TANKER Operator

AUGUST/SEPTEMBER 2007

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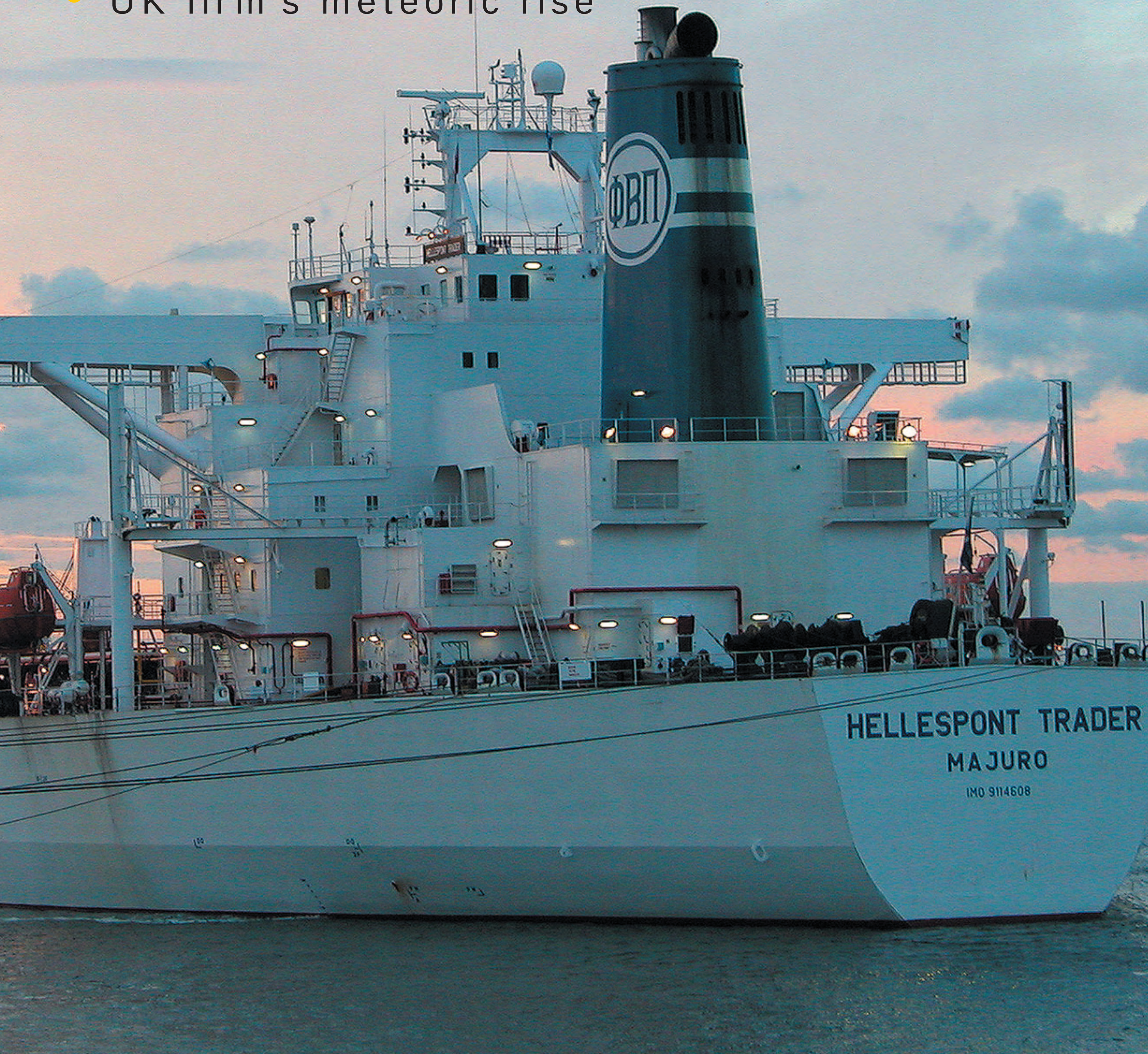

TANKEROperator

Vol 6 No 6

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SUBSCRIPTION
6 months (4 issues)
$142 /Eur110 /£75
1 year (8 issues)
$237/Eur185 /£125
2 years (16 issues)
$398/Eur310 /£210
Subscription hotline:
Tel: +44 (0)20 7510 0015
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Printed by The Manson Group
Reynolds House, 8 Porters' Wood
Valley Road Industrial Estate
St Albans, Herts AL3 6PZ

Contents

Front cover photo *- The dawn of a new era for Hellespont Hammonia is breaking. Chemical tankers and offshore supply vessels are among the latest types that will be managed from the banks of the Elbe in a converted brewery, which now houses the massive Peter Doehle empire.*

Old Ladies get a makeover

This year we have witnessed a spate of single hull VLCCs sold for conversion to double-hull very large ore carriers (VLOCs).

With the parlous state of the large tanker market coupled with the single-hull phase out fast approaching, this is one way of solving a problem of possible overcapacity.

Most of the tonnage sold for conversion will be used to feed China's huge appetite for ore imports, which is forecast to keep growing at a phenomenal pace. Interestingly, the Taiwanese have also entered the market in the shape of Taiwan Maritime Transport (TMT).

TMT is known to have bought four single-hull ex Japanese controlled VLCCs this year and has also put aside three of its own single-hull VLCCs for conversion projects.

China's Hebei Ocean Shipping (Hosco) and Cosco were also actively in the sale & purchase market buying elderly VLCCs for conversion, while Sinokor recently bought a 1992-built Indian-owned VLCC on the back of a conversion project.

Elsewhere, Frontline found a novel way of disposing of some of its single-hull suezmax tonnage by way of conversions.

A company called Sealift was formed by Frontline boss John Fredriksen and floated on the Oslo Stock Exchange. It purchased six suezmaxes from Frontline and converted them to semi-submersible heavy lift carriers in an effort to break into the dry tow rig movement market.

Sealift has since merged with Dockwise in a sort of reverse takeover to form a large heavy lift grouping.

Other elderly tankers were also in demand for FPSO and FSU work, which was increasing. With the world's oil and gas exploration and production ramping up, this market looked set to continue.

Rock bottom rates

At the time of writing, day rates for VLCCs were only about half the breakeven figure for modern units. With VLCCs costing \$120-\$130 mill new, the breakeven point was around \$60,000 per day, due to high finance and operating costs.

Operating costs were also going up, including salaries for experienced seafarers while repair and maintenance expenses were also rising on the back of a lack of facilities to handle the world's influx of tonnage as were insurance premiums and so on.

To purchase a secondhand 15-year old single-hull VLCC, be prepared to pay around \$40-\$45 mill. Add to that a conversion cost of up to \$30 mill and the whole exercise becomes expensive.

However, the difference is that today a VLOC could command way in excess of \$100,000 on the charter market against a VLCCs measly \$25,000 per day average. The rates for drybulk were expected to remain firm for at least a couple of years, meaning at a level of \$100,000 per day plus, the payback time of the purchase and conversion cost would be two to three years.

At the end of July, even the differential between single hull and double hull VLCCs was down to just three Worldscale points on trips from the Middle East to Asia. One broker said that there were around 80 large tankers waiting to load off the Gulf, exacerbating the situation.

Iran enigma

Also hanging over the future of the tanker industry was the spectre of Iran. If the unthinkable happened and the Iran situation exploded into conflict, the Strait of Hormuz would probably be closed for a while. Leading consultants McQuilling Services recently calculated that a closure would cost the tanker industry in excess of \$9 mill per day loss of market share.

There is no doubting the potential of Iran as government statistics dated January 2006 showed that the country's proven oil reserves were 137 bill barrels. Domestic combined crude and condensate production was estimated at 4.3 mill barrels per day in 2006.

However, Iran's refining capacity was not sufficient to support its domestic consumption, forcing the country to import around 150,000 barrels per day of refined products. In its research, McQuilling found that the refining capacity stands at 1.47 mill barrels per day, most of it provided by six refineries.

Ongoing refinery projects are underway. The government's intended goal was for gasoline imports to disappear by 2011-2012 resulting in the country becoming a net exporter to the tune of 100,000-250,000 barrels per day.

In 2006, Iran gasoline imports averaged 192,000 barrels per day, which cost the government more than \$5 bill, McQuilling noted. With the increase in gasoline output, fuel exports were forecast to decrease from 250,000 barrels per day in 2006 to less than 50,000 barrels per day by 2012.

Foreign investment in the oil and gas industry is the key to success, but many of the world's would be participants have withdrawn support, mainly due to the government's conservative political decisions. Iran has turned to China and India for help and is looking to export natural gas as the country has the world's second largest reserves estimated at 971 trill cu ft.

We are still hearing noises coming from Iran about the need to boost its tanker fleet to export crude and refined products in its own hulls and its plan to build many large gas carriers in domestic yards. TO

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Letter to the Editor

Dear Sir:

I have found in the columns of *TANKEROperator*, articles, comments, and points of view from tanker industry representatives on issues such as safety, security, environment protection, quality, zero tolerance, pro-active attitudes, change of culture, the chain of responsibility, plus the importance of working together in order to eradicate sub-standard elements in the transport chain.

As port agents we fulfill an important and active role as one link of the 'chain of responsibility'; therefore we gather information from different entities, such as - OCIMF, ITOPF, ISO 9001:2000, ISO 14001:2004 standards.

Our aim is to be at the forefront of agents in this area, therefore we have developed safety and secure procedures for operations while vessels are in port and at the interface.

However, I feel there is an inconsistency between what is said, promoted and invested by the industry and what is done. It seems to me that some parties or people inside the same organisation are not involved with the industry's actual requirements, or its company safety policy.

For example, when choosing an agent operators are mainly concerned with earnings as a priority without considering all the risks involved. For example, not appointing an English speaking co-ordinator on board while the vessel is at terminals where English is not the common language, or to avoid keeping a pilot on board at exposed terminals. These are relevant considerations to undertake quality and environmentally safe operations.

Unfortunately, many times fast decisions are made without an elementary risk analysis being undertaken, which overrides safety and operational considerations, jeopardising the great efforts and investment made to improve the industry.

In the March 2007 issue of *TANKEROperator*, page 3, the Letter to the Editor included the following comment; 'It's a completely nonsense increasing demand for tankers to change their summer deadweight in order to be allowed alongside certain berths'……to which I agree. However, the core matter here is that 'Summer Deadweight Change' allows operators to jump over the safety fence of terminals which did not have clear criteria of operating limits and mooring restrictions and did not follow up OCIMF recommendations.

It is important to analyse the risk that this summer deadweight change may cause. At ISGOTT we found; 'The use of deadweight as a parameter for setting ship size limitation is not recommended because this on its own is not a measure of size or total weight of vessel for calculation of berthing energy' . So, since we found a terminal with a deadweight restriction, we must be aware that the vessel will be loaded to its maximum displacement equal to the terminal deadweight restrictions and this probably is safe when the dimensional limitations for the ballast condition is be calculated. Also wind force predictions based on ambient environmental conditions and the vessel's freeboard area, must be verified against operating limits, plus the tugs' bollard pull and other considerations.

Tankers are at the greatest risk when in confined harbour waters and while working at exposed terminals, the risk of tanker break away incidents will increase. Unfortunately, many terminals do not have proper information regarding operational and environmental criteria, or weather forecasting and no forces calculations are available. If you add poor communications due to language problems, lack of standby pilot and tugs, then you have a potential hazardous situation.

> “Tankers are at the greatest risk when in confined harbour waters and while working at exposed terminals, the risk of tanker break away incidents will increase.”

Who will be responsible if under deteriorating weather conditions, the vessel breaks away and causes spillage and damage to the environment, terminal installations and elsewhere?

How will this affect determining whether a port and berth is unsafe for the purposes of a safe port warranty? How much will be the estimated cost for all the parties involved?

It is not only a matter of complying with regulations or terminal restrictions, as Rajaish Bajpaee, previous InterManager president, said regarding the Poseidon Challenge; 'Today, the issue of safety and reliability at sea, and environmental protection is less about avoiding liability under archaic regulations imposed by coastal states, and more about behaving in a proactive and responsible manner.

'Each quality link in the chain must strive to continuously improve to collectively push the global boundaries of quality further and further way up forward'.

Sometimes, prior to fixing, port agents are requested for information about terminal and port restrictions for a specific vessel and must be able to give reliable information advising owners or charterers about any inherent risks that may arise, which means local knowledge and training. However, not all agents fulfill the tanker Industry actual requirements.

Global agent Inchcape Shipping Services (ISS) had an excellent initiative when forming a specialist tanker team. It is necessary to have feedback by exchanging information between port agents, owners, traders, commercial and shipmanagers to benchmark safety, security and environmental protection, through common KPIs.

Shortly, we will be launching facts sheets with graphics that will show some KPIs, time used for reception, mooring, unmooring, clearance after cargo documents signed and delays to vessels. We will send daily reports showing a clock with time running, so with a single glance you will see the time used up in order to help shippers and consignees to avoid or reduce demurrage.

As Guy Morel, InterManager secretary said in *TANKEROperator* December 2006, page 20 'The best way to analyse and solve the issues facing our industry is by having the world's experts around a table.' TO

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Lloyd's Register

Greece is Russia's new energy buddy

It may have taken 13 years of economic and diplomatic wrangling before Russia and Greece could sign their first energy sharing deal, but recently Athens and Moscow have started to reshape the routes by which Russian energy reaches western Europe and beyond, writes David Glass.

After many false starts, a Euro1 bill plus deal was signed last spring for the construction of a pipeline to carry Russian oil from the Black Sea to the Aegean bypassing the congested and more expensive Bosporus straits. There are still some hurdles to overcome before construction gets underway.

However, since it was officially agreed to build a 280 km pipeline linking the Bulgarian Black Sea port of Bourgas with the northern Greek port of Alexandroupolis, Russian president Vladimir Putin and Greece's Prime Minister, Costas Karamanlis have hardly taken breath as the two countries forge even closer ties.

The ink was hardly dry on the agreement between Russia, Greece and Bulgaria to build the pipeline, than it was confirmed Turkey, Greece and Italy would combine on a project to pipe gas from Asia to western Europe placing Greece even more firmly on the world energy map. Then at the end of June came news that Greece and Bulgaria rather than Turkey, are favoured by Russia for yet another energy project, the new South Stream gas pipeline.

Though there was no sign of Karamanlis on 23rd June when representatives of Russian gas giant Gazprom and Italy's energy leader ENI signed and shook hands on an agreement for the South Stream gas pipeline, Putin and Karamanlis discussed the project two days later while attending an economic forum on the Black Sea region in Istanbul.

The South Stream pipeline will channel Russian natural gas to Bulgaria, Greece and Italy, again bypassing Turkey. Karamanlis revealed the discussions, describing the South Stream as "ä very important project which will help bolster energy security and also diversify supplies of natural gas".

The Bourgas/Alexandroupolis pipeline is expected to be carrying Russian crude within three years. Putin said the project will help stabilise the oil supply in the world energy market. Through a consortium of energy companies - Transneft, Rosneft and Gazprom - Moscow has 51% ownership in the pipeline, with Greece and Bulgaria splitting the remaining share equally.

A deal had been in the 'pipeline' for over 12 years, but once Putin became convinced, the project quickly took shape. He contended: "Russia's energy potential and the geographic location of Greece and Bulgaria open up brilliant prospects for co-operation... this deal will further increase the good dialogue on the issue of energy interdependence." Karamanlis stressed the project will put Greece on the energy map.

Bosporus bypass

Under the plan, crude oil will be shipped from the Russian port of Novorossiysk to Bourgas and then piped to Alexandroupolis from where tankers will load and take supplies to world markets. The pipeline will greatly reduce the need for tankers to transit the increasingly congested Bosporus and Turkish straits. Weather and congestion are causing long delays adding to the cost of shipping energy by tankers through the straits and most owners believe nothing will be lost by loading in the Med.

Transneft's ceo Semyon Vainshtok viewed the Greek port destination as part of Transneft's new oil export system, and he expected that, once the preliminary studies were done, construction would take 18 months.

While the South Stream project is still on the drawing board it does appear the Kremlin is keen to snub-out Turkey's desire to become a transit hub for Russian gas to southern and western Europe. Turkey put great effort into building the Baku-Ceyhan pipeline, to transport Azeri and Kazakh oil to the Eastern Med and then by tanker onto consumers. But this is a US-backed project supported by Washington's desire to route oil out of the Caspian and Central Asia, bypassing Russia.

However, the gas pipeline from Turkey, through Greece under the Adriatic to Italy is part of the Blue Stream pipeline, running north/south under the Black Sea, which carries Russian gas to Turkey for both domestic use and export. Work on the Turkey/Greek sector of this pipeline is well underway.

Greek state-owned energy concern DEPA and Italy's Edison have signed a Euro950 mill agreement to build an 800 km link to the 300 km Greece/Turkey section. Some 600 km will run across Greece while 200 km will run under the Strait between Epirus in Greece and Otranto on the heel of Italy. Work on the underwater sector is to begin this year and is to be completed in 2010 at a cost put at Euro350 mill. Edison will take around 80% of the pipeline's annual 8 - 10 bill cu m throughput. The Turkish energy agent Botas may take a share of the venture at a later date.

Some Greek analysts have expressed concern that Athens is putting too many eggs in the Russian basket. However, while most of the Black Sea/Med oil pipeline profits will go to Russia, this project and the South Stream project points to Moscow now regarding Athens as a strategic partner, which is seen as a success for Greek foreign policy. TO

Hydrogen sulphide in oily wastewater

The Swedish Maritime Safety Inspectorate has reported on an incident of gas poisoning that took place on board the 4,500 dwt oil product tanker *STOC Regina*, at the end of last year. Two members of the crew were overcome by hydrogen sulphide (H_2S) vapours, and rendered unconscious. The condition of one of the crew was serious for a number of days.

Although a closed sampling system was installed, members of the crew found it was bit slow to use, and were in the habit of obtaining samples through the open hatch. This particular tank contained oil-polluted wastewater, and according to the analysis it contained only 0.1% of H_2S, and was thought to be harmless. Subsequent examination indicated that it only required a comparatively small amount of H_2S in a cargo to create a large volume when confined in a small tank.

Hydrogen sulphide is very toxic. A single breath of the vapour containing just 0.1% of H_2S can induce a coma, as seen by events on the *STOC Regina*. While an initial odour of rotten eggs may be detected on the air, exposure to higher concentrations of H_2S will rapidly paralyse the sense smell, and the level of gas cannot be gauged.

It is recommended that when opening hatches on cargo tanks that contain liquids with even a low concentration of H_2S, breathing apparatus should be worn. If using a H_2S gas detector to check the atmosphere, exposure to a threshold limit value (TLV) of 10 parts per mill (ppm) is deemed safe for a person, while a concentration of vapour at 0.1%, as probably experienced on the *STOC Regina*, is the equivalent of 1,000 ppm. TO

Coatings inspectors - where will they come from?

The tanker industry is about to face an enormous headache from needing hundreds (maybe thousands) of highly trained coatings inspectors, according to Mike Kennedy, technical director of tanker operator Hellespont Steamship in Athens.

A new SOLAS regulation, II-1-3-2 of chapter XII-6 of SOLAS-1974, amended at the IMO's Istanbul Marine Safety Committee meeting by resolution MSC.215(82), will require the surface and coatings of new ballast tanks for tankers and drybulk vessels to be measured regularly to check they are good enough ("performance standard for protective coatings").

According to Kennedy, the average ship could need over 2 mill measurements during its construction.

The rule goes into affect for new ships where the contract to build them is signed after July 2008, when they are bigger than 500 gt.

IACS, the International Association of Class Societies, already said that the performance standard will apply to all IACS Common Structural Rules (CSR) classed tankers of 150 m and longer, or drybulk vessels of 90 m or longer, where the contract was signed after 8th December, 2006.

