

Training Circular No.2 of 2004

No.11-TR(12)/2003

Dated: January1, 2004

Sub: Benchmarking/Grading of Training Institutes.

Maritime training institutes in India were pre-dominantly in the Govt. sector prior to the year 1996. During 1996, maritime training was opened for private sector participation. Since then, more than 130 institutes are engaged in conducting various types of pre-sea and post sea courses.

At present, except for inspections by the Academic Councils, there is no other system of accurate evaluation of training institute. It has also been observed that there has been wide variation in the quality of training being imparted by maritime training institutes. It is therefore desirable that some rating of institutes be done by an independent and reputed body in order to maintain consistency of high quality of maritime training and education. This will not only lead to healthy competition among the institutes but will also improve their status and thereby increase the marketability of Indian seafarers from such rated institutes. In the increasingly competitive manpower supply scenario in International Shipping , excellence in maritime education and training is a necessity.

The Directorate is of the opinion that it is necessary that a system should be evolved where a common platform of benchmarking of various maritime training institutions across the country is in place. A publicly available and highly credible bench-marking exercise acts as a powerful tool for non-intrusive regulation and quality enhancement.

The Director General of Shipping has consulted various stake holders about this aspect. Three premier rating agencies viz. CRISIL, ICRA, & CARE were identified and they were advised to study and formulate the detailed scheme for benchmarking of training institutes. A series of presentations and discussions were held with these three rating agencies. While formulating their schemes, the rating agencies had interaction with some of the maritime training institutes and have also done a trial benchmarking of at least one training institute each. Their reports have been discussed in detail in Directorate and with the agencies. Based on these discussions and after fine tuning the proposals thus received, the Director General has approved the three rating agencies viz. CRISIL, ICRA and CARE as approved agencies to undertake the benchmarking / grading/ rating of various maritime training institutes.

We are aware that being a new concept, various stakeholders specially the training institutes will have some curiosity and clarifications to seek. Basic issues along with their explanations are as under :

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1. NEED FOR GRADING TRAINING INSTITUTES?

A grading is an opinion expressed by an independent agency on the extent to which individual course offerings in maritime education meet the desired course objectives as stated by the Directorate General

of Shipping in India (DGS) from time to time in its capacity as the regulator of maritime education. This opinion would be based on an assessment by the agency of the various aspects of the course offered, such as faculty, facilities, infrastructure etc. to the extent applicable for the course being assessed.

2. GRADING OF INSTITUTES AND COURSES

The grading would be directly applicable to the courses offered by any training institute. This grading for individual courses would be used as an input to arrive at a grading for the institute. It may be pointed out here that the grade assigned to individual courses offered by the same institute may differ substantially from one course to another.

3. AGENCY FOR GRADING

DGS has put in place a panel of three agencies CRISIL Ltd. (CRISIL), ICRA Ltd. (ICRA) and Credit Analysis & Research Ltd. (CARE) for this grading exercise. These entities have a long track record in the area of credit rating in India and have also been active in grading exercises for other service providers like hospitals, schools etc.. Institutes can approach any of these agencies for grading.

4. BENEFITS OF GRADING IN MARITIME EDUCATION?

Though the grading exercise has the largest benefits for students and the institutes, it also has potential benefits for employers and even DGS. These benefits are briefly laid out below :

STUDENTS : A credible grading of courses would significantly aid students in their decision of choosing an institute for a particular course. This is because the grading would seek to assess the relative quality of similar course offered across various institutes. Moreover, to the extent that the course offered would be benchmarked against international best practices as well, students would get a fair idea about the course quality against global standards too. This would be useful for both pre-sea students, who might have inadequate knowledge of the industry, as well as seafarers preparing for post-sea certifications.

INSTITUTES : The grading would be a potent symbol of differentiation for institutes that conduct particular courses better than others. This would help these institutes in attracting more students from both within and outside India. The grading exercise would also involve extensive interaction of the grading agencies with the institutes and sharing of an assessment report with the institute which would provide a rationale for the grade assigned and feedback regarding areas of improvement.

