# Inside Opinion: Getting the Amount of Bunkers You've Paid For

**by Inside Opinion, Ship & Bunker's anonymous maritime expert**

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**I can't have been the only one who raised an eyebrow at the news the other week of Sergey Antonov, the Chief Engineer onboard the Frontline-owned Suezmax *Front Splendour*,**

He was alleged to have accepted a bribe from a local bunker supplier at one of the world's largest bunker ports and to have submitted false documents to cover a bunker shortfall. He was found guilty in a court and he and the two cargo officer and surveyor allegedly complicit, were sentenced to very substantial fines and in Mr Antonov's case, two traumatic weeks in prison.

I couldnt have been the only person who read this story and wondered how overcrowded prisons might become if they started locking up everyone guilty of shorting bunker deliveries or accepting bribes to cover this practice up.

## Massive Competition

So massively competitive are the world's largest bunker ports that it is a well known fact, much lamented by bunker suppliers, it is very difficult to make money through "honest" bunkering.

There are some reputable suppliers - you know who they are generally. It is of course possible to get the amount of bunkers you've paid for, delivered in full.

But in some ports it is extremely difficult to do, consistently anyway. It is so widespread that companies accept it. If you want the cheapest bunkers, then you go to the super competitive mega ports and this is the cost of it.

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Some companies I know are regularly ordering by standard procedure 5% more bunkers than needed, and the final invoice is often still considerably cheaper than if they had gone to another port.

Local suppliers have gone on record in the recent past questioning the viability of their own business model without some sort of "mechanism" - i.e. shorting deliveries and such.



## Bunker Prices

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| | IFO380 | | MGO | |
|---|---|---|---|---|
| | $/mt | +/- | $/mt | +/- |
| Singapore | 609.50 | ▼0.50 | 918.50 | ▸0.00 |
| Rotterdam | 594.00 | ▲0.50 | 897.50 | ▼5.50 |
| Houston | 610.00 | ▼2.00 | 992.50 | ▼1.00 |
| Fujairah | 608.00 | ▲1.00 | 988.50 | ▼3.00 |
| Istanbul | 629.50 | ▼5.00 | 971.50 | ▼10.50 |
| Piraeus | 620.00 | ▼5.00 | 944.50 | ▼10.50 |

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## Cappucinos

It was an amusing ironic juxtaposition to me in my previous visit to various massive ports around the world that it is quite difficult to find a decent cappucino, on land anyway. Though the rumour is of course that these ports have plenty of very impressive cappucinos floating offshore, although I doubt you'd want to drink them!

In all seriousness though, one has to regard the situation dispassionately. It is theft. But it is explainable theft. It is simply a symptom of too many suppliers and too many barges chasing a share of grossly oversaturated markets.

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Prices are too low to make a decent workable margin on, so the choices are stark. That said, I have always had the impression that some of the deals that are done under the table where shorted volumes are sold on for profit, get nowhere near the company bank accounts and are probably pocketed.

We've been saying this status quo cannot carry on, but the ports in question have been like this since I have been in the maritime industry and long before. It seems clear to me that the odd token jailing here and there is not having the required effect, and that tougher, smarter action may be required if we are in fact determined to change things. Whether we as an industry are, is another matter.

Consolidation amongst the dozens of smaller suppliers will continue, that is sure.

What part can the port authorities play in all this? My impression has always been that they, understandably, are reluctant to meet the sensitive issue head on, especially in this most PR sensitive of times.

One wonders whether they feel that a mass cull of some of the more unscrupulous suppliers in the worst offending ports, perhaps by tightening bunker licence eligibility requirements might not be a bad idea.

People have mentioned the idea of mandatory flow meter use in some ports, but I don't think that's not going to happen. Too many ships, not enough flow meters and fleet wide not enough cash to adopt quickly en masse. Ports are not going to turn away vessels on bunkers only calls that do not have flow meters installed - and anyway the ports around nearby will just pick up the slack and become more competitive themselves. Would take years and years to push someone like this through. Nice idea, but short sighted, for me.

## Bunker Purchasing Scheme

Another, different idea I had the other day is more radical - introduce a new bunker purchasing scheme system at a competitive port where quantity claims are rife, whereby suppliers sign up to an agreement to be administered by the Port Authority.

The Authority charges, say, $20 per tonne management fee to be passed to the bunker buyer. The Authority pays the supplier that surcharge minus a buck or so for tax/admin fee, and so the supplier and his barge get their cut, guaranteed.

The end-user pays the index-linked price as agreed with the seller, and the Authority manage the supplier/barging delivery fees. There is then no need to short quantities to stay afloat. Anyone caught doing so after the scheme comes into force would I guess face not just expulsion from the scheme but also prison and hefty fine. Only the terminally greedy and stupid would try, I suspect.

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> **Why on earth, in this shipping market landscape would you advocate a scheme that forces shipowners to pay twenty bucks over Platt's**

I know, I know. I can hear the screaming from here.

Why on earth, in this shipping market landscape would you advocate a scheme that forces shipowners to pay twenty bucks over Platt's in the world's largest and most significant bunker ports?

Call me an idealist, but I reckon most shipowners and charterers filling up at such places these days would jump at the opportunity to pay a fraction more for bunkers but be pretty sure they are going to get the quantity requested.

An extra $40,000 on the $1.2m invoice for 2,000 mt of 380, no barging fees and almost no possibility of being shorted by as much as 10%. Hence, a much less stressed technical department!

And no sizeable fleet wide acquisition and installation cost for expensive flow meters, for now at least. Barge owners make their margins and can feed their kids and buy their Mercedes'.

Shipowners/operators get the bunkers they paid for, and Port Authority don't enforce something that drives money away into the arms of local competition. Everyone is happy, in theory.

And, if you don't want to pay it, then use a non-scheme member supplier and take your chances. Makes sense to me, but I'm just an idealist who over-simplifies things!

I'm off for a cappuccino.

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***About Inside Opinion***

*Inside Opinion is an op-ed industry blog by* ***Ship & Bunker's*** *anonymous maritime expert. With well over a decade of experience working in world's biggest bunker markets, our industry insider offers an alternative view on the maritime industry's talking points of today and tomorrow. Views expressed do not necessarily reflect those of Ship & Bunker, or any companies connected with the Inside Opinion blog.*

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