

BRIAN INGPEN

TEEKAY

THE FIRST 40 YEARS



TEEKAY

The First 40 Years

Dedicated to the many loyal staff members of Teekay - past and present - who have helped the company earn a position at the forefront of the maritime industry.



TEEKAY

The First 40 Years

Brian Ingpen

Kattegat Limited

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In 2012 Teekay commissioned the well-known artist Ian Marshall to paint the watercolours and sketches that appear at various places throughout the text. These evocative works have added greatly to the illustrative impact of the book.

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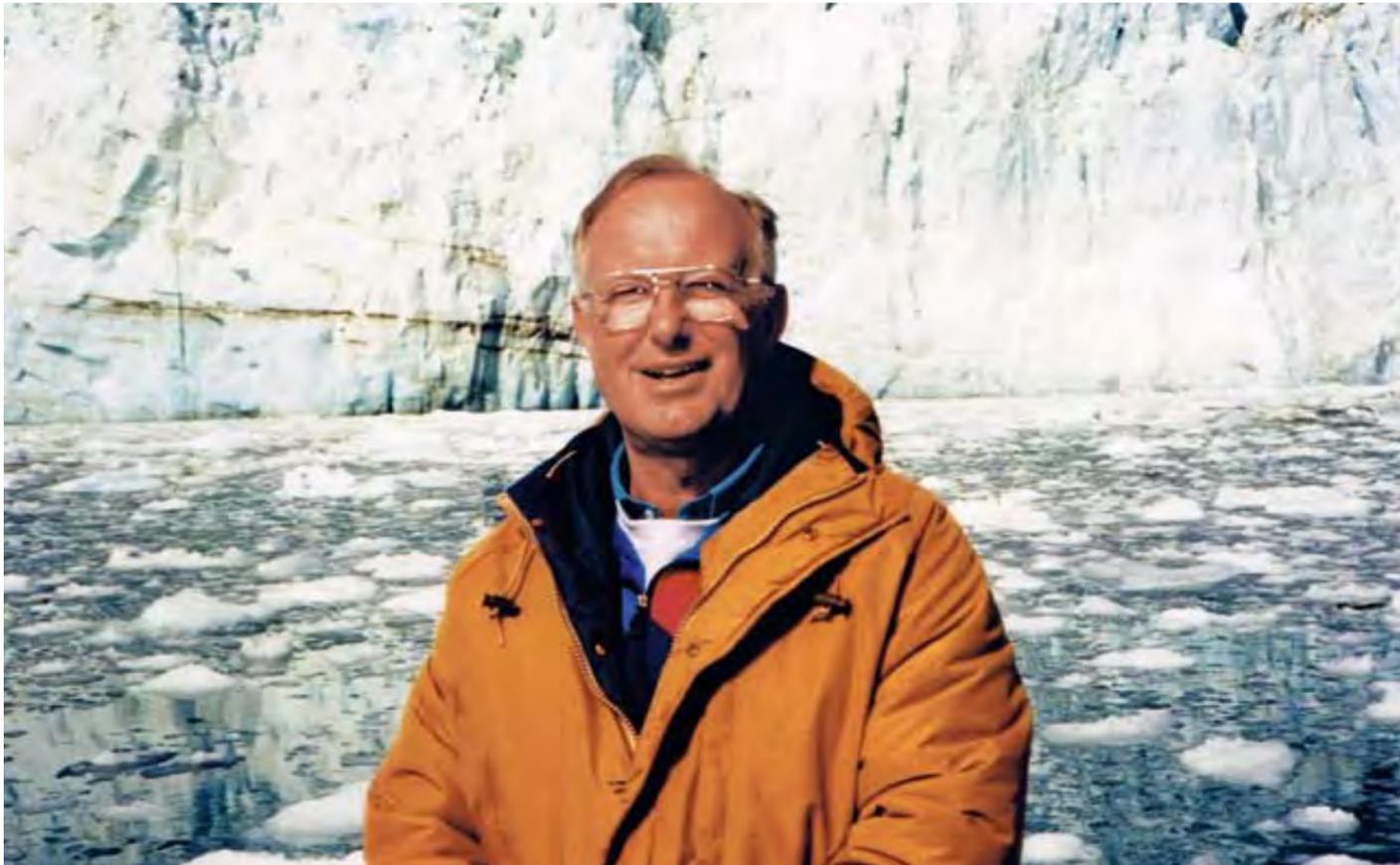
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Jens Torben Karlshoej 1941–1992. Aiko Karlshoej

Leadership is a service, it is not there to be served. It is not a privilege of power and authority. It cannot be assumed, but only granted by those who follow. Highest among the duties of leaders is to ensure that they leave a legacy of leadership beyond their tenure that echoes into future generations. It is less about what must be done and more about the manner in which it should be done. This is leadership at Teekay.

Throughout my own career I have had the privilege of observing and supporting the selection and development of leadership in some of the world's most influential corporations. In few have I experienced the lasting legacy of leadership of any one figure as I have seen in the impact of Torben Karlshoej. From the inspiration of vision and what might be, to the tenacity to persevere with endurance through all challenges, to the driven values of doing, above all, what is right and safe for employees aboard and ashore at all levels, the leadership climate of Teekay remains to this day a deeply embedded legacy of the vision of an outstanding leader. Torben may have created a fine shipping enterprise but his real achievement is the carriage of that early vision into the future, and the maintenance of core beliefs by people who never had the chance to meet him in person.

When I met Teekay employees, experienced Teekay environments, spent many days

with its most senior executives – one-to-one as well as many hours with its board of directors – I could not help but perceive a feeling of collective purpose. All share a sense of service and commitment to a purpose beyond themselves. All see their role as custodians of the organisation rather than the simple commercial vulgarity of ownership and control so common in the modern business world. Teekay's leaders are innovative and ground-breaking in adapting to their client and market needs yet powerfully old-fashioned, traditional and reverent in the way they deliver that competitive innovation. People like working for Teekay. They feel safe there. They feel that the conditions exist there for them to succeed whatever their role. What an old-fashioned concept so impressively packaged and so elegantly and sustainably delivered.

Teekay is a truly international organisation. It thinks that way. It respects the world, its people and its resources that way. So many other corporations should and must adopt this example. Teekay has adapted and evolved as any successful long-standing enterprise must in order to continue to succeed. It enjoys the position of setting standards for business ethics and service to which thousands of other organisations and stakeholders are exposed in the hundreds of cities and ports where its brand is visible every day. Its 'spirit' values of safety and sustainability, passion, innovation,

reliability, integrity and teamwork are not the product of some executive team but the expression of enduring and proven ways of doing business and working together that have been the founding principles of the company's success from day one.

Perhaps Torben's most lasting legacy was to put in place the vision and conditions that ensured Teekay had choices for its future direction and that these choices would be bounded by two simple and lasting compasses to ensure that the ship does not run aground or become lost: leadership and values. Teekay has these two compasses above its capabilities and resources – from the boardroom to its offices, the bridges of its ships and among the thousands of employees who carry the legacy of the Teekay Spirit onwards. Whatever lies ahead, the company is in good hands because of the strong foundations created by those who built it.

STEPHEN LANGTON

Stephen Langton has proudly supported Teekay as an adviser on leadership and succession. He lectures in senior leadership and CEO succession in leading business schools around the world.

Chairman's Perspective

'Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.'

Winston Churchill, 1942

Torben Karlshøj had a dream, audacious for anyone, but especially for a Danish farm boy who had emigrated to the US with heroic ambitions, a modest formal education and very few dollars in his pocket. He dreamt of building the world's leading shipping company, managed to the very highest standards by the most competent people in the industry. Although he didn't achieve this dream in his tragically shortened lifetime, the company that he created has provided a platform for the achievement of his lofty goal.

Torben Karlshøj had the best possible ally in his quest – his older brother Axel. Staunch supporters of each other in life, Axel stepped up at a time of intense grief to declare: 'Sadly my brother is gone, but his dream will live on!' Most in our industry were sceptical; very few shipping companies survive the sudden loss of a charismatic founder, particularly in tough economic times and a very depressed shipping market. But Axel never wavered, assisted by Torben's very talented and



dedicated management team who were ready to keep driving Teekay forward.

Every company history describes a living entity and its trajectory over time, and Brian

Ingen's fine book captures the essence of Teekay and its remarkable journey over the past 40 years. I have been privileged to be part of the team for much of the second half of this narrative, in the post-Torben era.

Bjorn Moller was appointed CEO in 1998 and I was elected chairman soon after. Bjorn led the brainstorming sessions that produced statements of our VISION and BHAG ('Big Hairy Audacious Goal'), both in keeping with Torben's dream. We set out to transform Teekay from a medium-sized tanker company, hostage to the ever fluctuating spot market, into a well-diversified and well-capitalised company with access to capital markets at all points in the shipping and economic cycles. I think it is fair to say that we were pioneers in this quest; there were no role models or similar shipping companies in the public markets.

In 2002 we were joined by Peter Evensen, who brought with him incomparable financial and capital market skills. He has been the principal architect of our successful 'daughter company' structure, which has contributed so much to our success in recent years.

Today we are at the end of the second chapter: our entrepreneurially-led tanker company has been transformed into a diversified

'marine midstream' company, providing a broad range of services globally to the world's leading energy companies. We are widely respected in the capital markets. And I believe that many more exciting and fulfilling chapters lie ahead of us.

It has been a privilege to work closely with Bjorn Moller, Peter Evensen, and their talented management teams over the past 15 years. We have always believed that searching the globe to find the most able and skilled individuals to serve on our board of directors gives us a great competitive advantage, and that has proved to be the case. I have been most fortunate to work with some of our industry's best minds, and I am most grateful for their unstinting support. I could not be more excited about the challenges that lie ahead as we embark on this journey together, as we move past the 'end of the beginning' and into our next chapter in pursuit of Torben's dream!

SEAN DAY

Chairman

Teekay Corporation



My Brother and Teekay



It gives me great pleasure and pride to write this introductory text to a book that celebrates Teekay's 40th year of operations. The telling of this story is long overdue.

Although I have spoken about my late brother many times, this book at long last puts into print the story of Torben Karlshøj and Teekay. It is no coincidence that it tells the story of both the man and the company, since they are so deeply interconnected. Without Torben, there would be no Teekay. Without Teekay, my brother would have had a completely different story to tell.

Like so many other great entrepreneurs, my brother was driven by passion, determination, and commitment. In Torben's case, it was a passion for shipping and all things maritime. He also had a fierce determination to build a world class shipping company and an unyielding commitment to 'doing it right'. He succeeded in all three.

As you will learn, his passion for the sea came early in his life. He loved to go down to the harbour to watch the ships come and go. When he began working for a Danish shipping company in Copenhagen, he fell in love with tankers. And so, at the early age of 21, he decided to go to America to follow his dream to build a great oil tanker company.

Nothing could stop him. After some years working for other shipping companies, he threw all caution to the wind and set out to start his Teekay Shipping Group. Starting such a company in 1973, when the world oil

embargo was under way, was tough. But from that time – until he died – nothing could hold him back.

In good times and bad his enthusiasm for the business never stopped. Everyone who came in contact with Torben saw that, if anyone could do this, he could. His passion, his boundless energy and his confidence in doing what many would deem impossible were infectious. From raising capital in hard economic times, to aggressively building Teekay's fleet, to making sure that his people, both ashore and at sea, were the best – everything he did was geared to running a world-class operation.

His philosophy was about getting it right the first time. About being creative and innovative. And about going the extra mile for his customers when trouble came, even if the trouble was not the responsibility of Teekay.

