

The Association of Reciprocal Safety Councils and the Value of Reciprocity

The History of the Association of Reciprocal Safety Councils and its Mission **Mission Statement**

In June 1995 the National Petroleum Refiners Association (NPRA) ad-hoc committee on Contractor Safety Training, and the Texas Chemical Council (TCC) OSH committee delegated the task of developing reciprocity agreements with all Contractor Safety Councils to the Executive Directors of each of the Safety Council's involved.

The Safety Council representatives began meeting and working diligently towards reciprocity. The immediate focus was on the Gulf Coast area, as that is the largest Petrochemical Industry concentration in the country. Many felt that if an agreement could be reached in the Gulf Coast area that other parts of the country would agree in time.

The dedicated efforts of these Safety Council representatives were realized by the development of a training program that would not only meet the objectives of the NPRA but also provide the contractor with "training" as well as "orientation". An association was formed to manage the process and the Basic Orientation Plus® (BOP) and the Basic Orientation Plus - Refresher® (BOPR) was put in service.

The Association of Reciprocal Safety Councils, Inc. (ARSC) was chartered as a not-for-profit corporation on October 7, 1997 (Charter #1462953) and is funded by the participating Safety Council Organizations each calendar year. Each ARSC member is required to be a non-profit organization.

In order to fulfill the objectives of the ARSC members, a mission statement created by the ARSC Board of Directors on December 16, 1998 and adopted by a member vote reads as follows:

The mission of the Association of Reciprocal Safety Councils, Inc. (ARSC) is to provide consistent and cost-effective reciprocal safety education that conforms to regulatory standards and industry accepted practices.

The ARSC Curriculum Serves as the Standard for Reciprocal Success **Why ARSC?**

ARSC members work together to develop and revise current training programs that meet a significant portion of the Occupational Safety and Health Association (OSHA) requirements, as defined within the standards. This allows councils that perform site orientations to work with industrial facility representatives in reducing the amount of redundant information in their site orientations, thereby increasing the effectiveness of the training while reducing the cost of development. This is the historical basis upon which, BOP/BOPR were initially created. The objective of ARSC is to continue this approach and produce new and effective additional reciprocal training programs that provide consistent and cost-effective reciprocal safety education that conforms to regulatory standards and industry accepted practices.

The BOP program meets a significant portion of the OSHA-mandated contractor requirements. This increases safety training efficiency for the contract employee due to a reduction in redundant information being presented.

ARSC programs are not meant to relieve contract companies of all training responsibilities. There are elements of the standards that require the contractor to provide employer specific information regarding policy and

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procedures as well as some hands-on training on specific equipment. ARSC developed a specific training matrix for each BOP module that lists the specific regulatory requirement covered in the training then lists what the contractor must do for full regulatory compliance. The BOP/BOPR training matrix can be found on the ARSC website.

The ARSC programs focus on the needs of industry. A key to the success of ARSC and the reciprocal model is the involvement and support of the Owners in the areas serviced by the ARSC members. The contractors, facilities and workers benefit from cost and time savings by the reduction of repetitive training while assuring the quality of the training from ARSC member to ARSC member. There is also a savings to the ARSC members by reducing the amount of money each individual ARSC member must spend to develop their own programs.

Credibility is a core value of ARSC that is provided to members and owner facilities. Comprehensive audits of each ARSC member, regarding quality and consistency of training as well as assurance that the individual trained is the individual who is issued a card stating the training has occurred, is the chief tool used to attain and maintain credibility. ARSC contracts with a third-party auditing firm to conduct announced or unannounced audits of each ARSC member.

ARSC activities are managed by an Executive Director who serves as coordinator for much of the committee activities. The Executive Director is available to help anyone who is interested in the ARSC activities or has a question or concern they would like addressed.

ARSC continues to grow. And with twenty-three members operating in the United States and the U.S. Virgin Islands the BOP/BOPR programs are now offered by our members in Alabama, Colorado, Delaware, Indiana, Kansas, Kentucky, Louisiana, Mississippi, New Jersey, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, West Virginia, Wyoming and St. Croix. The locations of the ARSC members can be found on the ARSC website located at www.arsc.net.

ARSC members and the owners they serve have expressed the need for continued efforts aimed at more reciprocal programs. ARSC has developed many additional reciprocal programs to meet the owner and contractor needs that have unique course codes and are subjected to ARSC guidelines for delivery and audits.

The Value of Reciprocity

Reciprocal Value Varies between ARSC Members

The diversity of the ARSC membership allows ARSC services to be offered in areas where large, medium and small petrochemical markets exist. It should be noted that the larger the concentration of petrochemical facilities, the greater the reciprocal value

Fifteen ARSC members (65% of ARSC members) reported reciprocal transferred training units for 2013 as shown in the following table. These fifteen ARSC members accounted for 90% of the ARSC training volume (300,428 training units of ARSC total volume of 333,756 units for 2013) representing the majority of ARSC volume.