EMPLOYERS : The grading of course offered would provide employers with a means of assessing relative quality of education imparted and refine expectations with regard to on-the-job performance of recruits. This would be particularly useful in courses which do not involve any external examinations.

DGS : The grading would be an additional input for DGS in regulating maritime education in the country. Moreover, it has the potential to serve as an effective tool for non-intrusive regulation of more than 100 institutes and encouraging a permeation of best practices across institutes. Further, if a system of quality education can be put in place, India could emerge as a global centre for excellence and cost-effective maritime education & training.

5. HOW WOULD THE GRADING BE INDICATED?

It is intended that course offerings would be graded on a five point scale from grade 1 (indicating high quality) to grade 5 (indicating below grading standards. The grade would be prefixed by the name of the agency responsible for assigning that grade e.g. a CRISIL assigned grade would read as CRISIL Grade 1, an ICRA assigned grade would read as ICRA Grade 1 and a CARE assigned grade would read as CARE Grade 1. Grade 1 will effectively mean outstanding, Grade 2 - Very Good, Grade 3 - Good, Grade 4 - Satisfactory and Grade 5 - Below Grading Standards.

6. FOR HOW LONG WOULD AN ASSIGNED GRADE BE VALID?

The grading agencies would review all assigned grades periodically so as to ensure that the grade remains current at all points in time. However, the grading for the institute will be valid for a period of 2 years from the grade assigned . The rating agencies will however collect information and make periodical verification after completion of one year in order to have continuation of the grading.

7. WHAT ARE THE PARAMETERS CONSIDERED IN THE GRADING EXERCISE?

The broad framework for grading has been devised jointly by the three grading agencies under the guidance of DGS. The critical parameters include (to the extent applicable for various courses) the quality of faculty, quality of infrastructure, & training facilities the quality of the teaching process, performance of graduating students, the management quality and track record, placement of passing out students and an assessment of the operational / financial sustainability of the institute. DGS has prepared an inventory of critical factors to be assessed as a guide to the grading agencies. Copy enclosed as Annex-A However, the agencies are free

to devise their methods of assessment of these factors as well as expand the list of assessed factors. Therefore, the details of assessment by each agency may differ in their approach but the standards of assessment, breadth of factors assessed and the weightages assigned to individual factors in the overall assessment shall be similar. However, to ensure that the end result of the different agencies can be compared when they are grading similar Institute, the rating agencies are given various heads for grading with detailed parameters for grading.

8. HOW DOES AN INSTITUTE GET ITS COURSE OFFERINGS GRADED?

The institute has to first contact one of the grading agencies and mandate it for the grading exercise. The agency would then follow the process outlined below.

- Seek information required for the grading from the institute concerned.
- On receipt of required information, have a preliminary discussion with the institute's management.
- Have discussions with institute director and faculty at the institute location
- Visit the institute and study the facilities and the actual education and training procedures.
- Discuss details of the education process with the faculty / laboratory training facilities/infrastructure/ supervisors / students/trainers.
- Final analysis based on the above discussion, documents and other information provided by the institute.
- Prepare an analytical assessment report
- Present the analysis to a committee comprising senior executives of the concerned grading agency. This committee would discuss all relevant issues and assign a grade
- Communicate the grade to the institute along with an assessment report outlining the rationale for the grade assigned.
- The address of these three grading agencies are as under:

1. Credit Rating Information Services of India Limited, CRISIL House, 121-122 Andheri Kurla Road, Andheri (East) Mumbai - 400 093 - Mr. S. Venkataraman, Tel. No. 56913038 / 5691 3001.

