type of structure that we
15 have.

16 Q. Okay. So you said you set and monitor standards for
17 teams. What kind of standards do you oversee? Could you give me
18 an example of some?

19 A. Well, I think what I've mentioned and I went perhaps in
20 great length about is the recruitment process. You know, we put
21 that standard in place where we don't allow anyone in the
22 Singapore office, for example, to recruit a Chief Officer from
23 their team without knowing that it's followed our recruitment
24 process. We have set down a global standard for that. You cannot
25 recruit a Filipino officer in the Philippines and think that you

1 can apply a lower standard than we apply elsewhere in the
2 organization. That, to me, is crucial and the recruitment one is
3 an example of that.

4 The SCOPE system, a competence management system, the
5 first and only accredited competence management system in the
6 world, that has also been accredited by SIGTTO (Society of
7 International Gas Terminal and Tanker Operators) for gas
8 shipping/operations, accredited for tankers, tanker
9 shipping/operations. Because of our emphasis on continuous
10 improvement, we've been able to get the horsepower behind that to
11 (indiscernible) that in place. That again is something we know
12 does not exist in other shipping organizations.

13 Even this document which we're -- you know, for
14 something that loses the significance of it, we just give it a
15 reference number. But for a shipping organization to have a
16 continuing professional development portfolio, it's really, you
17 know, an advanced step for many shipping organizations. So what
18 I'm really saying to you, Barry, is that -- and one
19 (indiscernible) we're trying to raise the bar for our operations.
20 That's what we're aiming at.

21 Q. Okay. And what do you mean by continuous improvement?

22 A. Well, by continuous improvement, what we're saying to
23 all of our individuals is that we want to offer you a program of
24 development that you can join us as a cadet, you can progress up
25 through the ranks. We have a structured program for that and

1 that's not unique in the shipping industry. What we are able to
2 do because of the SCOPE program, is we're able to build a bridge
3 from SCOPE and to our shore-based positions ashore. So we have a
4 ship-to-shore program (indiscernible) these documents.

5 It's not been relevant to this discussion so far. But
6 we're able to then have a structure where we identify high
7 potential officers and we can look at them moving across into a
8 shore-based position, support position ashore and therefore they
9 can move on to any element of management beyond that. So it
10 really is saying to our seafarers, a seafaring career is not the
11 end of your career aspirations. We can take you farther than
12 that. We can take you on to continuous development beyond that.
13 That's on an individual level.

14 On a company level, continuous improvement is where
15 we're always looking at new ways of doing things, whether it be
16 trend analysis of incidents, whether it be things like SCOPE,
17 whether it be structural integrity programs, so we have a number
18 of examples there that we can share with you.

19 Q. Okay. The trend analysis of incidents and accidents,
20 who oversees that?

21 A. That would be HSEQ. It would be the owners of that and
22 their organization. We're all (indiscernible), of course. I
23 mean, one of the very innovative things that I believe we do here
24 is that we have a group called Competence Management Committee.
25 It was formerly known as the Training Board, so you know what I'm

1 talking about. But it's a cross-functional group. My global
2 training director chairs that group. But we do not own it at
3 Marine HR. We facilitate it.

4 We (indiscernible), we would have the head of HSCQ,
5 we'd have the VPs of the fleet, we'd have the head of technical,
6 and really what we're seeing in those meetings is what training
7 should we be doing in our organization. Do we have trends of
8 incidents in a certain area? Do we have things that we should go
9 looking at, otherwise alerted to? Do we have -- to give you an
10 example, a trend of accidents surrounding crane operations?
11 Should we build that into our training? So it's quite a dynamic
12 process.

13 MR. STRAUCH: Okay.

14 MR. BOWLING: I'm sorry, John. I was talking with
15 Barry. We'll be interviewing Peter Lolic at one o'clock and we'll
16 cover some of those items with him.

17 BY MR. STRAUCH:

18 Q. Now, you said you have a three-tier process for hiring
19 people, an initial screening, a structured interview, orientation
20 program. What percentage of people don't make it from Level 1 to
21 Level 2 to Level 3?

22 A. The last figures I ran on that, Barry, we had something
23 like 30 percent falling at the first hurdle, 35 percent in some
24 cases. It varies regionally, I have to say. In some areas where
25 the academic knowledge is not so high, many people would fail at

1 the -- even the CES test. It's a round of computer generated
2 tests. We do carve it in stone. We look for an average pass
3 mark, an aggregate of all those things, of at least 60 percent to
4 get you onto the next level of discussion.