Of course, Torben shared other characteristics of great entrepreneurs. One was his loyalty to his staff. He cared deeply for them and their welfare. He believed strongly in fair play and equitable employment. He didn't care what part of the world they came from. In that sense, he was truly an equal opportunity employer. If you run an international tanker company, you deal with many nationalities, cultures and languages. Yet Torben worked in a language that anyone could understand. No matter with whom he was negotiating, his word was his bond, his handshake as good as a contract – a philosophy that worked for him

throughout his life. Those principles remain part of Teekay's core values.

There was another reason for Torben's success. He had an incredible talent for picking the right people for the right job at the right time. They all, in one position or another, had the difficult task of picking up the pieces after the shock of my brother's untimely passing in 1992.

Captain Jim Hood had the challenging task of taking over as chief executive officer, and did a tremendous job in providing a much-needed steady hand in the organisation as Teekay looked to a future without Torben. He held us all together during an extremely stressful time for the company.

Equally important in those early post-Torben days were those who sat on our executive board. Aside from myself were our general counsel, Art Coady, as well as Thomas Hsu and Shigeru Matsui. Each in his own way provided key guidance and stability during the very tough economic circumstances that existed for the tanker business in 1992.

As our general counsel, Art Coady was incredibly helpful in providing advice to Torben in all legal matters, including setting up the company trusts. Since then, I have continued to rely on Art's wise advice as a trusted friend and colleague.

Thomas Hsu, who has been a Teekay director since 1992, has been a tower of strength both on our board, as well as on the operational end of Teekay's business. He has been

a lynchpin in so many of the projects upon which we have embarked. It is no exaggeration to say that we owe many of our ongoing successes to ‘Tommy’. I am very grateful for his ongoing guidance and wise advice.

For his part, Shigeru Matsui provided us with critical and invaluable expertise in dealing with the Japanese banks and shipyards.

I also owe a debt of gratitude to Sean Day, who took over from me as chairman of the board in 1999. He has provided me, and Teekay, with essential support and counsel in our decision-making over the years. I consider him a fine friend and a critical colleague in a role he continues to play to this day.

Torben also had great insight in picking the right people to serve in management roles. Bjorn Moller was typical of his choices. Joining the company in 1985, Bjorn quickly proved his worth, and, taking over the position of CEO in 1998, he was one of the best leaders in the international oil tanker business until his retirement in 2011. Under Bjorn’s direction, Teekay was transformed from being a traditional oil transportation firm into a global leader in oil and natural gas shipping, as well as in offshore oil production, storage and transport. He took Torben’s original dream and through his own vision grew our company many times over – leading by example with his tremendous discipline, skills, and talent. We can rightly praise my brother for the great company he started, but history will say that Bjorn took over a young company and, through his own belief in what was possible, made it a major player on the world energy stage.

Bjorn’s mantle of leadership has now been passed to Peter Evensen, who continues the traditions established by Torben all those years ago. Teekay remains in excellent hands under Peter’s leadership along with the current members of the board and the executive team.

Of course none of Teekay’s success would have been possible without the incredible talent not only of our senior leadership team but also of all those working in our offices and aboard our ships throughout the world. Although he was a very hands-on sort of



Axel (left) and Torben share a quiet moment at their father’s 75th birthday celebration. *Axel Karlshøj*

person, Torben also believed in letting his employees get on with doing the jobs they were hired to do.

He was convinced that people prove their worth by their actions, and to that end he managed to instil in all those who worked for him his own enthusiasm and commitment to the Teekay vision and the pursuit of excellence in everything that they tried to accomplish. He did this because, as much as he loved ‘his’ ships and the resources they delivered to clients all over the world, he knew the key to Teekay’s success was service delivery to our customers. I am proud to say that our people have been delivering that service of excellence since the beginning of Teekay to the present day.

When my brother died in 1992 we felt we had lost the heart of the company. And indeed we had. But we soon discovered one thing. We had not lost its spirit. The foundations Torben laid in his few decades at the helm of Teekay were so solid that the company has entered the 21st century stronger than ever. His principles remain Teekay’s. I am convinced that it is because of his values and work ethic that Teekay has become one of the best tanker

companies in the world. And that, of course, was his dream way back in 1973.

Teekay has developed from a regional shipping company into one of the world’s largest marine energy transportation, storage and production companies. In the last 15 years, we have grown ten-fold in assets, created four publicly traded companies, established numerous joint ventures and built an enviable reputation and brand for operational excellence. All in the space of four decades. Not bad for a small farm kid from Denmark with big dreams.

For my part, I am extremely grateful to all the men and women who have helped build – and build upon – Torben’s legacy. I am as proud of them as I know Torben was.

Finally, I want to thank Kattogat for sponsoring this project, as well as all those who cooperated in providing interview material to our author, Brian Ingpen, who has worked so hard on the manuscript for this book. I am indebted to all of you.

AXEL KARLSHØJ

May 2013

Author’s Preface

‘I had a meeting with Axel Karlshøj and Tommy Hsu last week,’ Teekay’s chairman Sean Day emailed me in December 2010, ‘in which we discussed the possibility of having a history of Teekay Corporation written ... They are both enthusiastic about the possibility of your tackling this project,’ he continued. And that was the start of my fascinating adventure into the world of Teekay.

Since then, I have been privileged to meet so many wonderfully friendly, helpful people, to travel widely, so that I could absorb the atmosphere within which this vibrant company developed and within which it now operates.

With patience and great encouragement, Chairman Sean Day carried me through the trials of an author who was acquainting himself with the Teekay story, and he gave extremely valuable help by filling in many gaps in my knowledge of events, and by vetting text. I also valued greatly the warm and genuine hospitality he and his wife Ginny provided for me during my stay in their home, including a surprise helicopter trip over Manhattan as my introduction to the United States. And I shall always remember their surprise celebration for me when I was thousands of miles from home on my birthday.

I was privileged to meet Axel and Inge Karlshøj as well as Tommy and Linda Hsu in South Africa shortly before this project

began. My subsequent discussions – with Axel and Inge amid homely hospitality in Yuba City, California, and with Tommy during several long and fascinating telephone calls – showed me that a book covering the Teekay story is no ordinary company history, but needed to focus on a very special man and his equally special legacy, steeped in integrity, in passion for his work, and in his care for his people. Axel’s family photographs dating back to his childhood years in Denmark have added great historical value to this book.

Bjorn and Rochelle Moller welcomed me warmly to their Vancouver home when Bjorn provided a valuable briefing on the development of Teekay, an account that gave me further insight into the remarkable man who began the company, and the factors that led to its strong growth in later years.

In Palm Springs, California, I met Art Coady, Torben’s trusted legal adviser and friend, and also the influential shipbroker Shigeru Matsui, who Torben first met in 1963 and who introduced him to Japanese ship-owners and charterers from whom Torben obtained much business.

I had met Susan Karlshøj, Torben’s second daughter, during her visits to South Africa in connection with TK Foundation’s grant for the reconstruction of the Lawhill Maritime Centre, Simon’s Town. She has also given background information about her father, as has her elder sister Kim.

In Vancouver on the eve of his assuming the role of president and chief executive of Teekay, the amiable Peter Evensen found time amid his hectic schedule to chat about his own career, his time with Teekay and his vision for the future of the company.

Captain Jim Hood’s fascinating career opened to me when I talked on the telephone to him. As he had worked with Torben in the early days of Teekay, his insights and anecdotes provided valuable background to the company founder and the company itself.

Others also sacrificed their time to talk about the company’s operations: Vince Lok; Bruce Chan; Captains David Glendinning, Graham Westgarth and Roger Barber; Peter Antturi; Art Bensler; Tony Labella; Lois Nahirney; Lisa Kentel; Cinda Cheung; and Melissa Spencer.

A first-hand account of Torben’s operation was given by Mads Meldgaard, who had worked with him in the early years.

Also in Vancouver, Torben’s widow, Aiko, welcomed me warmly to her home and shared her perspectives on the company’s founder, as well as opening her family photograph albums for use in this book.

In 2011 Bjorn was my guide during a most memorable time in Scandinavia, where I had discussions with Erik Kjaergaard, Torben’s siblings (Tom and his wife Karen, Lis, Ruth, and Knud and his wife Kirsten) as well as his aunt, Johanne Madsen (née Karlshøj), affectionately



known as Soester, who provided much of the detail of Torben's early years in Denmark. With Soester, Tom and Bjorn I walked around Delhovedgaard, the farm where Torben spent his childhood. I walked down a leafy lane to the tiny beach where he and his siblings once swam and launched canoes, and I soaked in the atmosphere of that beautiful place. I visited Faxe-Ladeplads, home port of the fishermen who befriended the young Torben, and I went to the churchyard where his parents, Poul and Helga, now lie beneath a simply worded, plain gravestone.

With Bjorn I went to Oslo to meet Anne Oian and Trond Scheie, both senior vice-presidents of Den norske Bank, which had supported Torben and Teekay during the dark, debt-ridden days of 1991 and 1992, and whose support had enabled the company to move forward to an extremely bright future.

Because Statoil was such a key to Teekay's involvement in the Norwegian oil industry, the vice-president, Marit Lunde, and Jon Arnt Jacobsen gave their insights into Teekay's success, while Erling Overland, Statoil's erstwhile senior vice-president, related the story behind the company's takeover of Navion Shipping.

Perspectives provided by Peter Lytzen, president and chief executive of Teekay Petroleum, helped to outline the company's successful move into the FPSO market, while Stein Rynning, Ole Christian Fuglestad and Anders Dirdal in Teekay's Stavanger office rendered assistance as well. I was able to obtain an excellent overview of Teekay's shuttle tanker operations, especially the company's move into the Norwegian offshore market, from Ingvild Saether, who heads up that operation from her Stavanger office.

Apart from meeting so many interesting people, the dinner at the Royal Manor Leedal, Stavanger, and the most remarkable naming ceremony of three large shuttle tankers in the

narrow confines of the harbour, were definite highlights of my visit to Norway.

In London Tim Horne and John Adams gave me a background to the London broking office and the company's crewing operations respectively, and John assisted in tracking some of the seafarers with whom I later held interesting discussions.

Telephone calls yielded a wealth of background notes for the book, especially the calls to Captain Peter Whittington, who runs Transmarine, the ships' agency network that Torben owned and that Peter bought; Anthony Gurnee, formerly Teekay's chief financial officer, who worked extremely closely with Torben during the hard times of the early 1990s; and Allan Murphy, who not only had a fine career at sea as a chief engineer, but is also a key player in Teekay's Australian operations.

Sadly, I did not meet Alan Stevens because of a personal tragedy close to the time of my visit to Vancouver, but I am grateful for his lengthy email giving interesting information about his time with the company.

Special thanks go to Captain Stephen Tucker (who I met in London) for permission to use many fascinating anecdotes that he recorded in *A Few Sea Stories from Steve Tucker's 25 years of Experience in Teekay*, an informal collection of personal writings that cover his time in Teekay tankers. He also organised the photography of activities aboard his vessel, *Al Marrouna*, and spared no effort to ensure that all my questions were answered.

Similarly, Captains Hans Schaefer, Harry Carlisle (to whom I also chatted in London) and Boris Banic provided photographs and patiently spent time recounting their experiences while commanding Teekay ships.

A fine photographic record of life aboard the LNG carrier *Tangguh Hiri* came from Captain Oleg Dolzikov, who also shared his journey with the company.

Two wonderful ladies, Theresa Murray (Teekay, Vancouver) and Dee Smith (Greenwich, Connecticut), made the arrangements for my memorable research visits to North America, Europe and Britain in 2011. Brian Shirlaw, Priscilla Shaloun and Gillian Redmond (Teekay Vancouver) were most helpful in sourcing illustrations for the book.

Despite their busy schedules, Sean Day, Axel Karlshoej, Bjorn Moller, Peter Evensen and Tommy Hsu spent a considerable amount of time carefully reading through the manuscript and making extremely helpful suggestions to ensure the accuracy and completeness of the record of the growth of Teekay.

