

Eletson ups pace as new challenges come to fore

Product tanker specialist makes move in LPG sector as ageism by charterers threatens its business model

MARKING the 20th anniversary of the delivery of its first double hulled product tanker, 2009 is already shaping up as a landmark year for product tanker operator Eletson Corp.

It will see the first fruits of a major fleet renewal programme and the company has already taken delivery of a first newbuilding liquefied petroleum gas carrier, announcing a first ever diversification from the products trade — its specialisation since the early 1980s.

As all Eletson vessels, the 35,000 cu m hi-spec LPG/NH3 carrier *Anafi* has been named after a Greek island and flies the Greek flag. Three sister vessels are due to follow within 2009 from builder Hyundai Mipo Dockyard to complete a project that is running well ahead of schedule.

Eletson has traditionally been a spot operator in the product tanker sector although it will provide a time charter vessel to serve one of its customers if required.

According to chief executive Costis Kertsikoff, the LPG vessels will also be testing the waters of a spot market that "seems to be developing" in their sector.

Noting that a number of other contracts for medium sized gas carriers followed the Eletson orders, he views immediate prospects for the market as "okay if not brilliant".

Mr Kertsikoff said: "A small market can easily be put out of balance if orders are piled on, but I think if some vessels go for

scrap and demand for ammonia and LPG picks up a little more, we have new ships and it should be okay."

There is some anxiety, though, over the health of the company's traditional product tanker trade where there is a large overhang of new orders.

"The fear is that while a lot of smaller vessels will be phased out they will just be replaced by bigger ships — many more 45,000 dwt ships have been built," said Mr Kertsikoff. "The question is whether the cargo base will adjust to absorb and employ all of them."

This summer will see the first delivery in a series of six medium range tankers of 52,000 dwt, also ordered from Hyundai Mipo, while two more tankers are to be built by SWS in China.

Three of the eight new vessels are due for completion this year, with the balance of the programme due in 2010.

The new ships will first of all provide replacements for the very first quartet of double hull 46,538 dwt tankers — *Samothraki*, *Psara*, *Halki* and *Shinoussa* — that were ordered from Korea Shipbuilding & Engineering in 1986, before the *Exxon Valdez* accident and the US Oil Pollution Act of 1990 that ushered in the double hull era for the industry at large.

Those ships, built in 1989-1990, were sold five years ago to fellow Greek operator Prime Marine Management and have been operated by Eletson on leases. But two of the vessels have already left the fleet and the remaining pair will both be handed over to Prime within this year.

The current orders also promise a start on renewing the rest of the fleet of 25 vessels in the water, fully half of which were constructed in the 1990s.

As a rare instance of a company that has built and kept ships for a full 20 years, though, Eletson admits it may be forced to look towards a new model in future.

It is "depressing," says Mr Kertsikoff, that having championed double hulls when virtually no-one else was building them, the



Eletson's 35,000 cu m LPG carrier *Anafi*: it has diversified from product tankers with the recent delivery of the first of an LPG series.

Company prizes its crew

ELETSON Corp chairman John Karastamatis, one of four master mariners who founded the company four decades ago, accompanied Costis Kertsikoff on to the stage at the Athenaeum Inter-Continental Hotel last December to accept the Lloyd's List Greek Shipping Awards Tanker Company of the Year prize for 2008.

"When they started 42 years ago, their difficulty was to find the ship; the crew and office were the easy part," said Mr Kertsikoff in his speech. "Today, things are different; to find a ship is easy — it is the crew and people that you cannot find, and on that depends the success of the company." Nominations for the company

praised its focus on the human element and its safety and environmental culture. "Eletson was among the first companies to undertake an assessment of the human factor and a gap analysis," said one. In 2008, the company qualified for ISO 14001 certification for environmental management with a system said to include pioneering elements in waste management.

The two themes are never far from management's thoughts. "If it was not for the crisis, the main issues I think we would be discussing this year are the mistreatment of seafarers in countries around the world, and how shipping is to contribute to reduction of greenhouse gases," said Mr Kertsikoff.

company now finds some charterers prepared to reject ships of more than 15 years of age, no matter that they are double hulled thoroughbreds.

"The market essentially no longer accepts the philosophy that we will maintain, operate and trade our ships throughout their useful lives," he said.

"The market asks you to comply with Tanker Management Self Assessment, audits the ships and the company, measures the performance of the officers, we have the ISM Code — and yet when it comes to chartering the ship, the first thing that comes up is 'how old is she?'"

"It is a big problem because it calls into question how companies are going to maintain their vessels.