2. Credit Analysis & Research Ltd., Kalpataru Point, 2nd Floor, Kamani Marg, Sion (East) Mumbai - 400 022-Mr. Shri P.N. Sateesh Kumar, Head-Advisory Services Division Tel.No. 56602871 -75

3. ICRA Ltd., Kailash Building, 4th floor, 28, Kasturba Gandhi Marg, New Delhi - 110001-Mr. Amul Gogna, Executive Director, Tel.No. 011-23357940-50/ 011-23357014 / 011-23355293

9. WHAT CAN THE INSTITUTE DO IF IT IS NOT SATISFIED WITH THE GRADE ASSIGNED BY THE GRADING AGENCY?

The grading agency would provide the institute with a written report outlining the logic for the assigned grade. The institute can contest the analytical conclusions made by the agency in the rationale. In case some material information is not included in this analysis, the agency would repeat the grading process. In case the institute is still not satisfied, it can go to another agency for a second opinion.

10. DOES THE INSTITUTE HAVE TO ACCEPT THE GRADE ASSIGNED?

The institute can choose not to accept the grade. In this case, the grade would be kept confidential. However, once the grade assigned is accepted, it would be disseminated to the public. Also, the institute would be obliged to facilitate the process of review of the grade from time to time for as long as is indicated in question six. Further, any revision of an outstanding grade in this period would also need to be publicly disclosed.

11. WHO PAYS FOR THE EXERCISE? WHAT WOULD THE FEE BE?

The institute would pay for the exercise. The fee charged by different agencies would depend on their respective processes of assessment. The Directorate is not deciding on the fee to be charged from the institute; similarly, the Directorate will not interfere in the fee settled by the Agency and the institute.

12. IF THE INSTITUTE PAYS FOR THE GRADING, HOW DOES THE RATING AGENCY MAINTAIN ITS INDEPENDENCE?

While the institute-fee model naturally creates a potential conflict of interest (that could lead to higher than warranted grading), experience in other areas where grading has been used indicates that the existence of this conflict does not by itself lead to lax grading standards. This is because reputation of the grading agency would play a crucial role in its perceived value.

- Although the institute would pay for the grading, the student would use it. Like any other product or service, the 'value' of the grade would depend entirely on the perceptions of the user - in this case, the student and/or the sponsor employer. Consequently, users would 'buy' only those gradings that they find 'valuable'.

- Student perceptions, in turn, would be based on the credibility of the past gradings assigned by each rating agency. Lax standards by any rating agency would lead to a loss of credibility and an erosion of the 'value' associated with the gradings assigned by that agency. This would reduce demand for gradings from that agency, consequently affecting its revenues.

Thus, even though the institute would pay for the grading exercise, grading agencies would

have a strong incentive to maintain their independence due to the reputation risk arising out of lax standards.

13. DOES DGS HAVE A ROLE IN THE GRADING EXERCISE?

No. The DGS does not play any role in the assessment made by the rating agency. The grading is intended to be an independent and unbiased opinion of that agency. The role of DGS is that of a facilitator of the grading process whenever required.

14. SAMPLE SIZE ADMINISTERING THE GRADINGS

Rating agency shall take note of adequacy of sample size in order to assess the Maritime Training Institute to have holistic and complete picture.

15. BENCHMARKING PROCESS TO BE PART OF QUALITY MANUAL SYSTEM

The institute which opt for grading/benchmarking, should include this aspect in their QMS so that this can be reviewed during their internal /external audits

16. WHETHER THE GRADING IS MANDATORY

The Directorate is aware that the concept of benchmarking is new and should be introduced gradually. With this intention this has been discussed on various occasions for more than a year. To begin with the grading is not being made mandatory and it is expected that the institute shall come forward for benefit of all stakeholders for grading of their institutes. However, for approval of new institute / new course / expansion of capacity due additional weightage shall be given if the institute is graded.

After review of the progress and the feedback received the Directorate shall consider whether to make benchmarking mandatory for the training institute at an appropriate stage.

17. DISPUTE

The dispute between the rating agency and the institute will have to be settled between themselves only and Directorate will not involve itself in the process.

All institutes are requested to get themselves graded and the grading may be displayed in their advertisement.

Sd/-

(Naresh Salecha)

Sr.Dy.Director General of Shipping