I valued the technical advice of Rob Young, who is not only a tanker expert but also a close friend.

Douglas van der Horst (production manager and editor) and Graham Arbuckle (design and technical manager) treated my material with great sensitivity and have gone many extra miles in order to ensure a most pleasing final product.

My wife, Margaret, has been a great source of encouragement and support throughout this project.

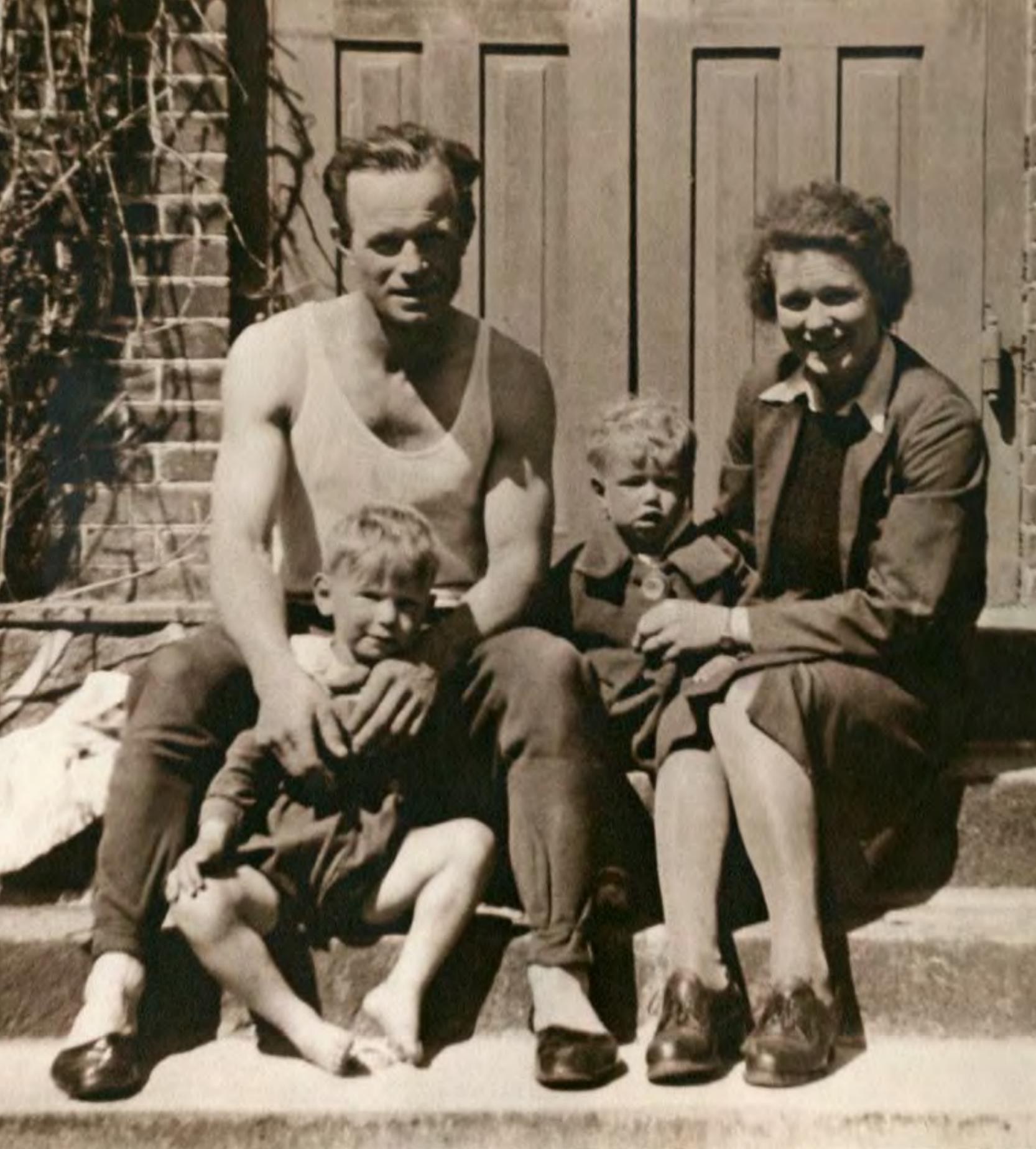
As an outsider who knew only the broad outline of the company's history before the start of my research, I have discovered a compelling story of the remarkable development of Teekay, which is the result of the incredibly hard, pioneering work done by Torben Karlshoej and many others over the years.

I hope that my efforts have done justice to everyone who has contributed to the exciting growth of this amazing company.

BRIAN INGPEN
Cape Town
May 2013

OPPOSITE *Amundsen Spirit* berthing in Stavanger before her naming ceremony in 2010. *Teekay Collection*

A Danish Farm Boy



Not much has changed on the farm where Torben Karlshøj, the founder of Teekay Shipping, spent his first fourteen years. The gently sloping fields still produce grain, potatoes and sugar beet, while the name of the farm, Delhovedgaard, remains visible above the archway at the entrance off the winding road from the tiny port of Faxe-Ladeplads to Praesto, a small market town on the island of Sjaeland in eastern Denmark.

An area of rough and uneven plaster on the side wall of that archway still indicates the spot where the adventurous young Torben, his older brother Axel and a friend crashed the family's old car during an attempt to drive it while their father, Poul Karlshøj, was at the market. Although the boys tried to repair the damage to the wall before their father returned, his keen eye noticed their unskilled handiwork. 'He was so angry!' recalled their younger brother Tom years later. 'But you could tell that he quietly respected them for their reparation efforts.'

The Karlshøj story, though, goes back to an earlier century when life on Danish farms was hard as farmers fought the elements for every potato, every ear of wheat and every krone.

OPPOSITE Poul and Helga with Torben between them. Axel is sitting in front of Poul. This photograph, taken in about 1943, was one of the last of the family before Helga's death. *Axel Karlshøj*

Though it won't be found on a map, locals know the modest Karlshøj farm well. In the nineteenth century the Nielsen family ran the farm, living off the produce of their fields. Known more by the name of his farm since numerous other Nielsens lived in the area, Poul Nielsen-Karlshøj and his wife Ane had eight children, the eldest of whom was Rasmus, born in the summer of 1888.

Johanne, one of the Nielsen girls from the area, became Rasmus's wife and, moving into a house built in 1853 on the farm Mariehøj, they had nine children, including Poul Gunnar (born in August 1913), who later shortened his double-barrelled surname to Karlshøj, which his sons Axel and Torben eventually changed to Karlshøj.

The First World War and the Great Depression made the long, cold Danish winters even harsher as farmers struggled to survive. It was a difficult time for Denmark, and the Karlshøj family was forced to endure many hardships. However, resoluteness was a character trait that ran deep within each family member and saw them emerge stronger from those demanding years.

Poul was a determined man who wanted to extend himself in his own way. Some said it was incongruous that this tough, even rough, farm boy should be attracted to Helga Hansen, a sophisticated, elegant lady who was two and half years older than him. Yet he doted on her, and they married in October 1938.

Like other Danish families they listened to their radios almost daily from 1938 as news readers told of the rise of German imperialism. They heard of the German invasions of Austria and Czechoslovakia and, on September 1, 1939, normal radio programmes were interrupted to broadcast the news that the German army, supported by the Luftwaffe, had crossed the border into Poland. Within two days the Second World War had begun.

As the war began, many Danes feared that their country would be next on Germany's expansionist agenda. The government was equally anxious, for the flat Danish landscape was ideal for the swift tank-led invasion that had characterised the invasion of Poland, and which the small, ill-equipped Danish army had no hope of repelling.

As the storm of war broke over Europe, Poul sought a farm to hire. He heard of a 130-acre farm – Delhovedgaard – that was available in an area where he used to hunt, and immediately knew that this was the place where he and his new wife would settle. Its fields would provide adequate produce for him to market, he could farm pigs, and the large barns would provide adequate storage for animal feed during the long winters. He and Helga moved into the spacious house, and although their old radio brought awful news of the rapidly expanding war, they were extremely happy.

With Norway in their sights, a German naval force with the minelayer *Danzig* as

the flagship entered Copenhagen harbour before dawn on April 9, 1940, and soon other military units were pouring across the border, quickly subduing any Danish defence. Recognising that resistance was futile in the face of the German military, the Danish government acceded to a German demand to surrender, with King Christian ordering a ceasefire that heralded the German occupation of Denmark until 1945.

Despite the Danes' rapid surrender to spare their country the devastation that had befallen Poland, it was a deeply anxious time that inevitably and severely disrupted daily life for all, including farmers like Poul. It was in these dark days that Axel Karlshøj was born, and just over a year later Helga gave birth to Torben.

Poul's younger sister Johanne, known to all as Soester (Sister), recalls the day Torben was born: 'I came to the farm to see the new baby,' she said. 'He was wrapped in a blanket and was lying on the coffee table in the sitting room. Even then, he was strong for he could lift his head up. I said that he looked like a turtle!' To help Helga with her two young children, Soester moved in as the housekeeper and the boys' nanny.

The women of the family may have wondered why Helga did not breast-feed either of her babies, but perhaps she had already discovered a tragic secret that had plagued several Hansen women over the years – breast cancer. Axel had turned four and Torben was two when Helga – then only 33 years old – died after a terrible struggle with the disease.

To Poul, Helga's death was a devastating blow, leaving him a single parent in a hard situation. He had two young boys to care for, faced wartime restrictions on his farming operations, and dealt with the daily threat that, as had happened in other occupied countries, men could be transported to Germany to work as labourers in factories and steel mills to keep the German war machine running. His concern was such that he became depressed, forcing the rugged farmer to seek the counsel of his doctor and friend, Dr Petersen. 'You need a new challenge to occupy your mind,' Dr Petersen told him. Fortunately, Poul was given just



ABOVE Rasmus Karlshøj and his wife Johanne, the grandparents of Axel and Torben, at the farm Mariehøj. This was the family home where Poul, the boys' father, and his eight siblings were raised. *Axel Karlshøj*

OPPOSITE, TOP Mariehøj farmhouse, photographed in 2011. *Brian Ingpen*

OPPOSITE, BOTTOM The rural church near Mariehøj where several of the Karlshøj family were laid to rest. Rasmus Karlshøj assisted financially in its construction. *Brian Ingpen*





Helga Hansen was born in 1911 and married Poul Karlshøj in October 1938. After a battle with cancer she died on July 8, 1944, less than three years after her younger son, Torben, was born. It is said that her death when he was still a small child may have contributed to his occasional turbulence during his teenage years. *Axel Karlshøj*

Delhovedgaard was the first farm rented by Poul Karlshøj. The entrance to the farm was through the narrow archway shown in the middle of the building. *Brian Ingpen*

such a challenge: the opportunity to take over another farm, Fedgaarden, which was nearly four times as big as Delhovedgaard. Though the farms were close enough for Poul to run them concurrently, he had no money for equipment for the new farm, where the buildings needed to be upgraded. Furthermore, to produce enough rye, oats and potatoes to make the effort worthwhile, he would need to move a large amount of compost and rich soil to counteract the poor ground of that part of Sjaeland. To make Fedgaarden a success, Poul would need more money.

Unfortunately, his father Rasmus would have to guarantee any loan, and in those hard times such guarantees were difficult to adhere to. When Dr Petersen visited Poul, he shared his problem with the wise medical practitioner, who wrote to Rasmus: 'I hope you can see that this young man needs something for the farm, and,' he added, 'perhaps I can share the burden.'

