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Grey Line

Commendable restraint

It is the simplest business in shipping – just carrying around crude oil and products. There is probably more to being a tanker owner than this, but Nicholas Tsakos, of the firm that carries his name, was being unduly modest about the achievements of the sector. The Intertanko Chairman had been speaking at one of the regular London meetings of the International Maritime Industries Forum, which you might remember had been formed some forty years ago, to address the chaos and confusion caused by gigantic shipping overcapacity. Not a lot has changed, then.

Dry cargo, containers and the offshore sectors may be in dire straits, but as Mr Tsakos pointed out, tanker owners seem to be taking notice of the independent tanker owners' organisation's exhortations to restrain themselves from ordering more ships. The sector, he suggests is in "rehabilitation" - the recovering tonnage addicts ignoring the broker "pushers" urging new cheap ships upon them. Goodness, it is a healthier situation than in other industry sectors although I suppose the test will be in remaining disciplined, as desperate shipbuilders offer ever bigger bargains!

Demand for oil is still growing, but the order book for tankers is the lowest in living memory, which perhaps, says Mr Tsakos, enables Intertanko to return to its more commercial aims, growing its membership with the addition of gas carrier owners and with a good spread of different sizes of independent fleets. It is also healthy to reflect that the tanker fleet will probably see a bit of rejuvenation, if older units are retired, rather than subject themselves to the expensive addition of new water ballast systems.

More long term business than the instability of the spot market, growth in India and China, plenty of good 2nd hand ships available for those wanting to grow and a greater emphasis on industrial shipping than ships as a commodity were all part of a picture he painted. Could some of the lessons of a turbulent past be finally registering with this sector?

Listening to him, I wondered whether leopards can change their spots or whether the DNA of a shipowner that causes him to whip out his cheque book and drag along his friendly financier, when a cut-price sale is announced by shipbuilders, can be altered? But it is also worth recalling that the tanker sector has been able to change its game dramatically over a couple of decades, to become the industry leader in quality, safety and standards. No other shipping sector; passenger, container, dry bulk or even offshore, has been able to demonstrate such a qualitative improvement. Some, alas, don't seem to be even trying.

You might suggest that the need to avoid oil pollution, seen by society as a crime more heinous than murder, might have driven this change. High profile accidents, followed by near hysteria among press and public emphasised the level of intolerance to tanker accidents. And the tanker sector got the message and has demonstrated the error in old assumptions about the inevitability of some accidents.

What else has helped? The insistence on high standards by charterers, for sure, with the oil companies SIRE programme of vetting encouraging quality, although the multiplication of inspections has been a burden which some say is over the top. Tanker owners tend to retain their crews, offering better conditions than those who rush around in containerships. They depend far less on the cheapest casual labour which sustains much of the dry cargo sector. The specialist safety training that is provided for their ship teams is arguably the best that is available.

There ought not to be this divide between the tanker sector and others. I remember sitting next to an aeronautical engineer at a dinner and him telling me that safety was not compromised when aircraft were loss-making. I took this with a pinch of salt at the time, suggesting this was an unfair comparison, but if it is possible to be uncompromising about safety and standards in the tanker sector, the same ought to apply elsewhere. And while we may not be in the same state as we were in the 80s with the “minimum maintenance” regimes which obtained in those desperate days, you hear increasing instances of detentionable deficiencies as the cost shaving goes on in suffering sectors. But not in the tanker sector, where operators have effectively changed the culture.

Mr Tsakos has some other interesting points to make. Bigger shipping companies, he suggests, are not naturally better, and while commercial consolidation might be worthwhile, he cites the value of pooling. He reckons that the 90 odd ships he operates enables the company to run like a “family”, not being too gigantic to lose sight of the individuals employed. There were not any shipbuilders present, which was just as well as the Intertanko Chairman concluded that newbuilding contracts should be avoided “like the plague”. There is plenty of evidence of this dread pestilence, looking around the industry, where there has not been such restraint.