The shipyard as a financial player

By Barry Parker from New York

Aker Philadelphia Shipyard's cascade of victories seem to have been fueled by shale oil (and tankers transporting it). Another in a string of successes was revealed with the announcement that a new entity, dubbed Philly Tankers- supported by marquee brand financial players, will acquire two vessels that the yard was building speculatively for around $125m each.

As described in the latest announcement, the yard will sell two ships, 50,000 dwt "LNG ready" product tankers set for delivery at end 2016/beginning 2017, to the new company- Philly Tankers (with options for an additional two that would deliver in second half 2017). The two ships are identical in design to a quartet presently under construction for Crowley Corp (using a design from the prodigious Hyundai Mipo yard- best known for its big orderbook of foreign flag MR tankers). The yard will own 54% of the new company- adding to its shipping market exposure, and financial sponsors will own 46%.

Media hype aside, the yard has committed itself to building tankers for the US coastal trades, taking a big gamble long before the recent boom. In the past two years, refined products and crude oil cargo demand soared for movements from the US Gulf to coastal refineries.

The yard, which built ten vessels that were then bareboat chartered to OSG plus two that were fitted further for US Gulf shuttle service by OSG, has kept its forward program full though speculative construction, and an appetite for taking on market risk, as necessary. An example being a "partnership" on the four Crowley ships- with a market dependent final price to be achieved for the newbuilds. American Shipping Company (American), the bareboat owner of the OSG product tankers, was the parent company of the Aker Philadelphia Shipyard before a re-organization; both companies now sit under the Aker umbrella. American is a member of the consortium of Philly Tankers' financial backers, which also includes the PE investor Apollo Global Management.

Pure play investments have eluded investors seeking to benefit from the considerable strength in the Jones Act. Kirby Corporation has been an off the charts success, while Seacor, a complicated entity holding Jones Act businesses has come off its late 2013 highs. Philly Tankers is set to be listed in Oslo during summer, 2014, and, maybe in the States in 2016, possibly as a Master Limited Partnership structure that's suitable for operators with vessels on multi-year charters.

Earlier in the year, Kinder Morgan scooped up American Petroleum Tankers (APT), a Jones Act tanker player, offering the sellers, the Blackstone Group, a better outcome than the contemplated IPO. APT is building four LNG-ready 330,000 barrel product tankers at Nassco in San Diego, using another South Korean design- this one from Daewoo; Seacor is building three similar vessels at the West Coast yard, with options for a fourth.

Apollo Global, one of the outside sponsors of Philly Tankers, has had mixed successes in shipping. Its late 2013 sale of shares in Norwegian Cruise Lines was a well-received IPO, but after-market performance has faltered. Its investment in Principal Maritime, an owner of suezmax tankers, has so far not gained the requesite support as Apollo attempts to offer shares to the public. A foray into chemical tankers is in its nascent stages.

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