

Pooling for profit

Product tanker pools are proving to be an attractive option for owners seeking to compete effectively in a consolidated and demanding market

Pooling arrangements have found favour in the product tanker sector in recent years, primarily because consolidation amongst the ranks of the oil majors has strengthened the hand of the charterer during fixture negotiations.

Ultimately, the success, or otherwise, of tanker pools depends on a range of variables, not least the market situation, the commercial management arrangements and the commitment and mix of the participants.

Many owners remain unconvinced about pools, preferring to maintain their marketing departments and decision-making freedom, or at least to limit the number of vessels committed to a pool. Stelmar, for example, pulled the ships it had in the Star Tankers product pool in 2002 in order to concentrate on building its fleet-wide period business, with which it has been very successful.

Torm of Copenhagen is a strong advocate of pooling arrangements, having launched its first product tanker pool in 1989. Today, Torm manages three pooling arrangements involving 50 medium to large size product tankers on behalf of 14 owners.

The success of the Torm formula has prompted a number of other pooling arrangements, the managers of which promise to provide participants with consistently higher earnings than the market average.

The ability of a large, flexible, pooled fleet to reduce the number of empty ballast legs is central to the success of tanker pools. Additional advantages are the economies of scale savings through the fleetwide purchasing of bunkers and services; and the ability to provide the oil majors with the full mix of modern tonnage they require, including at short notice if required.

Pooling arrangements are regarded as one way in which operators of smaller fleets can maintain a presence in a demanding marketplace. Also, owners of larger numbers of ships have played the pooling option to advantage. Primorsk Shipping Corporation (Prisco), for example, owns and operates 43 product tankers, but it is a diverse fleet comprising many different sizes and types of ships.

To get the most out of this diversity in a demanding marketplace, the Russian shipowner operates some of its ships in pools which trade worldwide while others are dedicated to a niche sector, serving the Russian Far East and Arctic trades with its fleet of specially ice-strengthened tankers.

Pooling is one option that shipowners have utilised as part of an effort to rationalise a global product tanker fleet which has been largely fragmented until now. This rationalisation is necessary in order to withstand market pressures from a consolidating customer base. Pooling has proved to be effective for certain owners in certain circumstances, but there are other rationalisation options. Different approaches work for different companies.

Fleet rationalisation itself is regarded by responsible owners as one but one ingredient for a stable and balanced product tanker market. Other essentials include a newbuilding orderbook sized to meet the industry's precise needs and compliance with agreed quality criteria across the fleet.