The loan was secured and Poul began his newly extended farming operation. This added responsibility kept him very busy at Fedgaarden for most of the week, enabling him to return home to Delhovedgaard only at weekends. Though work was an important part of his life, Poul devoted his weekends

to his sons, taking them for walks across the fields, and, from the farmhouse, down a narrow path to the shores of the Baltic Sea. The woods, the fields, the sea and farm life in general presented wonderful opportunities for the young energetic boys to play, to explore, and to develop enquiring minds that prepared them for their later business successes.

The German occupation, however, made life very uncertain. One day a stranger arrived at Delhovedgaard and asked to stay for a while. As Poul was not one to deny hospitality, even to a stranger in suspicious times, he offered the man a room. However, fearing that he might be an agent working for either the Danish collaborators or the Germans themselves, no one in the house discussed the occupation or politics or listened to their secret radio while he was there. The man soon left without incident, much to Poul's relief, and their radio again provided updates on the war's progress.

Poul had been approached by the Danish resistance movement to work with them, but much as he would have liked to join their operations, he declined, not wanting to endanger the two small boys in his care. However, the occupation and resistance still affected the daily lives of the Karlshøj family.



FAR LEFT Helga and Poul with Axel, circa 1941. *Axel Karlshøj* **LEFT** Helga with Axel sitting on the farmhouse steps at Delhovedgaard. Torben, aged about one year, is in the foreground. This is the earliest known photograph of Torben. *Axel Karlshøj*



Torben, aged about seven years, and Axel. *Axel Karlshøj*

An ardent member of the Danish resistance, Dr Petersen had a son in his early twenties who, unknown to his father, had become a German sympathiser. Without Dr Petersen's knowledge his son had sent a letter to the German command giving the names of those he knew to be Danish freedom fighters – including his own father.

Thinking it strange that someone in his area should be writing to the German command, the local postmaster intercepted the letter and, appalled by what he read, divulged its contents to the resistance leader. After reading the letter, the Danish resistance

leader immediately ordered the young man to be arrested and shot.

At Delhovedgaard Poul kept turkeys in a wire enclosure from which the birds frequently escaped. One day he called Axel and Torben to help him hunt for the turkeys that had headed for the woods a few hundred metres across the road and on the edge of a field. Naturally this was exciting for the two energetic boys, but as they scrambled through the woods on their turkey hunt, they heard a series of gunshots ring out. Poul told his sons to run back to the safety of the farmhouse while he went to investigate

The farmhouse at Delhovedgaard photographed in 2011. The exterior of the building has changed little since the days when this was the family home where Axel, Torben and their six half-siblings grew up. *Brian Ingpen*



Now a little overgrown, one of the barns on the farm at Fedgaarden that Poul rented from 1946 to 1955, when the family moved to another farm, Fugelsoe, near Havndal in Jylland (Jutland). *Brian Ingpen*



– the shots were those that had executed Dr Petersen’s son.

Denmark’s collaborators were furious at the killing of the Petersen lad, and when they heard that Poul had been in the woods at the time of the execution they came to the Karlshøj house. Having recently lost their mother, the young boys became hysterical when they realised that the collaborators were taking their father away at gunpoint. ‘Your father will be back,’ they said and drove off. Thankfully, Poul was brought back a few hours later.

On another occasion the boys met several strangers during a visit to their grandmother’s farm. Suddenly, someone rushed into the dining room and whispered to the strangers, who ran to hide in the hayloft. Only later were the boys told that their grandmother had operated a safe house for Danish Jews en route to Sweden.

As the war continued all the crack German regiments were sent to the Russian front, leaving mostly older or inexperienced soldiers in Denmark, which, it was perceived, was not really a threat to the Reich. One night Poul was returning from the barn when

he was suddenly challenged by a German soldier who shone a torch in his face. Poul was holding a pitchfork with which he could easily have impaled the soldier, but thought better of it – and rightly so, because when the man lowered the torch Poul saw that with his other hand the soldier was pointing his rifle at him with his finger on the trigger. The challenge had been merely a formality, and the German allowed Poul to return to the farmhouse.

Throughout the German occupation farm life continued, although there were disruptions and dislocations of the usual marketing system for produce. Morale – particularly in Copenhagen – was strengthened by the daily sight of King Christian riding his huge horse through the streets of the capital city to display his commitment to his people, and as word spread of the king’s action even rural folk took heart.

Their secret radios were the only regular link that Danes had with the events beyond their borders, and the Karlshøj family listened intently to news bulletins. They heard British broadcasts telling of Allied landings in Normandy, of the relentless bombing of

LEFT Tom Karlshøj, Torben’s younger brother, at Faxeladeplads in 2011. At this small harbour, where Torben would watch the ships come in to load gravel, he made friends with local fishermen in whose boats he occasionally went to sea. *Brian Ingpen*

ABOVE Johanne Madsen, née Karlshøj, Poul’s youngest sister in a family of nine children, was known affectionately to the family as Soester. Photographed in 2011. *Brian Ingpen*

Poul and Esther on board *Kisuca* in Norway. Although Torben and his father had some stormy encounters, their relationship warmed greatly in later years and *Kisuca* provided a happy environment where father and son could enjoy good times together. Esther was a calming influence on Torben in his formative years, a role Torben acknowledged and demonstrated in the care he gave her. *Axel Karlshøj*



The Karlshøj siblings. Left to right: Axel, Ruth, Torben, Lis, Tom, Inger, Knud and Laila. This photograph was taken in 1988 at their father's 75th birthday celebration. *Axel Karlshøj*



Torben (left) and Axel (right) with Esther and Poul at his 75th birthday celebration. *Axel Karlshøj*



German cities, and of the advance of Allied forces across Europe.

Daffodils, crocuses and marguerite daisies heralded the onset of the spring of 1945 and, as the days grew longer, Danish spirits lifted, for liberation was at hand. On May 4, 1945 the German occupying troops surrendered to the advancing Allied forces and jubilant Danes crowded the streets in celebration. Perhaps now the farmers could obtain better prices for their produce and families could resume normal daily life.

Farming activity increased in fervour, for while a local market for produce could bring reasonable profits to farmers, the dreadful bombing of German cities and the destruction of much of that country's food production capability had created a new and extensive market for Danish food in Germany. Times began to ameliorate, and Poul's farming activities were boosted by the new demand for agricultural products, not only in the local markets but also further afield.

With the war over, Soester left Delhovedgaard to marry, and a young woman, Esther Larsen, took over the housekeeping and au pair duties of the Karlshøj farm. A country girl whose father ran a brick and tile factory, she had worked for Poul's grandmother, who, it is said, contrived that the young Esther should work at Delhovedgaard in the hope that Poul might fall in love with her. 'That poor man needs a new love in his life,' she would often say. Axel and Torben were delighted at the arrival of the tender-hearted Esther in their home, and also when, in fulfilment of Poul's grandmother's plan, Poul and Esther married late in the summer of 1947. Over time the house became quite full as a further six children were born – Lis, Tom, Ruth, Knud, Inger and Laila.

Yet Esther had a difficult time raising them for they were strong-willed despite their tender ages. Torben, still brooding occasionally over the death of his mother, needed the special care that he received from the warm-hearted Esther. There were stormy times, especially during his teenage years. A particularly unsavoury battle between Esther and Torben showed an uncharacteristic mean streak. 'My father says,' he shouted at her, 'that if my real mother had been around,

things would have been far better!' It was a comment he regretted bitterly, and, despite the occasional clashes, Esther's tenderness and devoted attention weaned him from his anger so that he later confided in one of his siblings that he loved his stepmother dearly. Later in life, Torben would take exceptional care of Esther as she grew older.

Whenever he returned home, it took Torben time to open up about his experiences, but family members noted the easy relationship he had with Esther, with whom he talked for hours about a range of subjects. Those close, intimate encounters between Torben and Esther upset Poul, who once remarked, 'Why can't I talk to him like that?' Perhaps at the back of Poul's mind was the fact that he, too, had not enjoyed a close relationship with his father, who also had a serious, task-orientated approach to life.

Although they fought on many occasions – possibly to be expected since both had strong, unwavering characters – the two siblings became extremely close, a product of their family circumstances and the fact that they spent so much time with each other and complemented each other in many ways. Despite Esther's attention, Torben's resentment regarding his mother's death boiled over occasionally when something went wrong. He was terrier-like in his approach to sport – losing was anathema to him – and sometimes he became aggressive towards other children, often causing big brother Axel, who had a more sanguine disposition, to calm him down or to come to his defence when his younger brother became involved in a fight. Axel was always there to fix a broken bicycle or simply put an arm around his angry brother and lead him away from a threatening situation. Throughout his life, Torben found Axel a source of great encouragement and a wise confidante.

Yet his younger half-brother Tom, with whom Torben shared a bedroom for years, remembers a gentler brother who never fought with him; on the contrary, Torben was the epitome of a caring older brother – as Axel had been for him – and he and Tom forged a strong bond that continued even when their adult lives took them down separate roads.



Denmark, showing the various farms on which Poul and his family lived: Delhovedgaard (1940–1955); Fedgaarden (1946–1955; Poul farmed here but continued to live and farm at Delhovedgaard); Fugelsoe (1955–1960); Kalbygard (1960–1963); and Bjozum (1963–1984). Also shown are Faxe-Ladeplads where Torben learnt the ways of the sea from the local fishermen, and Roholte, the village where Poul and Helga were buried. Torben and Axel left for the United States when Poul and Esther and the boys' younger siblings were staying at Kalbygard.



The Baltic Sea, a short walk down a narrow woodland trail from the Delhovedgaard farm. Torben and his siblings would often wander to the pebbly beach to swim and play in the cold water. *Brian Ingpen*

Like his brothers, Torben was a tough farm boy who loved the outdoors and whose adventurous nature was inhibited by the classroom. As a result, and despite his obvious intelligence, he became a nuisance to his teachers and frequently disrupted the class. Exasperated by Torben's behaviour on one occasion, his teacher took him to the school principal, who yelled at him and slapped him in the face. Without flinching, Torben turned his face and retorted, 'Now hit the other cheek!' Although no one knows what happened after that ultimate display of defiance, Torben's school record indicates that he advanced so well that he skipped ahead a year. However, that move may have been ill-advised, for he later had to repeat a year, during which he became even more frustrated with school life.

The outdoors and sports gave Torben chances to expend his energies in a healthy manner. As youths, he and Axel built a canoe out of canvas and planks from an old chicken coop and put to sea on an unintended adventure. They paddled for hours along the Baltic coast and when they became exhausted they landed close to a farm belonging to a friend of their father. Taken aback by their unannounced arrival, the farmer telephoned an equally surprised Poul. 'You need to come and fetch your boys,' he said. 'They came here by canoe but will need to be taken home.'

In the winter the family dog was harnessed to a home-made sled and hauled the boys across the snow-covered fields. And, as farm boys do, they chopped firewood, ploughed fields, helped with the harvest, tended animals, fished and hunted in all weathers.

At the tiny harbour at Faxe-Ladeplads, a few kilometres from Delhovedgaard, Torben watched the shallow-draughted ships that had come to load limestone or to discharge aggregate, and those memorable times along the wharf engendered a lifelong love for ships. He also spent time with the fishermen whose tiny craft brought in eel, cod and salmon from the Baltic Sea. He helped carry their catch ashore and learnt their ways, occasionally going to sea with them. This he enjoyed, though sometimes his prolonged absence raised his parents' anxiety. Over time, Torben began to wonder if their livelihood would



The simple stone marking the grave of Poul and Helga is symbolic of the unpretentious lives enjoyed by the Karlshøj family. *Brian Ingpen*



The churchyard at Roholte near Faxe-Ladeplads where Poul and Helga were buried. *Brian Ingpen*

suit him more than farming. In these fishermen he found kindred, adventurous and intrepid spirits. In his veins – as in theirs – ran the blood of Viking seafarers who, legend has it, crossed the Atlantic in small craft long before Columbus, discovered Greenland, and ventured even further into Arctic waters.