The measurements required include the number of coats of paint, chloride levels, the DFT (dry film thickness) for each coat, chloride levels, smoothness, dust, temperature, humidity, smoothness levels, cleanliness of the surface.

"Every welding seam has to be measured every couple of metres - each face plate or bracket has to measured," Kennedy said.

The measurements need to be carried out by an inspector trained and certified to NACE Level II or FROSIO Level III.

Kennedy recently attended the May Pusan meeting of the IMO JWG/IACS group that was tasked by IMO with developing the "Guideline for Implementation of MSC.215(82)".

"The shipyards are really worried and concerned about how these measurements are going to be made, reported and tracked," he said.

The shipping industry will have further challenges, in how the measurements will be audited, to check they were done properly.

Kennedy believed that a large business opportunity is available for a software or automation company that can make an integrated hardware/software system to automatically take,

Anybody seen a coatings inspector?

record and/or manage the data.

"If you could put your instrument on the construction blocks, push a bunch of buttons, and everything after that was done somehow automatically that would be a very useful thing," he said. "It's a really big deal, and it really begs for automation." TO

StealthGas success continues

At the beginning of August, StealthGas said that the underwriters of the company's recent public offering had purchased 460,105 of the 1,080,000 shares of StealthGas' common stock subject to the underwriters' over-allotment option.

Including the 460,105 over-allotment shares, the company had sold a total of 7,660,105 shares in the offering, resulting in net proceeds, after deducting the underwriting discounts and commissions and the estimated offering expenses, of approximately $129.6 mill. The shares were initially sold to the public at a price of $18 per share.

Citigroup Global Markets and Cantor Fitzgerald acted as the joint bookrunning managers in the offering. Johnson Rice & Co, Morgan Keegan & Co, DVB Capital Markets and Scotia Capital (USA) acted as co-managers.

StealthGas has also been expanding its fleet as in July, it announced that had taken delivery of the 3,518 cu m *Sea Bird II* and the 3,313 cu m *Gas Renovatio* in May, the 5,000 cu m *Gas Icon* and the 3,312 cu m *Chiltern* in June. The aggregate purchase price for the four vessels was $37.65 mill.

In addition, the company agreed to acquire two LPG carriers the *Gas Kalogeros*, a 2007 built 5,000 cu m fully pressurised and the *Gas Sikousis,* a 2006 built 3,500 cu m fully pressurised, which were expected to be delivered in July 2007.

Another three additional secondhand LPG carriers, the 3,517 cu m *Gas Evoluzione*, a 1996 built fully pressurised was also expected to join the fleet in July. The other two - the 7,000 cu m newbuilding resale *Gas Haralambos,* and the 3,500 cu m *Gas Sophie* built 1995 - were both expected to be delivered in October. Once these acquisitions are complete, the company's fleet will comprise of 38 LPG carriers with a total capacity of 164,429 cu m.

Chemoil to invest in Fujairah

Marine bunker specialist Chemoil is to plough $60 mill into Fujairah, the world's third largest bunker market. The company also said that it planned to assess potential elsewhere.

The attraction of Fujairah is the 15 mill tonnes per year bunker market. The Fujairah model could follow in the footsteps of its Panamanian and US ports expansion, the company said. Chemoil's participation in Fujairah is on a 40:60 joint venture with its local UAE partner, Gulf Petrol Supplies.

Elsewhere, Chemoil's Singapore presence was driven by the huge demand for marine fuel. The company recently acquired the Helios Terminal on Jurong Island which, when fully operational in 2008, will provide 448,000 cu m of storage capacity.

Helios, apart from being Chemoil's largest owned storage facility, is currently being considered for future expansion plans.

TORM takes control of OMI assets

TORM and Teekay have finalised plans for the distribution of OMI's assets.

From 1st August, TORM took over the operation of 24 product tankers. This gave TORM a fleet of 85 vessels, excluding newbuildings.

TORM has also taken over OMI's technical operations in India and a part of OMI's organisation in the US. For technical reasons two product tankers will remain in TORM's and Teekay's joint operation in OMI until no later than the beginning of 2008, whereas the other vessels involved were taken over by Teekay on the same day.

The remaining assets of OMI, including two product tanker newbuildings, will be equally distributed between TORM and Teekay.

OMI's 37,000 dwt handysize tanker fleet was carved up by TORM and Teekay.

Lubmarine extends into Cyprus

International marine lubricants supplier TOTAL Lubmarine has extended its delivery network to include Cyprus.

Lubmarine has signed an agreement with Navilub whereby the latter will blend and deliver the main products, including Talusia HR 70 cylinder oil, Atlanta Marine system oil and the Aurelia XL and Disola ranges of trunk piston-engine oils for engines running respectively on heavy fuel oil, or marine distillates throughout Cyprus.

Products will be available in all major Cypriot ports, including Limassol, Larnaca, Vassiliko and Dhekelia. A barge is also available for delivering the main grades via the 400 dwt *Knight Star*.

Georges Puskas, Lubmarine European zone manager, said, "Total Lubmarine is committed to strengthening its marine lubricants service to ensure that we can supply our range of marine lubricants in all the main ports where our contracted customers call. In 2006, Lubmarine delivered (its products) in well over 1,000 separate ports."

ABS to class US tankers

ABS has confirmed that it will class the first US-built common structural rules (CSR) tankers.

Three, shallow-draft 49,000 dwt Jones Act product tankers building for Texas-based AHL Shipping Company are currently under review by the society.

The class society said that it was familiar with the tankers having been involved since 2004 when it applied its proprietary SafeHull analysis to the initial design.

According to Tom Kirk, director, technology & business development, ABS Americas, this design was originally intended to meet ABS SafeHull standards but has been upgraded to meet CSR adopted by IACS in April 2006.

Further enhancements have enabled the tankers to meet requirements for IMO Type II chemical tanker per the IBC Code.

The vessels will be the first of this size to be built in the US using modular construction. Hull construction and final assembly of the vessels will be conducted at Alabama-based Atlantic Marine Alabama with several other shipyards and concerns under contract with AHL also participating.

Class society surveyors at various locations will monitor that the tankers are being built to ABS and CSR standards.

The vessels are scheduled to go on long-term time charter to Shell Trading USA by late 2009 through late 2010.

Meanwhile, the CSR for double hull oil tankers entered into force on 1st July 2007.

ABS has published a set of rules in two parts: one part for general information that does not contain specific requirements; and the other part containing the structural rule requirements for double hull oil tankers of 150 m in length or over.

Specific rule requirements are given in Sections 3 through 12 and also in the Appendices.

German investors flock to tankers

Perhaps better known for owning and managing a large percentage of the world's containership fleet, German shipowners are now investing in chemical, products and gas tankers again.

Some of those traditionally involved in containership operations and management have expanded their portfolios into other vessel types. Some of the KG finance system backers are also now considering putting some of their expertise into tankers and other forms of finance have started to appear.

Examples of recent newbuilding activity include Ahrenkiel, which by the end of this year will have had five panamax products tankers delivered from New Century Shipbuilding. Containership exponent Conti Reederei has six standard Hyundai Mipo 37,000 dwt product tankers on order, as well as a pair of 105,000 dwt aframax product tankers at Hyundai, Ulsan.

Companies involved with gas carrier concern GasChem Services recently ordered four 17,000 cu m LPG carriers from Meyer Werft while the first two of a quartet of 6,500 cu m LPG carriers under construction at Severnav have also joined the pool. Another three 8,500 cu m gas carriers are also on order. Including newbuildings, GasChem will have a fleet of 40 gas carriers all of which are, or will be operated in the GasChem-Gasmare pool.

The Meyer Werft orders were for the account of Harpain Reederei, a new joint venture between Harpain Shipping and Hansa Hamburg Shipping. All four will be LPG/Ethylene carriers Each vessel will have a length of 154.9 m in length and 22.7 m beam and will have a service speed of 17 knots.

Harpain Shipping has also taken over the 22.791 cu m capacity semi-refrigerated LPG carrier *Queen Zenobia* from Naftomar. The delivery took place in Livorno recently.

German Tanker Management was due to take delivery of the last in a series of Lindenau's 40,500 dwt products carriers this summer, while Hanseatic Lloyd is reported to have four 20,000 dwt chemical carriers on order at Amurskiy and another three at Qingshan.

Harren & Partners is believed to have a series of 15,000 dwt - 16,000 dwt products and chemical tankers close to delivery from Aker Brevik and Qiuxin Shipyard, while Leer-based Hartmann has a series of small LPG carriers under construction at Severnav, and has just taken delivery of two suezmaxes from Universal Shipyard.

One of the few large crude oil tanker managers in Germany is Flensburg-based Ernst Jacob. This company has two panamaxes under construction at STX Shipbuilding. Although investment vehicle Dr Peters is listed as an owner of VLCCs and other tanker types, they are managed by third party shipmanagers such as ITM. Dr Peters plays a similar role to that of Frontline, a company with which it has dealings.

Another company diversifying is large bulk carrier owner Neu Seeschiffahrts. This Hamburg-based concern has invested in three 50,000 dwt LPG carriers at Hyundai. Large chemical/product tanker owner Rigel Schiffahrts has also contracted six Hyundai Mipo standard 37,300 dwt chemical tankers.

Bernhard Schulte is adding to its LPG portfolio with three 9,300 dwt LPG carriers this year and two 20,600 cu m LPG carriers at STX for 2009 delivery, plus another eight product/chemical carriers of 16,500 dwt to come in 2008-2010 from Jiangzhou.

The chemical/product tankers (four IMO III and four IMO II types) are part of an 11-ship order split between Schulte and Sloman Neptun for a possible new tanker pool. It was thought other owners could also be involved. Sloman Neptun has also ordered four IMO type II sisters. Schulte and Sloman Neptun are also partners in the Unigas LPG/ethylene carrier pool.

Scorship Tankers, a joint venture between Scorpio Ship Management and Konig & Cie, has six panamax products tankers and two aframaxes on order at New Times Shipbuilding.

TB Marine has eight 16,500 - 19,000 dwt chemical carriers on order at Liaoning Hongguan under a long term charter deal with Clipper Wonsild Tankers. The vessels, to be delivered 2009 - 2010, will be coated with MarineLine. United Product Tankers (UPT) is taking delivery of the third and fourth of a series of 40,000 dwt chemical tankers from Saiki Heavy Industries.

Wappen still has four of its innovative SCOT type chemical/products tankers on order at Damen Galatz and W-O

> "German training schools [need] more specialist training courses as they tend to concentrate on the containership market."
>
> Heinrich Braun, German Shipowners' Association

Shipmanagement has four panamax products tankers building at Brodosplit Shipyard plus a 20,000 dwt chemical carrier at Fukuoka.

New kids in the block

Newcomer Claus-Peter Offen Tankschiffreederei ordered eight slightly modified Hyundai Mipo 37,000 chemical tankers and another eight 52,000 dwt tankers from the same yard. More orders could be on the way, both from the above sources and others, including another newcomer Marenave, which is a joint stock company put together by HSH Nordbank and Konig & Cie.

Another relative newcomer to the German scene - Hellespont Hammonia - has two panamax product tankers at New Century and six 17,000 dwt IMO II chemical carriers on order at Sekwang, plus six platform supply vessels to join the nine tankers already in service.

Most of these deals were put together by finance houses using the KG investment system. The one major exception is Marenave, which is the first shipping investment concern in northern Germany to be organised as a joint stock corporation under German law.

The intention was to offer institutional investors long term investment opportunities in the shipping market and thus diversify their portfolios. Marenave buys and sells the vessels and concludes charter contracts, but farms out the technical management.

For example, the 46,700 dwt product and chemical tanker *Cape Bauld* was acquired earlier this year. It was built by Hyundai Mipo in 2004 and is currently managed by Columbia Shipmanagement Germany, a subsidiary of Schoeller Holdings and she is operated by UPT United Product Tankers, another Schoeller company.

In addition, Marenave has the panamaxes *Mare Atlantic* and *Mare Pacific*, plus the Hyundai Mipo 37,300 dwt *Mare Ambassador* and the *Mare Action,* both of which are managed by Interorient's Hamburg office.

Marenave started trading on the Hamburg Stock Exchange last November under the watchful eye of ceo Tobias Konig.

Meanwhile, the German Shipowners' Association (Verband Deutsche Reeder) has strengthed its team by appointing ex tanker man Heinrich Braun. He told *TANKEROperator* that the German training schools needed more specialist training courses as they tended to concentrate on the containership market. "A good pumpman is well worth his or her money", he explained.

The VDR has around 10 tanker owning, managing and operating members, mainly in the chemical and products tanker sectors. To date, the VDR has about 25 employees, split into different departments. It also has an office in Berlin to be near the decision makers.

Figures recently released by the VDR showed that at the end of last year, 347 tankers of all types were controlled by German interests. These included 302 under foreign flag while only 45 were under the German flag. Judging by the above, there are a lot more to follow. TO

GL survives its *Annus Horribilis*

The past 12 months or so have been rather demanding for 140-year old class society Germanischer Lloyd in more ways than one.

In a year of positive's, which could have easily turned into adversity, Hamburg-based class society managed to achieve the highest delivery rate of newbuildings in its history - 8.8 mill gt. Also, GL managed to retain its place as an independent classification society following the well-documented Bureau Veritas takeover attempt.

However, according to joint managing director Hermann Klein, the most important aspect for GL's employee morale was the support it received when its independence was questioned.

Klein also claimed that last year, GL recorded the highest sales revenue in the company's history. It was also the best gross operating performance in any financial year.

The sales revenue of the Germanischer Lloyd Group (the German stock corporation (GL AG) and the other 83 consolidated group companies) showed a rise of Eur 46.1 mill (+ 14.5%) on the previous year reaching Eur 364.4 mill.

Splitting this into divisions, 75.8 % was generated by maritime services and 24.2 % by industrial services. After deduction for taxes on income, the highest ever consolidated profit of Eur 45.2 mill was recorded for the financial year 2006 (previous year Eur 20.4 mill).

GL's vessel orderbook remained on balance virtually unchanged in 2006, which was remarkable given the high volume of deliveries, Klein thought. During the year, orders for classification of seagoing tonnage remained around the previous year's high level, reaching a new record by topping the 20 mill gt mark at the end of November 2006.

The volume of orders received for newbuilding classification of ocean-going vessels amounted to 10.3 mill gt in 2006, the second-highest figure in a reporting year. Total orders for classification of new seagoing tonnage at the end of 2006, at 1,204 ships and 19.9 mill gt, showed an increase of 1.6 mill gt, equalling 8.4% on the beginning of the year, or as much as 20.4% in terms of value.

To cope with the existing volume of orders for newbuilding classification, GL intends to make further increases in its network in Asia this year. For example, GL opened its 10th Chinese station in Qingdao last February.

The classification society is also present in Shanghai, Dalian, Jiangyin, Nanjing, Ningbo, Wuhan, Guangzhou, Hong Kong, and Kaohsiung. Shanghai is the location for the country office and the Chinese area office, plan approval and engineering services East Asia and the division office East Asia. Further representations are in the offing.

In view of the high level of orders and the fact that GL's capacity in the newbuilding classification sector is fully booked until the end of 2008, Klein said that GL expects to maintain its growth strategy in the medium term.

Joint GL managing directors Rainer Schoendube and Hermann Klein have led the class society through choppy waters recently.

Coatings seminar

GL has been and still is very active on the research front by being involved in several projects and seminars. For example, GL conducted its first class exchange forum to discuss IMO's new 'Performance Standard for Protective Coatings' (PSPC) standard in June.

The rules for protective coatings of ballast water tanks have been tightened. To prevent corrosion and thus enhance ship safety, the IMO recently agreed on PSPC in ballast water tanks on newbuildings.

For the shipbuilding industry the implementation poses a big challenge. What will be the consequences for shipyards, paint manufacturers, application companies, classification societies and owners? Do application methods need to be adjusted? How much documentation is necessary? These questions were discussed by more than 100 representatives of the maritime industry at an exchange forum organised by GL.

The new regulation is due to enter force on 1st July, 2008. The new standard concerns dedicated seawater ballast tanks in all types of new ships of more than 500 gt and double-side skin spaces arranged in bulk carriers of 150 m in length and upwards contracted on or after this date.

Regulation II-1/3.2 of the International Convention of the Safety of Life at Sea (SOLAS) was amended accordingly. The ballast water tanks of tankers and bulk carriers built under the Common Structural Rules already come under the new regulation when contracted on or after 8th December 2006. According to the IMO standard, the intention is to provide a target of 15 years for the useful life of the coating.

The decision initially caused mixed feelings among paint manufacturers, shipyards and owners. Who will guarantee for the requested 'good condition' of the coating for such a long time-span? How much detail will need to be provided in the requested 'verified inspection report'? Generating the Coating Technical File will require additional work for yards, owners and suppliers alike. But to what extent will the new appliance and maintenance procedures increase shipbuilding costs and lengthen dock periods?

The GL forum was moderated by Daniel Engel, head of competence centre materials and products. In his opening presentation he gave details of the class society's crucial role for the implementation of the new standard. Class societies are responsible for the certification of the coating system, qualification check and monitoring of the coating inspector, as well as the review of reports and the Coating Technical File.

The PSPC is prescribed as mandatory within the scope of the IACS Common Structural Rules. In order to guarantee a smooth implementation, IACS issued a Procedural Requirement (PR34). Maintenance and inspection remain the keys to prolong a ship's life - also in respect of coating conditions. Further action by IMO, Engel explained, therefore includes the development of a similar standard for void spaces, as well as a standard for maintenance.

But yards have to gear up now as Joachim Becher of Aker Shipyards said in his presentation. His conclusion was that the new standard will help to prolong a ship's life, reduce maintenance and repair work, as well as increase ship safety. However, yards will have to face a considerable amount of extra work. More time will have to be invested, thus construction costs will rise. Becher also suggested that new construction halls might be needed warranting the ideal climatic conditions when applying the coating.

How pre-qualification tests will have to be performed in the future and which requirements will have to be met by paint manufacturers was discussed by Dr Theo Reints Bok of Dutch coatings concern Sigma Coatings. He posed the question whether coating inspectors will have to complete an extra certified qualification in the future. Dr Andreas Momber, representing surface protection specialist Muehlhan, proposed necessary amendments to application and documentation procedures.

Thorsten Lohmann, GL's coating expert, gave an overview of the inspection requirements and class adjustments. The society will offer a tool to generate the coating technical file. GL Pegasus, a program developed to perform thickness measurement reports will be used to file coating inspection reports in electronic form at the newbuilding stage and to provide possible documentation of future maintenance activities.

This will include an illustration of the coating conditions found and any detected corrosion in relation to the location in the ship. The GL tool will help focus on the hotspots during the ship's lifetime. The programme is based on a 3D structural model and supports all parts of a ship and provides interconnected tabular and graphical views.

Lohmann also explained about the possibility to train and certify coating inspectors at GL. The compact seminar, developed especially for shipyard operations, focuses on practical aspects concerning corrosion, coating systems, paint application and inspection procedures. The course will be equivalent to NACE and FROSIO as required by the IMO PSPC, but much more specialised for the purposes of a typical maritime application and environment. The approval of the course by the flag states' administrations is underway and the first one is scheduled 16th - 22nd September 2007.

As outlined in the presentations, protective coating systems applied in ballast water tanks need to be type approved following an adjusted testing procedure described in the IMO PSPC. At the moment, rather limited testing possibilities are available worldwide. However, type tested products are needed by the industry. GL has established a laboratory for the pre-qualification testing of coating systems followed by a GL type approval.

Current IMO legislation such as the PSPC is explained in GL's 'IMO Pilot 2007'. This comprehensive reference book produced annually offers an overview of all major changes in technical and operational requirements of IMO conventions since 2005. Also included are amendments to SOLAS concerning abandon ship drills with free-fall lifeboats and requirements for fuel tank protection.

GL is one of the key partners in the SAFEDOR project. Recently a seminar was held to assess the first two years of research work.