5 So given that this is a global industry, that we're --
6 even at 60 percent, we're putting that bar higher than it exists
7 anywhere else. No other company uses it in that way. At that
8 next level, I think we have a lower dropout. I think it's
9 probably around 10 percent who drop out there because usually, if
10 your first test was great, then you're substantiating that on the
11 second level. Perhaps most surprisingly is that amongst senior
12 officers, dropout in the third level is around four percent, where
13 some people just don't have the capacity to learn new systems, to
14 -- and the level of sophistication attached to our systems.

15 Q. You said these percentages vary regionally?

16 A. Yes, they can. Yes, they do.

17 Q. Okay. What differences --

18 A. Well, I'm giving you the global picture but regionally,
19 they change.

20 Q. Okay. Could you go over some of those regional
21 differences?

22 A. Yes. When we first introduced the program, I'll give an
23 example where -- I'll give an example, perhaps, of three main
24 markets. We had a high failure rate in the Philippines until we
25 put in place other training bridges to help develop people before

1 they could even come to us. We actually put bridges into the
2 college training to ramp up their training in certain areas. And
3 India, we had -- I think India was the one with 35 percent who
4 failed at the first level. That surprised us. And what we found
5 that that was going to was not academic knowledge but complacency.
6 And when we did the tests in Russia, almost a hundred percent
7 passed. We found that there was a very clear focus on rules,
8 regulations and perhaps that gives insights to other things, but
9 there was quite a difference in those statistics.

10 Q. Yeah, it certainly seems that way. What languages are
11 the interviews conducted in?

12 A. They're conducted in English.

13 Q. Um-hum. What rate of failure do you have because of
14 inability to communicate effectively in English?

15 A. Well, if they're going to fail it in English, it will be
16 at that first hurdle. And for certain nationalities, we've
17 introduced a new test for English. It's a MARLINS (industry
18 standar) test. We use it mainly with ratings. You know, we want
19 to test their knowledge of understanding instructions and so on.
20 So we operate a common language on board, which is English. In
21 the case of an officer, we will use it.

22 But if you bear in mind, of course, things such as the
23 normal interface, the structural interview, the technical
24 assessment, these are quite heavy assessments of the individual
25 done in English, so they give a clear indication of both technical

1 and conversational English with the individual applicants.

2 Q. Okay. What made you implement the SCOPE program?

3 A. That's a very interesting question. I think it was part
4 of our evolution, that I think what I would need to -- again, to
5 try and put some perspective around this, when we introduced the
6 ship teams, as I mentioned, towards the end of 1999, we put a few
7 measures in place to make that successful at filtering these fleet
8 directors and their groups together managing groups of ships. We
9 wanted to have a rotation of the same four senior officers on each
10 ship, so we developed a system where we made it continuous
11 scheduling, self relieving.

12 This was quite ahead of its time, really, back to the
13 end of 2000 -- sorry, 1999 going into 2000. So we'd have two
14 masters, two chief officers, two chief engineers, two first
15 engineers that we call for each ship on a back-to-back basis, if
16 you like. With this (indiscernible) behind us, it was an
17 expensive exercise, I recall, but the reason for doing it was to
18 build up the relationship of the senior management onboard the
19 ship with the management of the team. The fleet director and
20 vessel managers will deal with the same master on commercial
21 issues, on operational issues, the same chief engineer on
22 technical issues, dry docks coming up, all that type of thing. So
23 the knowledge was there and the relationship was there.

24 During that time, because the knowledge of the people
25 that continuity was second to none in terms of a working knowledge

1 of the individuals. We then felt -- around 2003 we held a
2 workshop, we held a cross-functional workshop with everyone in
3 TMS, and the findings we got from that is we want to improve the
4 quality of our junior officers; we want to have a more structured
5 career program. We want to formalize things which we know work in
6 the industry, we want to make it formal, such as mentoring
7 training, onboard training, competence assessment, aptitude
8 assessment, and therefore we embarked on SCOPE.

9 We embarked on SCOPE as a project at the end of 2003 and
10 it took us two years to actually get it all together because it
11 was such a wide-ranging project. What we did is we also engaged
12 external resources, brought in an educational expert and I think
13 that was really the best thing we did. He helped to pool all this
14 knowledge together into our training system. He came up with the
15 idea, for example, of the Continuing Professional Development
16 portfolio. It took us until the middle of 2005 to start rolling
17 SCOPE out to our fleet.

