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(Tradewinds)

Fresh player packs punch

A new kid in the US Gulf lightering market seems to be holding its own.

Heidenreich Lightering Services Inc (HLSI) is still the youngest and smallest lightering company in the US Gulf but president Jim Bailey can be forgiven for thinking his outfit is past the start-up stage.

After all, it has been two years this month since the Houston subsidiary of Connecticut-based Heidmar filed its incorporation.

At the time Bailey was newly hired from oil company Fina in Dallas, working from temporary offices and hitting the phones in his attempts to cobble a staff together. That was definitely start-up time.

Two years later, HLSI has done enough to earn a market share Bailey estimates at 12% to 15% not bad considering what it is up against: two experienced competitors, Skaugen PetroTrans and AET Petrolink, with access to their own tonnage.

"It hasn't been an eight-hour-a-day job or a five-day-a-week job," Bailey said in a recent interview at HLSI's leased offices in north Houston.

"It's been a struggle but it's been a good struggle. We've had a stumble here and there but we've moved forward and we're recognised in the market. I think those other [two] companies now treat us as a peer," he added.

Bailey ticked off a series of milestones as the company's second birthday approached:

- It has completed more than 220 lighterings since its first transfer in November 2002 and now has high-profile customers including BP, ChevronTexaco, ConocoPhillips, Petrobras, Saudi Petroleum and Citgo.
- A full-time staff of 13 has been hired, including eight office staffers.
- It was awarded its first firm contract by Saudi Petroleum.
- Its core fleet of four aframaxs are on long-term charter. The overall fleet typically comprises eight to 12 vessels at any time.
- It has approvals from oil companies including Shell, BP, ChevronTexaco, Marathon Ashland and Citgo.

"It's understandable that the majors hesitate to use a lightering company just because you hang a shingle on your door," Bailey said. "They want to see you perform."

"So our business was built in proving ourselves to a rough client base the traders. They are very competitive on price but they insist on quality. That's exactly where we had to start."

But Bailey admits that HLSI was not just any old company hanging a shingle. The Heidenreich brand name taken from group founder Per Heidenreich did make a difference. Parent Heidmar may have been new to lightering but it operated the largest pool of panamax tankers in the Atlantic Basin. After a slow start, it had also grown its Dorado Tankers clean-products pool to the world's largest in its size range. Now a new aframax pool, Sigma Tankers, is on tap and will likely play a role in HLSI's future.

"We were lucky," Bailey said. "Some people gave us a chance before they really knew us. What also helped us immeasurably was Per [Heidenreich's] personal support."

Heidenreich initiated the start-up in 2001 after having tried to buy what was then OMI Petrolink. He had recoiled at the asking price. Petrolink eventually went to AET for more than \$18m.

"Neither of us could figure out that price," Bailey said. "Per has a way of looking down the road. He said, 'I wonder if we can't do that from scratch for a lot less.'"

Heidenreich may again have hit on something but HLSI still has a long way to go.

AET has been bolstered not only by its consolidation with Petrolink but also by its new owner, Malaysia International Shipping Corp. SPT is stronger than ever with a 50% investment by aframax giant Teekay Shipping last year and a commitment by both parents to dedicated newbuildings for the operation, much like the AET model.

But HLSI has a plan and Bailey insists that "we're either on plan or ahead of it" in all of its key benchmarks. Goals for 2004 include securing more contract business, winning more oil-major approvals, expanding geographically to the US east and west coasts and possibly the Caribbean and securing ISO certification.

'Still early days' is general consensus

Outside sources in the US Gulf lightering market agree that Heidenreich Lightering Services Inc (HLSI) has earned a measure of respect in the last 18 months. However, it seems the company is delivering with teaspoons rather than shovels.

"Put it this way: I have nothing negative to say about them but it is still early days," said one customer.

"People are taking more note of them. They're seen as a competitor," one broker added. "They had more than 100 lighterings in their first 12 months. That's pretty good for the new kid on the block. But when you look at a Skaugen [PetroTrans], they're doing 60 lighterings in a good month. They [HLSI] still have a long way to go."

HLSI has solidified its core fleet with the addition of two newer, double-hullers, the 106,000-dwt Petrozavodsk (built 2003) and 97,000-dwt Chemtrans Lyra (built 1993), he adds. Its other core ships, the 78,000-dwt Heidmar Sabine and Heidmar Brazos (both built 1988), are older single-hullers but were dedicated to lightering under ex-owner Chevron and well maintained to boot.

HLSI has benefited from the Heidmar brand name but only up to a point, he says.

"If you have a great name but when it's time to perform you suck, you lose the name pretty quickly," he said. "They've done a lot through hard work and are indeed performing well."

HLSI chief Jim Bailey denies that the company has also made gains through undercutting on price. But the broker maintains that this is the case.

"I don't know what they'd call it but there are some occasions when they've been way more competitive," the broker said.

One lightering customer gives an assessment that underlines both why HLSI should have reason for optimism but also humility.

"We're keeping a very close eye on their performance," he said. "We'd like them to succeed because we like the idea of having another alternative in that market."

"The Heidenreich name tells us they're going to have some good-quality ships behind them. Unfortunately, good ships don't guarantee a good lightering company."

"They've also got a couple of good, qualified lightering masters. That's great, but a couple is a couple."

He also questions the status of HLSI's relationship with UK-based lightering specialist Fender Care. This strategic alliance was first announced in April 2003.

"Fender Care is a quality provider. That looked great for them. But it would concern us if it turns out they're not really together," he said.

Bailey said this week that the alliance with Fender Care had not developed as hoped. "I don't know if I'd call it terminated but we haven't found anything that we can work together mutually on," he said.

"We haven't been able to grow that strategic alliance into anything of significance."

The two companies will still try to co-operate when it makes sense in a specific region, Bailey says.