In 1955 the family moved to Jutland where Poul had bought a farm called Fugelsoe, near the town of Havndal. Probably because he was a typical outdoor lad Torben was physically very fit and took to cycling, later starting to compete in races. On one occasion Poul could not take his son to a race, leaving Torben with no option but to cycle eight kilometres to the start. Despite this obstacle, he came third in the race!

Later on Torben became caught up in playing football. He had a natural talent and excelled at the game. Typically, it got to a point where the game became all-consuming to him and, a few years later, he realised that he would have to choose between playing football and a business career; he realised that there was not room for both in his life. Reluctantly, he decided to give up playing football.

Axel began to work on other farms and returned home for weekends. This work proved valuable experience for his later entry to the earth-moving sector, in which he became extremely successful. On those farms he also learnt the techniques used by the farmers to build dykes along river banks

and create soil drainage systems that were difficult to plan, given the flat topography of Jutland and the incessant winter rains. This knowledge would stand him in good stead for the business ventures that lay ahead.

Torben's adventurous spirit kept his mind alert to opportunities, even those presented overseas. The boys' horizons were broadened by visits with their father to Copenhagen, where they met grain dealers and saw ships that traded all over the world, while even in the local market town a few kilometres from the farm they saw fine American cars and were exposed to elements of the American culture that was sweeping through post-war Europe. Within the impressionable teenager there arose a desire to move away and experience a different and seemingly more attractive, flamboyant lifestyle. People who had been across the North Atlantic told of exciting possibilities for those who were prepared to work hard and seize opportunities that came their way. To the Danish farm boy, hard work was second nature.

Poul and Torben both had similar strong-willed personalities and often clashed, the latter feeling that his father's narrow outlook had inhibited the opportunities that may otherwise have arisen for him, including his wish to work for a local grocer. Denmark, Torben remarked to a sibling at the time, was too small for both of them, and the young man wanted to move on. However, he later acknowledged the great respect he had for

his father, who had instilled in him values that he adhered to in every business deal he ever struck. Among those values was absolute integrity, which, in the difficult times that lay ahead in the early 1990s, would be recognised by many people in whose hands his company's future lay.

Though Torben's eyesight would prevent him from pursuing a life at sea, he resolved still to make it part of his life and decided to enter the shipping business. The joint owner of Dansk-Fransk Shipping Company, who used to rent the house at Fedgaarden for his summer vacation, offered Torben a trainee's position in the Copenhagen office of Dansk-Fransk, which operated ferries and bulk carriers. Torben jumped at the chance to work in a shipping office and enjoyed his first exposure to the fascinating and dynamic world of ship management and chartering. Apart from the business experience he would gain, it was also his first opportunity to make his own way in life and live apart from his family.

After three years at Dansk-Fransk, Torben's entrepreneurial spirit became frustrated by working for someone else and his restlessness was stoked further by the growing lure of what seemed like infinite opportunities in the United States. Not one to mull too long over an issue, he resigned from the company in 1962, found a ship to carry him to America, and left Denmark.

Encouraged by his brother's move, Axel followed two years later. ■



American Dawn



An initial disappointment awaited the new arrival in America. Torben sought in vain for work in New York's busy shipping sector, then dominated by large trans-Atlantic passenger liners berthed at Manhattan, while the Brooklyn Quays, those further along the Hudson River, and numerous docks and wharves on the waterways were bustling with freighters from far and wide. Indeed, the young Dane had been amazed to watch large ships, barges and tugs towing lighters constantly moving through New York Bay and along the waterways to work cargo at various terminals.

Surely, he reasoned, with all this activity there should be something for me here – but the more he searched, the greater his disappointment, which made him wonder whether he had done the right thing by leaving Denmark. Although he eventually found employment in a Connecticut shipping office, he left in disgust after a matter of weeks, bought an old car and headed for Miami where he thought he could work with another Dane.

That trip, however, was in vain as there was no job for him. With mounting frustration, he sold the car and bought a bus ticket for Los Angeles, where he hoped there would be a suitable opportunity. Soon after his arrival in California he met a girl whose father, she told him, was in shipping and she suggested that Torben should go to his office the following day as there was a job for him. To his further disappointment he found that

the job entailed loading trucks, and again he walked out.

He searched through the telephone directory for potential employers and found the Sun Coast Petroleum Company. He walked to its office and met its Swedish owner, Gerald ('Gerry') Plato, who ran an established oil broking and trading company that also involved tanker operations. In the fresh-faced young man Plato recognised qualities he needed in an assistant, and in a move that led indirectly to Torben's later success he offered to employ him.

Plato's own success had begun when he found a niche in the growing North American energy sector. The 1960s had been characterised by rapid advances in technology and in a number of individual industries – including vehicle manufacturing, petro-chemicals and in power generation, where oil was becoming an important source of energy, especially important during the cold North American winters. Since these expanding industries were absorbing increasing volumes of crude oil or its products, the collective effect of this growth on the demand for oil was phenomenal, and oil refineries were operating at full capacity to meet the demand.

Unable to accept full cargoes of crude oil from increasingly large tankers, smaller refineries preferred receiving smaller parcels of oil, a practice that Plato exploited by chartering 60,000-deadweight tankers to load full cargoes of crude oil in Indonesia – rather than the more distant Arabian Gulf

– for discharge in parcels at various refineries in California. As this practice reduced shipping costs, refiners used Plato's services more often and his business prospered.

Shigeru Matsui, the son of a major Japanese shipbroker who had assisted Plato in chartering Japanese ships, was due to arrive at Long Beach, California in August 1963 aboard the tanker *Kosei Maru* to begin his studies at the University College of Los Angeles. Plato told Torben to meet Matsui at the harbour and to drive him to the office. Matsui recalls that Torben was easily recognisable – apart from a few officials and dock workers on the wharf, he was standing next to a beautiful convertible and had to be Plato's representative. Immediately they met, the two young men with similar energetic characteristics became instant friends, a relationship that came to fruition later when Torben began his own chartering business.

Torben's personal life took a new turn when he met Gail Downing: they married in July 1964 and moved into a small house in Long Beach. Their first daughter, Kimberly, was born a year later, followed by their second daughter, Susan, in May 1968. With a growing family, times were tough financially for Torben and he needed a new challenge. When an opportunity arose for him to join Stolt-Nielsen, the famous Norwegian chemical and product tanker owners who had a large office in Connecticut, he jumped at the chance to earn more money and gain wider experience in tanker operations. While there



were similarities between Plato's operation and that of Stolt, he began to learn many new facets of the tanker business, including the products sector. These, like the valuable experience he had gained during his time with Gerry Plato, would be of great help to him later.

Draught limitations in the Suez Canal prevented its use for the movement of larger consignments of oil from the Arabian Gulf to the Atlantic basin, and owners looked increasingly to the Cape of Good Hope as the alternative route for tankers with greater cargo capacity. The move towards very large crude carriers, which had begun with the ordering of 300,000-deadweight vessels in the mid-1960s, was stimulated greatly by the closure of the Suez Canal within hours of the outbreak of the Six-Day War between Israel and the neighbouring Arab states on June 6, 1967. Tanker rates rose sharply in the wake of that war as oil importers scrambled for supplies, fearing that the entire Middle East would be drawn into a major conflagration, cutting off the loading terminals and possibly dislocating the tanker routes. The

canal's closure during the conflict meant that, apart from oil piped from the Arabian Gulf to the Mediterranean coast, oil bound from the Gulf for Europe or North America had to be moved via the Cape of Good Hope, increasing the shipping costs. Because the ships took longer for each voyage via the Cape, more vessels were brought onto the trade to ensure a steady flow of Arabian Gulf oil to the West.

The first tankers with a deadweight over 300,000 – ordered in the mid-1960s to meet the economies of scale for the longer Cape haul – were in service by the end of 1968, and shipyards, particularly those in Japan, thrived as owners rushed to order more ships to take advantage of the oil transportation bonanza. Tanker sizes increased to the extent that within four years the first tankers exceeding 400,000-deadweight were due for commissioning and the world's largest floating object, the 564,763-deadweight, 460-metre tanker *Seawise Giant* (later *Jahre Viking*), entered service in 1979.

Since the movement of oil products also became exceedingly important during

this time – when countries were trying to increase their stockpiles ahead of more widespread hostilities that many perceived would have apocalyptic potential – the growth of Stolt's product tanker business was remarkable. Given the extremely positive trends in the global tanker markets, it took hard work to keep abreast of developments and deploy the fleet optimally according to changes in global demand for various products. Some attribute part of Stolt's success at the time to Torben's astute management of the tankers under his control, and word among industry stalwarts was that founder Jacob Stolt-Nielsen was grooming him for a senior position in the company.

In the course of his duties Torben spent much time away from home, including a spell in Japan where he renewed his friendship with Shigeru Matsui. Though he began to find professional success, the extensive foreign travel and long hours in his Connecticut office placed an enormous strain on his marriage to Gail, which sadly ended in divorce in 1970.

Despite the strain on his personal life, Torben's entrepreneurial fire continued to burn. Although his time with Plato and Stolt had been extremely stimulating, he became frustrated working for others and was anxious to begin his own business and have the chance to apply his accumulated knowledge of tanker operations. He met with Jacob Stolt-Nielsen. 'I am tired of all the bull here!' Torben told him. 'I need to do my own thing.' The older man looked at Torben. 'I disagree with you about your first statement,' he said quietly, 'but I agree with your second. Now get out of here.' Torben left Stolt amicably in 1972 and finalised plans to form his own company.

In 1973 he began his operation in New York by founding the Teekay Shipping Group, incorporated in Liberia, the name 'Teekay' derived from the phonetic spelling of his initials T K. Then, teaming up with a Greek ship operator, he began to move oil on less serviced routes in chartered vessels, but the timing of this venture was unfortunate for the tanker market was about to change considerably. To the consternation of all

involved in tanker operations, a number of factors combined to erode the fortunes of the shipping world in general and the tanker market in particular.

Until the early 1960s, tanker trades had focused for the most part on exports from countries bordering the Arabian Gulf and on Libya, Algeria and a few other sources, notably Venezuela and the United States itself. Then big news broke: announcements were made about exciting discoveries of oil and gas in the North Sea. Although oil had been discovered in Alaska years before, the North Sea discoveries were on even more extensive fields than had been found in the forty-ninth state. Both of these new areas of huge potential were closer to the areas of greatest demand – Europe and the United States respectively – a factor that would influence the tanker trades. Financial centres across the globe were abuzz with reaction to the news of these large oil and gas discoveries, and the new fields attracted substantial investment in further prospecting and production. For the littoral countries around the North Sea, which had been struggling in near-recessionary conditions, the prospect of a rapidly expanding energy sector provided a bright economic outlook.

When the Norwegian field Ekofisk began production in 1971 and others were poised to come on stream as well, economists realised that, although the North Sea and Alaskan fields would not provide all the oil required by Europe or North America, changes would occur in the volume of west-bound long-haul oil shipments from the Arabian Gulf. Alaska, they noted, could also replace some of the long-haul oil supply from the Middle East, offering a viable alternative to three-week tanker voyages from that area, not to mention shortening a five-week voyage from the Arabian Gulf to a five-day voyage along the U.S. west coast.

Tanker owners became concerned that the economists' forecasts would translate into fewer larger tankers being required to service the Alaskan and North Sea oilfields, which, instead, would need an increasing number of medium-sized, so-called Aframax, tankers to move their oil. They also noted



Torben with his daughters Kim (left) and Susan at Christmas in the home of Axel and Inge. Axel Karlshøj



Shigeru Matsui, Gerald (Gerry) Plato and Torben Karlshoej, the team who established Palm Shipping when Torben returned to Los Angeles and asked for help in supporting his new project to transport parcels of crude for refineries along the United States west coast. This photograph was taken at the Onomichi Shipyard during the naming ceremony of *Luzon Spirit*, shortly before Torben's death in 1992. *Shigeru Matsui*

that some of the North Sea and Alaskan oil could be piped to its destinations, further affecting the tanker markets.