Table of Reciprocity Tracking Volume for ARSC Members in 2013		
MEMBER LOCATION	TRACK TRANSFERS	TRANSFERS
Tulsa, OK	No	
Shreveport, LA	No	
Louisville, KY	No	

Port Lavaca, TX	Yes	997
Denver, CO	Yes	204
Cheyenne, WY	No	
Borger, TX	Yes	1606
Mobile, AL	No Response	
Midland, TX	Yes	115
Longview, TX	Yes	2836
South Charleston, WV	No	
Wilmington, NC	Not Available To Provide	
Sewell, NJ	Yes	51
Freeport, TX	Yes	8887
Evansville, IN	No	
Texas City, TX	Yes	7832
Decatur, AL	Yes	965
Lake Charles, LA	Yes	6733
Corpus Christi, TX	Yes	6200
New Orleans, LA	Yes	5480
Nederland, TX	Yes	23500
Baton Rouge, LA	Yes	24371
Houston, TX	Yes	15913
TOTAL TRANSFERS REPORTED		105690

The value of reciprocity for each ARSC member can be expressed in total number of reciprocal units received as shown in the above table or expressed in terms of how much reciprocity value exists in relation to the total number of ARSC units trained by each ARSC member. This later method is a more accurate representation of received value of reciprocity by an ARSC member who doesn't have to provide ARSC training for the BOP/BOPR and the contract worker can proceed directly to site specific orientation thus saving the contractor and Owner time and money.

Calculating the Reciprocal Return on Investment

Assumptions must be made to address labor cost and man-hours saved

In order to effectively calculate an accurate return on investment (ROI) that the ARSC reciprocal process provides to stakeholders, which include the ARSC members, petrochemical owners and contractors, a few assumptions must be made. Not all ARSC members collect and track data related to reciprocal training units. The data utilized to collect the ROI is for 2013 but will be expanded to generate an annual ROI from 1999 to present. This assumes that the percentage of reciprocal training has remained constant for the time periods provided. Reciprocity existed between Safety Councils prior to the creation of ARSC but training volume totals were not available. The ROI calculation will focus on the time period of 1999-2013.

The second assumption utilized in the calculation of the reciprocal ROI is that a man-hours savings for reciprocal training will be 3 hours. The ARSC BOP course is taught in a time frame ranging from 4.5 to 5 hours and the ARSC BOPR is provided in a Computer-Based Training (CBT) format that generally takes 1.5 to 2 hours to complete. The breakdown of units taught between BOP and BOPR for 2013 is approximately 42% BOP to 58% BOPR. Based upon this ratio, the average man-hours saved per reciprocal unit is 3 hours.

The third assumption made is on the average cost of labor across the ARSC member's regions. This could vary widely determined by numerous factors including union-nonunion, craft skill, per diem, experience, labor rate, payroll add-on such as overhead and taxes and other factors that are passed on to the petrochemical owner. Research provided through the Texas Workforce Commission listed various labor rates throughout the Houston area for contractors working in the petrochemical industry. The factors listed above influence these labor rates. Based upon the data reviewed a labor rate of \$40/hour was selected to calculate the ROI. Some regions may want to utilize a rate that is lower or higher based upon the factors listed, but the cost should include payroll burden (taxes, insurance, etc.) as that is a true cost borne by contractors and petrochemical owners.

The last assumption is to utilize the data of the fifteen ARSC members reporting reciprocal training units in 2013 as consistent for the ARSC members as a whole. As stated earlier, the training volume reported by these fifteen ARSC members represents 90% of the ARSC training volume for 2013. When evaluating the number of reciprocal training units reported by the fifteen ARSC members as a percentage of the total reciprocal units delivered by these ARSC members, a reciprocity percentage was derived. This percentage for 2013 was 35.18% (105690 reciprocal units for 300,428 ARSC training units delivered). The table below applies the 35.18% reciprocity percentage by year for ARSC training units delivered from 1999-2013 for all ARSC members.

Table of ARSC Training Units by Year and Number of Projected Reciprocal Units		
ARSC TRAINING UNITS BY YEAR	ARSC TRAINING UNITS	RECIPROCAL UNITS
2013	333,756	117,415
2012	327,756	115,305
2011	302,617	103,616
2010	279,626	106,460
2009	278,307	97,908
2008	291,706	102,622
2007	272,578	95,893
2006	256,157	90,116
2005	211,522	74,413
2004	190,290	66,944
2003	184,275	64,828
2002	168,464	59,266
2001	171,423	60,307
2000	164,024	57,704
1999	143,599	50,518
TOTAL UNITS REPORTED	3,575,916	1,263,315