"People now will have to do the math again," added Mr Kertsikoff. "We ordered the first double hulls and even now we are penalised by the legacy left behind by the single hulls — or at least by the lower quality operators who caused problems in the past."

Atlas Maritime has an affinity for aframaxes

WHEN a shipowner is equipped with a degree in mechanical engineering, perhaps it is not surprising that he places importance on having a solid structure in place for his business.

That appears to be the case with 33-year-old Leon Patitsas who went on to add a masters degree in ocean systems management from the Massachusetts Institute of Technology to his educational distinctions.

Now his company, five-year-old Atlas Maritime, is slowly but surely making its mark in the tanker sector while the owner's personal credentials were also recently recognised when he was elected as the youngest personality on the Union of Greek Shipowners' new 30-member board of directors.

"Of course, we look into different opportunities but at the moment our focus is on aframax tankers which is a niche we like," he said. "Aframaxes are the workhorses of the crude tanker industry. They can trade on up to 12-14 different routes — more than VLCCs, suezmaxes or panamax — and we have seen that even in softer markets they do well because of their trading flexibility."

The company sold several bulkers with which it started out, sensing that "the irrational exuberance in the market was not going to last", and last year it also sold a very large gas carrier newbuilding ex-yard to a Norwegian buyer.

The disposals leave a fleet of six aframaxes, of which four are trading under three-year time charters with a profit sharing element on top of the base rate in the contracts.

These include three sister aframaxes of 107,000 dwt, built by Japan's Imabari in 1998-1999, which were acquired in 2007 from Tsakos Energy Navigation.

On time charter to February 2011 is the six-year-old Sanoyas-built 115,000 tonner *Atlas Voyager*, which is trading in the Aframax International pool operated by OSG.

Two years ago, Atlas took delivery of a brand new 105,000 dwt aframax from Sumitomo, naming it *Mitera Marigo*, the name of Mr Patitsas' mother, repeating the name chosen by the owner's grandfather exactly 50

years earlier when he named a bulk carrier for his own mother, also Marigo. This tanker is also on time charter but entered in the Heidmar-managed Sigma Tankers pool.

The current fleet is expected to be completed next month with the delivery of another newbuilding, the Hyundai built long range tanker *Aspasia Lemos*, which marks the company's entry in the clean trades and has also been committed to the Sigma pool.

"We believe that, as the older generation used to say, a good mix of new and older well-amortised vessels is the ideal model," said Mr Patitsas.

Although he underlines that Atlas is a modest sized company, he also makes clear that the aim is to become a more important player in its chosen niche. The company's recently inaugurated offices in southern Athens are conspicuously roomy and it is easy to deduce that it has growth in mind, whenever this is opportune.

"We are concerned not only to acquire quality ships but also to invest in experienced people in order to create a team that will be able to expand and grow even in a challenging environment such as the one we will be facing in 2009," said Mr Patitsas.

Considerable attention has been paid to creating strong finance, legal, accounting and risk management departments, on top of the technical and operations aspects. The result is: "We have established a platform to take the company to the next level," he said.



The *Mitera Marigo*: it is on time charter but has entered the Sigma Tankers pool.

Following in a rich Oinoussian tradition

ATLAS Maritime's managing director Leon Patitsas is a strong believer in tradition and can point to generations of history within the family, with a particularly rich lineage on his mother's side.

More than a century ago, for example, great-grandfather Christos M. Lemos was co-owner and first Master of the *Marietta Rallis* which Greek shipping lore has commemorated as the first steamship owned by seafarers from Oinousses, one of the country's foremost maritime islands.

The family was recipient of one of the famous 100 Liberty vessels which restored the fortunes of the Greek merchant fleet in the aftermath of the Second World War.

Another among many touchstones of family pride is grandfather Leon C. Lemos, founder of Epfloia Shipping, one of the most revered of Greek shipowners in the 1970s, 1980s and 1990s.

After selling off 15 of his 17 vessels in 1980 just prior to the crash, Capt Lemos re-entered the market in 1985 while conditions were still at a low ebb, ordering a series of 10 bulkers from Hyundai Heavy Industries, a shipbuilder with which Atlas has renewed relations with a newbuilding project of its own.

Nonetheless, says Mr Patitsas, in founding Atlas he wanted to "move from a family owned model, the traditional company of the 19th and 20th centuries, to a more corporate structure more suited to the 21st century". That is not to say that accumulated wisdom is ignored. "As a family we have always liked to have a focused strategy and specialise in what we can do best," said Mr Patitsas.

Befitting this illustrious seagoing pedigree, Atlas says it takes special pride in professional technical management with a strong commitment to safety and protecting the environment.

That has been reflected by Lloyd's Register certification for IO 9001 and ISO 14001 compliance.

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