Introducing the key results of the past two years, Dr Pierre C Sames, head of the SAFEDOR steering committee and head of GL's competence centre strategic research and development, explained the project's vision: "Enhance safety through innovation to strengthen the competitiveness of the European maritime industry." The objectives are to;

- Increase safety cost-effectively by treating safety as a design objective.
- Develop a formalised risk-based design framework as well as a risk-based regulatory framework.
- Produce prototype designs for safety critical and knowledge-intensive vessels.

GL is also involved with the first Ship Efficiency 2007 conference to be held in Hamburg on 8th-9th October.

New kid on the block

Traditional containership owner and manager Claus-Peter Offen has diversified into the tanker sector by ordering 16 product/chemical tankers.

Eight 36,000 dwt product and chemical tankers were contracted at Hyundai Mipo closely followed by another eight 52,000 dwt product/chemical tankers at the same yard. To keep the new entity separate, Claus-Peter Offen Tankschiffreederei (Offen Tankers) was formed and experienced shipmanagement expert Stephan Polomsky appointed to head up the operation.

Polomsky explained that Offen had seen an opportunity to expand its large shipping business into the wet trades as many ships in the product and chemical tanker categories would be phased out very soon and also the tonne/mile ratio is forecast to grow, as the product flow will change once new refinery capacity comes on stream in India and the Middle East.

However, there maybe a slight decrease in the carriage of gasoil as refinery capacity declines worldwide in the more traditional areas.

The change in the MARPOL/ IBC code, new stricter environmental and safety regulations affecting the carriage of vegetable oils and their derivatives and the 2010 single hull phase out deadline will impact on product and chemical tankers, making many ships redundant, he explained. Polomsky also said that in general it was not worth owners and operators converting ships of this size from single to double hulls, due to the cost involved.

Stephan Polomsky has been bought in to head up Offen Tankers.

Offen Tankers came into being in December last year when it was decided to convert a contract for eight 1,800 teu containerships into 36,000 dwt Ice Class 1A IMO Type II product and chemical tankers, on the back of a co-operation agreement with Broström. Polomsky was then persuaded to head up the new venture having more than 15 years' experience in shipmanagement with the John T Essberger group.

In March of this year, Offen Tankers followed up the original contract conversion with an order for another eight 52,000 dwt product/chemical tankers from the same shipyard. Further expansion could be on the cards in the form of newbuildings, newbuilding resales or by delving into the secondhand market, where there are good opportunities to pick up these types of vessels, Polomsky said.

As the first tranche of newbuildings will not be delivered until about May 2008 and the second tranche from July 2009, Polomsky said there was still plenty of time to examine the market to see what opportunities lay ahead.

Paris management

The first 36,000 dwt series will be commercially managed from the Paris office of pool partner Broström, which has a large fleet of chemical and product tankers of all sizes, including similar vessels to the Offen Tankers newbuildings. Technical management will be undertaken from Offen's headquarters in the centre of Hamburg, headed by Polomsky who is currently recruiting a management team. He stressed that everything would be taken care of in-house, rather than use third party management concerns as he believes that he could exert better control and timing on important issues himself, rather than rely on somebody else.

The first eight ice class vessels will trade in the northern/southern European area, roughly including an area from the Baltic to the Black Sea in a pool with partner Broström.

Commercial details for the larger MR2 IMO Type III tankers were finalised on 25th June when Shipping and Transport of Singapore (STS), a subsidiary of Glencore International of Switzerland and Offen Tankers, entered into a joint commercial

> "Everything can be introduced from the beginning in the right direction"

operation for their 16 tanker newbuildings.

The partners have eight product/chemical tankers of 52.000 dwt each under construction at Hyundai Mipo shipyard in South Korea with deliveries from early 2009 onwards. The sister vessels will be commercially operated from the offices of STS and will trade worldwide, but will not be ice class.

STS is the shipping arm of Glencore, a major commodity trader, which takes a very active role in the product tanker market.

KG financed

All the Offen Tankers vessels are being built under the KG German tonnage tax regime. Although no flag state had thus far been chosen, the vessels will probably be registered in the UK, which is favoured by a number of German owners and managers as the vessels would mainly be trading in northwest Europe. At present, they are all being built to LR class.

One of Polomsky's first tasks after recruiting a management team will be to embark on a roadshow with partner Broström, thus introducing the new 37,000 dwt vessels, the pool and the total quality & safety approach to the world's oil majors.

He thought oil company vetting was becoming stricter as the oil majors were asking more detailed questions. Polomsky sits on an INTERTANKO committee, which is working on a refinement of TMSA to make it more workable and practical. Once it has been re-drafted, it will be submitted to OCIMF.

By starting from scratch, Polomsky said that everything could be built up with quality in mind, manuals could be re-written, quality procedures could be introduced and the appropriate software chosen from the start. Initially, he said he was receiving help from both Offen and Broström. "Everything can be introduced from the beginning in the right direction", he explained. He envisaged a "…very smooth entry into the market."

When the time comes for selecting crew, they could be sent to Broström for training on specialist product and chemical tankers. Cadets will also be carried on board as extra accommodation has been included in the design. Polomsky explained that Offen operates a good cadetship programme on its containerships, which will be transferred to the tankers.

Much of the training will be undertaken in the Philippines and a couple of Offen Tankers senior management will go to Manila to oversee the training. Equipment manufacturers, such as Framo, also offer training for the pumping systems, control systems and so on. Seminars will also be conducted and the engineers will be trained on the MAN Diesel main engines and auxiliaries using MAN's training facilities.

The standard Hyundai Mipo 36,000 dwt tankers will be built to an improved design. For example, a 900 kW bow thruster will be fitted and the piping modified, a super stripping system fitted, as will Framo Deepwell pumps, plus two sets of water ballast pumps included on each vessel. Each of the cargo tanks will be coated with phenolic epoxy.



Cadets catered for

Innovative Hamburg shipmanagement concern Wappen Reederei has redesigned its accommodation blocks of the four newbuilding SCOT 8000 product/chemical tankers.

By moving the free fall lifeboat on each vessel from its central position at the stern to the starboard side, the accommodation will be extended to house an extra three cabins on each ship. The extra cabins fitted on each of the newbuildings will be used by two cadets - one engineering and one deck.

Eight SCOT 8000 types are already in service with another four to come by the end of next year from the Romanian shipyard Damen Galatz. Of the eight in service, two are operating on the southern African coast on timecharter, another is timechartered to ChevronTexaco, while the others operate in the spot market often carrying vegetable oils.

The SCOT 8000 design is a double hull, twin engine with full redundancy chemical and product tanker. They fly the UK flag and are registered in London.

Managing director Jan-Erik Panitzki explained that the UK's Maritime and Coastguard Agency (MCA) has agreed an Alternative Compliance Scheme with Wappen, whereby the MCA takes care of the ISM and ISPS inspections on board the vessels, but leaves almost every other survey to class, which in Wappen's case is GL. The MCA also vets the vessels' Port State Control records.

All the senior officers hail from the European Union and comprise Latvians, Poles, Germans, Croatians and Romanians, while a few Philippino juniors are also employed.

Crew retention has become the watchword of most shipping companies and like the technical management, Wappen handles the crewing in-house. The commercial management is undertaken by Poseidon Schiffahrt.

Panitzki said that the company is trying to encourage junior officer and ratings upgrades and will offer financial incentives, such as help with maritime academy fees. Several training establishments are used by Wappen, which also promotes on board and onshore computer-based training (CBT) courses mainly through Seagull.

Officers are also sent to equipment suppliers, such as MAN Diesel and Framo, for specialist training. For example, courses are run by Framo on the operation and maintenance of its deepwell pumps.

On the question of SECAs, especially in the Baltic and North Sea, for smaller vessels having only one fuel system, they could be problematic as there is no room to fit extra tanks and pumps etc. Panitzki said that his ships will just have to re-bunker with low sulphur fuel when arriving in Europe for example from South America.

Similar to other tanker companies involved with the oil majors, Wappen has been audited by most of the majors and does not foresee a problem with TMSA.

This August, Wappen will take delivery of the *Wappen von Dresden,* which will be followed by *Wappen von Nurnberg, Wappen von Augsburg* and *Wappen von Flensburg* through next year.

All the vessels, including those in service and the newbuildings, have been financed through the KG scheme using finance house Hansa Hamburg Shipping.

As well as managing the tankers, Wappen also technically handles four 1,600 teu ice class containerships. TO

The *Wappen von Dresden* has been fitted with extra accommodation for cadets.

Interorient outgrows old home

Primarily due to company expansion, INC Interorient Navigation Hamburg moved premises this year.

Although the Interorient group is based in Limassol, Cyprus, about 22 tankers are run from Hamburg with another two due this year. The majority of them are operating in the Norient Product Pool (NPP), which is commercially run from Copenhagen in partnership with Danish tanker and bulker owner Norden, explained Hamburg-based commercial director Carsten Gierga.

At present the pool has 39 ships and another 35 to come, which are mainly newbuildings contracted by both Norden and Interorient. NPP was founded by the two partners in January 2005 and is operating very well, Gierga said.

Hamburg handles full technical management, quality assurance, crewing and financial management through the KG system thus taking advantage of the German tonnage tax system. Another 45 vessels use Interorient's crewing services, mainly in the container sector.

In addition, Interorient's Hamburg office looks after the technical management of two of Marenave's products tankers, plus another with a single ship KG concern set up by Konig & Cie.

Commenting on the KG system amid recent criticisms that forecasting had been way off the mark due to rising costs, Gierga said that projects need to be carefully looked at and proper forecasts undertaken bearing in mind the rising operating costs.

Interorient uses three finance houses and found that in general the German finance houses and banks looked for long term partnerships and knew the shipping markets well.

Hamburg handles tankers of up to 51,000 dwt, while Cyprus operates the aframaxes and others (see page 31). The newbuildings will come from Hyundai Mipo (standard 37,000 dwt tankers with Ice Class 1B) and STX (standard 51,000 dwt tankers with Ice Class 1A).

About 40% of the pool vessels are timechartered for up to two years while the other 60% operate on the spot market. Some 20% of the expanded pool will have been covered by timecharters by 2009.

As most of NPP's vessels have high ice class, more specialist crew is needed. To help train seafarers, a new complex was opened in Riga, which has a 270 deg full mission bridge simulator. Riga brings the total to four crewing offices - the other three being located at Manila, St Petersburg and Odessa.

Tanker crews must pass through the Riga office for training and then go to either Hamburg or Limassol for final briefing. On board training is also favoured with the aid of computer-based (CBT) type systems. To accomplish on board training, Interorient has roving captains and chief engineers who travel with a ship to teach the cadets.

The group has almost 90 cadets on its books and the number is growing, Gierga said. By 2009, the company's target is to have 200 cadets either on board or attending one of the colleges. The tankers are capable of accommodating two trainees each. Training is also carried out group-wide at Limassol, Hamburg and Riga and in the various offices worldwide through normal day-to-day training.

As English is the first language spoken within the group, all nationalities need a reasonable grasp of English. For example, in Hamburg Gierga explained that there were eight nationalities working in the office, including a Philippino quality assurance manager, an Indian marine superintendent, Polish and Romanian technical superintendents and a Russian handling the registration.

This 'league of nations' is partly due to a lack of locals coming through the ranks with shipping experience, which is worrying many companies spoken to by *TANKEROperator*, not least the German Shipowners' Association (Verband Deutsche Reeder).

HR is now a big issue in most companies and Interorient is no exception. It is not only shipboard personnel that needs the human touch, but also the office staff, Gierga insists…."otherwise they will go", he said. He claimed that Interorient had a stable team and that the all important retention rate was very high.

The tankers are generally split between the Cypriot and Maltese flag and between DNV and GL for class. DNV moved its regional office to Hamburg in 2005, close to Interorient's German base. TO

Ahrenkiel continues expansion

Ahrenkiel has started to take delivery of five panamax product tankers, contracted from New Century Shipyard.

Two are already operating. Both the *Dalmatia* and *Dania* were delivered into a short timecharter with Mansel Oil (Vitol) for a worldwide trading.

The third vessel - *Dalisia* - is to be delivered on 31st August, while the *Davinia* will follow on 3rd September and the *Dacia* will be the final delivery in December.

The management has been taken over by a new subsidiary formed by the Ahrenkiel Group - Suisse Outremer Ahrenkiel & Co, of Berne, Switzerland. The tankers will operate in the Jacob-Scorpio Pool.

Ahrenkiel also said that in addition, one new chemical tanker was recently delivered while another is due for delivery soon.

Bow Octavia was handed over to Ahrenkiel Consulting Services of Berne on 1st June 2007. The vessel entered into the Chempool 19 operation, managed by Odfjell Seachem, the partner in the Odfjell Ahrenkiel joint venture. Her sister - *Bow Olivia* - was launched on 2nd July. TO

Ahrenkiel's new panamax product tanker *Dalmatia* seen off Fujairah

Joint venture proving successful

Hellespont Hammonia, the joint venture between Hellespont, Peter Doehle and Hanseatische Capital Invest (HCI), formed two and a half years ago and based in Doehle sumptuous offices on the Elbe, is expanding into chemical tankers and offshore supply vessels.

At present, Hellespont manages nine tankers - four suezmaxes, one aframax and four panamax product tankers and has another 14 vessels on order, or under construction. The newbuildings comprise two panamax product tankers to go with the four already in service, six 17,000 dwt IMO Type II chemical tankers and as a diversification, six platform supply vessels.

The vessels in service are operated mainly with a full Philippino crew, whose responsibility falls under Hellespont subsidiary Manila Shipmanagement & Manning, based at Makati City. Hamburg-based managing director Spyros Vlassopoulos explained that the company doesn't outsource its crewing needs, which today amounts to around 300 persons.

He said that in general the vessel's crew matrix is vetted by the oil majors, whose usual questions take the form of - how long have you been with the company? They also try to establish that the crew has served on the same type of vessel, which could be difficult with a new crew, or if seafarers are rotating between ships. Vlassopoulos claimed that Hellespont has good SIRE, Port State Control, US Coast Guard reports and had two vessels under the QUALSHIP21 regime.

Hellespont's Hamburg office is to be expanded from its current 13 persons to cater for the management of the newbuildings. Vlassopoulos said he needed to recruit personnel with offshore and chemical tanker experience, among others.

The company's Document of Compliance (DOC) is held in the German city, as the Piraeus office was becoming more like a consultancy, although certain managerial tasks are still handled from Greece, which also houses Hellespont's headquarters.

A Hellespont panamax product tanker enters Long Beach.

The prime reason for being in Hamburg is that all the newbuildings have been financed within the KG system. Those in service are on seven to eight year charters to Sanko, which has sub-let most of the vessels to operators such as Teekay, Tesoro, Ursa, Adam and Itochu.

Vlassopoulos strongly believed in the day-to-day hands-on running of the ships and will not hesitate to send a port captain or a senior superintendent to a US or UK discharge port for example, to enable the crew to get some rest, as the senior officers can be on duty for 24 hours or more when approaching such ports or terminals.

Seven of the nine vessels in service are classed with ABS while the other two are in the hands of LR and GL. The flag states are split between Liberia and the Marshall Islands. Hellespont is proud of the fact that it was the first company to sign up with the Marshall Islands and now taps into the flag states' Piraeus office.

Another example of not keeping all your eggs in one basket is the choice of P&I clubs, which in Hellespont's case are the UK and Britannia clubs.

One thing which is worrying Vlassopoulos and his senior management is that he could be faced with having seven ships earmarked for their special surveys on or around 2011 and due to the number of larger vessels of all types delivered in 2006, finding a drydock could prove to be a problem.

Last year, three tankers were drydocked, two of which went to Lisnave. Each of the drydock stems cost around $1.5 mill. Each vessel is now painted in the traditional Hellespont white, which assists in revealing defects. Although incurring higher maintenance costs, one of the major reasons for opting for a white hull is for ease of identifying problems, such as leaks on deck, where any problems can easily be seen and rectified at an early stage.

The newbuildings' decks will be painted in light grey, but the topsides will be coated in the traditional Hellespont white.

Hellespont also has 30 people in China supervising the newbuildings at New Century Shipyard at which the two remaining product tankers are under construction. A subsidiary - Hellespont Consultants Corp - was formed based in Jingjiang, Jingsu province.

To beef up the senior management Christian Freiherr von Olderhausen joined Hellespont on 1st July. Formerly managing director of Hanseatische Capitalberatungs, he now heads the Hellespont management team, which includes Alexander Papachristidis-Bove, Michael Kennedy, and George Hadjigeorgiou.

As ceo, von Olderhausen will further Hellespont's interests in Germany, strengthening its ties with the local shipping and financial communities and developing new business opportunities for Hellespont internationally, the company said in a statement. TO

Crew retention vital

International Tanker Management (ITM) has offered third-party ship management from an office in Hamburg since 2001.

The Hamburg office, and another in Dubai, are incorporated under parent company International Tanker Management Holdings, based in Bermuda, which is part of the Wilh Wilhelmsen Group.

With a few exceptions, ITM manages assets in the tanker sector, while an affiliated company called Barber Ship Management, organised under Wilhelmsen Maritime Services (another company in the Wilh Wilhelmsen Group), caters to the dry side of the shipping business.

ITM (Germany) managing director Ulf Bendroth confirmed that the German office manages 23 ships, with another due to join soon. All are owned under the KG scheme and are under full technical management, including crewing.

> "Crew retention is essential to create continuity on board, and for personnel to get used to the company's way of working, which might take a little time to accomplish,"
>
> Ulf Bendroth, managing director, ITM (Germany)

ITM's managed fleet consists of most types of tankers up to VLCC size, as well as five bulk carriers. Frontline and its associated companies is a leading client, along with Dr Peters, Stella Marine and Marlink. Bendroth is convinced that this figure will grow as he believes more family-run firms will seek third-party outlets for their technical management.

He adds that it could be very difficult for owners with 10 or less vessels to cope with the rigours of technically managing vessels today, mainly due to the ever more stringent rules and regulations and the demands of oil majors.

He said: "We give good back-up as a service provider for the ships. This is how we see ourselves. The target is to keep the ship running, approved and at reasonable cost."

ITM has cadets, both on deck and in the engine room, on all of its managed vessels. The extra cost involved is included in the shipowners' budget.

Bendroth is adamant that ITM needs to keep in social contact with the crew and maintain an open relationship. "People (crew) need to feel comfortable that the office is there to support them," he explained.

"Crew retention is essential to create continuity on board, and for personnel to get used to the company's way of working, which might take a little time to accomplish," he added.

Bendroth fears that the number of ice-class trained crew have not kept pace with the number of ice-class ships on order. "We have to be a little bit proactive and prepare for more ice-class ships," he said.

On the question of remuneration, he said that ITM does not have a surplus of cash. "We have to be serious and do a good job while being cost effective in a difficult market, especially in the tanker sector where many eyes are watching," he explained.