In addition to the news of vast volumes of oil becoming available from the new fields, sudden political events again affected the entire tanker industry.

In the early hours of October 6, 1973, Arab air forces turned the tables on the Israelis by attacking Israel on Yom Kippur, one of Judaism's holiest days. During the ensuing war, Israelis again fought their Arab neighbours with great ferocity, sparking deepened fears among oil importers that the regularity of their supplies would be disrupted – and the realisation dawned that the Middle East crisis would not be resolved in the foreseeable future. Oil prices rose further and the war catapulted tanker rates to new, but short-lived, heights.

Responding to the American decision to reinforce Israel's military might, which had taken quite a beating in the first few days of the Yom Kippur War, Middle East producers announced an oil embargo, reducing the number of tankers required globally, and unleashing a meteoric rise in the oil price from below \$20 a barrel in 1970 to \$42 a barrel late in

1973. Bunker prices soared, and, as operators passed on the additional costs to shippers, the landed cost of all cargoes – including oil – also increased, with a negative impact on the global retail and industrial sectors. This caused a worldwide reduction in the demand for consumer goods, further affecting most shipping sectors.

Nimble political negotiations by the Americans with the Arab countries culminated in partial Israeli troop withdrawals from some areas in the Sinai Peninsula and from some areas along the Golan Heights in Syria, both of which had been overrun by Israeli forces. Negotiators also paved the way for oil exporters to increase oil prices in the longer term, leading to the lifting of the oil embargo in March 1974. Although oil began to flow again, the tanker market was to remain depressed for many years to come.

When tankers had been in great demand during the succession of Arab-Israeli wars, owners had placed a corresponding number of orders for new vessels. These were in service by 1973, creating a surplus of ships. The situation was aggravated when the Suez Canal – deepened and widened to accommodate larger ships – reopened in 1975, and many

vessels whose draught was formerly too deep for the canal transit were able to pass through. Although the really large vessels still had to round the Cape, tankers up to about 160,000 deadweight with draughts within the greater capacity of the deepened canal did not need to make the long haul via the Cape, thereby reducing the number of vessels required to service the oil demands of Europe and North America. A further complication increased the difficulties for tanker owners: the oil majors, who had reduced their own involvement in oil transport and also their reliance on long-term charters, switched to using spot tanker charters on a larger scale to meet the stockpile needs of their refineries. As a result, spot chartering – a high-risk, high-reward approach to tanker operations – was in the ascendancy and accounted for a growing percentage of the market.

Alarmed brokers realised that the surplus of tankers was growing very rapidly. The resulting surplus of ships – including some extraordinarily large vessels – translated into declining freight and charter rates, and, as cargo volumes declined beyond anyone's expectation, the tanker sector crashed to unprecedentedly low levels.

Caught by the weak markets that showed no promise of recovery, many owners chartered out their ships at rates that were less than the daily operating costs; others laid up ships, while a few tankers were converted to bulk carriers, OBOs or floating storage facilities. A number of older ships went to the scrapyards, and, in extreme cases where cash flows had simply stopped, some owners even resorted to scrapping relatively new vessels rather than suffer long-term losses. However, because of the number of ships heading for the scrapyards operating along the beaches of Alang or Gadani, scrap prices dropped considerably, a further blow to those struggling shipowners who had hoped that their vessels would realise enough money from the scrapers to see them through the crisis.

The consequent collapse of the tanker market was too much for Torben's Greek

partners, and the situation was aggravated when a ship they had chartered to Petrobras ran aground. Amid the declining rates and the grounding, his partners simply left him to operate on his own. With huge odds stacked against him and financial struggles mounting, Torben quit, and telephoned Axel in Yuba City, California. 'I'm coming to see you,' he said, and arrived a few days later.

It was obvious to Axel that something had gone terribly wrong, for his usually good-natured brother was quiet and withdrawn. However, Torben soon began to unload his anguish – his new venture that had promised so much now lay in ruins and his partners had gone. 'So I'll just stay here,' he said quietly to Axel, 'and work for you.' Axel was wiser than that. 'Oh no you won't!' he retorted firmly. 'You're a shipping man, and you're no quitter. You go on down to Los Angeles and start again!' The elder brother who had helped him out of adverse situations in their younger days had hit the right chord with Torben, who resolved to return to Los Angeles and succeed in his second venture in shipping.

Driving a car that Axel had given him and with a loan from Axel in his bank, Torben

headed initially for San Francisco and then for Los Angeles. He had let Gerry Plato know that he would be back in town and to his eternal gratitude Plato – although he had no position to offer him – gave Torben space in the office and helped him resume operations as Palm Shipping Incorporated with two million dollars as capital. Torben called on his friend Shigeru Matsui to help with the shipbroking side of the resurrected operation. Plato agreed to liaise with the refineries on Torben's behalf, while Torben would handle the shipping operations himself.

An interesting strategy lay behind his proposed operation. Back in the 1960s the oil majors were Euro-American, and most of these oil companies operated large tanker fleets to move crude oil and oil products, mostly to European destinations. The Japanese oil sector was self-contained in that most of the imported crude oil and products were moved by Japanese tankers on behalf of Japanese oil companies, while the potential of Korea as an industrial giant had still to be realised. Torben believed that in the longer term he could tap into the movement of Far Eastern oil.

Although the likes of Shell, Chevron and ARCO were major players in the Pacific region, a significant part of their work focused on moving larger volumes of oil to their major refineries along the west coast of the United States. Smaller refineries – the so-called teapot refineries – received their oil via pipeline from these larger refineries, often at an inflated price. Torben realised that a niche market existed for tankers to move parcels of crude oil from fields in Indonesia directly to these smaller refineries – and, from his time with Gerry Plato and at Stolt, he was well versed in the concept of parcel shipping. The Japanese tanker fleets, he reasoned, could be the source of the ships to bring the oil.

To enter the Japanese shipping world was not easy, as Torben was an unknown entity to Japanese shipbrokers and to shipowners who needed to be convinced of his credibility if they were to charter ships to him or to use his services to move their cargoes. With his wide circle of contacts in Japan and his own impeccable integrity, Shigeru Matsui assured



Launched as *Japan Peony*, the Aframax tanker *White Peony* was the first to be chartered by Torben in his new venture based in Los Angeles. The charter was fixed by Shigeru Matsui, who had introduced Torben to the Japanese shipping fraternity. The tanker was built in 1975 in the Koyo dockyard in Mihara, Japan, and was owned by Risuke Takebayashi, who traded the 245-metre vessel under the banner of the Sunny Corporation, registered in Panama. *Shigeru Matsui*

his Japanese shipping associates that Torben would be an excellent and trustworthy business partner. This was valuable support indeed from a shipbroker who was highly respected in his native land.

Finding a suitable ship to launch Torben's venture took time, but late one evening Matsui called him and from the tone of his friend's voice Torben could tell that the Japanese shipbroker was excited. 'I have a ship for you!' he bubbled. It transpired that Matsui had found an owner who was struggling to fix a charter for his 87,433-deadweight tanker *White Peony*, and, when approached formally by Matsui, was delighted to sign the deal for the charter with Palm Shipping. That telephone call was the beginning of a remarkable period in Torben's life, for Matsui had opened several doors for him in Japan.

With little delay and armed with a guarantee from Plato, Torben secured the tanker for a year from January 1976 for \$1.35 per ton deadweight per month (approximately \$3,800 per day) to bring low sulphur heavy crude oil from Indonesia to ports along the Pacific coast of the United States for refining or for use in power stations. Supplementing the vessels that Gerry Plato operated, *White Peony* began to make money, most of which Torben ploughed back into the business.

He exercised great caution in the deals he made, preferring to fix short-term charters for tankers as he did not wish to be tied into longer-term operations, especially as he had experienced first-hand the volatile nature of the markets and did not want a repetition of the earlier collapse of his business into which he had put so much effort. This time world events – and a small team – would help him to build a successful tanker chartering business.

He was extending his charter operations to the point where he needed an experienced, competent person to assist with the operation of the tankers he had on charter. Back in 1973 he had met Captain Jim Hood, a seasoned master mariner who had served aboard Blue Funnel Line ships and bulkers, and more recently had come ashore as marine superintendent for the Kaiser Group in San Francisco (see page 35). Jim Hood, Torben reasoned, would be the ideal man for

the job. When he called and offered him the position of operations manager Hood needed little persuasion and began work in Torben's Los Angeles office in August 1977. It was hard work, as illustrated by a note written some years later by Captain Hans Schiefelbein:

In the summer of 1978, I met Mr Karlshoej in Long Beach, California, for the first time when he boarded my Sanko vessel *Northern Victory* while [we were] discharging an oil cargo from Indonesia ... He told me that he is the founder of Teekay Shipping and the charterer of my vessel ... He is operating Teekay Shipping by himself with three more people ... Captain Jim Hood, his son-in-law and Dave Carr. Mr Karlshoej and his staff were handling 14 chartered vessels at that time ... They all were doing a very big job with very long working hours.

In time, Torben gained a deeper understanding of the trans-Pacific tanker business niche than his competitors, in part due to his relationship with a number of leading American oil traders. One of the successes that set him apart was his ability to capitalise on the emerging back-haul cargoes from the Pacific coast of the United States to the Far East during the 1980s. In the early 1980s, tighter air emission standards meant that utility companies on the U.S. west coast could no longer burn the high sulphur residual fuel oil that was a by-product of refining Alaskan crude oil. As a result, oil traders developed new export trades to Asia for this oil, enabled by the Reagan government's relaxation of the export ban on petroleum products from west coast ports. These back-haul cargoes subsidised the long and expensive ballast passage on the ships' repositioning voyage to load in Indonesia or the Arabian Gulf, and, of course, also earned additional revenue for Torben's company.

Charter rates had come off the boil in 1977 when unexpected demonstrations began in Iran, where Shah Mohammad Reza Pahlavi had entrenched his power over many years. Such was the violence and persistence of the demonstrators that the Shah went into exile 18 months later, leaving a power vacuum that was filled with the return to the country of the fundamentalist Islamic cleric, Ayatollah Khomeini. The uncertainty surround-

ing events in Iran and their influence on oil supplies from the rest of the Gulf had also affected the oil price, which increased by nearly \$20 dollars a barrel in a matter of months. As had happened during other times of uncertainty, tanker rates climbed sharply, and further developments in Iran would boost the market even more.

Huge crowds gathered outside the American embassy in Tehran, culminating on November 4, 1979 in an attack on the building and the capturing of embassy staff, who would be held captive for 444 days. Tension continued to rise in the Gulf region, adding to the uncertainty of how the crisis would develop. Inevitably these events pushed oil prices to around \$60 per barrel, and tanker rates also moved further up the scale to the benefit of the owners. Torben benefited significantly from this upturn in tanker rates with his fleet of ships in-chartered at rock-bottom rates.

Like the tanker market, Torben's personal life experienced a roller-coaster ride. To help with the ever-increasing amount of secretarial work in his Los Angeles office, he had employed Cathy Stuck, whom he married in 1977 and with whom he had a daughter, Caroline. Unfortunately, as had happened before, the pressures of his work were too great for his marriage to last. To be available for calls and telexes from Japanese brokers and agents during their normal working hours, Torben would leave home for the office at four o'clock in the morning, and, after a hectic day keeping up with the latest trends in the markets, he would often return home late in the evening. This taxing schedule was one of the reasons why the couple's marriage collapsed, and their divorce in 1978 was partly responsible for his move to the Bahamas.