18 Q. Okay. So SCOPE is a combination of HR program and
19 training program designed to improve the quality of the seafarers
20 on a team, is that accurate?

21 A. I think the acronym would say it all, it says Seafarer
22 Competence for Operational Excellence. We would look at that as
23 yes, doing all that you did, all that you said it did, Barry, but
24 there was also another part of this, which is that we felt that it
25 was a move that was differentiator for us as an organization. We

1 felt and we still feel that it offers the individual a chance to
2 determine his own pace of development, but I suppose sales and
3 deliveries, all of that, is we wanted to demonstrate to our
4 customers that we had people on board our ships who could safely
5 provide the service to them.

6 So, yes, it would have a commercial element to it where
7 it would be seen that we were invested in our people. Many people
8 say, yeah, human resources is our greatest asset, but how many
9 actually walk the talk and it was our way of trying to walk that
10 talk and put something tangible in place.

11 Q. Okay. How many teams do you have?

12 A. Sorry?

13 Q. How many teams do you have? How many teams are there?

14 A. How many teams we have?

15 Q. Yes.

16 A. I'll have to use my fingers on this question, you know,
17 but there would be -- internationally, we would have Aquila in
18 Singapore, we'd have Lynx and Libra, if you like the names, here
19 in Glasgow, and we would have Orion and Phoenix in Houston, so we
20 have five teams there. We have two teams in Norway, which are Leo
21 and Pegasus. We have Team Carina in Spain and we have three teams
22 in Australia, Australis, Gemini and Taurus.

23 Q. They're all based on --

24 A. Did anybody count those? Sorry.

25 Q. No, but I'm noticing the names. I guess they're all

1 celestial-based themes?

2 A. Yeah, they are. They are constellations, so that is the
3 common link. Not horoscopes, as some people think.

4 Q. And how many vessels are there within each team and how
5 many people on each team?

6 A. Yeah, I think, on average, on the main fleets, we would
7 say 15. The capacity's 15 to 20 in each team and will vary as we
8 have some sails and deliveries going on, but 15 to 20 would be the
9 normal range. Some of the national fleets would be different to
10 that. Teekay Spain, for example, is nine because it's five
11 Suezmaxes, four LNG's on the specific Spanish trade. And
12 Australis would have some differences because of the different
13 ship types that they would have, as opposed to a normal
14 conventional tanker fleets.

15 Q. Okay. What team was the Axel Spirit?

16 A. Axel Spirit was in Team Lynx, which is managed from here
17 in Glasgow.

18 MR. BOWLING: And we have him coming up, David Penny,
19 next.

20 THE WITNESS: David Penny, who was with me a moment ago,
21 at that time he was the Fleet Director at the time of the
22 incident.

23 BY MR. STRAUCH:

24 Q. Okay. Now, is there -- who gets a performance appraisal
25 on each vessel or within each team?

1 A. The ownership of that is with the fleet director and
2 that's where the personnel officer works, with the fleet director.
3 What we're saying here is that the -- if I can use the phrase, the
4 ownership of the people is sitting with the team. We take the
5 view that they're responsible for the operation of the ship and
6 also responsible for the operation of the individual. So they're
7 taking more of a full-line management responsibility for the
8 performance.

9 Q. Okay. And is every officer -- does every officer on the
10 ship get a performance appraisal?

11 A. Yes.

12 Q. How often are they appraised?

13 A. Under the SCOPE system, and I want to emphasize, under
14 the SCOPE system, with the -- with all officers, with the
15 exception of the master and chief engineer, it's on every tour of
16 duty on the format that you're seeing here, the sign-on,
17 intermediate and sign-off, with the master and chief engineer, we
18 have to have those done once a year, is the system. We have to
19 have a sign-on and a sign-off once a year. We're supposed to
20 dialog with the vessel managers and the fleet directors. That's
21 the formalized structure under SCOPE.

22 Q. And so it's the team leader who does the performance
23 appraisal on the master and chief engineer?

24 A. It was the team leader, the fleet director, it -- the
25 performance, but that's now something that we're looking at more

1 being taken up by the vessel managers. Vessel managers are, if
2 you like, managers who would look after, say, a smaller group of
3 ships within the 15. They might look after four ships, so they
4 would be like a mini-team, if you like, within the -- so they take
5 responsibility for that and our new -- this is pretty new. This
6 is something that we've recently introduced.