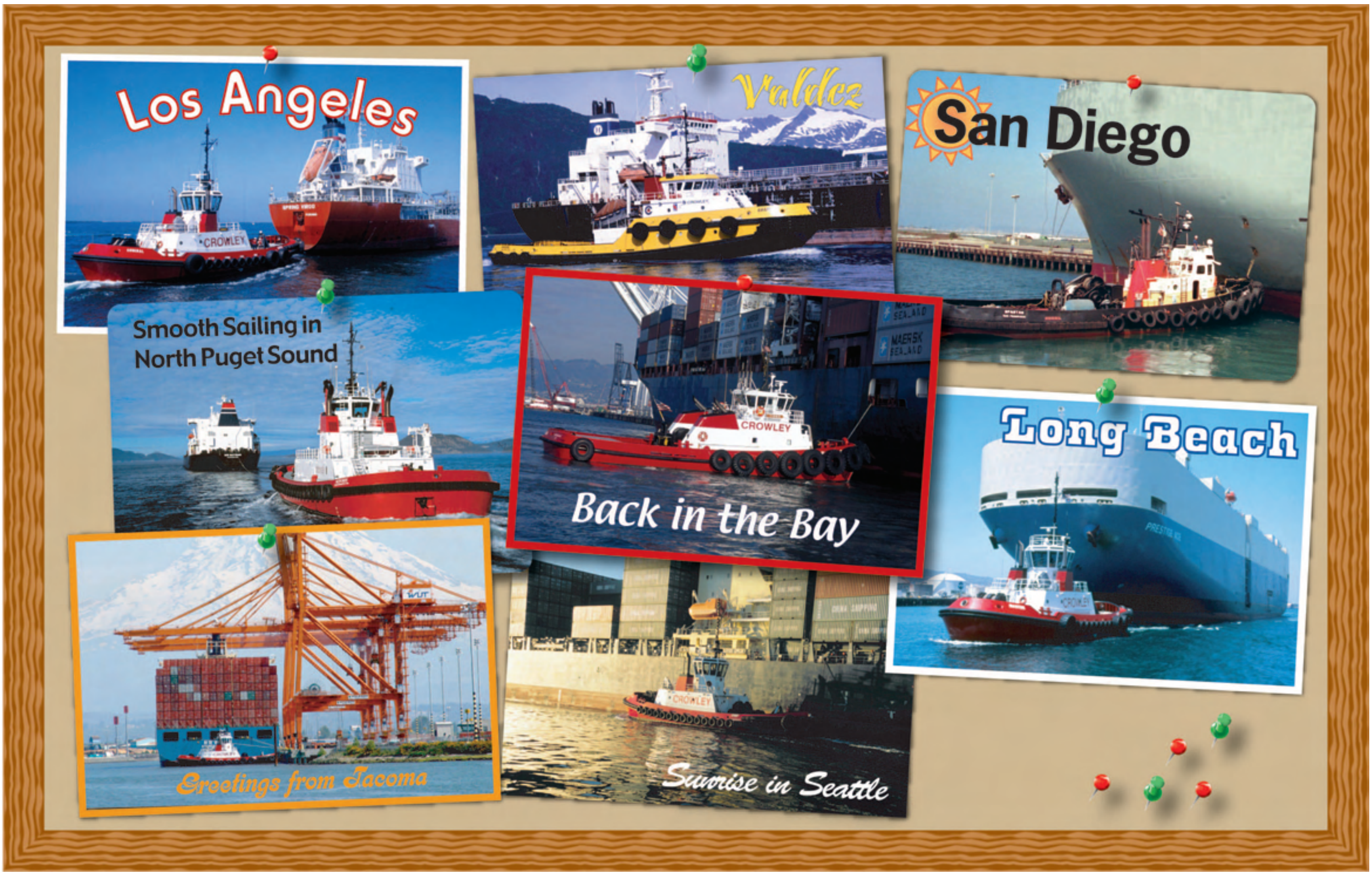
The Hamburg office interacts with Dubai and the other 300 or so offices worldwide in the Wilhelmsen group. "This is a must as we need to use each other," he said.

As has been noted by several owners and managers recently, future drydock stems could prove to be a problem, due to a lack of repair facilities and an ever expanding fleet. "We have to book a drydock so far in advance that we don't know where the ship will really be on the actual date," Bendroth explained.

Another problem for the technical departments is that product tankers often operate in the spot market and discharge ports are liable to change at short notice, making it a challenge to plan the delivery of spares.

As for the future, apart from tapping further into the KG market, gas tankers is another sector that ITM could focus on. "We have experience with gas tankers," Bendroth claimed. TO

Crowley tugs - an attraction at every West Coast port.



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Greek shipping on a high

Greek tanker operators, so long the leading lights of the Greek industry, have been forced to concede ground to their bulk carrier counterparts, writes David Glass.

Riding the booming freight market, dry ship operators have set about renewing their fleet, just as the tanker people did over the past couple of years. However, in the case of the bulker operators the investing in new tonnage has not been forced upon them by regulators to the same degree as it was on energy shipping.

In 2006, Greeks invested around $17 bill in new ships, the great bulk of it committed to projects involving energy-carrying hulls. Impressive as this investment was, it pales in comparison to what has occurred since the beginning of this year.

In the first six months of the year Greek owners ordered just over 300 ships worth $16.83 bill. In the January/June period, the Greek investment in new ships equalled that made in the whole of 2006. However, this time bulk carriers lead the way with 190 ships of 21.257 mill dwt worth $10.61 bill contracted. Energy carrying ships accounted for 73 units of about 4.15 mill dwt valued at $4.13 bill.

While keeping up with the ordering is not easy, analysing the data reveals that at 30th June, some 700 ships were on order for Greek interests, over 22% of the total world orderbook. Due to the previous ordering spree, tankers account for some 310 ships in the current orderbook, while another 32 are gas carriers - all but a handful are LPGs. Around half of the tankers are chemical/products carriers ranging from 5,000 dwt to 50,000 dwt.

"Newbuilding activity in the first six months compares to that of the whole of 2006, which at the time was a record and if we adopt the method of projection to the end of the year, the 2007 total may finally double that of 2006," said George Banos, of Piraeus shipbrokers George Moundreas.

The broker even believed that the final investment figure, because of the gradual increase in shipbuilding prices, may prove to be even higher.

On closer examination of those investing we see Greek shipping is joining the world trend and consolidation is now the name of the game.

If we look at Greece's largest fleets, we find that at mid-year, 55 Greek operators ran fleets of over 1 mill dwt, five more than a year ago. This is not so surprising as ships are getting larger, though specialist trades involving smaller, often very high specification ships, like the gas and chemical trades are attracting a growing interest on the part of traditional Greek shipowners.

According to research by *Newsfront Greek Shipping Intelligence* Greece's 'tonne millionaires' run 133.53 mill dwt, a staggering 85.5% of Greek-controlled trading tonnage.

John Angelicoussis' energy fleets Kristen Navigation/Maran Gas combine to form Greece's largest operation. Its 36 energy trading ships tip the scales at 8.293 mill dwt. Angelicoussis also runs 24 bulk carriers of 3.25 mill dwt under the Anangel Maritime Services banner.

Angelicoussis leads the ownership league from the Tsakos Group, which under the TEN and Tsakos Shipping & Trading banners, runs 71 ships of 7.188 mill dwt. Tsakos has around 50 tankers and is just ahead of George Procopiou's Dynacom/ Dynagas operation which has 6.377 mill dwt in 45 ships. TEN is Greece's largest listed operation ahead of the fast growing George Economou/DryShips/Cardiff outfits and, since the end of April, OceanFreight, which raised $200 mill in an IPO on Nasdaq. The Economou grouping has a combined fleet of 6.86 mill dwt involving 57 ships including 19 tankers.

Further, Maran Gas, TEN, Dynacom/Dynagas and Cardiff all have ships on order, and in the case of the last three, very large diversified orderbooks. And this is in addition to the flow of newbuildings into these fleets over the last two years.

When it comes to ship numbers rather than capacity the largest orderbook of all belongs to Aegean Marine Petroleum under the aggressive leadership of Dimitris Melissanidis. The US-listed bunker and supply specialist has some 40 highly-specialised ships on order. (See page 28).

Of Greece's 55 largest owners, 23 are exclusively tanker operators, while another nine are primarily engaged in the energy trades. In this latter group we have the Harry Vafias-led StealthGas operation which has quickly built-up a fleet of almost 40 LPG carriers, including ships on order, making it the world leader in the niche market of small gas carriers.

Furthermore, the strength of the bulk markets, both wet and dry has seen some re-thinking among owners who have built their reputations in a certain market sector. Indeed, it is not only the bulker fraternity who are investing in dry ships. Tanker operators are also splashing out on dry ships.

“Of Greece’s 55 largest owners, 23 are exclusively tanker operators, while another nine are primarily engaged in the energy trades. In this latter group we have the Harry Vafias-led StealthGas operation which has quickly built-up a fleet of almost 40 LPG carriers...making it the world leader in the niche market of small gas carriers.”

Diversified

For example, Peter Georgiopoulos, who has a finger in both the wet and dry pies, has just launched New York-listed Genco Shipping & Trading into the capesize bulker sector, aided by the $1.1 bill purchase of nine units from Theodore Angelopoulos'-controlled Metrostar. Besides taking Genco into the capesize market, this deal potentially increases the fleet's capacity by 159% to almost 2.6 mill dwt. As there are two trading ships and seven newbuildings involved for delivery between the fourth quarter of this year and the third quarter of 2009 we await developments, but Genco could end up larger than the better

HELMEPA - 25 years on

The Hellenic Marine Environment Protection Association (HELMEPA) has progressively built a solid cluster of responsible shipping companies, vessels and seafarers for the past 25 years which, on the basis of corporate and individual commitment have demonstrated their effectiveness and success to optimise shipboard operations towards the protection of the marine environment and safety at sea. Around 13,000 Greek seafarers and 500 ocean-going ships are currently members of the Association from which 180 are tankers of a total capacity of 22.5 mill gt.

The basic aim of HELMEPA is to instill environmental consciousness throughout the shipping industry so as to compliment the requirements of the legislation for pollution prevention and safety at sea. It is widely accepted that even the strongest international conventions and national laws cannot be effectively implemented until every sector of the shipping industry is committed to the joint effort.

Knowledge and transfer knowhow, as well as experience sharing are the innovative features of the ongoing annual voluntary training programme. Co-operation with its members, Classification Societies, managing companies and other maritime industry organisations has resulted in the development of knowledge transfer, through which the 'best available techniques' for routine and new shipboard operations are identified and promoted.

The concept of optimisation was considered to be a logical approach for HELMEPA member vessels representing a step beyond the compliance with the applicable rules and regulations. The excellent performance of its members in several fields, such as Port State Control inspections, pollution prevention and accidents reduction, was the catalyst of this new concept and strategy.

Safety on board tankers is the central theme of the 2007 Training Programme focusing on issues such as, risk assessment and management techniques that can be applied from the oil majors' TMSA scheme, planning and response to oil pollution incidents, tanker safety operations, the optimisation of ship-generated wastes and residues, control of emissions of volatile organic compounds, and more. ■

known New York-listed tanker outfit, General Maritime (GenMar). Genco president Robert Gerald Buchanan explained that this move was made to benefit from the strong demand for coal and iron ore in China and other developing countries.

An interest in the dry sector has also been re-kindled in Dimitris Procopiou, boss of tanker operation Centrofin Management. Before setting up Centrofin a decade ago, Procopiou had both wet and dry ships, but the latter activity, until quite recently lapsed, as Centrofin was built up into a 2.5 mill dwt tanker operation.

About 12 months ago big bulkers caught his eye and over $150 mill was spent on two modern capesizes and an aframax. This was followed by a $276 mill order for four 176,000 dwt bulkers in China's New Times shipyard for delivery 2010-2011.

Reefers to tankers

The Laskaridis brothers - Panos and Thanassis - are among the world's leading operators of reefer ships, controlling some 100 units at certain times of the year. But, diversification is also in the air for them and late May the group confirmed it had ordered four 17,500 dwt IMO II chemical tankers and six bulkers in China for delivery in 2009 and 2010 at prices which Panos Laskaridis said; "are in line with the market". Laskaridis also said the newbuilding programme; "….is the first step in developing new activities…" and the two sectors in which the investment is being made "….have a good future".

In what the seller described as "a purely commercial decision", LMZ Transoil seemed to have made a profitable retreat from shipping, at least for the time being. In mid-July, products specialist Eletson Corp paid LMZ Transoil around $250 mill for four modern panamax tankers, charter-free for prompt delivery. The sale of the 70,000 dwt *LMZ Artemis*, built 2004, *LMZ Afroditi* and *LMZ Nefeli,* both built 2005, and *LMZ Nafsika,* built 2006, leaves LMZ without any ships, but well in pocket, and lifts the Eletson fleet to nearly 30 units of 1.842 mill dwt, which includes an all double-hull fleet of four aframaxes, 14 panamaxes and 11 handymaxes.

Eletson also has six 52,000 dwt IMO III products tankers on order at Hyundai Mipo Dockyard for delivery in 2009-2010, two 51,000dwt IMO III products tankers at SLS for 2008 delivery and four 35,000 cu m LPG carriers at Hyundai Mipo.

This sale underlined the operator's desire to get trading ships on its books. LMZ did very well on the investment as the four ships were built for around $127 mill. TO

A bunkering powerhouse takes shape

US-listed Aegean Marine Petroleum (AMP) has launched a $650 mill bid to acquire the Bahamas Oil Terminal, one of the world's largest supply facilities, writes David Glass.

The Athens-based bunkering and supply group maybe still relatively unknown but under the aggressive leadership of Dimitris Melissanidis this is unlikely to be the case for long. Of course, Piraeus-based AMP faces strong competition, but it believes it can win control of the terminal in what is thought to be the largest investment made abroad by a privately owned Greek company, outside the financial sector.

The Bahamas Oil Terminal is being sold by BORCO, a subsidiary of Venezuela's state-owned oil company.

Last December, Aegean netted around $200 mill through an IPO on the New York Stock Exchange with General Maritime's (GenMar) Peter Georgiopoulos and his righthand man John Tavlarios on board. The GenMar leaders took a 25% stake in the offering with Georgiopoulos taking the chairman's chair. This undoubtedly played a big part in the successful float, which came a year after the expansion-minded Melissanidis pulled the plug on a previous IPO.

In addition, Tavlarios' younger brother 44-year old E Nikolas Tavlarios is AMP's ceo, taking over from Melissanidis who took on the job of corporate development. Melissanidis has had a number of legal entanglements with Greek authorities, documented in Aegean's prospectus, some resulting in acquittals and some in convictions.

Upgrade plans

Aegean is understood to have bid $450 mill for the Bahamas facility and Melissanidis has pledged to invest another $200 mill upgrading it if he gains control. Situated on a 1,235 acre site, the facility processes some 3 mill tonnes of product annually and controls much of the product movement in the Caribbean. The sale is being handled by CitiGroup and among other bidders are oil majors and investment group JP Morgan.

Aegean has supply stations in the Caribbean, US, Singapore, Mediterranean and Gibraltar. Georgiopoulos said the company wants to enhance its ability "to continue to meet growing customer needs for the purchase and delivery of marine fuels".

This goal is underpinned by a 40-ship newbuilding programme, including five 4,600 dwt double-hull bunkering tankers recently confirmed at Fujian Southeast Shipyard in China. The group presently runs some 35 tankers, the bulk of which are double hull bunker supply vessels.

Ten newbuildings are slated for delivery this year, comprising seven units of 4,600dwt from Fujian, the first of seven 6,200 dwt vessels building at Qingdao Hyundai Shipbuilding and two 2,400 dwt prototype ro-ro tankers on order at Severnav shipyard in Romania, which have the capacity to carry six loaded petrol tankers.

In recent months AMP has acquired three units on the secondhand market, an aged double-hull panamax tanker, a 1980-built products tanker and a 1991-built 7,030 dwt chemical tanker, as, in the words of Nikolas Tavlarios the company moves to "expand our marine fuel logistics infrastructure" and position itself "to increase sales volumes over the near and long term".

Georgiopoulos confirmed that the double-hull tanker is to be used for floating storage in one of its existing global service centres. At the same time Aegean sold a single-hulled 92,000 dwt tanker, *Aegean Hellas*, built 1982, for scrap in Bangladesh for a rate of $445 per lwt raising some $8.7 mill, a net gain of about $2.3 mill.

US contract

Melissanidis said; "Aegean is dedicated to developing innovative and competitive products".

The company has been around for more than a decade growing steadily in the ship bunkering and petrol station sectors. Expansion picked up after it won a contract five years ago to provide bunkering services to US ships, including navy vessels, in the eastern Mediterranean. This agreement was subsequently extended to include the wider Atlantic Ocean region.

Melissanidis said co-operations and alliances had put Aegean; "in a position to provide fuel to any ship in any port of the world" in other words the group has created "a strategic and competitive global network. We are expanding rapidly and the logical next step is to acquire more ships built incorporating the latest in technology," according to Melissanidis.

He believed the energy market will, over the next decade, "evolve, focusing on oil and its by-products, while at the same time the search for other clean, alternative forms of energy will go on. We have already started a programme of investments in companies that deal with marine and land environment protection," Melissanidis said.

Georgiopoulos said Aegean is "committed to the overall goal of increasing fuel sales volume". He also said he wanted to expand both the physical supply operations and delivery capabilities. TO

A Capital result

Capital Product Partners (CPP) explained its modus operandi when announcing its first financial results running from 4th April this year, when the partnership formally launched its shipping operations, through to 30th June, 2007.

This reporting period took in 88 out of 91 days in the calendar quarter. CPP priced its initial public offering on 29th March, netting $270.5 mill in proceeds from the IPO, including $34.1 mill following the exercise of the over allotment option.

Net income for the period was $4.9 mill, or $0.22 per limited partnership unit. Adjusted for a one-off non-cash charge of $3.8 mill related to the transfer of interest rate swap contracts from Capital Maritime & Trading to the partnership, the net income was $8.7 mill.

CPP's Ceo and cfo Ioannis Lazaridis; "We are very pleased with these initial operating results. Revenues were stronger than expected, thanks to our profit sharing arrangements and the strength in product tanker market rates, while operating expenses were in line with our expectations and our agreement with Capital Ship Management, which manages the commercial and technical operations of our fleet. As a result, cash generation for the period was above our projections at the time of our initial public offering in March."

The partnership generated an operating surplus for the period of $10.2 mill. Operating surplus is a non-GAAP financial measure used by certain investors to measure the financial performance of the partnership and other master limited partnerships, CPP explained. Gross revenues were $15.9 mill, consisting of $14.0 mill in base charter hire revenue and $1.9 mill in profit sharing revenue, reflecting the robust spot hire rates in the product tanker market that allowed CPP to earn above the base rate.

Market strength

Overall, conditions in the product tanker market reflected a strong spot market and an active period market throughout the second quarter of 2007. The low level of gasoline inventories and below average refinery utilisation rates in the US were the main reasons for the buoyant rates.

During the second quarter and compared to the first quarter, period rates improved by about 3% for MR product tankers as a number of charterers, including oil majors, traders and operators, entered the market seeking quality tonnage for long-term employment. Asset prices for modern MR tonnage appreciated close to 6%, CPP said.

Total operating expenses for the period were $3.2 mill, consisting of $2.8 mill in vessel operating expenses paid to Capital Ship Management, plus about $400,000 in general administrative expenses related to the costs of running the partnership.

The interest expense and finance cost of $4.9 mill included a one-off non-cash charge of $3.8 mill related to the transfer of interest rate swap contracts from Capital Maritime & Trading to the partnership. As part of the carve out of the historical financials, the partnership recognised this one-off non-cash charge in the income statement.

CPP entered into eight interest rate swap agreements, which were transferred from Capital Maritime, on 4th April, 2007 - the partnership launch date - in order to reduce its exposure to cash flow risks from fluctuating interest rates on $326 mill of its $370 mill revolving credit facility. These swap agreements fix the LIBOR portion of the interest rate charged on the facility at 5.1325% through 29th June, 2012. The $3.8 mill charge mentioned above resulted from the valuation of the swap agreements' fair value as of April 4, 2007. Subsequent changes in the fair value of the interest rate swap agreements were recognised in 'other comprehensive income' (a gain of $7.3 mill as of 30th June).

The board declared a cash distribution of $0.3626 per unit (the pro rata portion of the partnership's minimum quarterly distribution of $0.375 per unit), representing a total cash distribution of $8.3 mill. The cash distribution will be paid on 14th August to unit holders of record on 6th August, 2007.

Deliveries

Among the recent highlights was the delivery, ahead of schedule, of the partnership's ninth MR product tanker *Atrotos* on 8th May, while on 13th July she was joined by the 10th MR product tanker - *Akeraios*. Both product tankers are Ice Class 1A, with carrying capacities of 47,786 dwt and 47,781 dwt, respectively. Both have been timechartered to Morgan Stanley Capital Group for three years at a base rate subject to a 50:50 profit sharing arrangement.

