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Star performer who carries a torch for pooled responsibility

John McLaughlin in New York met Per Heidenreich as he celebrated the 15th anniversary of his company Heidenreich Marine.

Almost two years after the launch of Star Tankers, Per Heidenreich has lost none of his enthusiasm for the pool concept, and none of his belief that it represents the future for the tanker sector.

That conviction, of course comes with the proviso that the myriad operators in this most fragments of businesses do not rediscover their taste for independence once rates improve and the pressure comes off their balance sheets.

"The alternative" to pooling, he argues, "is mergers and acquisitions, and you can imagine how difficult that would be in our segment of the market. There are very few public companies. Most are privately held, often family, companies that are not publicly quoted." As he also notes, proud - some might say stubborn - self-reliance is the hallmark of the breed.

Thus far however, Star Tankers appears to be winning the battle for hearts and minds. As recently as the beginning of the year, this already sizeable panamax pool comprised six members founders Heidenreich Marine (Heidmar) and Pleiades Shipping, along with, OMI Corp., Coscol Marine, Liquimar Tanker Management and Ionia Management and 27 vessels.

Almost a year on, the pool has expanded to nine members, reflecting an almost unimaginable meeting of minds in the panamax segment of the market. Centrofin Management., Koch Supply and Trading and Stelmar have joined the ranks.

And the controlled fleet has also increased, to 30 vessels under the commercial management of Heidmar, giving Star a 30% share of the Atlantic Basin trade where most of its business is done.

The aim has long been to boost that share further. Mr. Heidenreich believes 40% is the natural limit on any one pool, above which charterers might grow edgy at the extent of its control of the market. "We want more members. We are talking with a number of shipping companies with quality ships at the moment." He says, adding that he expects to add to the roster "in the next three to six months".

His emphasis on "quality ships" is intentional. He believes there is an urgent need to rejuvenate the panamax sector, the oldest fleet in the industry, and remarks that the average age of the pool's own vessels is 16-17 years.

But he also notes that "in the feedback we get from charterers, what comes through clearly is that they are not concerned about age, but about the quality of the operation".

As a result, Star had engaged in-dependent inspection companies in Europe and the US to inspect vessels rigorously before they entered the pool, and then again at regular six-monthly intervals.

"The inspectors go aboard with the eyes of the Coast Guard and the oil companies. They list deficiencies and make recommendations. The vessels in the pool have all the approvals there are. It's almost a must because of the age of the fleet."

For all the gloom suffusing the tanker market, Mr. Heidenreich sees a sky littered with silver linings. "If you look at the supply/demand graph for oil, clearly demand is picking up. But there are probably still too many new buildings on order for it to filter through to rates very likely "before the end of next year at the earliest, unfortunately".

As he also notes, however, the delay "will probably benefit the industry in the long run. If the market improves sooner rather than later, people may start saying there is no need to consolidate". An early rally might also take some of the heat out of the pooling talk now bubbling along in every corner of the tanker market, and that Mr. Heidenreich sees as the harbinger of the kind of ratio-nalisation the liner business has experienced over the last two decades.

After years of consolidation, "the liner industry has a pretty good return on capital, and a pretty orderly market", he says. "You don't have that in tankers, even in chemical tankers which has been orderly."

As for the panamax sector: "Ideally, we can have 30% to 40% of the market, and one or two other pools could develop that would take us together up to 80% to 85%. Then we would have an orderly market."

Whether the pool will hold together when the good times return is another question. Mr. Heidenreich believes it will. He acknowledges that "the market is so poor that owners have no alternative" but to sign up.

The major downside for them is that they are giving up commercial control of their operations. That's a big step for many to take. But we are working very actively to ensure the pool continues to work in a strong market. You could make \$18,000/day in a good market but the pool will still do better."

He adds that over two days of pool meetings last week, the owners expressed satisfaction with Star's performance thus far. "As long as that continues, and we stay transparent, everyone should be happy."

As for Heidmar, which on Saturday celebrated its 15th birthday with a dinner party studded with industry luminaries aboard a yacht in New York harbor, Mr. Heidenreich says it will continue to focus on what it does best: marketing vessels rather than owning them. "We are so occupied with running the pool that our own interest in owning is dwindling."

Heidmar's contretemps with embattled South Korean shipbuilder Halla earlier this year, which ended in the acrimonious rupture of a contract to build two 76,000 dwt tankers for the Connecticut-based Company, was perhaps also a cautionary tale.

Mr. Heidenreich says now that "we went in on the new buildings because of the great need for new ships. But our timing was not good and finally we were lucky to get out of it, given Halla's financial situation".

Another break-up, that of Heidmar's Far East product tanker joint venture with OMI Corporation in July, was less welcomed. Mr. Heidenreich says it came about because Heidmar was reluctant to join International Product Carriers, a joint venture with OMI and Osprey, as a shareholder with the meager percentage its three vessels in a 28-ship fleet would give it.

It preferred to use its marketing & systems strength in a commercial management role, one which Osprey was reluctant to cede. Heidmar duly went its own way, but Mr. Heidenreich, typically, continues to look ahead and to see opportunity on the horizon. Heidmar now operates five product tankers in the Far East and sees room for further expansion.

Says Mr. Heidenreich: "There are a lot of product tankers over there, and there is as great a need for consolidation and pooling as there is anywhere else. I would expect us to have 10-15 ships within the next 12 months. Hopefully, we'll build from there".