The main reason for the move, however, was the decline in the tanker markets, which were suffering from over-tonnaging as Japanese yards – and indeed yards in other countries with a rising shipbuilding sector such as South Korea – were still delivering vessels ordered during the halcyon days of the tanker boom a few years earlier. In addition, the re-opening of the Suez Canal was continuing to influence the markets, which

Captain Jim Hood

Midshipman was the term for a cadet serving in Blue Funnel Line ships in 1951 when 16-year-old Jim Hood boarded his first vessel, the six-hatcher *Bellerophon*, which had come from the Caledon shipyard in Dundee the previous year. Thirteen years later, he held a master's ticket and had moved up the promotion ladder in Blue Funnel to second mate on one of the company's ships based in Hong Kong.

During the period after the Cuban Revolution, China was one of the island's major trading partners, generating considerable cargo volumes. Hood joined Jeb Mai Shipping, a small fleet whose ships drydocked in Hong Kong once a year. He sailed in *Sea Amber*, one of the many ships on the China-Cuba trade, carrying railway lines and other steel cargo on the outward voyage and loading grain in Vancouver or La Plata for the return voyage to China, after which she headed back to Cuba, down to her marks with the next cargo of steel.

Aboard the 1939-vintage banger *Universal Mariner*, Hood got his promotion to chief mate. He recalls that the British-built ship had staggered Sampson posts, an attempt by her designers to confuse enemy submarines, but such was her condition that there were times when he wished a torpedo would hit the old ship! With a Chinese crew and under charter to Kawasaki, she took rice from China to Ceylon (now Sri Lanka), where she loaded manganese ore for Japan, which was then in the throes of extensive expansion in its steel, shipbuilding and vehicle manufacturing industries.

While home on compassionate leave during his wife's illness, he responded to an advertisement for masters for Panamax ships belonging to a subsidiary of the Kaiser Group of California. A few days later he heard that he had been appointed



Captain Jim Hood

to command *Texada*, which was carrying iron ore to Japan.

By 1970 he had come ashore as the company's marine superintendent in Oakland, California. While Hood was having lunch with the officers aboard the chartered ship *San Sinina II*, which was discharging her cargo at Long Beach, she caught fire and a tragic explosion followed, killing a number of people, blowing out part of the accommodation, and shattering windows in the adjacent buildings. Hood was uninjured, although he did have to climb down a rope into the oil-soaked harbour waters and swim ashore.

He later met Torben Karlshoej. As the August vacation time got into full swing in California in 1977 the former bulk-carrier master took up his position as operations manager in Torben's tanker company, then with a small staff complement but beginning to build a name for itself in North America and Japan. He followed Torben to the Bahamas in 1979 but

two years later returned to Los Angeles and then to Long Beach.

The company's move to Vancouver in 1991 was like a homecoming for him as he had visited the city on numerous occasions during his seagoing days and knew it well. Adapting to his new environment was therefore easy and was a stabilising factor at a time when the company might otherwise have struggled to maintain the momentum it had gained in the latter years of its tenure in Long Beach.

Jim Hood's attention to detail contributed significantly to building the company's reputation for operational excellence and customer service, factors that helped to keep it afloat during the company's financial troubles before Torben's untimely death in 1992. But perhaps his major contribution was to hold the company together when he was appointed president and CEO of the company immediately after that sad event, for he was the epitome of stability and his experience provided the continuity the company needed at that time.

Forty-seven years after his first tentative steps up the gangway of *Bellerophon*, Jim Hood retired, although his work was not done. Teekay had initiated a study to determine the best way to promote seafaring in the Bahamas and to bring Bahaman seafarers to the levels required in terms of the International Maritime Organisation's code regulating the standards for the training and certification of seafarers. In response to that research programme, with which he had been involved earlier, he went to Nassau to start a training school for seafarers.

Three years later he finally retired to New York after an illustrious career at sea and ashore, which had included his crucial role in stabilising Teekay at vital times. ■

were taking a long time to adjust to post-Suez trends. Fearing that the tanker surplus and the subsequent drop in charter rates, similar to the scenario that had destroyed his operations earlier in the decade, would frustrate his efforts again, Torben downscaled his tanker fleet significantly and moved his office to his boat *Impetuous* moored in the Bahamas (see page 54).

Jim Hood followed Torben to the Bahamas and, while the tanker market slumbered for nearly two years, the team – Hood, Vinay Patwardhan and Palle Bistrup – were involved in an unusual operation.

Through his earth-moving business, which had expanded beyond his wildest dreams, Axel Karlshoej had become a prominent figure in the Sacramento Valley, the home of extensive rice production. He had noted that rice exports from the Valley as aid cargo to Puerto Rico were carried by a barge, owned by a local rice company, towed by a

tug. He passed on this information to Torben, whose company soon took over the shipment of the rice, retaining the tug-and-barge operation. On arrival at Puerto Rico the barge was used as a floating granary for about three months while the rice was discharged as required by the importers. At the time, Jim Hood thought that Torben may have wanted to test the dry bulk market, particularly as he had employed Palle Bistrup, who had experience in that sector, and had begun to operate a few more barges as the rice aid cargoes increased. However, the development of larger scale operations, including the containerisation of bagged rice cargoes, reduced the opportunities for the barges to carry rice exports, and the original barge was laid up and later sold.

At this stage, with Palm semi-dormant, Torben decided to embark on a more personal project – to acquire a more substantial private yacht – that resulted in his purchase

of a run-down fishing vessel, which he sent to Norway for a complete modification into his beloved *Kisuca (2)* (see page 56).

Torben's main interest remained in tankers – after all, he had learnt the trade under the careful tutelage of Gerry Plato and had extensive exposure during his time at Stolt to that company's operations. He thus began a strategy to move back into the tanker market in earnest. His intellect, energy and business acumen would not let him continue his leisurely ways aboard his boat. He longed for new challenges: 'I need to get back into the shipping business that others manage so badly,' he confided to a friend, and, having lain awake for several nights carefully planning his business strategy, he leapt into action. 'I am going to build the best shipping company in the world,' he excitedly announced to Axel over the telephone one day late in 1984. 'The markets are down, and it's the right time to get back into tankers.'



Built in 1975 at the Onomichi shipyard where Torben later built a series of tankers, *Golden Gate Sun* (82,543 deadweight) was the first vessel to be owned, managed and crewed by Teekay under whose banner she traded from 1985 to 1995, when she was sold to Greek interests who renamed her *Golden Gate*. *Shigeru Matsui*

He started by moving the company back to Long Beach, and established Viking Star Shipping Incorporated to buy and own high-quality tankers that would be used as part of Palm Shipping's chartering operations. Again he went on the hunt to secure ships to time charter for his concerted effort to move back into the American crude oil trade.

Because he was highly respected in Japanese shipping circles, Shigeru Matsui's opinion counted a great deal. Thus, when he mentioned Palm Shipping in glowing terms, Japanese brokers and owners took note. Among the subsequent inquiries that Shigeru fielded was one from the huge Sanko company, which operated and owned one of the world's largest fleet of bulk carriers and tankers. Palm Shipping had previously done business with Sanko in the late 1970s on a smaller scale. Towards the end of 1984, Palm Shipping offered to charter twelve Aframax

tankers from Sanko at prevailing low market rates but with six months' charter paid upfront, a provision that was intended to entice and assist a cash-strapped Sanko. The deal was shunned initially by Sanko; however, as the Japanese company was fighting for survival in an over-tonnaged market, they eventually agreed to the terms and a deal was struck.

'Delivery was set for April,' the respected maritime journal *Seatrade* wrote later. 'As Sanko's plight worsened, it realised it would need the advance cash by the end of March ... Karlshoej agreed, and it was this flexibility that enabled Sanko to struggle on ...' By May, Palm Shipping had chartered a dozen Sanko tankers, and, with limited overheads, Torben's company was moving ahead very satisfactorily on the back of a tanker market that had improved a little since the initial offer had been made to Sanko.

Shipowning, though, was Torben's dream and for this he planned endlessly. Finally, in 1985, he took delivery of his first ship, the 232-metre Aframax tanker *Golden Gate Sun* for slightly above \$4 million. Because of the low level of the market at the time, he had not been able to secure finance to purchase the tanker, and in the absence of any assistance from banks he paid for her himself. She had spent ten winters at sea since she was commissioned in the Onomichi shipyard in Japan. With her 23,000-bhp Sulzer engine using 73 tons of heavy fuel per day, she would prove rather expensive to operate. She

Shigeru Matsui

Standing next to a smart convertible on the dockside in Long Beach, California, in August 1963, Torben was readily distinguishable from the dock workers. Thus it was easy for Shigeru Matsui, the son of a distinguished Japanese shipbroker, who had come to the United States to study, to find the man Gerry Plato had sent to meet him.

Torben and Shigeru became instant friends and, on completion of his studies, Shigeru returned to Japan and joined the family shipbroking business, quickly earning himself an excellent reputation among Japanese shipbrokers and owners.

Becoming president of Matsui & Company in 1971, Shigeru Matsui is a leading figure in Japanese shipping, serving on the board of the Japanese Shipbrokers' Association (and chairman of that board from 1997 to 2000), managing director of the Japanese Shipping Exchange,



Shigeru Matsui

and a member of the Tokyo Maritime Arbitration Commission from August 1980 to October 2004, when he became its vice-chairman. He also serves on the

Documentary Committee of the Japan Shipping Exchange.

Despite his demanding career, Shigeru has squeezed his much-loved sport of golf into his busy schedule.

His experience and personal credentials opened many doors for Torben, who thus gained the confidence of a number of leading figures in Japanese shipping circles. This enabled him to charter or buy ships, and to find charterers for tankers within the Teekay fleet. Torben's fine reputation among Japanese banks and shipbuilders – nurtured by Shigeru – was one of the factors that promoted Teekay in the Far East, and also saved the day in 1992 when, following the collapse of the tanker markets, Torben obtained special dispensation from the banks regarding his large debts, and the postponement of delivery dates for some of the tankers on order (see page 68).

Shigeru's assistance played a major role in launching Teekay in 1973, and in saving it in 1992. ■



Of resilient spirit and reliable in difficult situations, Captain Alan Hayes was highly regarded by Torben. Despite the inferior condition of the tanker *Grand Wisdom* after her long lay-up before her purchase by Torben, Hayes decided to commit himself to command the vessel – Torben's second addition to his fleet – from Bilbao in Spain to the Lisnave shipyard in Lisbon, a voyage that had been approved by the maritime authorities so that the ship could be refitted to Teekay's high standards. As Torben did not forget that kind of gesture, he appointed Captain Hayes to stand by several of Teekay's newbuildings and to command them on their respective maiden voyages. The goodwill that existed between Torben and his senior master was acknowledged by the Karlshoej family when they invited Captain Hayes to give a eulogy at Torben's funeral in Vancouver in October 1992. *Axel Karlshoej*

In a brief foray into the VLCC market, Torben bought three vessels, the first of which he proudly named after Kimberly, his first daughter. While visiting *Kimberly* with her father when the ship was in a Nova Scotian port, Kim became concerned when the alarms went off and the ship blacked out. Her mind went back to a previous experience when she had been injured while participating in school sport, and was taken to the emergency room at a Long Beach hospital. As she lay awaiting attention, trauma teams began bringing in the injured survivors of an explosion aboard *San Sinina II*, a tanker that by pure coincidence had Teekay's future CEO, Captain Jim Hood, on board. (At the time he was visiting the ship as part of his duties for the tanker's agency.) Fortunately the emergency aboard *Kimberly* was short-lived and relatively minor. *Kim Karlshoej*

entered service on the trans-Pacific crude oil shuttle that had proved successful for Torben when he was using chartered ships.