***Reciprocity ROI includes man-hours saved and training dollars not spent
ARSC provided the petrochemical industry over \$18,000,000 in cost savings in 2013 and over
\$200,000,000 in cost savings since 1999***

When evaluating the total dollars saved to the petrochemical industry due to reciprocity among the ARSC members, three factors must be considered. The first factor is calculating the total number of workers who were able to proceed directly to the owner site-specific training because they received ARSC training at an ARSC

member facility. The second factor involves the man-hours saved in labor cost which would have been expended if the worker was required to complete the ARSC training. The third factor is the savings for the contractor in not having to pay the ARSC training fees to the ARSC member. Due to anti-trust laws, ARSC does not permit ARSC members to discuss training fees at any ARSC meeting. ARSC training fees are usually published on the ARSC member website and are divided into member and non-member fees. The fees vary from ARSC member locations and are based on training volume, owner support, membership dues and other ARSC member revenue streams. For calculation of the ROI involving training fees across the ARSC network of members for BOP/BOPR a value of \$40/unit is used and is a necessary part of the ROI calculation.

All three of these factors are expenses to the petrochemical owner, contractor or worker that provide the ROI dollars back to the ARSC stakeholders.

In completing the ROI to the ARSC stakeholders for 2013, the following calculations provide the basis for the ROI:

Estimated Number of Reciprocal Training Units in 2013	117,415
Estimated Number of man-hours saved by reciprocity	117,415 x 3hrs/unit = 352,245
Estimated Cost Savings for man-hours saved by reciprocity	352,245 x \$40/unit = \$14,089,800
Estimated Cost Savings for not having to pay for ARSC training	117,415 x \$40/unit = \$4,696,600
ANNUAL RECIPROCITY SAVINGS TO STAKEHOLDERS IN 2013 FROM MAN-HOURS AND TRAINING COST	\$18,786,400

In completing the ROI to the ARSC stakeholders from 1999-2013, the following calculations provide the basis for the ROI:

Estimated Number of Reciprocal Training Units 1999-2013	1,263,315
Estimated Number of man-hours saved by reciprocity	1,263,315 x 3hrs/unit = 3,789,945
Estimated Cost Savings for man-hours saved by reciprocity	3,789,945 x \$40/unit = \$151,597,800
Estimated Cost Savings for not having to pay for ARSC training	1,263,315 x \$40/unit = \$50,532,600
TOTAL RECIPROCITY SAVINGS TO STAKEHOLDERS 1999-2013 DUE TO ARSC RECIPROCITY	\$202,130,400

If reciprocal data was provided for 1997 and 1998, the total reciprocity value would exceed \$216,000,000.

It should also be noted that contract workers in some locations are permitted to go directly to the petrochemical owner's site and aren't required to check in at the ARSC member location. These reciprocal units are not tracked by any of the ARSC members. If a conservative estimate of 10% is utilized for workers not having to report to an ARSC member location for reciprocal transfer purposes, the reciprocal value for these workers increases the ROI by an additional \$20,000,000 generating a cumulative ROI to approximately \$236,000,000.

Expanding Reciprocity in the Future to Provide Greater ROI ***ARSC Expands library of Reciprocal Programs***

ARSC and its members have expanded and revised the curriculum for additional reciprocal training courses and expect to continue the development of additional programs. The two most popular courses are confined space and fire watch.

All ARSC courses are subjected to the ARSC audit process for program integrity, instructor competency, testing protocols and the management of change process. Included in these ARSC reciprocal courses is a newly designed module to assist contractors in compliance with the recently enacted OSHA Globally Harmonized Systems (GHS) standard. ARSC currently doesn't require the ARSC member to track the reciprocal units associated with these courses.

The Future of Reciprocity

ARSC and ARSC Members are well positioned to assist Stakeholders with Future Reciprocal Solutions

The key to reciprocal success in the future is to utilize the experience and resources of the ARSC members. As non-profit organizations, ARSC members are created for the benefit of the industry they serve. ARSC and ARSC members are the subject matter experts when it comes to reciprocity. Many ARSC members offer additional services. Standardization of contractor pre-qualification forms (PQF), process safety management auditing, drug & alcohol testing, security background screening, craft skill assessments and workforce development initiatives are all areas where reciprocity may be leveraged and provide a substantial return on investment to the ARSC member, petrochemical owner, contractor and worker in the future. The success of the ARSC reciprocal model is branching out from the petrochemical industry into the commercial construction marketplace, utilities, pulp and paper and the maritime industry. The success of future reciprocal solutions is only limited by our willingness to cooperate with each other. The old economic adage "time is money" still holds true today and the continued success of ARSC and ARSC members is a foundational stone in saving time, money and lives. ARSC and ARSC members have a most noble mission, plus experience as reciprocity subject matter experts, as well as a wonderful heritage to continue to expand the good news of reciprocity and the ROI it brings to those we serve and those who will be served in the future.