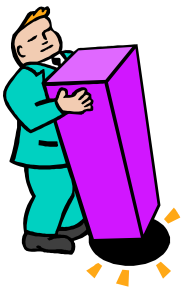




PROCESS SAFETY: BUY SAFE



Prompted by the Baker Panel report into the major explosion at BP Texas City, EPSC convened a group of its members in January 2007 to share opinion on the impact of Mergers & Acquisitions on the management of process safety. Although not in itself specifically related to safety there is an over riding sense that a badly handled acquisition can increase the odds of a major accident happening.

It is generally acknowledged that whilst fast changing enterprises are disposed to facing the future they would also be wise to face up to the “unfinished business” related to the integration of previously acquired organisations or so called “heritage companies” – a term which has now found currency in industry since the Baker Panel report and in a sense and for the first time legitimises a corporate assessment of past purchases. EPSC members agreed that the influence of process safety during the due diligence process is modest although some members believe that they have identified deal breakers in such audits.

However process safety considerations must play a part in the price paid for an acquisition and should also feature prominently in the post acquisition integration of the combined business. As a consequence the budget to harmonise safety standards across the business must be known as soon as possible in order to allow for effective planning and implementation. One of the often voiced frustrations is that an acquired site or facility may not feature in the long term plans of the combined business. These non strategic assets or “orphan” sites are in effect isolated from significant investment whilst a decision is awaited on their future. Clearly the longer the wait for a decision to be reached, the greater the uncertainty, and rarely is this an ideal work environment in which to operate, especially for a high hazards site.

As far as the integration of strategic assets into the business, the EPSC group felt that a maximum of three years to achieve a reasonable level of harmonisation across the business was sensible. In other words the impact of an acquisition on the management of major accident hazards should be much reduced after three years with the correct level of planning & resource. Moreover one critical success factor for post acquisition integration is the competence and credibility of the local senior executive whose task it is to bring together the systems and cultures of both organisations.

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