7 Q. Now, on what criteria are masters evaluated, is their
8 performance evaluated?

9 A. Yeah, it should be part -- it's part of the SCOPE
10 structure. There's a certain format that they would run through
11 in SCOPE as part of his signing-on/signing-off and there would be
12 a range of things in there that they would cover. What the fleet
13 director for the team can also do is they'll also tie into that
14 some ship-specific elements that has something to do with that
15 particular ship or some goals we want to set for that ship for the
16 year ahead, that type of thing.

17 Q. Okay. Now, how would the fleet director know what kind
18 of performance the master has done over the last year of the
19 performance appraisal period?

20 A. Okay. In SCOPE, going forward, there will be this
21 handwritten record. In reality and practice until now, what they
22 will be relying on is their relationship with the master over the
23 time that he has been with them because there's an in-depth
24 knowledge of the individual. You have to appreciate that the
25 master, every day, is interfacing with the team. There's a

1 commercial guy on the team, voyage manager, so he's doing
2 (indiscernible) commercial assessment.

3 There's procurement people in teams, so they have a
4 managing, storing, (indiscernible), budget. There's vessel
5 managers on the team, so they know how he's managing things
6 technically, operationally, since the chief engineer and the fleet
7 director is taking the overview. So at various points of contact,
8 including the personnel officer for SCOPE and everything else, so
9 that various points of contact within the team, so the knowledge
10 is quite detailed of the individual.

11 Q. But if a master doesn't get into -- doesn't have an
12 incident, does not have a mishap, how would the fleet manager know
13 about the quality of the master's seamanship?

14 A. Okay, there's a number of other measures that we have.
15 We have other audits which are taking place throughout the
16 organization. I think before I (indiscernible), one thing I
17 should mention is that each of the teams -- and this is all teams,
18 they all have the same, they all have a set of KPIs (ph.) that
19 they're measured very, very stringently against and this will
20 include things such as lost time injury, vessel availability. And
21 here we have enormously high targets of like 99 percent vessel
22 availability.

23 So each member of that senior officer management team is
24 measured very strictly against these measures. We also have a set
25 of measures that have been put together for performance-related

1 bonuses, for example. And part of that would involve a KPI for
2 management effectiveness, which is a 360 degree performance
3 assessment of the officers, the junior officers. There are
4 employee survey's conducted.

5 And we have other audits, then, which are what we call
6 back to basics, where we put teams on board the ship and they
7 assess the deck department and they assess the engine department,
8 two different kinds of audit, and an assessment of the master will
9 come through. Now, I believe that Mike and some of the others in
10 Vancouver have put some extracts of this in the documentation.
11 But as I say, I don't have the full set of documentation here, but
12 I think there are examples of some of these things I've mentioned,
13 Barry, in the documentation.

14 Q. Okay. So was this -- what was the performance
15 appraisals like for the captain of the Axel Spirit? What kind of
16 appraisals did he get before the accident?

17 A. One would have to see that Captain Mack is that an
18 in-depth knowledge of Captain Mack was built up during his time
19 with Teekay. We have one performance form which was completed by
20 one of the fleet general managers at that time and it was fairly
21 detailed. It highlights him as a highly regarded master. I would
22 say to you, I'd have to say to you that from the first time I met
23 Captain Mack in 1999 and I was part of the due diligence team and
24 I checked all the records with Bona Shipping. Bona Shipping at
25 that time was an Aframax company, predominantly, which got to be

1 an exact fit for the operation we had at Teekay.

2 We assessed all the people at that time. I assessed his
3 training records. I assessed his background and reputation. When
4 joining us in '99, he came with a good reputation. He performed
5 well in Team Aquila, which is where he worked for all that time
6 until he transferred from Kiowa to the Axel and Lynx. He had good
7 reports from Team Aquila, this one example I'm talking about with
8 the fleet general manager. We also, in 2005, with all of our
9 fleet directors, we consult the -- we put together an evaluation
10 of all of our masters in the company and Captain Mack came out on
11 the third level of that.