CPP has also agreed to purchase five additional MR product tankers from Capital Maritime & Trading, including two more Ice Class 1A sister vessels scheduled for delivery in October 2007 and three MR product tankers scheduled for delivery in 2008. All five vessels will be under time or bareboat charters due to commence at the time of their delivery.

Capital Maritime & Trading - the 100% owner of CPP's general partner - owns 22 additional modern tankers. The partnership has the right of first refusal to acquire six of these product tankers from Capital Maritime if long-term charters are arranged.

CPP claimed that its balance sheet was strong as of 30th June with long-term debt of $86 mill, compared with stockholders' equity of $242.3 mill. Following the delivery of *Akeraios*, the partnership had utilised an additional $56 mill from its loan facility. The remaining capacity under the revolving credit facility ($228 mill) will be sufficient to fund the remaining two contracted acquisitions for 2007 and a substantial portion of the 2008 deliveries.

Lazaridis concluded, "Following the delivery of our remaining contracted vessels over the next 12 months, our fleet will consist of 15 state-of-the-art product tankers, including the largest and one of the most modern fleets of Ice Class 1A vessels in the world. With our defined strategy for pursuing additional accretive 'drop-down' acquisitions, Capital Product Partners is well positioned to capitalise on the product tanker industry's strong growth dynamics. Our long-term goal is to deliver sustainable growth in cash distributions to our unit holders."

CPP is a Marshall Islands master limited partnership owning 10 MR Ice Class 1A product tankers and as mentioned has an agreement to purchase five additional product tankers from Capital Maritime & Trading. All 15 vessels are under medium- to long-term charters to BP Shipping Limited, Morgan Stanley, and Overseas Shipholding Group. TO

CSC's role explained

The Cyprus Shipping Council (CSC) was established in 1989 by 17 founder members and today it is the trade association of the Cypriot shipping industry.

The CSC represents all the major shipowning, shipmanagement and shipping related companies located in Cyprus. There are more than 130 member companies, which collectively control more than 2,000 ships, having a total tonnage of approximately 40 mill gt, thus making it one of the largest national shipping associations in the world, the CSC told *TANKEROperator*. Of the 2,000 vessels, 290 are tankers and a further 105 are gas carriers.

Cyprus is now a member of the European Union (EU) and joins the Eurozone on 1st January 2008. Since its establishment, the number of its member-companies has been growing steadily, something that clearly shows that the accession of Cyprus into the EU in May 2004 did not have any detrimental effect to the cost of operation of shipowning and shipmanagement companies located in Cyprus, the CSC claimed.

During the accession negotiations, the Cyprus Government in close co-operation with the CSC managed to convince the EU to extend the application of the 'Tonnage Tax' system to shipmanagement companies as well, in addition to shipowning companies, which was the case until then.

This approval was given through the 'State Aid Guidelines for Maritime Transport', which was published by the EU in 2004. This so called 'victory' for Cyprus also covered a large part of the shipmanagement activities carried out on the island and with this edict in place, Cyprus managed to safeguard and protect the interest of its Shipping Industry, the CSC claimed.

After the EU declared that shipmanagement companies could also be taxed under a 'Tonnage Tax' system, it was noticed that many other traditional EU shipping countries either have, or are seriously considering applying such a system in their country with the aim of attracting shipmanagement companies to their territory, as they are very lucrative for a state's economy.

However, the CSC claimed that Cyprus had the correct foresight, knowledge and experience on the issue of attracting shipmanagement companies well ahead of its competitors. The CSC said that through its very attractive legislative system and operational shipping infrastructure, the shipping service area will further develop and expand into an even greater attraction for first-rate shipping companies, both from countries within EU as well as from outside countries.

At present, the major initiatives for the CSC are to continue working towards the continuous improvement and development of the Cypriot shipping infrastructure. This involves the resolution as speedily and efficiently as possible, of all pending legal, operational and administrative issues affecting the Cyprus shipping industry and the Cyprus flag, with the ultimate aim of making the Cyprus flag even more competitive, and retaining the attractiveness of Cyprus as a major international shipping centre, especially in terms of the applicable tonnage tax basis for shipping companies in Cyprus.

Despite its success, CSC said that it recognises that there is still a need for a better co-ordinated effort by all bodies involved with Cyprus shipping, to promote both in Cyprus and more importantly abroad, the tangible progress achieved over the last few years, as well as the advantages and business attractions that Cyprus has to offer as a leading and reputable international shipping metropolis.

In addition, the CSC will maintain and enhance when needed, its work and activities at the various national, regional and international shipping organisations, of which the council is a member and a reputable representative of Cyprus shipping, in order that the particular interests of the Cyprus shipping industry are adequately promoted and safeguarded, the CSC concluded. TO

Interorient Cyprus

Peter Bond

One of the leading shipowning companies based in Limassol is Interorient Navigation. At present Interorient has 16 tankers under ownership and management from Limassol with another 24 to come. The company also has 16 bulk carriers under its newbuilding programme to add to the tankers.

Many of the tankers are standard Hyundai Mipo products and chemical tanker types of 37,000 dwt and 51,000 dwt, but there are also four suezmaxes and four aframaxes in the newbuilding programme.

Two aframaxes - *Polar Mariner* and *Polar Merchant* - were named on 19th March and the *Polar Mariner* was delivered the same day. They were built by Hyundai, fly the Cypriot flag and are classed by DNV.

Entering the EU has not affected Interorient to a great extent as it has been registered as an onshore concern since 2000. As explained by the Cyprus Shipping Council, the tonnage tax situation has remained virtually unchanged, since entering the EU.

The only problem is persuading ex-patriot personnel to relocate to Cyprus as the previous regime of tax concessions and duty free goods no longer apply under the terms of entering the EU. The cost of living, including housing and salaries, has inevitably gone up.

Recruiting seagoing senior officers will also become a problem with its huge newbuilding programme, a situation which is not unique to Interorient. General manager Peter Bond said that the company had a little bit of an edge due to the number crewing offices it controlled and also due to its cadet programme.

Last year, Interorient employed 68 deck and engineering apprentices and expects to use a similar number in the years to come.

Today, Interorient regards itself as a shipowner, rather than a third party shipmanager as Bond said with a 40-ship newbuilding portfolio for its own account, that is more than enough.

Interorient also has 70 vessels under crewing management, most of which are for long term clients.

The company is implementing ISO14001 both on board the vessels and in the offices worldwide. It was hoped that the certificates would be issued by the middle of this year.

Other innovations introduced by the company included a system of sealing/tagging the oily water separators to stop the practice of by-passing the separator, which causes many ships and shipowners to face heavy fines and to fall foul of Port State Control.

Interorient shares its views and experiences by being a member of the CSC, Intertanko, the informal tanker safety forum and other interested parties. TO


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Harmonising EU PSC with neighbouring MOUs: Prospects and Problems*

Cyprus is one of the newer EU member states, which has a significant shipping interest with its active Department of Merchant shipping, which today controls around 1,850 ships.

A marine accident in the South or Eastern Mediterranean, may very well adversely affect and cause severe damages to European coasts; so, it was essential that the European Union (EU) opted to develop a strategy aiming to bridge the gap in maritime safety and protection of the marine environment between EU members and their neighbouring states. Within the programme 'Wider Europe for Transport' significant steps were undertaken by the commission

In November 2005, the High Level Group on Transport, comprising the 25 EU states plus Bulgaria and Rumania and 26 neighbouring countries, headed by former EU Commissioner Loyola de Palacio, presented its report on the *"Extention of the major trans-European transport axes to the neighbouring countries and regions"*.

For maritime transport the group made the following recommendations:

■ The international rules and conventions (IMO) should be ratified and implemented in full and without delay, including for example the MARPOL convention relating to single hull tankers and the convention on antifouling systems (AFS).

■ The practices and procedures of the Paris, Mediterranean and Black Sea Memoranda of Understanding (MOU) should be harmonised at the highest level of performance. The group welcomed the intention of the European Commission to approach the three MOUs in view of launching a dialogue for further co-operation.

■ For the three MOUs to mutually recognise ships blacklisted by the other MOUs.

Regarding PSC and maritime safety, the group made the following specific recommendations:

■ The sea areas of the group countries fall under three MOUs: the Paris MOU[1], the Mediterranean MOU[2] and the Black Sea MOU[3]. The effectiveness of the Paris MOU is recognised worldwide and it should be taken as an example to be followed. Both the Mediterranean MOU and the Black Sea MOU are invited to align their practices and procedures with those of the Paris MOU with a view to harmonisation at the highest level of performance.

■ The group recommended to the Paris MOU, to identify in co-operation with the EU countries and the members and the secretariats of the Black and Mediterranean Sea MOUs a possible preliminary assistance programme. This would focus on training and on quantification of the resources required for the implementation of such programme.

■ The group invited the European Commission to approach the three MOUs in view of launching a dialogue for further cooperation.

■ To combat substandard shipping more effectively, the group asked the three MOUs to mutually recognise ships blacklisted by the other MOUs. It also recommended to the Mediterranean and Black Sea MOUs to focus their inspections on those ships which do not visit EU ports and which did not have recent Paris MOU inspection. Furthermore, the group asked the MOUs to work out harmonised procedures aiming at mutual recognition.

The aim of the EUROMED study 'MED MOU on Port State Control - Actions towards Effectiveness and Alignment with PARIS MOU standards' - June 2005, which was undertaken/funded by the EU, was to analyse the situation of PSC in the Mediterranean region and explain the difficulties encountered by its members.

The study should be seen as an effective tool for future PSC actions, towards the direction of providing assistance to the Mediterranean member states in their efforts to promote and achieve quality shipping in the region through the eradication of substandard shipping, adoption of practices and procedures of the Paris MOU by the MED MOU and therefore enhancing a closer and more productive co-operation between the two memoranda.

The study, inter-alia, made the following assessment and recommendations:

■ It recognised that the maritime administrations of most of the MED MOU countries are struggling to meet their national and international obligations.

■ The MED MOU was under-performing and it is not working in the way IMO and the EC envisaged.

■ It recommended reducing unnecessary and multiple inspections. More specifically, in view of the absence of a targeting system for the MED MOU, it is suggested that due account of inspections carried out by other MOUs, in particular the Paris MOU, was taken.

■ It noted that the 2006 MED MOU committee meeting was expected to decide on a proposal (submitted by Cyprus) to exclude ships from inspection if, in accordance with their criteria, they were not subject for inspection by the PARIS MOU. If such a decision was to be taken, then in essence the MED MOU would implement the targeting system of the PARIS MOU indirectly.

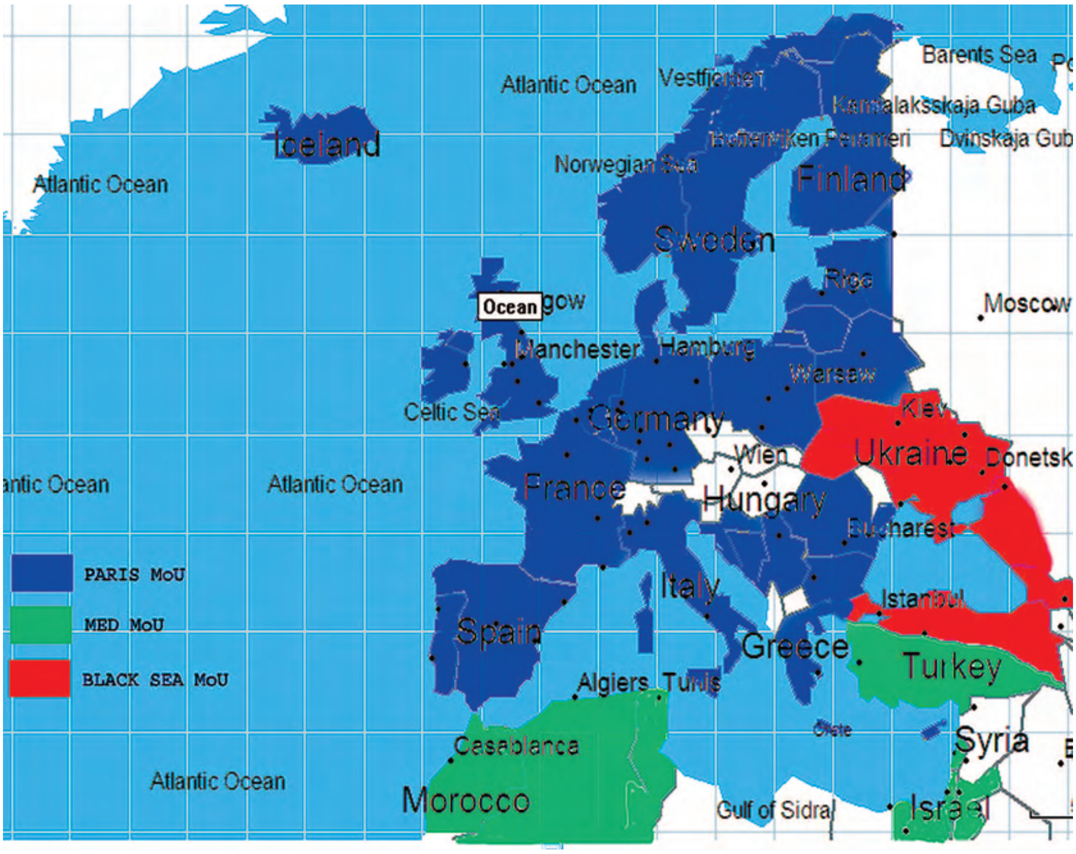
■ It recognised that the way forward is the alignment of the MED MOU's practices and procedures with the respective ones of the PARIS MOU.

Following the commitment of the EU to assist the MED MOU and the BLACK SEA MOU to substantially upgrade their flag and PSC capabilities and operational performance, technical assistance was provided in the form of field training of port and flag-state control officers, their participation in training seminars and exchange programmes organised by the Paris MOU on the basis of its PSC manual for inspectors and so on. It was anticipated that these efforts will be further enhanced in the coming years.

Due to the proximity of the Paris MOU with the other two MOUs, a ship may be inspected by the Black Sea MOU, the day after by the Paris MOU and two days later by the MED MOU.

The problem of proliferation of inspections was identified by the IMO in early 2000. At that time concerns were expressed about safety issues, operational difficulties and inconvenience caused to ship masters and ship officers, as well as to the smooth running of their ships in port, by the proliferation of inspections by representatives of various interests within the industry.

In order to address the issue, the IMO called an industry meeting where the need for transparency in making available information on the condition of ships relating to overall safety and environmental protection was emphasised, concluding on the following recommendations regarding:



Member states of the European MOUs.

Flag state administrations:

- Statutory surveys are unavoidable and cannot be reduced in number.
- In view of the increasingly beneficial impact on safety and environmental protection currently enjoyed and expected to be achieved following full implementation of the ISM Code, measures should be taken to promote greater awareness, among parties concerned, of the role of the code as an indicator of an accepted level of safe operation.
- IMO's MSC was invited to issue a circular to this effect;

Port State control authorities:

- PSC interventions can be simplified through improved procedures and co-operation among the various MOUs and PSC regional agreements.
- Efforts to establish a better exchange of information among MOUs and regional PSC agreements, along with the US Coast Guard, together with an international database updated regularly, containing all PSC inspection reports made available to all PSC regimes should be accelerated, with a view to improving targeting of inspections and eliminating duplicate or unnecessary inspections.
- Action should be taken by IMO aiming at encouraging MOUs and regional PSC agreements to improve their policies and performance in line with the proposals of the industry, with a view to reducing the number of inspections.
- The IMO's secretary-general undertook to communicate with MOU/PSCs as appropriate.
- IMO's efforts to assist in establishing an effective global network of control systems consisting of MOUs and regional PSC agreements should continue.

A long-term IMO objective, shared by the EU, is the avoidance of multiple inspections after the different MOUs achieve the desirable alignment of their practices, procedures and operational standards.

In the case, however, of the Mediterranean and the Black Sea regions, the problem becomes more crucial as it is neither fair nor reasonable to accept the fact that a vessel may be subjected to three different PSC inspections (even expanded ones) in a less than a week period.

Therefore, short-term solutions had to be found and thus the proposal to exclude ships from inspection in the MED and the Black Sea MOUs if, in accordance with their criteria, they are not subject to inspection by the Paris MOU, was submitted. It is obvious that reciprocity in this process is presently completely out of context as the MED and the Black Sea MOUs still have a long way to go to achieve alignment of their practices, procedures and operational standards with the respective ones of the Paris MOU.

A political agenda?

It may be thought that port-State control activity is a straight forward business; after all, its aim is to safeguard safety of life at sea and protect the marine environment. Developments, however, in the MED and the Black Sea MOUs, dictate otherwise.

A decision, in principle, taken at the 7th committee meeting (Alexandria, Egypt, January 2005) which said that 'the Committee recommends all MED MOU maritime administrations to make use of ship inspection data base available so as to avoid as much as possible inspecting ships that have been inspected in ports of the Paris MOU', was never implemented due to Turkey's reservations.

At the first joint working session of the committees of the Black Sea and the MED MOUs, held at Istanbul in April 2006, a campaign orchestrated by Turkey was launched, which fiercely opposed the proposal for the avoidance of the proliferation of inspections. Moreover, Turkey strongly objected to any reference in the joint declaration to the recommendations on maritime safety and protection of the marine environment, included in the report from the High Level Group on Transport.

The Turkish representative went as far as to demand from the Paris MoU reciprocity as a condition to agree on the elaboration of such a proposal. Moreover, the (Turkish)

Black Sea MOU secretary undermined a 2005 draft recommendation to the High Level Group on Transport and suggested that the reference in this paper to procedures and inspection standards of the MED and the Black Sea MOUs as inferior to the respective ones of the Paris MOU, was an insult.

With the exception of Cyprus and Malta, the vast majority of the other delegations remained silent on this issue as they were not comfortable about embarking themselves on discussions of such political gravity.

Thus, in my view, the joint working session failed to achieve any meaningful results, although the concept of holding such a session could have been a major step forward in the international business of PSC.

According to public statistics, Turkey inspected 1,867 ships and detained 612 of them, reaching the 'impressive' detention ratio of 32.78%.

A careful analysis of the statistical data, to which Turkey has been the major contributor, reveals a remarkable detention ratio for most EU countries; for Spain 33.33%, for Italy 18.49%, for Greece 15.52%, for Germany 11.54%, for Malta 16.3%, for the Netherlands 10.1%, for Norway 9.68%, for the UK 10.11%.

A similar picture appears in the statistical data of 2006, where Turkey appears to have detained 26.19% of the ships inspected. The detention ratio of EU countries continues to be remarkable; Denmark 41.18%, Greece 7.79%, Malta 10.54%, Norway 11.9%, Romania 22.22%.

If we tend to believe that Turkey is properly exercising its PSC duties on Danish flag vessels and therefore the 41.18% detention ratio of Denmark is justified, it is reasonable to argue that Denmark should be expelled from the EU.

The above detention ratios are alarming if we are to compare them with the respective average ratios of worldwide recognised MOUs - Paris MOU 4.67%, Tokyo MOU 5.21%, US Coast Guard 1.61%.

Turkey defended its detention record arguing during the Med MOU meetings that "there is an increased traffic of substandard ships calling at Turkish ports" and that "the high quality of PSC inspections it carries out reveals a higher detention ratio".

It is a poorly-kept secret, however, that the army of the over 200 new PSC inspectors, recruited by Turkey in the last two years, has been mainly tasked to detain as many EU vessels as possible, in an attempt to blackmail EU countries and achieve a drastic reduction of the detention of Turkish ships in European ports. This explains very well the fierce opposition of Turkey to the recommendation from the High Level Group on Transport which calls the MED and the Black Sea MoUs to concentrate their inspection efforts to the ships which really need more attention.

The above observations were verified by other members at the 39th Paris MOU meeting held in May 2006, following an intervention on the issue by Cyprus.

