



### *Crushing costs: think of a big number, then double it!*

Last week, the International Association of Independent Tanker Owners (or, Intertanko) gathered in New York for their annual convention. Part of the week was devoted to private meetings, for members (tanker owners) and associate members (vendors, usually), but the second half of the week was “opened up” (more on that later) to interested folks who could attend their seminar, and the hands-on workshops on the final day of the week. This was a stellar event, full of high level attendees, carefully planned by the Intertanko staff.

Tankers have always been at the intersection of many serious issues, involving politics, economics and the environment. Most of the time, the pressure on the shipping business is exogenous, ie it is not of the tanker industry’s making. Thus, “Sustainability”- as in, “How do we as a business survive and thrive going forward?” was the main topic in the sessions- however it became clear that sustainability means something a little bit different to each speaker. Several times during the seminar, discussions of “transparency”- a word that’s way over-used throughout business, came up. This is not a concept that shipping people are comfortable with- yet it will continue to exert a powerful influence as shipping must interact with outside “stakeholders”, really a polite way of referring to those on the outside with the potential to bring about “exogenous” factors. I am not suggesting that we all get comfortable with full disclosure of anything; rather, I just want to remind everyone of the ongoing tension, and there is plenty of tension.

A few common themes did emerge during the Intertanko meeting session, where views were presented on what the industry must do to cope with ongoing changes and move forward. Throughout the meeting, as I listened and took notes, I was overwhelmed by a huge irony- which was that the seminar was conducted under something called “Chatham House Rules”, which prohibits reporting of who attended (specific people or organizations) and what a certain person said. Yet, the speaker at the annual dinner, whom I am not allowed to name, spent his allotted 20 minutes or so, promoting the use of social media- actually quite cogently and eloquently, by the tanker industry. Huh?

Recruiting speakers for high profile events is challenging; invariably, those from big listed companies in the public view are reticent to appear at any event that may provide grist for the trade press, or for the Capital Link shipping report, for that matter. Reporters may add an unintended nuance; copy editors (or sub-editors, as they call them across the pond) often show their mischievous side when it comes to headlines and captions. So, hence, the gag order on talking about who said what. If readers are wondering whether they missed some juicy revelations of disclosures, the answer is “no”. Where the debates did get lively, however, the level of back and forth was in line with that at some of the better industry conferences- like the Capital Link, [Connecticut Maritime Association](#), or the [Mare Forum](#) events (where simply sitting in the audience makes you fair game for inclusion in discussions).

Contributed by

**Barry Parker**



Barry Parker is a financial writer and analyst. His articles appear in a number of prominent maritime periodicals including Lloyds List, Fairplay, Seatrade, and Maritime Executive and Capital Link Shipping.

Fundamental changes involving technologies were a big subject; sorry vendors on the panels- they might have to kill me if I mentioned your names and companies. A huge subject throughout the day was the changing landscape for fuels- brought on by new waves of regulations and restrictions- in 2015, tight restrictions on sulfur in fuels for vessels around U.S. and European coasts will kick in. The information and internet realm, not surprisingly, was also a subject that appeared in multiple contexts- for example, whether data fusion (AIS, ship descriptions, cargo loading data) could potentially give charterers an advantage in the information wars. “Big Data” concepts, a hot topic in the past few years, were quite well presented (sorry again, vendors). Questions included whether these new analytics might be applied to shipping, and whether tanker fixtures could be transacted in electronic marketplaces (a discussion linked to questioning about the degree of value added by shipbrokers). Vessel vetting received extensive attention, with the sometimes differing philosophies of owners and charterers revealed and explored. In a very good set of presentations, recent developments in information management were also infused into discussions of vetting. Through the haze, there was an intriguing suggestion that sophisticated data analytics (a/k/a “Big Data”) may begin to have a profound impact on how vessel inspections, evaluations and approvals (or not) are handled. More data, and the ability to grab it and analyze it will bring even more tension to a private business. More transparency, or maybe “Big Oil” becoming “Big Brother?”

The financial landscape was also a subject of extensive discussion, centering on the emergence of private equity at a time that banks have pulled back. Concerns were expressed about whether the new investors might “exit” at inauspicious times from shipping deals, and whether such sales- if and when they happen, could add undue downward pressure on a market that’s currently precarious. The financial discussion was also infused into the meetings that concerned the owner- charterer dynamic, always a topic in these meetings. Integrated shipowning companies, or really the lack of them, emerged as a concern when questions were raised about whether the major charterers will tolerate the extensive outsourcing of vessel operations. This trend is likely to continue as financial owners become a permanent part of the shipping picture, and subsequently hire ship managers. In cases where private investors are partnering with an established ship owners, managers have also been hired. Another important point emphasized at the seminar was that movers of oil, whether they be oil majors, or



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## IN THE NEWS

trading companies) need to have a financially healthy group of owners who will not cut corners. Where working capital is a scarce resource, the timely payment of freight and demurrage is imperative.

The ongoing trade flow shifts, mainly tied to changes in the landside infrastructure to bring cargo to the ports, also came up. Presenters were wary about making actual forecasts, but I would say that a sense of ongoing demand recovery, albeit gradual,

emerged from that group of speeches. Of course, the specter of over-supply (especially in the product tanker sector) is a worry. It's not clear (based on what I saw), where the LR type tankers may see a huge spurt in demand; the brave forecasters have divergent views on this. Surprisingly, none of the local shipping bankers and equity analysts were in the audience to hear, and perhaps challenge any of the speakers, or simply to network with a fabulous group of industry insiders.



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