12 I imagine that it was out of a store of potential score
13 of 20. He got on the third level with a score of 16 and he was at
14 that third level, equal with a few other masters out of a group
15 120 masters. So we know that he was highly regarded in that sense
16 and we have interacted with Captain Mack at officer conferences,
17 raising awareness workshops and SCOPE training and he just enjoyed
18 a good reputation with the organization.

19 Q. You said he came in in the third level. How many levels
20 were there?

21 A. Maybe Larry has a copy --

22 MR. BOWLING: Yeah, let me interject.

23 THE WITNESS: (indiscernible) for that next level of
24 scoring.

25 MR. STRAUCH: Okay.

1 MR. BOWLING: John, we haven't had a chance to -- we
2 just got our hands on this document and I'll show Barry. This is
3 the actual rating there, Barry.

4 MR. STRAUCH: Okay.

5 MR. BOWLING: And we have this. I've got extracts of
6 the -- a couple of the back to basics and then the record of
7 senior officer visits that I want to direct with or ask some
8 questions to David Penny. But we've actually had John on the line
9 here for going on an hour and 10 minutes, so just bear with us for
10 a few more questions and we'll get you wrapped up, because I have
11 a follow-up when Barry's done, real quick.

12 THE WITNESS: Well, let me just say that I have another
13 meeting here down the hallway, but I want to mention that in the
14 sense that I'm going to be in the building for another hour after
15 I leave here, so I can come back and join you again later if
16 that's also required.

17 BY MR. BOWLING:

18 Q. Well, mine's quick. Mine basically was -- let me find
19 it. Oh, the question would -- the policy related to the master's
20 requirement to notify the command of an illness or sickness be
21 better addressed to you or to David Penny, who was the fleet
22 director at the time?

23 A. I think, specifically, in the case of Captain Mack, it
24 would be with David Penny, but I would say to you that yes, we
25 would expect the master to act as prudently in the case of himself

1 as he would do in the case of any other crew member on board.
2 It's quite clearly impressed to all of our masters, the first
3 responsibility is the -- as well as the safety, is the welfare and
4 wellbeing of the crew on board.

5 MR. BOWLING: Okay. I will save that question for
6 David Penny, so I have nothing, but --

7 MR. STRAUCH: I have about two or three more questions.

8 THE WITNESS: Sure.

9 MR. STRAUCH: If you have to go to a meeting, then let
10 me know and then --

11 THE WITNESS: No, I can do this now. I'm just letting
12 you know that when I leave here, I'll still be in the building. I
13 can come back later.

14 BY MR. STRAUCH:

15 Q. Okay. In the performance appraisals, presumably there
16 are people who don't do well, whose performance is rated poorly,
17 is that correct?

18 A. Yes.

19 Q. Okay. What percentage --

20 A. It can happen.

21 Q. How many people got performance appraisals in the last
22 year, year before that, that were sufficiently poor, that some
23 action was taken by the company, to include termination?

24 A. Okay, I'd have to give you the figure on that. I don't
25 have that on hand, but I do have the data and I can give you the

1 percentage of that. We break down our attrition into a number of
2 areas and then we can specifically talk about retirement,
3 sickness, and we can talk about resignations with people who will
4 leave us. Resignations are running in terms of voluntary
5 attrition, last year for the first time ever, we went up to seven
6 percent attrition. Prior to that, it was five percent for at
7 least 12 years before that.

8 This year we're currently running around about, year to
9 date, three percent voluntary attrition. This is voluntary
10 attrition. This is resignations. Our dismissals from the company
11 for cause would be somewhere below these voluntary attrition
12 levels, but I'd have to get you that exact percentage, Barry, and
13 I'll undertake to get that before I leave.

14 Q. All right, please. Let me see, one other -- oh, yeah.
15 You talked about promotions, people are identified for a
16 promotion. On what basis are people identified as being worthy of
17 considered for promotion or, you know, future leadership and so
18 on?

19 A. We have two elements to the system. One is that -- and
20 we have the SCOPE program where the individual is demonstrating a
21 motivation to move up into that rank. He's demonstrating a
22 willingness to complete competencies for the rank above, sending
23 us a signal that he wants to do that, and his signing-off
24 interview, he's also, as part of his discourse with the -- he may
25 be saying things indicating he ultimately wants a career ashore,

1 so that we're able to tell those individuals who have other
2 drivers, who are positive about their career.