Turkey submitted an application to become a co-operative member of the Paris MOU, on account of its 'improved' safety record. The matter was discussed in Brussels at the preparatory meeting for the 40th Paris MOU meeting held 7-11 May.

As to the merits of Turkey's objectives, Cyprus will definitely block its application pursuant to section 8.2 of the Paris MOU.

In our opinion it makes no sense for Cyprus to consider giving its consent for the accession of another country to a regional organisation, which is tasked to co-ordinate PSC co-operation, while that country unilaterally prohibits Cyprus ships from calling at its ports.

It may be argued that, despite the current problems between Cyprus and Turkey, it would have been beneficial for the region to allow the Turkish Maritime Administration to join the club of an entity, which has been instrumental in enhancing maritime safety and the protection of the marine environment.

The EU fully appreciates the dynamics of the potential of members Cyprus and Malta, of the Paris MOU, and of the MED MOU, in towing the other MED MOU countries into the safe harbour of maritime safety and the protection of the marine environment. The same applies for Romania and Bulgaria with regard to the Black Sea MOU countries. Thus, it may also be argued that a future accession of Turkey to the Paris MOU will even accelerate this dynamic. TO

**** Taken from a paper written by Captain Andreas A Constantinou, senior marine surveyor, Cyprus Department of Merchant Shipping and given at the "Port State Control and Ship Registers" Conference held in Athens.***

Footnotes

[1] The Paris MoU members are: all coastal EU Member States, Iceland, Norway, Croatia, Russia and Canada

[2] The Mediterranean MoU countries are: Algeria, Cyprus, Egypt, Israel, Lebanon, Malta, Morocco, Tunisia, Turkey, Palestinian Authority, Jordan

[3] Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine are members of the Black Sea MoU

Skillful management

UNICOM

Largest management concern

Cyprus will not suffer from EU membership. On the contrary she will gain.

Before the formation of Bernhard Schulte Shipmanagement, Limassol-based Hanseatic was the group's largest shipmanagement arm with 350 vessels, of which 152 are tankers either under full or part management.

Of these, some 80 are LNGCs or LPG carriers, making the company one the largest managers and operators of gas carriers. The types of gas carriers managed covers the whole range, giving Hanseatic the expertise to operate specialised gas carriers, joint managing director Andreas Droussiotis told *TANKEROperator*.

He continued by saying that the good pools of officers and ratings available to the company in this sector gives owners the option of choosing the correct crew subject to the trading pattern, size and chartering commitments of a particular vessel. "We definitely want to continue to expand in this sector," Droussiotis said.

Crew are recruited from different areas as many years ago, Hanseatic set up its own crewing agency network. This gave the company the strength to build up its own seafaring pool.

A number of masters and chief engineers originally joined Hanseatic as cadets. Droussiotis said; "The company spends a lot of money on in-house training and also on external training." For example, a lot of training is undertaken at the Hanseatic Training School in Limassol, as well as at local facilities wherever the company operates.

Hanseatic uses computer-based training (CBT) facilities and has developed its own syllabus from the experience gained in developing the officers and ratings. The list of topics covered is large and it is continuously being expanded to cover new issues pertaining to regulations, requirements and other practical issues.

Andreas Droussiotis thought shipmanagement in Cyprus would further expand.

"We have the expertise within our offices and on our ships to be in a position to handle specialist tonnage," Droussiotis explained. "This is the reason for the expansion of our fleet and the trust that owners invest in our company and the high reputation we enjoy internationally."

He said that the company takes matters seriously, looks for long term business and gives the owner clients the respect that their due. This relationship is essential for the operation of the vessels and to prove that Hanseatic is the right partner for them.

New regulations, demand from the oil majors and all the other regulatory bodies have in general increased shipmanagers financial burden. However, whether on account of the competition, or for other reasons, we cannot increase the management fees.

Shipowners still don't seem to appreciate the volume and complexity of the service offered, despite the high profits made recently on the back of a strong freight market.

"We do not necessarily go for numbers of vessels under management, but the quality of service. We accept vessels on a selective basis and talk with owners who are willing to follow our standards of operation," Droussiotis said. This is in line with the feeling of responsibility for all the clients and for the vessels operated, mainly in the tanker fleet.

Like several other companies contacted by *TANKEROperator*, Droussiotis thought the accession to the EU did not make any difference to the company's cost base. He said that as for the Eurozone, the countries that suffered were those whose currencies were weaker than the Euro at the time of joining.

In Cyprus case, the Cyprus Pound is stronger than the Euro and the government is very much behind the conversion and the roundups that might occur to secure the stability of prices in general.

Droussiotis said that he thought the shipmanagement business in Cyprus would further expand in the long term for various reasons.

A) Cyprus still has the best infrastructure for shipmanagement concerns, including now being a member of the EU.

B) A number of organisations decided to put their ships in Cyprus on the back of EU membership, either for trading commitments or for subsidies.

C) Cyprus also has an open registry, meaning that a non-EU person, physically and legally, can own a vessel flying the Cyprus flag, which in turn becomes an EU flag.

The taxation issue will also help Cyprus expand its fleet under EU membership. As given the size of its fleet, Cyprus will have a greater say in the forming of international shipping laws and regulations.

Droussiotis is an active member of InterManager and said that the effort among the quality operators and members of the organisation is to apply a minimum management fee, so not cutting each others throats unnecessarily. For the past few years, Hanseatic has managed to keep a profitable portfolio by expanding the fleet, but this is no longer possible.

The recent strong development in the wage structure exacerbated by crew shortages has put so much extra costs on management concerns that it makes it impossible to continue as before, Droussiotis said. TO

Unicom broadening its horizons

On the back of parent Sovcomflot, Limassol-based Unicom is looking to the future with optimism as various projects will bring more vessels into the shipmanagement company's portfolio.

Unicom's fleet director and deputy managing director Robert Thompson confirmed that after the merger of Sovcomflot and Novoship, little change is expected in the autonomy of both companies.

He thought that Cyprus has already become more costly and explained that the shipowners and managers were pressing through the Cyprus Shipping Council (CSC) for the government to retain the tax schemes that were enjoyed before the country entered the Eurozone and European Union.

As well as looking after Sovcomflot's expanding fleet, Unicom has third party management interests. Thompson explained that the LPG carrier *SCF Tomsk* was transferred to Novoship (UK) management as a direct result of the Turkish ban on Cyprus registered ships, as some harbour masters in Turkey construed that the ban also meant Cyprus managed ships flying other flags.

Seafarers scheme

Thompson said that crewing was already a problem and to help combat it, Unicom had introduced a scheme called SCF 2010 aimed at enhancing the remuneration and social conditions for its seafarers.

He thought that LNGCs would undoubtedly cause the industry a headache especially when all the majors were requesting a matrix of experience, which will be impossible to achieve in two years time with the doubling of the fleet. Unicom sourced its crews from its own offices in St Petersburg, Novorossiysk, Odessa and Vladivostok while cadets are taken from St Petersburg and Novorossiysk and their respective academies.

All the latest rules are dealt with by Unicom's safety and quality department who also look after TMSA. Unicom is regularly audited by the oil majors and as such it is the department's job to keep abreast with what is going on, Thompson explained.

Parent Sovcomflot has 68 vessels of 4.4 mill dwt, including 12 chemical tankers in a joint venture with Novoship. These include suezmaxes, aframaxes, MR product tankers and chemical tankers. Another 19 newbuildings of 1.7 mill dwt are still to be delivered, including 15 tankers and four LNGCs. The average age of the fleet is around five years, which should reduce once all the newbuildings have been delivered.

Upbeat results

Results for the first six months of this year were released at the beginning of August. Gross revenue was $314.5 mill, compared with $246.6 mill for the first half of 2006, a rise of 27.7%. Out of this, the operating profit was $124.4 mill, up 18.1% on the 2006 figure of $105.3 mill. Net profit was up by 6.8% to $103.2 mill from $96.7 mill in the comparable period last year.

As for timecharter equivalent (TCE), revenues for the first six months were $263.4 mill, an increase of 29.2% on the same period of 2006.

Highlights of the first half of 2007 were the deliveries of the LPG carrier *SCF Tomsk* and the baltimax type Ice Class 1A 162,000 dwt tanker *Aleksey Kosygin*.

Last year, Sovcomflot entered the LNG and LPG markets with the purchase of two LNGCs and the ordering of four more, two of which were ordered as part of a consortium, plus taking delivery of the first of two LPG carriers. The two LNGCs and one of the LPG vessels are managed by Unicom, while for reasons already explained, the second LPG carrier has been placed with Novoship (UK).

Also commenced last year was the shuttle service from Sakhalin 1 using two panamax Ice Class 1A tankers, while the company entered the chemical tanker market with the purchase of Spanish concern Marpetrol in a joint venture with Novoship.

Other ice class tankers due to be delivered include three panamax 1A Super types for the Varandey project; three handysize 1A Super class tankers for operations in the White Sea and another two 1A Super types for the Prirazlomnoye project.

Regarding the merger with Novoship, industry experts have calculated that this would give the grouping 123 vessels, including 111 tankers and gas carriers, of about 8.1 mill dwt. Broken down into types, sources said that the total will include 26 suezmaxes, 42 aframaxes and 51 MRs.

Unicom has been in existence for over 15 years and is ISO 9002, ISO 14001 and ISM Code compliant. The management company has also joined the US Maritime Compliance Programme and is a member of the Green Award scheme.

Among the company's claim to fame was being the first to sign up to Lloyd's Register's Hull Integrity Service. TO

One of the new baltimax tankers capable of lifting Russian oil from Primorsk in winter.

Shipping leaders to meet in Limassol

Every two years the Cyprus Government, in co-operation with the Cyprus Shipping Council and the Cyprus Union of Shipowners, organises the Maritime Cyprus Conference, which has grown into one of the world's most significant shipping conferences.

Its status now gives it a prominent position in the calendar of many shipping executives in the industry, including, owners, managers, and delegates from other shipping service organisations.

The Maritime Cyprus 2007 Conference to be held in Limassol between 23-26 September, is the 10th since it was first established in 1989. It will have as a main theme "*Stay Tuned...Shipping's New Image*".

As the theme suggests the Conference will be focused on the 'New Image of Shipping', It will also analyse issues of Training and Retaining of Seafarers and Shipowners´ mission and vision.

The conference will be officially opened by the conference chairman and Permanent Secretary at the Ministry of Communications and Works Michael Constantinides. Distinguished quests such as IMO secretary general Efthymios Mitropoulos and Jacques Barrot, vice-president of the European Commission and Transport Commissioner plus other personalities from the international shipping scene will debate on the New Shipping Image. The conference´s first day also includes the official opening of the Maritime Service Exhibition.

The main aim of the Maritime Cyprus Conference is to operate as a forum where important and current issues relating to international shipping are presented by distinguished speakers and subsequently discussed by the international shipping community, thereby helping to formulate sound and well balanced decisions and policies on crucial shipping issues.

Cyprus' complete shipping infrastructure constitutes an invaluable asset, both for the expanded Europe and for the international shipping community in general, the organisers said.

All the conference participants will enjoy the Sunday evening with a musical performance and a reception organised by the Cyprus Department of Merchant Shipping and the Cyprus Shipping Council. This will be held at the Columbia Beach Resort at Pissouri.

The more formal proceedings start the following morning when Constantinides will deliver the opening address to be followed by Columbia's Dirk Fry in his capacity as president of the CSC and Charalambos Mylonas, president Cyprus Union of Shipowners

Mitropoulos will then give the IMO's view of 'Shipping's New Image', while Barrot will give the EU's take on the same subject.

Later in the morning a panel, chaired by InterManager's Guy Morel, will discuss the theme of 'Shipowners versus Regulators. In Search of a Perfect Balance'.

The panellists will include Johan Franson, chairman of the IMO council; Fotis Karamitsos, director, Directorate General for Energy and Transport at the EC; Spyros Polemis, president ICS/ISF and Marnix J van Overklift, vice president, European Community Shipowners' Association.

Thenamaris' Emmanuel Vordonis will lend his experience to the Training and Retaining of Seafarers debate.

The afternoon is free to allow delegates to visit the exhibition, while in the evening a dinner reception will be hosted by the Cyprus Union of Shipowners at the Hilton Park, Nicosia.

The following morning is devoted to the theme of 'Recruiting, Training and Retaining of Seafarers'.

Under the watchful eye of NewsLink Service's George Hoyt, criminalisation of seafarers will be discussed by George Tsavliris of Tsavliris Salvage Group; ILO Maritime Labour Convention will be explained by Arthur Bowring, chairman of ISF labour affairs committee and managing director of Hong Kong Shipowners' Association.

Two presentations on recruitment will be given by Carlos Salinas of Philippine Transmarine Carriers addressing the Asian issues, while tackling the European issues will be Alfred Hartmann of Atlas Reederei.

A session on Training and Retaining of Seafarers will also be moderated by George Hoyt, while the panellists will include Andreas Droussiotis, ceo of Hanseatic; Emmanuel Vordonis, executive director of Thenamaris, Hartmut Hesse, the IMO's senior deputy director, sub-division for operational safety and human element and Ole Stene, president of Aboitiz Jebsen.

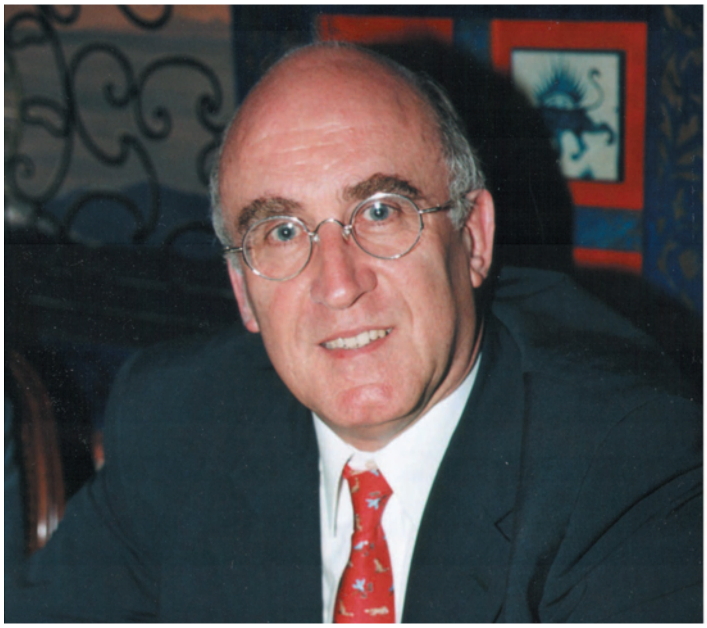
Again the afternoon is free.

The next morning, the theme takes on Shipowners Mission and Vision under moderator Chris Horrocks who will address Shipowners' mission. Tackling safety and security will be Morten Steen Martinsen, director BW Gas' technical and marine division. The question of the environment will be handled by Andreas Chrysostomou, chairman of the IMO's MEPC, while liability and risk will be tackled by Otto Fritzner, ceo Stolt-Nielsen Transportation and financing by Ted Petropoulos of Petrofin.

Moving onto the Shipowners' Vision, this session will be moderated by Bimco's secretary general Carsten Melchiors. Forecasting will be the domain of Clarkson's Martin Stopford, while other panellists will look at tankers, containerships and bulk carriers. TO

Management fees rethink

Shipmanagement trade association InterManager has called for a rethink on management fees to back the provision of quality management services.



Guy Morel – fees have become an issue.

Unethical practices have no place in today's quality shipmanagement sector and, if reported, are the exception rather than the rule, according to InterManager.

"Today's quality third party managers embrace a process of increased transparency and closer co-operation with their principals to ensure the highest standards of shipmanagement are continually maintained," said Guy Morel, InterManager general secretary.

"We are working on a number of ideas to achieve this goal, including the definition of operational Key Performance Indicators and an encompassing running cost database.

"Maybe the time has come for shipowners and shipmanagers to sit down and examine the whole management fee structure to ensure that quality managers performing the quality management task they have been asked to do can be rewarded for the essential work they carry out," Morel added.

InterManager's remit as the voicepiece for the management sector is to enhance quality, professionalism and transparency among its membership and throughout the industry in general. But InterManager was also hoping for an understanding that these goals require that the profession is able to achieve reasonable levels of earnings.

Morel explained: "An equilibrium has to be found whereby owners enjoy efficient services and managers are incentivised to work openly and efficiently."

Membership of InterManager continued to grow. Currently, some 30 managers and managing owners, representing over 2,500 ships, are members of the association.

Concurrently a large number of groups interested in shipmanagement are also joining as associate members.

In an earlier move, InterManager formed four new working committees to tackle issues of significant importance.

Headed up by key players in the industry, the manning and training; IMO-EU; communications; and new products committees are part of an initiative to strengthen the industry and the way ships are currently managed and operated.

InterManager's shipmanagement members are directly affected by the growing shortage of competent seafarers and their improper training.

Its executive committee has therefore decided to create a new manning and training committee to review the issues and propose a tangible action plan. The final output is expected to be a series of common actions undertaken by members of InterManager, specifically geared to address the short and long term problems of the sector.

The IMO-EU committee is charged with representing the interests of the InterManager membership at these regulatory bodies. This special committee will assume InterManager's NGO role at the IMO and will work to forge closer links with the European Commission. Bob Bishop, V Ships Shipmanagement managing director has been appointed chairman of the IMO-EU committee.

A communications committee is the remit of Adonis Violaris, manager of communications, PR and human resources at Hanseatic Shipping, This committee concentrates on IT and media issues.

It will develop a new InterManager website and use electronic data processing to further benefit its members. It will also ensure that all the information of potential interest to managers is adequately distributed to members.

The new products committee, headed up by George Hoyt, president of NewsLink Services, will work to define new products intended to improve the services available to the members. In particular, InterManager has agreed to play a stronger role in a better understanding of the shipping industry by contributing to a number of academic studies that will help to shed light on the sector and make it more transparent.

Working groups will be formed within the four committees, as and when necessary. Their findings will be regularly presented to the membership and their final recommendations will be submitted to InterManager's executive committee. Specific decisions affecting all members will be submitted, if any, to all members at a subsequent AGM.

Morel commented: "Shipmanagers have always had a keen sense of their essential role as providers of new ideas and promoters of industry-led initiatives. It is this sense of corporate social responsibility, which is today pushing us to gather our resources and come up with common solutions to common problems. I hope that the committees we have now created will contribute to the improvement of our shipping world." TO

Leading owner joins the third party game

Novoship (UK), a member of Novoship group, is keen to expand its third party managed portfolio, which today includes an LPG tanker and an asphalt carrier, although admitting it was a very competitive market.

Third party manager Stephen Gollar told *TANKEROperator* that he would consider most types of vessels as parent Novoship, although well known in crude, product and chemical tankers, is also certified for bulk carriers and general cargo ships. LNGCs and passenger vessels would prove more difficult for Novoship to manage due to the specialist skills needed.

As part of ISM renewal audits held on 14 - 15 May this year, Novoship (UK) was issued with an interim Document of Compliance (DOC) for the management of gas carriers and a month later added the new Sovcomflot owned 35,000 cu m capacity LPG carrier *SCF Tomsk* to the asphalt carrier taken over in January.

Due to the changes in the IBC Code, one of the asphalt tanker's cargoes - creosote - was changed from an Annex I cargo to an Annex II cargo. Gollar said that in general, the main effect of the changes in the carriage rules involved the P&A manuals, which invariably had to be re-written. While this did not impact on the third party fleet it was completed on all managed chemical and product tankers.

As well as the third party and in-house shipmanagement arms, the London office is home to commercial management, including chartering; newbuilding projects and newbuilding supervision. Access to class societies, finance houses and other service providers were the key reasons for choosing London as a base. Novoship (UK) is the only major office outside of Russia and employs four people in the third party department and

The aframax *NS Challenger* was built on dry land and was launched by semi-sub barge.

around 70 all told.

