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(TradeWinds)

Star pool seeks its edge

The growing Star Tankers pool for Panamax in the Atlantic is unlikely to increase hire rates significantly even if it reaches its target of 40% market share, admits Per Heidenreich, but other efficiencies still make it attractive.

Brokers say there is virtually no difference between rates earned by tankers within the Star pool and those playing the spot market on their own. "What the owners are getting out of this is guaranteed employment for their ships, and in this market that's important," said one broker. "What they're not getting is better hire rates. That's no criticism of Heidenreich, which is a good manager, but I've never seen a pool lift the market and we've seen absolutely no evidence that's happening here. There's always another Panamax available to undercut them."

Responded Heidenreich: "I would agree. The market is what the market is. But we've been able to improve the bottom line in other ways."

Star has been effective in winning contracts of affreightment and in triangulating voyages to reduce ballast legs, providing efficiencies that would otherwise be unavailable to owners of a few ships, he says. Better utilization has yielded results that are 30% to 35% above the spot market, he contends.

In that calculation, Heidenreich assumes a spot market ratio of 55%-loaded to 45%-unloaded voyages. The pool has run between 60% and 65% loaded, and that does not include loading and discharge days, he says.

For the first three-quarters of 1999, tankers in the pool have averaged a time charter equivalent of \$11,500 a day, he maintains. The pool has lured a total of 10 operators now, including notable Greek players with Minerva Shipping the latest to join last week.

"I'd be wrong to say the improvement comes from the hire rates," said pool partner Constantine Peraticos of Pleiades. "It comes from efficiency. But at the end of the day, isn't it the same thing? You look in your pocket and see if you have \$9, \$10 or \$11

A more recent addition, Bruce Ogilvy of Stelmar Tankers, said: "It's been pretty bloody out there for owners over the past year. Rates have been getting screwed down and this seems to us to be the only way we're going to get near a level playing field again." But there have also been notable holdouts and Heidenreich concedes that there are stubbornly independent owners who are just as passionate about avoiding the pool as he is building it. Heidenreich says he wishes they would form their own pool but that there is little sign of this happening.

One attractive target, Eletson Corp, has shown no interest in the venture, he admits. And Harry Rutten's Benor Tankers has done its own mathematics and decided it can do better on the outside.

"We considered the numbers they presented us and decided against it," Rutten said. "Obviously, to make such a move, you must be convinced that the present and future results are superior to what you can generate yourself. We found that what we would get by participating was practically identical."

Included in the calculation was a loss of flexibility that comes with remaining independent, and the cost of a commission to Heidmar as pool manager that Rutten estimates as equivalent to around \$200 a day at current rates. While Rutten would not say what Benor's average hire rate has been, he does express mild surprise at the \$11,500 figure cited by Heidenreich.

"Sounds a bit optimistic," Rutten said. Ironically, one of Rutten's ships did wind up in the Star pool. The 55,337-dwt Advance (built 1983) was put in earlier this year by its charterer, US oil company Coastal.

Heidenreich says he expects more owners to join, though probably not by year's end. Market sources speculate that the other brothers in the Martinos clan and their companies, Eastern Mediterranean Maritime and Thenamaris of Greece, would be logical candidates now that Minerva has signed up. "We certainly wouldn't mind having the rest of the family in the pool," said Heidenreich.