3 We have other things that indicate that individual is --
4 in addition to just these competencies, although that's a very
5 significant piece of work, the masters and the fleet director that
6 he's working with, they would have to give him specific
7 recommendations for promotion, in which they'll engage him in a
8 discussion about promotion and so on.

9 Now, over and above that we have this interface which is
10 taking place with our training people, with our personnel
11 officers, and then we have the other thing. We can go back to the
12 PI to give us all sorts of readings on the individual.

13 But ultimately, he has to be fit for that rank above.
14 We have to make sure that when we put him in there, a couple of
15 other things I'll just mention in the passing, we have a
16 rotational position in the office which is a marine safety
17 coordinator.

18 Every chief officer, for example, who is signed off,
19 ready for promotion, will spend six months in that position
20 working with the team before he is promoted, so it's part of his
21 preparation. So we have all sorts of ways of making sure that the
22 people -- as well as the attitude. We want people to demonstrate
23 the right attitude and therefore the right behavior. So that's
24 another important part of it.

25 Q. So promotion's not strictly seniority based, it's based

1 on other factors that you've just identified?

2 A. (indiscernible) and I think the classic example I can
3 give you, Barry, is we've introduced SCOPE into Australia.
4 Australia's a highly unionized environment. They work on
5 collective bargaining agreements, only negotiating with the
6 maritime unions, they've accepted the SCOPE. It will be merit
7 based, it will be competence based, it will be ability based and
8 therefore not service based. So even in that area, we've managed
9 to change it. It's absolutely based on merit.

10 MR. STRAUCH: All right. Well, thank you very much,
11 John. That's it for me for the questions.

12 MR. BOWLING: Jon, one last time?

13 MR. FURUKAWA: No.

14 MR. BOWLING: Gentleman, at -- well, Mike, anything
15 you'd like to follow up on?

16 BY MR. FERNANDEZ:

17 Q. I just have one question, John, and I think, you know,
18 we've covered a lot of this, but just to sort of wrap it up, can
19 you briefly tell us what Teekay's philosophy is in meeting or
20 exceeding the internationally recognized standards for seafarers?

21 A. Well, the philosophy is that we, in terms of from a
22 marine HR perspective, we want to be an employer of choice and I
23 have to qualify that further. We want to be the employer of
24 choice of the right people. We want to demonstrate that we can do
25 this better than anyone else. Unlike other companies, you know,

1 we're not an oil major. Marine transportation is our business.
2 We have to be one of the leaders in that and we do, all of us, a
3 process from the point of view of being one of the leaders.

4 Commercially, we want to be the first choice of our
5 customers and we want to be able to -- (indiscernible) calls a
6 shipping company. I think Bjorn would probably call us a customer
7 service company and therefore we've got to have a close eye on the
8 standard of our operations and make sure that we continue to do
9 better for our customers. So we want to be world leaders, but at
10 the same time (indiscernible) as everyone else, but the main
11 objective at the end of the day is to provide shareholder value
12 (indiscernible) for our customers. And we engage our seafarers as
13 being major stakeholders in all of that.

14 MR. FERNANDEZ: Thank you.

15 MR. BOWLING: Dev, any questions from your standpoint,
16 sir?

17 MR. HILDEBRAND: No, I'm fine, thanks.

18 MR. BOWLING: Okay. John, on behalf of the NTSB team,
19 let me thank you for a lengthy hour, but we appreciate the open
20 exchange of information. It's been very valuable for me and I'm
21 sure for my teammates, as well. At this point, gentlemen, five-
22 minute break?

23 MR. STRAUCH: I have one short question. I'm going to
24 be in Glasgow next week on a vacation with my wife. Now, what do
25 you recommend in terms of what kind of clothing should I bring in

1 terms of the weather? Are we on the record? Let me kill the
2 microphone here.

3 MR. BOWLING: Good point.

4 (Whereupon, the interview in the above-entitled matter
5 was concluded.)

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CERTIFICATE

This is to certify that the attached proceeding before the
NATIONAL TRANSPORTATION SAFETY BOARD

IN THE MATTER OF: Investigation of the Axel Spirit/ATON
Allision

Interview of: John Adams

DOCKET NUMBER: DCA-08-FM-002

PLACE: Vancouver, British Columbia, Canada

DATE: August 28, 2008

was held according to the record, and that this is the original,
complete, true and accurate transcript which has been compared to
the recording accomplished at the hearing.

Karen D. Martini
Transcriber