The third party shipmanagement operation has the advantage of being able to plug into expertise in the other Novoship departments, either in London or Novorossiysk, when necessary. Quality management systems and crewing are just two obvious examples.

This year sees a double celebration for Novoship, as parent JSC Novoship was 40 years old last January, while the UK subsidiary celebrates its 15th anniversary this November. The London office is headed by former Russian IMO Secretary Vladimir Lebedev and looks after 29 vessels of which 27 are fully owned by the parent.

The UK office tends to look after the products and chemical carriers, although there are a few aframaxes on its books. However, these may be switched back to Novorossiysk in the near future. Some of the products tankers are Ice Class 1B, while much work has been undertaken to gain 'ice passports' for the aframaxes for Baltic trading and for trips to Murmansk to load Russian export cargoes.

As is still the case today, Novoship has been active in the newbuilding market for about 15 years and with the Kremlin's move to put Russian cargoes on Russian ships, this looks likely to continue. The company had some older tonnage, but is in the final stages of phasing out the 1980s-built *Pobeda* class tankers, which were ahead of their time in that they were of double hull construction.

By the time *TANKEROperator* goes to press, Novoship should have taken delivery of the last pair of 12 x 105,000 dwt C class aframaxes from Hyundai. Their claim to fame is that 10 of them were built on dry land and then skidded onto a semi-submersible barge using a hydraulic system for launching.

In addition, four 115,000 dwt aframaxes will be delivered this year and next, while another four 112,000 product tankers will join the fleet in 2009. Furthermore, six 156,000 dwt suezmaxes are under construction at Jiangsu Rongsheng for delivery at the end of 2008 and through 2009. Finally, two out for four 40,000 dwt product tankers are in service, with the other two are due to be delivered later this year.

Upon the delivery of the last ship in the current newbuilding programme, scheduled for late 2009, Novoship will have taken delivery of 69 tankers in the 14-year period from the middle of 1995 to the end of 2009. As well as pioneering shipbuilding on dry land, Novoship has also fitted electric driven deepwell cargo pumps to some of its vessels.

Novoship's chartering policy seems to be a mix of timechartered and spot vessels. Of course, the timechartered tonnage could also appear on the spot market as well, such are the vagaries of the tanker market.

Somewhat uniquely, Novoship publishes oil majors' comments when audited for TMSA on its website. The company is in the process of updating and harmonising its management systems to be ready for the next list of procedures. Gollar claimed that Novoship's TMSA percentages were relatively high, towards the upper end of the scale.

For example, in March last year, ExxonMobil's management unit IMT said:

'The result was that there is full compliance with the TMSA submission and the QMS system was robust.

Further progress would be judged on the performance of the fleet in the future. Indications at present were that Novoship (UK) is suitable for year term charters.

It was observed that there has been a noticeable improvement since the previous visit to this Office in 2003.'

The same month STASCO (Shell) said; *'……..confirmed the rating given for the TMSA submissions and suitable for timecharter business…….. considered the QMS system to be full and comprehensive.'*

The majority of the crew employed by Novoship are Russian, or FSU extraction. Strategies are being introduced in-house to retain the crew once trained as, similar to many other shipping companies, crew retention has become an issue. Most of the crew come from the Novorossiysk or Krasnodar regions.

Each year, Novoship takes around 100 cadets from the Admiral Ushakov State Maritime Academy, while also undertaking training courses at its own training facility. Novoship's training centre is joining together with the state academy to build a manned model shiphandling training facility, similar to the one to be found at the Port Revel Shiphandling centre at Grenoble. Also at Novoship's training centre, a purifier and a tank has been set up based upon an Alfa-Laval system.

Gollar explained that there was a large cadet programme currently underway. Trainee ratings are sent to the ships before attaining their certificates to serve as full ratings.

Of course, trading in the Baltic and North Seas means that the ships will have to burn low sulphur diesel oil. One of the problems is getting the bunkers down to the correct level, which if not correct, can affect the engine's cylinder oil dosage. Gollar said that once SECAs expand to other areas, demand for low sulphur fuel will increase and then it remains to be seen what happens regarding the quality and quantity available from the suppliers.

At present, one of the problems is sourcing low sulphur fuel in the US, as there is nowhere to change fuel before hitting the North Sea area.

As for flagging, Novoship uses Liberia or Malta registry though Novoship (UK) is certified for several other major flags and has one vessel under the Marshall Islands flag. Class is mainly undertaken by LR or DNV. The company is investigating the possibility of using a dual register system with the Russian International Register of Ships', but nothing has firmed up thus far.

Novoship is also a member of the Green Award Foundation and the office and many of its ships have been issued certificates. TO

Size does matter

Is big beautiful? *TankerOperator* spoke with V Ships Shipmanagement's ceo Bob Bishop who aired his views on a range of subjects.

There have been a few shipmanagement companies that have said it is better to specialise in certain types of vessels. Not so, said V Ships Bob Bishop. "It is hard to imagine that any boutique style shipmanagement company has the resources needed today to recruit, train and retain the sea and shore staff necessary for the safe operation of specialised ships...or any ships for that matter."

Bishop acknowledged that personnel with the right qualifications were becoming scarcer every day. "Finding them, developing them and keeping them means a substantial commitment in terms of resources and job security, which large ship management companies are in a better position to offer", he said.

At V Ships, career development is focused upon and the company is prepared to offer recruits a job for life. "I doubt that boutique-style ship management companies can make such commitments", Bishop said.

In recent years V Ships has significantly increased its network of recruitment centres around the world. "Our focus on career development means we commit to more than a few extra thousand in salary to keep good people. We are also looking at new 'old' sources of manpower such as the US. Through this approach we aim to increase our manpower resources from 24,000 to 60,000 by 2010", he explained.

On the question of training Bishop said that V Ships carries cadets on many types of vessels and is a believer of combining on board training with simulation.

As for the seemingly increasing amount of rules, regulations and recommendations, Bishop thought that it wasn't just the smaller companies that were looking increasingly for third parties to help them comply with the paperwork. "Regulatory regimes are becoming so complex, and change so frequently, that it requires a massive and costly commitment to training just to keep up. For many shipowners large and small, this can distract them from focusing on their core business," he said.

"At V Ships we are in the business of compliance and our aim is to achieve instinctive compliance by every member of shore and sea staff. No exceptions. Last year alone, we delivered 24,000 crew training events compared to 14,000 in 2005", he said.

Speaking about some shipmanagement companies that are consolidating their approach, see elsewhere in this feature, Bishop thought that the more difficult it becomes to recruit and retain good personnel and to keep on top of increasing regulation, the more likely it is that the big will get bigger. "We have no doubt the ship management industry will continue to consolidate. Whether V Ships makes further acquisitions depends on whether the right opportunity presents itself, "he explained.

Addressing the thorny issue of shipmanagers remuneration, Bishop said that for many reasons, including the increasing cost of compliance and manpower shortages leading to higher salaries, shipmanagement fee structures were in need of urgent review. TO

Schulte consolidates under one banner

In a surprise move, all the Schulte group worldwide shipmanagement concerns are soon to come under one entity.

Hanseatic, Eurasia, Dorchester Atlantic Marine and VBSK are to join together under the banner of Bernhard Schulte Shipmanagement.

Starting 35 years' ago with the formation of Hanseatic in Cyprus, Bernhard Schulte established a group of shipmanagement concerns around the world, which have since developed independently and successfully on their own.

The Schulte groups diversity can be seen by the fact that Hanseatic is based in Limassol, Eurasia in Hong Kong, Dorchester Atlantic Marine in the Isle of Man and VBSK in Hamburg. Navigo will close its doors completely and amalgamate with near neighbour Hanseatic.

Schulte said in a statement that this move was in response to developments in the shipping industry, which now require substantial investments in personnel, training, information technology and quality assurance resources.

The company also said that with the long term commitment of the family owned parent company in Hamburg and the combined strengths and resources of the shipmanagement entities, the company is determined to meet client expectations.

Schulte said with the exception of Navigo, none of the group's offices will close as over the last few years the office network has been expanded to a considerable degree due to the response to client requirements, to be closer to the fleets managed and to further strengthen the seafaring pool from new recruitment sources. Nothing has changed in this respect. 'We will continue to invest into our existing and new locations', the company said.

The company also explained that Navigo was closed since the scale of operation was not adequate considering the resources needed to provide clients with the service they expect. All Navigo's clients have transferred their business to Hanseatic.

Contrary to any talk of redundancies, Schulte said that qualified and loyal staff on board and ashore is the company's most valuable resource. 'We expect overall staff numbers to grow in our fleet as well as in our expanding shore operations', Schulte said.

Group synergies

Combining the strengths of the four shipmanagement companies in the group will lead to even closer co-ordination and alignment of all Schulte's business functions and activities than have been achieved thus far. The decision was taken to bring together the group synergies in the areas of people, processes and technology to enhance the service quality.

Commenting on the question of taking on the likes of V Ships, Schulte said that the ship management business is highly competitive. The firm intention is to stay ahead of the game and to set new standards. Competing for the sake of doing so is not what Schulte does. 'Our mission is to make the ships we manage the most efficient and safest around.'

Schulte asserted that copying the business concepts of its competitors, such as V Ships, has never been part of the plan. Bernhard Schulte Shipmanagement has a unique concept and will continue to distinguish itself in the world of shipmanagement.

There is absolutely no change in the status quo of regional management. Bernhard Schulte GmbH & Co KG is the ultimate owner of the shipmanagement companies, and has due representation as shareholder. Executive management of the companies will remain in the hands of the existing senior management.

Regional management

Explaining this, Schulte said that the concept of strong regional management responsibility and accountability served the company very well in the past and will continue to do so - to be close to the clients and close to their ships. Naturally, there will be certain functions, policies and strategies formulated, defined and agreed upon by the executive board.

The Schulte family will remain fully committed to the business and representatives of the next generation will join the management of the company in due course.

As for profit and loss, Schulte said that there had been some really interesting public discussions going on in recent weeks about the profits made by shipmanagement companies. The industry is changing, and so will the way and the level at which the services are remunerated, the company believed.

The group claimed that it had seen a most encouraging expansion of its client base in recent years, while at the same time, all group companies have enjoyed a most remarkable record of client loyalty.

Answering questions about a possible flotation, Bernhard Schulte said the group regards shipmanagement as a core business together with shipowning, and will not divest, whether by IPO or sale or any other means. 'The last thing on our mind would be to sell what we consider core to everything we do'.

As for mergers and acquisitions, where opportunities arise, the group will always look at them. However, its success over the last 35 years has been based on organic growth, the group said.

The benefits for owner clients will be that the sum of the whole creates more value than the sum of the individual parts. 'We have joined forces to enhance the scope and depth of our services by drawing on the synergies, resources sharing and investment in the aspects of personnel, training, information technology, quality assurance and procurement and logistics. Additionally, we provide our staff on board and onshore with better career opportunities and paths, developing a stronger team,' Schulte said in response to a questionnaire.

Each director will have the same responsibility. The members on the executive board, tasked with different responsibilities/ functions, will oversee the critical process and do the alignment or harmonisation of standards across the group in the areas of IT, manning and training, technical services, etc. Collectively the board sets policies and is responsible for the management of the group giving maximum autonomy to the business units. TO

Growing operations needed a powerful solution

Midway through 2005, the shore staff at the National Shipping Corp of Saudi Arabia (NSCSA) began seeking alternatives to the Excel spreadsheets and conventional office software it had been using for chartering and operations purposes.

They felt that they needed to find a new solution that would integrate the vessel and voyage functions with the accounting and back office departments. NSCSA required a powerful software package that would help it eliminate the 'islands of information,' provide total visibility across functions and seamlessly link business operations.

It began with a thorough six-month evaluation of Veson Nautical's Integrated Maritime Operations System (IMOS), to establish whether NSCSA's chartering and operations needs would be addressed by IMOS.

NSCSA evaluation personnel and decision makers felt they were able to access the system easily with remote access to the Veson server, as well as perform tasks with a minimum of assistance. In June 2006, NSCSA chose to license IMOS to manage chartering and operational activities for its fleet of tankers, including VLCCs, operating in the global markets.

Real Time

IMOS was selected for a number of reasons. The solution provided one integrated, common platform to share commercial information across various company sites, allowed NSCSA to seamlessly integrate with its subsidiary Mideast Ship Management, and report financially and administratively to the company's Riyadh corporate headquarters. The time from purchase to full installation and go-live took about eight weeks; during this time Veson Nautical delivered several customised solutions requested by the company.


Michael Hudson-Davies evaluated Veson's software both in the office and on board ship.

The NSCSA office in Dubai hosts IMOS and performs the commercial/chartering functions as well as oversees voyage financials. Once the IMOS Accounting Module is installed, the head office in Riyadh will leverage it for voyage P&L reporting purposes.

IMOS is already facilitating strategic decisions on vessel operations handling for the fleet expansion currently underway. The common platform IMOS provides has become the most efficient way to share commercial information across various company sites. Michael Hudson-Davies, NSCSA's Dubai vice president commercial explained, "We are 24x7 in the tanker chartering business and most of us are online at all hours. With Veson's IMOS we can view and discuss calculations with our chartering staff at any time.

"It greatly enhances the ability to see details quickly - the right information is there and we have the ability to look at the business from anywhere. IMOS saves time because it provides quick access to accurate data. This allows us to make quicker decisions", he concluded.

Advantages

Since purchasing the system in 2006, NSCSA has already received a major upgrade and is now operational on Veson's latest version, v. 5. IMOS provides NSCSA with access to crucial information in real time. "The system allows the company to prepare for growth as we've been able to reduce the time necessary to integrate new staff into our chartering and operations departments. The system helps people to quickly understand marine business intricacies and to adhere to company determined processes and requirements," explained Hudson-Davies. The IMOS platform is real-time, allows for easy collaboration among distributed offices, and is completely integrated; delivering the efficiency the company was seeking, Veson claimed.

The company has also decided to move ahead with installing an interface to the corporate accounting system. Once this is completed, IMOS will bring up-to-the-minute information to the back office staff as well. Hudson-Davies explained, "We see that the efficiency is there, although at this point it is too soon to realise all the benefits. Installation was very quick - we fast-tracked the commercial solution because it was our immediate priority. We plan to schedule more resources and training time to complete the accounting piece in the back office at a later date. Overall we are excited about what the new software will do for us."

NSCSA is also evaluating Veson's IMOS OnBoard module to further enhance efficiency and reduce data entry by enabling easy communication between the ship and shore personnel.

NSCSA owns and operates 10 double hulled VLCCs, and has seven additional newbuilding VLCCs on order or under construction, each with a capacity of 2.1 mill barrels and a deadweight of more than 300,000 tonnes. Technically managed by its wholly owned subsidiary, Mideast Ship Management (MSML), Dubai, the VLCCs operate in the global markets with a mixture of spot voyage and timecharter employment. NSCSA also provides project cargo shipping services with roll-on/roll-off (ro-ro), container and breakbulk ships, offering liner services linking the Middle East with North America, the Far East and Europe.

The VLCC fleet has grown steadily in the last 10 years. By the end of 2005, it had transported approximately 27 mill tonnes or 200 mill barrels of crude oil on ships that completed more than 100 voyages on the spot voyage market. The VLCC fleet will continue to expand over the next few years and will nearly double in size from nine to 17 ships by 2009. TO

Environmental and lubricating protection of marine diesel engines

*(Part A -distilled fuels)**

Using distillate fuels to conform to MARPOL VI, would be wrong and more importantly destructive both for the environment and for marine diesel engines.

The use of distillate fuels would result in enormous output of CO_2 from the refineries leading to greenhouse gas build up with effective lifetime of tens of thousands of years adding to global warming.

It would also mean more than double the cost of fuels, additional three to four stoppages per year for 30-40 days offhire for cylinder liner emergency honing maintenance. It would limit the cylinder liner's lifetime by up to one third and result in similar wear and tear on the bearings and crankshaft journals.

Explaining this arguement further, it would mean unexpected wearing effects leading to repairs of thousands of large diesel engines, to their fuel pumps and fuel valves, pistons and cylinder liners, bearings and crankshaft journals. This would result in shipowners stopping their ships three or four times per year in order to make emergency honing to the cylinder liners and similar maintenance works to the bearings and crankshaft journals. This would be needed to prevent their total destruction from poor lubrication in absence of light porosity emanated by controlled sulphuric acid reaction of residual fuels.

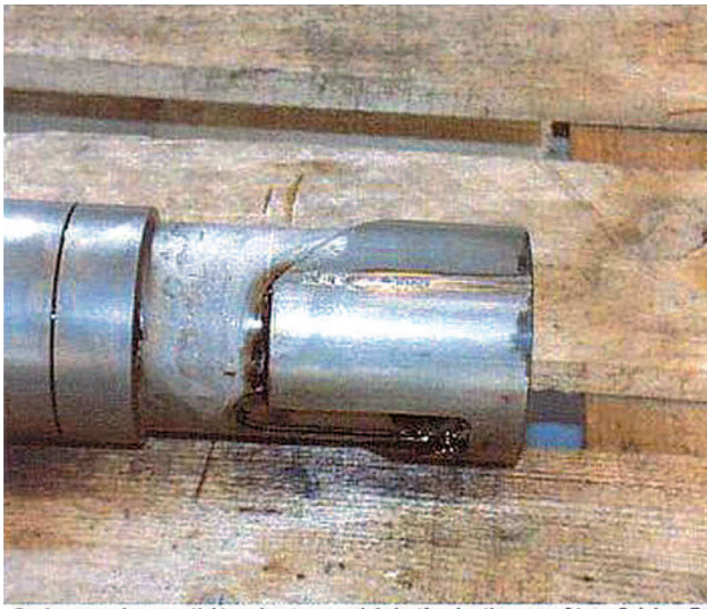
The whole repairing schedule would burden ships' operational time with additional delays in port between 30-40 days offhire per year, subject to the honing being undertaken in a timely fashion by trained technicians, as it will prove to be impossible to be so frequently performed by ship's engineers. Honing is the creation of a light 'X' pattern on the surface of a cylinder liner, so as to hold the necessary quantity of lubricating oil during piston reciprocations.

Sensible shipowners and managers should be most cautious against any kind of misleading information that tries to generalise the use of distilled fuels to conform with MARPOL VI. Ships burning today's residual fuels and using the abatement technology will have a competitive advantage, as can be proved by a quick calculation of the anticipated costs from additional delays and repairs of diesel engines, due to lack of adequate sulphur in the distilled fuels. This is on top of the extra cost for the distilled fuels themselves.

By using the scrubber technology, the owner pays only once while complying exactly with MARPOL VI without variations or misuse of equipment for the whole life of ship.

Lubricating effect

With different chemical combinations the sulphur in the fuels has an important lubricating effect. In the high sulphur fuels, this is seen in two forms, Sulphur Dioxide and Sulphur Trioxide, in the proportion of 15 to 1.



Fuel pump plunger sticking by use of Low Sulphur Fuel. (Source: MAN Diesel “Operation on Low-Sulphur Fuels Two-Stroke Engines”)

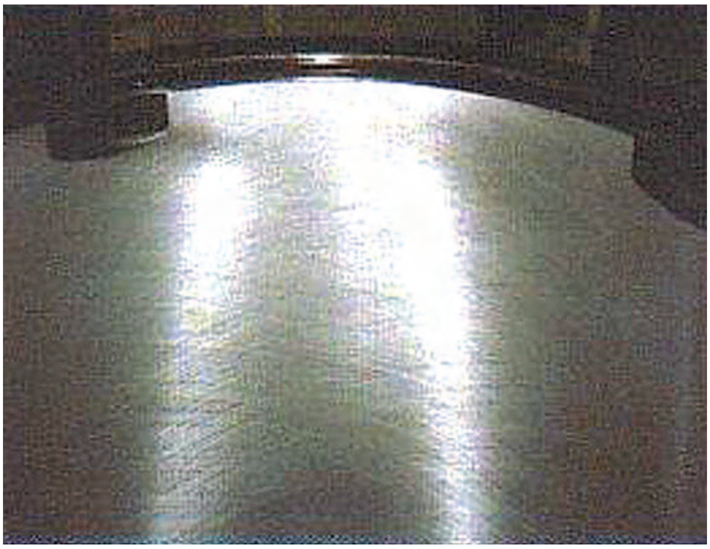
The use of distilled fuels with nearly zero sulphur content and a low viscosity may cause wear in the fuel pumps and valves plus the sticking of their plungers.

