

Managers battle for owners' hearts and minds

Third party ship management is a complex, thorny issue driven as much by passion and personnel preference as ruthless cost saving. Discussions around the issue drive debate and connect many disparate strands of the international shipping industry. Tanker Operator listened into the debate at the 13th Annual Lloyd's Ship Management conference in Athens

Outsourcing key technical and commercial roles to a third party provider is a leap of faith many ship owners have been reluctant to make in the past. Being part of a global industry can rub against the grain of entrenched family ties and long established arcane financial engineering to create a wariness of the outside world.

In researching ship management services for a post graduate qualification, Dr Kiriaki Mitroussi, a visiting lecturer at the Department of Maritime Studies at the University of Piraeus, developed a number of conclusions - some predictable, others less so. Presenting her findings at the LSM conference, Dr Mitroussi said: "Ship managers do not always get to undertake responsibility and exercise authority on all of the assets of a particular firm as a significant proportion of owners entrust less than half of their assets, that is less than half of their fleet, to third party management companies."

Crewing and technical third management is more likely to be used by ship owners, than commercial services, although most owners who eschew third party involvement are "willing to hand over the chartering and even the sale and purchase issues, while hanging onto the final decision.

George Gyftakis, president and managing director of Mediterranean Maritime, a Piraeus-based owner/operator of dry bulk carriers, made a passionate stance against ship owners using third party managers.

"The ownership of vessels for a Greek ship owner is more than just a job ... it is the love of the business of successfully managing ships," he said, speaking at the LSM conference.

A third party manager, who may manage many vessels for many diverse owning interests cannot focus on the optimum and most beneficial way to provide technical, operational and commercial management for a single vessel.

"Vessels for him are just numbers and, at the end of the day, as long as performance is 'acceptable' the owner is happy. The owner is, after all, just looking for a return on investment. The 'real ship owner' and I include myself in that category - is looking to optimise performance. A 'satisfactory' performance is simply not good enough."

However, within the conference, this was not a universally accepted opinion. Several delegates urged Mr Gyftakis to allow ship managers to handle one of his vessels, with a view to benchmarking third party management capabilities.

Anil Deshpande, managing director of ASL, concluded in his paper that the most critical factor for an owner is to have a third party manager (TPM) harmonise his business goals with those of the owner's in order to remove any conflict. A TPM "ought to feel the same

affection for the ship, he ought to have the same long term interest in the ship as the owner, part of his remuneration ought to be related to the satisfaction of the owner's goals." Avoiding this potential clash is important, especially if the owner is considering employing a large TPM, whose managers need to deliver according to his company's aspirations.

For the shipping industry, as ASL's Mr Deshpande observes, is showing all the signs of a mature industry - low margins, high risks, competitive pressures and dwindling returns from any new technological advancements - ship management is becoming a more and more critical aspect of the owner's business, he said.

"Third party management cannot grow by relying on owner's blind faith and ready cheque book. The cornerstones for the owner's adoption of TPM would be trust and track record created out of transparency, quality and long term commitment and identity of goals," said Mr Deshpande.

Other speakers at the conference included Lutz Wittenburg, regional director of classification society Germansicher Lloyd, who said that to a very large extent, ship safety and security complement each other and are based on the unique concept of IMO regulations and procedures.

"In general, the safest ships are also likely to be the most secure. Both are largely dependant upon motivated management and crews to minimise the risk of human failure. In other words, owners, ship managers and flag states that adhere to the high quality in safety are also most likely to set and maintain the highest standards of security".

Guido van Meel, advisor to the Antwerp Port Authority, speaking on how Port State Control (PSC) can help ensure ship safety and security, noted that the role of PSC in managing the IMO's International Ship and Port Facility code (ISPS) which takes effect from July 2004 will be limited and that for many countries PSC is not the competent authority for security matters.

Mr van Meel reminded delegates that expanded inspections for certain vessels categories including older tankers and chemical and gas carriers will commence this July and called for closer cooperation between class and owners in carrying out a new level of inspections and tests.

Turning his attention to the growth of Greece as a source of crew management services, Greg Triantafillou, marketing director of Epsilon Hellas (Overseas), was being driven by the "shifting away from traditional family operated companies...has contributed to the development of better organised and better staffed companies.

"Greek crew managers can survive and compete with the very best of their trade, provided they continue to exhibit the expected degree of seriousness and professionalism and invest sufficiently in the necessary machinery and people."