

Sailing into the sunset? Some suggest shippers may head to Houston

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The international shipping industry that has made its home in southwestern Connecticut during the past three decades could just pack up someday and sail away, some in the business have speculated recently.

But the companies say they are staying put, despite the fact that most of their clients are oil companies in Houston, Texas.

Lower Fairfield County has developed both a shipping industry cluster and a community of interest.

In an Advocate/Greenwich Time column earlier this year, Mark Martecchini, managing director, Americas, for Stolt-Nielsen Transportation Group, wrote that ". . . today southwestern Connecticut is the shipping capital of the U.S., employing more than 4,000 people."

For both dry cargo operators and oil tanker brokers, the camaraderie that has developed in this region remains important.

Tanker brokering is a profession that's growing as more oil companies get out of the shipping business and instead contract with ship owners to transport oil.

Stamford-based tanker broker Mallory, Jones, Lynch & Flynn, which like many peers moved from New York City, expects to remain in Connecticut.

MJLF owns its building on Atlantic Street. Its co-founder, Samuel Jones, in a March article in Lloyd's List, said his firm was not considering a move to Houston or opening an office there, but he predicted that within 25 years Houston could be in southwestern Connecticut's league when it comes to tanker brokering.

Jones was unavailable for comment, but Patrick Callahan, a consultant specializing in U.S. flagged tankers at Mallory, Jones, Lynch & Flynn, said that 25 to 30 years ago, lower Manhattan was the center for shipping companies before a move started into southwestern Connecticut.

It was a natural progression, he said.

"The people who own the companies live here. It's a great place to live. Houston is a big center for oil companies, but it's going to take a long time to have Connecticut maritime business dissipate," Callahan said.

A lure, however, is the lower cost of doing business and living in the Houston area, he said. Some Connecticut-based tanker businesses already have operations in Texas.

When OMI Corp. was considering moving out of New York City in the 1990s, Craig Stevenson Jr., its chairman and chief executive officer and a Texas native, looked longingly at the idea of moving the business to Houston.

The move would have saved his company at least \$4 million a year, he said, but instead it chose to follow other shipping companies to southwestern Connecticut and settled in Stamford.

A determining factor, Stevenson said, was the number of critical employees and their experience that the company would have lost by moving to Texas.

"It's more important that you keep your crew," he said, adding that OMI realized it needed a presence on the Texas coast and located a technical office there to service ships. "A handful of brokerage shops have given it consideration. There's no perfect place to be domiciled. You could be located in Timbuktu with the communications of today. "

"The message is there. The tanker guys -- if they don't have a place in Houston, they're thinking about it," said Donald Frost, president of D.B. Frost & Associates, marine transportation planners and consultants in Stamford. "We are tribal here, but Houston is an oil city."

As senior officers at area shipping giants start to retire, the younger individuals who take their places may have other ideas about remaining in Connecticut, he said.

"With the cost of a house, it's very difficult to bring new people in. They're immediately playing catch-up," said Frost, editor of the Stamford-based Connecticut Maritime Association's monthly newsletter.

Connecticut can do little to prevent shipping magnates from moving their operations, Frost said, but it can take more notice of the "blue water" shipping industry in southwestern Connecticut.

A state effort to revamp its maritime cluster and include the major shipping companies has been long awaited, he added. Area shipping entities are competing at an international level under intense pressure, Frost said, and operating in an environment that is conducive to their success is crucial.

The years "2003 and 2004 were the best years in shipping since the beginning of time, and this boom, driven mostly by China, has had no constraints. Nobody is losing money," he said, "but the competition is far more intense than it's ever been."

Despite the long-term lure of Houston, one oil tanker charterer, a newcomer to the industry, chose to establish an office in Westport. It also has offices in Bermuda.

When asked why the company had an office in southwestern Connecticut, Arthur Regan, co-chief executive officer of Arlington Tankers Ltd., said lower Fairfield County was a significant shipping location with good access to the capital markets in New York City.

Balancing the equation, an executive of one firm long established in this area said, is controlling the cost of living for both the companies and their workers.

"The high cost of living is a factor in attracting qualified people," said Richard Lemanski, senior vice president of corporate finance at Stolt-Nielsen Transportation Group Inc., a Greenwich-based chemical shipping company, which is moving its 100-employee headquarters to a 29,000-square-foot new home at 800 Connecticut Ave., in Norwalk.

His firm has managed to attract and retain staff, but remaining in Greenwich where Class A office rates are now renting at an average of \$45 per square foot proved difficult.

An influx of hedge fund firms into Greenwich has caused rental rates to skyrocket, Lemanski said, stressing that despite the company's need to find a lower rent, it wanted to remain in southwestern Connecticut.

"We're committed to staying here. We have a long history of being in this area -- since 1969," Lemanski said. "We seem to have a vibrant community in shipping and its service providers."

Darien-based Heidenreich Marine, which operates three oil tanker pools comprising ships owned by 22 global companies, started a lightering business in Houston in 2002 to service tankers arriving in Houston, Texas City and Port Arthur, Texas, and Lake Charles, La., as well as oil and gas rigs in the Gulf.

The company, however, has no plans to move its headquarters to Houston, said Cecelie Jedlicka, chief administrative officer.

"It makes perfect sense for our lightering operation to be in Houston, but we like being in Fairfield County," she said, adding that other companies may consider moving to Texas out of cost of living concerns.

A move to Houston, however, could result in the loss of valued employees, she said.

Any rumors of southwestern Connecticut oil tanker businesses fleeing to Houston in droves are unfounded, according to Joe Angelo, director of regulatory affairs and The Americas at Intertanko, a global organization of independent tanker businesses.

Intertanko represents three companies in Connecticut, including Admanthos Shipping and Groton Pacific Carrier Inc., in Stamford and Heidenreich Marine in Darien.

None have indicated a desire to move to Texas, he said, adding that two of the organization's largest members, Teekay Shipping in Vancouver, B.C., Canada, and General Maritime in New York City, have expanded their operations in their respective cities.

In today's world of instant communications, he said, there is little or no need for these companies to be geographically tied to a oil company client.