

# ON MY MIND



## Olav Eek Thorstensen

Olav Eek Thorstensen is President & CEO of Singapore-based Thome Ship Management – a company which describes itself as a niche provider of personalised high quality shipmanagement services. By blending technical ability and business acumen Thome combines what it calls the best elements of Norwegian shipping tradition with Asian drive and enterprise.

The major issue facing today's shipowners and managers is the growing shortage of competent crews. Outside talking about it, what must the industry do together to rectify this problem?

The shipping industry's image needs to be improved dramatically. This is a very difficult question but the best way to improve the image of the industry is to create a better image for the seafarer. In most post industrial countries now, even in countries with a shipping culture like Norway or Greece, the seafarer's status has dropped and that is a bad thing.

When I was a young man growing up in Norway, the status of ship's master was high – he was well paid and he had power and status. Today, that is no longer true. In those days, the status of a master was up there with a doctor or a lawyer. But for various reasons that has slipped and I am sad about that. That is why it is difficult to get young people to see shipping as a worthwhile career.

Today the masters are criminalised; the job is seen as low status, often isolated, away from families for long periods and they are seen as 'order takers'. These are negative stereotypes and we must work together as an industry to improve this image.

I believe the biggest single challenge facing the industry today is the global shortage of qualified officers and crews. We face this issue at Thome Ship Management in common with all other ship managers in the world today. To combat this situation we have invested in the training of seafarers over many years in the Philippines and more latterly in China.

With so many new ships coming onto the market in the next few years I think this challenge can only get tougher. We note that some owners and managers do not spend sufficient amounts on training and that will surely cause problems in the next few years. Another phenomenon which we have seen is the rise of staff 'poaching' which is now quite commonplace throughout the industry. We have seen evidence of this poaching in which higher wages are offered to certain types of seafarer which in turn has caused something of a wages 'bubble'. In general it is obvious that the industry is going to witness a real labour shortage in the next few years and most studies confirm this.

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Concerns have been raised that the third party shipmanagement sector is not as professional as it should be and that professional shipmanagement qualifications should be a pre-requisite to a company and its staff trading – similar to a doctor or a lawyer needing required qualifications to employ their skills. Do you agree and if so, why?

I agree with the questions. When the ISMA organisation was alive it aimed for this kind of approach to shipmanagement which was a good idea with good intentions.

There was a feeling in the 1990s that there needed to be a higher entry level to the industry and that higher quality managers needed to demonstrate they had a higher level of professional competency. But many managers did not even get over the hurdle of the ISM Code which was not a particularly high standard. The code had its critics and failures, but it was a step in the right direction for the industry, albeit a rather small one.

Today the best managers, and I include Thome in that category, have ISO9000 and ISO14000 accreditation which means they have reached a higher standard of professional competency than the ISO Code

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demand. I agree with the idea that ship managers should be able to demonstrate competency, but so few actually can prove that today. It is tremendously difficult for the industry to enforce qualifications which could be applied like the legal profession or in medicine.

It saddens me to say, but even a smooth-talking second hand car salesman can set himself up as a ship manager and start a shipmanagement company today.

All you need is smooth talk and a laptop and off you go! There is no universally accepted university degree and in the main it is true to say we need people with practical skills and experience as much as any academic qualifications – that makes the certification process even harder for the industry!

**Third party managers have earmarked 2007 as a year for growth and fleet expansion. What are Thome’s priorities for the year ahead and where do you see growth happening the quickest?**

Yes, it is correct to say we see growth for the sector in the next few years. For Thome, we see ample opportunities in Japan where we already have solid and long-standing relationships. In addition, we are seeing more and more vessels and fleets owned by private equity funds and trusts these days and the nature of shipowning is changing quite rapidly. There is a discernible trend there in that these funds or trusts or owners have no wish to get involved in the actual management of their ‘assets’ which are the vessels. So for managers with a track record, there is an opportunity there and Thome is well placed to take opportunities in that market.

Thome also sees tremendous opportunities in the offshore sector for similar reasons. There is a sizeable market segment of new owners of FPSOs, FSOs, anchor handlers and similar offshore structures which are basically investment funds or trusts, backed by private equity and owners. These people also need hands on professional, operational managers to look after their assets and Thome is well placed for this management as well. It is an exciting part of the market for us and we already have strong links with some of the Norwegian-based funds who need this kind of management.

**One possible avenue for individual company growth in the industry is through acquisitions or consolidation. But with the emphasis switching to quality management and adequate resources, do you believe there should be a smaller number of larger-sized third party management companies operating across all sectors or should the status quo remain where third party managers compete across the board irrespective of size or specialisation?**

The question of how ‘big’ a ship manager should become has always interested me ever since I began as an active manager 30 years ago. It is always a question I have wondered about and finding the optimum efficiency size for a manager is a difficult business art. My experience tells me that anything below 50 vessels under management means the manager has not found sufficient economies of scale which he can pass onto his principals. But we now have some managers with more than 300 vessels on their books. The question is: Have they become

too big? I think you can see evidence of a backlash against some of the mega managers. Again, I feel that owners want more than the best dollars and cents deal – if they want the cheapest, they can go to the car sales guy with the laptop – but then don’t demand quality service and quality assurance.

But the big managers are no longer purveyors of quality ship management services. I view them more as shopping malls rather than bespoke houses offering high quality services run by people who understand the owner, his needs and his fleet. I believe the mega managers are becoming more remote from the owners and there will continue to be a backlash against that as all owners want service in the end.

For me the optimum size for a manager would be around 100 vessels, possibly up to 150 vessels maximum and able to operate seamlessly in different time zones – one in the East and one in the West. Thome currently has around 80 vessels under full technical management.

We have never seriously considered a merger with another manager although I can tell you we’ve had many offers. But shipmanagement is such a people driven business, I am afraid of the fall out from a merger in terms of different business philosophies, business cultures, people from different backgrounds and the rest – merging service companies so that two plus two makes five is not easy and shipmanagement is no different from other service industries in that sense.

**Is there a solid place for very small specialised or ‘boutique’ managers specialising in certain areas such as LNG or Cruise or Ice Class?**

I believe there is, especially when it comes to the areas of crewing and the provision of LNG ship crews and LNG ship services is one good example. At Thome we have gone down this route so that today, we have formed our own LNG division which in effect is a separate subsidiary and we market it as such.

Building up that kind of separate in-house expertise is very important and helps with our marketing in that we are becoming known as an LNG specialist with a lot of in-house expertise. Whether or not these kinds of specialist companies can survive on their own or simply within bigger companies like our LNG division remains to be seen. I think it is better to create these specialist units in house rather than start from scratch. ■

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