When low sulphur fuels are used in high temperature environments, it usually necessitates cooling so as to reach the required viscosity before the fuels arrive at the engine, so as to avoid the above additional problems.

The extended use of low sulphur fuels in combination with a high BN 70 lubricant does not only risk the disturbing of the controlled light oxidation needed for proper lubrication, but it also creates deposits in way of piston rings and piston crowns. Hard deposits on piston crowns increase the wear and scuffing of cylinder liners, and hinder the free movement of rings.

Although a reduced feeding rate of cylinder oil BN 70 to 2-stroke engines seems to be an intermediate compromise, this is not safe in all cases due to other occurring factors.

The experience of engine



Cylinder liner after HONING. (Source: CHRIS-MARINE)

makers with reduced feeding rates of high BN lubricants in combination with low sulphur fuels is mainly based from tests carried out on stationary diesel engines. Whether the same results apply to marine diesel engines depends on the operational conditions, the size of the engines and their general condition. Therefore this should be tested on a case by case basis.

For the areas where low sulphur control operates (SECAs), the lubricants suppliers propose changing to lubricants of lower basic number - BN 40 to 50. However, the change over of lubricants is not easy during the engines' operation. It presents challenges to engines and lubricants makers, whereas the damages are paid by the shipowners and managers.

Abatement technology

The Canadian Marine Exhaust Solutions made and patented the first abatement technology system, which ensures the continuation of engines operation with today's fuels and lubricants, without filters or chemicals. It is evaluated by environmentalists, technologists, economists and politicians as 'apo michanis theos' for the protection of the environment, as well as the most economical solution for the ship, as its cost is amortised in a short period of time.

It has the capability to reduce sulphur emissions (SOx) to near zero and significantly reduce particulate matter. It delivers the same or better results than distilled fuels, against the huge cost of any additional refinery installations that would be necessary for the de-sulphurisation of fuels, which would overflow the environment with CO2 and create a more dangerous Greenhouse effect.

It is a new type of engine exhaust made from super austenitic stainless steel and incorporates a scrubber, which washes the exhaust gases with sea water on the same basic operating principle as an inert gas system. This has operated successfully on all tankers since 1976. Ecosilencer, as it is known, consumes only about 1% of engine power.

In addition, Ecosilencer cleans the sea water centrifugally before returning it to sea with a unique system so as to remove any remaining combustion elements, such as smoke, total hydrocarbons, unburned fuel and oils. These are collected in small quantities, of about 100 to 600 kgs per week depending on engine sizes, and they are delivered with the other waste oil residuals from the ship to port receivers.

NOTE:
About how the sulphur emissions problem was erroneously diverted to the back of shipowners and managers' attention and how sulphur contributes to the correct lubrication of diesels , will be covered in Part B.

George S. Kaminis.

****This is the third article in a series written by George S Kaminis***

Three men with a vision

In Millennium year 2000 when Paul Luen, Mike Pringle and Steve Coulson scraped together a starting capital of £6,000, it is doubtful if even they anticipated that six years later it would have achieved an annual turnover of just below £4 mill. Brian Warshaw reports.

Starting from a small business unit, Martek Marine now employs a staff of 37 people, has a head office in Rotherham, South Yorkshire, and sales offices in Hong Kong, and Singapore. The three directors already had a good working relationship before they formed Martek. Working together at another UK manufacturer involved in the marine industry, they found themselves moving away from the managing director's vision of how the company should grow and diversify its product range. So they left, and went their own way. As a consequence, vision has played a large role in Martek's development, both in respect of products and personnel. Great importance is placed on nurturing, mentoring and valuing staff members, which they believe benefits the individual and the company as a whole.

The background of the three directors is important to the way the company has developed, as they seek to build Martek into a world leader in the provision of marine safety and environmental monitoring systems. Paul Luen, by training a chemist with a BSc (Hons) degree from the University of Newcastle, has particular experience in the design of gas measurement systems, so it is not too difficult to understand from where the company's direction towards gas detection emanates.

MM5001® gas detection unit

Mike Pringle provides a mixture of technical expertise and business management. As director of strategic sales he qualified as a chemical engineer, and followed this with a postgraduate management diploma. His working experience encompasses both marine and industrial business sectors, having marketed safety and medical products across Europe, and the Middle and Far East.

The seagoing experience comes to the company from marketing director Steve Coulson, who, before studying at Greenwich University, worked on Arctic trawlers, for the Royal Navy on hydrographic ships, and with the oil industry on seismic survey vessels. After completing his HND, Coulson went on to gain experience in marketing and business development within the marine industry, working in European and the Far Eastern markets.

Martek's most recent gas detection system is designated the MM5001®. Coulson described it as, 'light years ahead of traditional gas sampling systems, with features such as a pre-purging of the next sample line, which effectively reduces sampling times by half. This means that the system can handle a greater number of sample points while maintaining the maximum allowable sample cycle time of 30 minutes.'

The MM5001® is a new system and the first units are currently on order from a Turkish shipyard. Its predecessor model MM5000® was supplied to, among others, Shell, MISC, Metrostar, Thenamaris, Eastern Mediterranean, and Teekay.

Monitored system

Coulson claimed that significant advances in gas detection technology have been achieved with the development of the new system. By using a central programmable logic controller (PLC), it had allowed the entire system to be monitored, and alarm status to be provided through touch screen panels. 'We think that the system is unique and the first of its type for equipment in the marine industry,' said Coulson.

'Think back to the traditional system,' Coulson suggested, 'and remember what happened when the ballast tanks were filled. The sample lines would fill with water and an alarm would be indicated, requiring the operator to apply the manual over-ride. Then during deballasting the operator would have to remember to reset the alarm. With the MM5001®, if a flow fail occurs due to the tanks being ballasted, the operator will be asked on the touch screen monitor if the tank is in ballast, and, if so, for how many days.

'The operator inputs the number of days before they are due to reach the next port and the system will not check that line again until the day arrives. So false alarms that could distract the operator, are not received from that sample point during that period.'

Described as a sequential gas sampling system, it is designed to detect and provide alarms for the presence of gases in various areas around a vessel, including ballast tanks, void spaces and the cargo pump rooms. The system extracts a gas sample from each selected location through stainless steel or

copper piping, allowing it to go to the analysing unit where the target gas content is measured. The system then displays the results by showing the percentage relating to the Lower Explosive Limit (LEL) for flammable gases, the percentage volume for oxygen, and hydrogen sulphide in parts per mill. The system employs an automated switching circuit that scans through all the allocated sample points, and indicates, on the touch screen monitor, from which area the sample is coming. The location, along with gas concentrations and alarm information are continuously displayed on the touch screen monitor. If a reading in the LEL zone is at a dangerous level, or if high gas or low oxygen concentrations are detected, an alarm is instigated.

Solenoid valve

Input of sample gas from each of the zones specified for analysis is controlled by a solenoid valve. This provides an effective way of sampling multiple locations using only one sensor for each of the required gases to be detected. The central analysing and control cabinet uses a touch screen panel to display information, rather than light-emitting diode displays and push buttons that are common to the previous generation of analysers. The set-up procedure allows the operator, through the touch screen monitor, to navigate the programme and select different aspects of the system to meet the specific requirements of the vessel.

The marketing claim being made by Martek for the MM5001® system is that once it is correctly programmed, it becomes essentially fault-free, and because of its modular construction can have, in the unlikely event of it being necessary, individual parts replaced. Previous systems using printed circuit board (PCB) controls based on electrical circuits, were always subject to failure, and in doing so required the whole PCB to be replaced.

Service engineer Keith Brown checks out a MariNOx® unit before shipment to the client

On the principle that if one can monitor the location of a gas, then, providing an analyser head unit exists, it is possible to analyse others; Martek has extended its range into other areas of gas detection. Its units are being installed in tankers for the detection of LNG and LPG, and there is particular interest from owners looking to take up the recommendations of the 5th edition of ISGOTT concerning the provision of a gas detection system for the inlets to air conditioning units in accommodation areas. Other units are available allowing volatile organic compound vapour emissions to be controlled by the monitoring of oxygen levels, and another will detect loss of refrigerant using infra-red gas analysers.

With the environment in mind, Martek is particularly pleased with the success achieved by its MariNOx® system, which monitors nitrous oxides (NOx), carbon dioxide, and oxides of sulphur from marine engines. It is the first monitor to receive type approval for compliance to the IMO's Annex VI of MARPOL, MEPC.103(49) requirements, as the NOx Technical Code. Coulson said that he was aware that the NOx Technical Code is the subject of discussion within IMO circles, and although the changes are so far unknown, he anticipated that the regulations would be tightened. He was confident that the MariNOx® system was sufficiently flexible to accommodate any changes the IMO might make.

Luen described Martek's greatest strength as, 'the talent and dedication of our staff who are committed to operating their business in a social, ethical and environmentally responsible way, believing this forms a fundamental part of business success.' He believed that the company was, 'well on its way to achieving its original objective of becoming a world leader in its field. In addition to the new equipment and systems we are designing and supplying, we have developed the infrastructure to provide all the field support services that a modern tanker industry requires.'

Martek will not be moving out of Rotherham; but later this year, will take occupancy of a newly built head office with an integral 1,200 sq m of factory space in which it can meet the increased production demands created by the success of its core products. It has, in addition to the UK facilities and the two offices in Southeast Asia that bear its name, a further 17 overseas agents capable of offering support to the tanker market.

Looking forward to the next three-year phase in its development, Coulson told *TANKEROperator* that, '…with our current product range we have the ability to make a paradigm shift in our business. Our plan includes a tripling of turnover, and a potential flotation on the UK's Alternative Investment Market (AIM). We fully expect to become a world market leader across our diverse product range, and to increase employee numbers in our new factory by over 50%'.

Salwico takes its bow

Consilium Marine recently launched the Salwico emissions monitoring system

This system has been designed for the measurement of NO_x/SO_2 and CO_2, in full accordance with IMO Resolutions and the NOx Technical Code.

It is fully type approved by Lloyd's Register (certificate number 07/00043) and measures emissions of oxides of nitrogen (NO_x), sulphur dioxide (SO_x) and the greenhouse gas CO_2 from the engine exhaust of marine diesel engines.

This system, which uses monitoring technology, including chemiluminescence as prescribed in the NOx technical code, is claimed to be the first system to meet the IMO requirements of both:

- **MEPC.130(49):** guidelines for on-board NOx verification procedure - direct measurement and monitoring method.
- **MEPC.130 (53):** guidelines for on-board exhaust gas cleaning systems.

Designed to be permanently installed on vessels, Consilium said that the Salwico system offers key benefits to shipowners and operators including:

- Full compliance with the existing NO_x legislation (NO_x Technical Code).
- As a solution that verifies compliance with regard to SO_x emissions within existing and upcoming Sulphur Control Areas (SECA's).

RCM wins award

RCM Marine has won the Seatrade 'New IT Applications for the Shipping Industry' award.

This award was given for the RCM 'Voyager' condition based machinery monitoring system. Voyager is the result of three years development by a dedicated team at the Warrington and Southampton based operation.

Voyager is claimed to be the first system to provide real time, exception-based condition monitoring for marine machinery combined with satellite communications.

The system was primarily designed to monitor operational and safety critical machinery, such as turbochargers and cargo machinery. Working on a 24/7 basis, it can give an early warning (sometimes weeks) of impending failure allowing the operator to avoid breakdowns and their subsequent costs, and choose a strategic time to stop the vessel (if required) to carry out essential maintenance.

In the event of a problem, a coded message is transmitted via a simple D+ satellite link to the Purplefinder® system and can be displayed in the owners office (or superintendents home) on a web-based vessel tracking system.

- Wärtsilä has fitted the first ship with its 24/7 on-line condition-based maintenance (CBM) system.

The system is operated from Vaasa and has already been fitted to more than 60 land-based power plants worldwide.

It provides an on-line service to seagoing engineers and shoreside engineer superintendents to help ensure that the installations are performing to optimum effect, while highlighting any deviation from the engine's normal operating parameter. Wärtsilä claimed it can spot fault sources and emerging operational trends well before any failure occurs, enabling proactive rather than reactive maintenance.

Professional standards under the spotlight

At Nor-Shipping, *TANKEROperator* presented another in its successful series of conferences on tanker quality and safety.

Under the theme of 'Professional Tanker Operations - 2007 and beyond', International Tanker Management (ITM) head **Lars Modin** started off by saying that for the past five years, seafarer support had not been enough. He found that superintendents had been trained to cover other areas rather than sticking to what they were good at.

He showed delegates what he called the wheel of continuous improvement - measurements, benchmarks, communications and training. Both on board and onshore qualified personnel can have limited resources, so it is important to plan for continuous training of personnel and to update routines in compliance with new regulations.

ITM's Lars Modin

ITM has developed a generic questionnaire database as Modin said it was important to have human factor knowledge. "Some people may have knowledge but not the skill to implement that knowledge", he said. ITM must be a knowledge-based organisation with information sharing, process orientated and adopting best practices. "We must be more dynamic," he explained.

He also said that ITM was looking to establish professional standards and have the right KPIs. He thought it was important that the KPIs should relate to the same factors. He also thought that the InterManager initiative to define KPIs was a step in the right direction.

> .....it [is] important to have human factor knowledge. "Some people may have knowledge but not the skill to implement that knowledge"
>
> Lars Modin, International Tanker Management (ITM)

He thought that more time should be spent on board ship to see how seafarers work. Superintendents should be on board for at least 12 days per year. The ones that are deemed not so good should be targeted. On board training was "much better" Modin thought. Serving officers should also be trained twice or even three times per year.

Chairman **Dimitris Lyras** asked Modin; "How do we see how good people are at decisions?" He replied; "We spend more time on the ships and actually see how people carry out their daily work."

Quality v quantity

"If the quality doesn't keep up with quantity, then we are in trouble," **Captain Vijay Rangroo,** group executive vice president of Eurasia warned. He was speaking of the very high numbers of ships due to enter service combined with the lack of scrapping, which could result in the first signs of a decline in seafarers.

"We also need to train for HR. We need to give more to get more," he said. "Unfortunately, training is conducted on a need to know basis. Training must take on a new meaning with no soft skills taught ashore. Train the leaders on board and they will train the crew"


Eurasia's Vijay Rangroo

Quoting Mahatma Gandhi Rangroo said "Find a purpose and the means will follow". He thought that refining any feedback was important. Rangroo also said the concept of TMSA should be the "spirit of practising, rather than the act of practising".

Eurasia has put around 10-15 extra cabins on its shuttle tankers for cadets. "An extra £500 per month is nothing," Rangroo said.


EMS' Ranjith Cheerath

Captain Ranjith Cheerath, EMS Ship Management's head of safety and quality told delegates; "We have trouble translating training into action. People often think of training as putting people in front of a simulator. I want to focus on one part, in search of excellence."

He said that in TMSA's genesis, many times the word 'excellence' had been used.

"You need to focus on the customer both ashore and afloat and become more of a boutique shipmanager, rather than a supermarket type." The shipmanager should be involved in customer relations and not just pick a service off the shelf. He also said that good leadership should be encouraged at every level.

He explained that at the beginning of 2007, the group took over another company, with 14 ships, and the group was renamed EMS Ship Management. It was a systematic structural change. A new team was developed and a risk assessment undertaken for every vessel.

Cheerath advocated management by fact as the crew and people onshore are the first to detect double standards. "It is not enough to make catchy slogans". It's easy to say, something happened, and we disciplined the person, but how many people are checking on how many filters do we have for the oily water separator?" That is the best way to find out if it's being used or bypassed, he thought. "What cannot be measured, cannot be controlled", he said.

On the subject of KPIs, he said that you cannot reduce KPIs to just one. It should be a group of KPIs. "We have to analyse sistership KPIs, that's the only way to do it right. We have checks and balances now".

OSM's **Jan Eskilt** thought that being a seaman in Europe is now considered as low class, compared with shore jobs. He said that owners and managers often say, 'I want a 2nd mate with two years' experience, but that's the lowest position on board'. "I think we have to have the guts as managers to say, we want cadets on board", he said.

Polish wages for senior officers have gone up by 100% in the past three years, but today a Polish builder can get a very good deal


OSM's Jan Eskilt

from a European construction company. A Polish person can now work on all EU flag vessels. However, they now know their value being quick learners.

Turning to TSMA, Eskilt said that this was just putting on paper how OSM has been living with Statoil for the last 20 years. Of course, the public eye on tanker operators has much to do about image. "When oil companies tell us, they want this standard, they care about image", he said.

The oil majors have a vetting department with a divine right to reject a ship. "We are the most important factor to them, which you can really screw up. Fighting it is a little like fighting against the law on smoking", he thought.

"When people say no to a cadet costing $500 per month, it's

> "You need to focus on the customer both ashore and afloat and become more of a boutique shipmanager, rather than a supermarket type."

Captain Ranjith Cheerath, EMS Ship Management

Vista's Asbjorn Grini

> "Be 100% sure you can document your level, otherwise you should downgrade at least one level...it's not important to be on the highest level. It's important to satisfy the stage you have decided you are on."
>
> Asbjorn Grini, Vista Shipmanagement

so short sighted. This is supply and demand. You have to choose who you want to work with. Don't go in there and try to get the management of a vessel by taking $2,000 off the management fee. If that is the reason you get the contract, then you have a problem", Eskilt said.

Vista Shipmanagement's **Asbjorn Grini** explained that the company has six tankers on hire to ExxonMobil, Esso Norway, Statoil and Teekay and that he was put directly into the TMSA project two years ago. "The hardest thing was to get everybody involved and understand why we should do it. We needed simple systems for the persons involved or it's very hard to get this implemented," he said.

Grini explained that he had audits from IMT and Statoil. IMT's Ian Hunter said that if managers lie, "hell freezes over before I take you out of that hole again." However, IMT will not give any firm suggestions or guidelines in case of being sued. But they were very well prepared. "Be 100% sure you can document your level, otherwise you should downgrade at least one level, Grini warned. "It's not important to be on the highest level. It's important to satisfy the stage you have decided you are on."

IMT regarded TMSA as accounting for 30 to 35% when assessing a company.

Following the formal presentations, there was a discussion about audits.

Cheerath said that in his experience with Exxon (IMT) audits, they were not looking at strategy at all, but down at the tactical levels, asking three clear questions; - is there documented procedure, is there compliance, is there evidence of compliance.

Varied auditors

Rangroo thought it depended on who is the auditor. "We had a guy from Chevron. He wanted to know how many ships have I visited. Then they asked, what do you do when you go on board. We agreed - the purpose of me going on board is to make sure they have access to support at the highest level.

"I eat with them and I make sure the food is alright. I said, I start in the galley, if the food is good, people are happy. Then we have a safety meeting. The way they go about is something like, 'did you... did you...' ", Rangroo explained.

Lyras asked Rangroo had any oil company ever said, 'what are your defects'?

He replied that they look in the computer and then they drill down.

He explained he was asked by Shell auditor, 'do you do passage plans in the office'. He replied 'no'. He put it down on paper 'you have to do passage plans in the office.' We answered back to STASCO saying, we don't believe in this. STASCO said, 'OK'.

Another comment was made that those undertaking the vetting were driven by the checklists. The vetting inspector had to comply with these checklists, he had no choice.

Those who were demanding these compliances should be more reasonable in what they were asking for. TO

An attentive audience

First Class tankers: a new perspective

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