An interesting story surrounds the first voyage of his second – and larger – vessel, which bore the imposing name *Grand Wisdom*. Having bought the vessel unseen at an auction, Torben sent Captain Vinay Patwardhan to Bilbao in Spain to take delivery of the 1976-built vessel. Vinay soon realised that the previous owners had ploughed little money into her maintenance, leaving her in extremely poor condition. When Torben was informed about the vessel's condition, he promptly cancelled her original lucrative maiden voyage, scheduled to load in Sullom Voe in the Shetland Islands for Texas. He decided instead that she would go straight to the Lisnave yard in Lisbon, Portugal, for an extensive refit to bring her up to the standards that he envisaged for his ships.

As the winter winds drove rain across the northern Spanish port in November 1985, Patwardhan showed the newly hired prospective master around the ship. 'I am not sailing in this rustbucket!' he raged, quitting on the spot and leaving the ship. When the same

response came the next day from another master, Patwardhan called Torben in the early hours of the morning with the news that two masters had declined to sail in the rundown tanker. The irritated owner's voice rose impatiently. 'If the [next] captain does not show up before tomorrow morning, you take her to the shipyard!' he bellowed. In the early hours of that morning (Spanish time), the papers were signed in New York and the ship was transferred officially to Torben's ownership, but every minute that she lay alongside not earning revenue counted. Patwardhan was preparing to leave for the ship when a figure emerged from the darkness. 'I am Captain Alan Hayes, and I have been asked to report to take command of a tanker called *Grand Wisdom*.' Patwardhan wondered whether this fellow would also storm off the vessel once he saw conditions aboard, but he admired the man's confident approach that cut through the howling wind. In an under-powered launch, the two men plus the agent ploughed through the darkness of the choppy waters of the harbour to board the tanker. 'Captain,' said Patwardhan, 'this is not like anything you have ever seen or sailed in. You



A logo on the funnel

When Torben decided to own ships, he instructed that a logo be created. Since the company's name was derived from his initials, it seemed obvious that the letters T and K should be prominent in that logo, and the current logo was born. 'You're stupid to put your name as the logo on the funnel,' commented someone in the Califor-

nian shipping fraternity. 'It could increase the chances of litigation.' 'I want people outside our organisation to know that we are here,' growled Torben in response, 'and I want everyone in the company to know that our brand is important, as is accountability for one's actions.' ■

must see her first before I would have you assume command.' The launch came alongside the tanker, and the three men heaved themselves onto a make-shift gangway for the all-important tour of the ship that hopefully would satisfy the master-elect. To most people the dark engine room, the cockroach-infested accommodation and the generally run-down appearance of the ship would have been a major deterrent, but not to Captain Hayes. 'Cut the noise!' he said. 'I have seen

enough. With my crew, I am taking her to the shipyard where Teekay will spend whatever it takes to make a safe, dependable, liveable and proud ship out of this junkheap!

And he sailed the old tanker from Bilbao, coaxed her through the wild seas of the Bay of Biscay, and made her gas-free before arrival in Lisbon, where the shipyard rapidly transformed the rust-streaked and rather decrepit tanker into a well-found vessel that served Teekay for eleven years before retiring.

A clear message to other masters

Torben was not only determined that his ships should operate safely, but was also very particular about their cosmetic appearance. In particular, he liked the proud and conspicuous funnel, emblazoned with his initials, to be in pristine condition. As this was widely known in the fleet, the master of any ship scheduled to call at Long Beach and likely to encounter Torben would spare no effort to ensure that the vessel was well maintained.

One day a new captain who was a couple of months into his first Teekay contract brought *Golden Gate Sun* alongside a discharge terminal at Long Beach. That same day, Torben was meeting in the office with a group of bankers he was cultivating in order to obtain a loan for Teekay. He invited them to join him on a visit to *Golden Gate Sun* and they

drove from the office to the port. When still a half-mile away from the dock, Torben caught a glimpse of the accommodation block of the ship in between the various towers and storage tanks at the refinery where she was berthed. Horrified at seeing rust streaks on the funnel, he abruptly turned the car around and headed back to the office. He explained to the bankers that he had seen a sign at the refinery indicating that there was no access that day. Once he had said goodbye to the bankers, he drove back to the ship, walked on board, briefly surveyed the paintwork on the deck and the accommodation block – which he decided was not up to standard – went to the captain's cabin and fired him on the spot. *Golden Gate Sun* was the last rust-streaked Teekay ship to visit Long Beach. ■



The Teekay emblem on the funnel is well known throughout the shipping world. This photograph, taken in 2007 from *Seletar Spirit*, shows *Hamane Spirit* and *Poul Spirit* astern. Nikolay Daragan

Torben never forgot the remarkably positive approach displayed by Captain Hayes on that wintry morning in Spain. He was always regarded as Teekay's senior master and was a valued confidant to Torben.

Despite Torben's initial assistance and the efforts of its own personnel, Sanko was not out of its financial difficulties. Six months after the initial twelve-ship charter deal with Sanko, Torben agreed to extend the duration of the charter period, as well as increase the number of vessels to eighteen. Thanks to this restructuring of the charter arrangements Sanko was able to comply with a court's requirements for its financial rehabilitation programme.

The *Seatrade* article continued:

Imagine then the consternation and downright amazement felt by both men [Matsui and Torben] when in February 1986, Sanko announced out of the blue that it had agreed to charter ten of these ships to Shell on their redelivery from Palm. Karlshoej vowed revenge. He called on Matsui to help him build new ships and to buy all Aframaxes available ... This marked the beginning of what must be one of the most audacious new building programmes ever conceived by one man, who had determined that [a] particular market sector should be his ... Just three months later, with the market at rock bottom, the first new building deal had been agreed in South Korea for two 100,000-deadweight tankers at \$21 million each. Over the next six years, as the market took off and prices soared to \$58 million for the last double-hulled units ... these two men arranged nearly 40 newbuilding contracts totalling over \$1.4 billion as well as 14 second-hand purchases.

In the interim a political storm that later grew into violent conflict had arisen between Iran and Iraq. The Shatt-al-Arab waterway, important to both countries, was the centre of the dispute, which triggered a bitter war late in 1980. Newspapers and television and radio bulletins carried news of the conflict, as aircraft from each country struck at strategic targets and dust clouds marked large columns of tanks rolling steadily across the desert landscape, while troops fought intense battles in the war that would kill thousands of people in each country. For tanker opera-



The 1976-vintage Aframax tanker *Brilliancy* joined the embryonic Teekay fleet in 1985 and was sold ten years later. Like her consorts at the time she bore her original name, with *Yamato Spirit* being the first to have the Teekay suffix *Spirit*. Shigeru Matsui

tors and crews, the Iran-Iraq war ushered in a new, dreadful threat to their ships as each country sought to cripple the other's lucrative oil exports.

Early in 1984 Iraq attacked Iranian tankers and the loading terminal at Kharg Island, an action that brought retribution from Iran when Iraqi installations and tankers were attacked. In this so-called tanker war, the number of attacks escalated and neutral tankers and indeed other merchant ships were not exempt from attack, thus endangering all vessels in the Gulf. American warships were ordered to escort Kuwaiti tankers, provided they flew the American flag, and even Russian warships began escort duties after Russia had offered to charter all Kuwaiti tankers. When a missile from Iraq hit *USS Stark* in May 1987, killing 37 crew members, the world waited with considerable anxiety for a fiery American response, but none came.

Iraqi leader Saddam Hussein hoped that Iran would close the Straits of Hormuz, a move that would have brought a rapid response from the international community, including several Gulf states whose oil exports would have been disrupted. Such an action, Hussein thought, would have awakened America from its passive role in the conflict to launch an attack on Iranian positions and force it to open the straits, weakening Iran in the process. Although shipping was harassed by Iranian warships and aircraft, the straits remained navigable throughout

the conflict, in which 546 ships were damaged and over 400 seafarers killed.

Among the ships that were to escape the attention of the aircraft and warships of the belligerent countries was Teekay's *Golden Gate Sun*, commanded by Captain David Glendinning, whose wife and daughter were accompanying him on board the tanker. As soon as the vessel was scheduled to load a cargo in the Arabian Gulf, Torben demonstrated his care and concern for people when he contacted Glendinning by telephone. 'You're going into a war zone,' Torben had said, 'and your wife and daughter must leave the ship and go home.' They disembarked and Captain Glendinning set course for the Gulf. It was an anxiety-filled voyage: on approaching the Gulf the ship was blacked out at night, radio silence was maintained, watches were doubled, and all on board the tanker – which was not gas-free – were conscious that, at any minute, an aircraft or a fast gunboat could attack, unleashing unbelievable terror. *Golden Gate Sun* loaded at the Kuwaiti terminal Mina al Ahmadi and, to avoid the main area of potential attack en route to the Straits of Hormuz, Glendinning set a course along the western side of the Gulf, where her relatively shallow draught, even when loaded, enabled her to hug the coast.

A Danish radio station told the story of another Teekay vessel, *Grand Wisdom*, which had a far less fortunate experience during the conflict. In spite of the Aframax tanker

being escorted by an American warship, a missile hit her stern, ripping a gaping hole in the hull and setting her on fire. Fire parties mustered, and Chief Mate Kari Laine led the fire-fighting operation that saved the ship. Her master managed to get her to Dubai for repairs, where a local photographer captured the essence of the war with an image of the damage to the stern, illustrating how close the encounter with Iraqi missiles had come to destroying the ship. The photograph also conveyed the indefatigable nature of the crew, for it showed a crew member peering through the huge hole! Repaired and

returned to service, she continued trading as *Mihara Spirit*.

Another seaman who endured the stress of passages through the Arabian Gulf during the Iran-Iraq war was Captain Alan Hayes, who later wrote:

The war was raging in the Persian Gulf [Arabian Gulf]. Armed attacks on defenceless merchant ships were increasing.

We were there then, on *Frontier Spirit* and cleared out around Quoins and sent, as required, our telex saying we were out [of the Gulf]. A couple of minutes

later, the marisat phone went and it was Torben, calling to say he was pleased we were safe. Maybe no big deal, except it was four in the morning in Long Beach ... Torben was waiting up to see all his people were safe and mine wasn't the only ship he waited to see out ... it was a regular feature with Torben – this deep caring for those who sailed his ships.

There were other calls too, like asking my thoughts about placing his *Kisuca* outside the Gulf to arm his ships inbound and give them something to fire back with, rather than sitting there and taking it, even to hiring trained personnel and placing them aboard the ships to handle the weapons. Loved that. No, you don't

mess with Torben Karlshoej's people unless you are willing to take him on too, and we loved it to pieces. He was there with you all the way ...

The eight-year Iran-Iraq war emphasised the vulnerability of oil supplies in the Arabian Gulf, and western oil interests – particularly the American oil majors – thus continued their quest to develop other sources of oil. For a solution they looked to West Africa, where oil had been discovered in Nigeria and several other West African countries, including Angola, although a bitter civil war in the latter country inhibited the natural growth

of its oil industry until the end of that war in 2002, when it boomed. Closer to both Europe and North America than the Gulf, these new rich gas- and oilfields had already received considerable investment, but with pressure mounting to find alternative sources – including the search for sub-sea oil at greater ocean depths – growth of the offshore industry escalated at an unprecedented pace. In Africa investment, expertise and even labour (in the case of some Chinese-funded projects) helped to develop new sources of oil and gas. Because an increasing number of North Sea, Alaskan and West African oilfields were in produc-

tion when the Iran-Iraq war began in earnest, the effect of that war on tanker markets was not as pronounced as had been the case during earlier episodes of Middle Eastern conflict.

Going into 1985, the tanker market remained depressed, with charter rates stuck around \$3,000–4,000 per day, below the daily operating costs. The absence of new cargo requirements being quoted in the market meant that the telephone lines in the recently established Teekay chartering office in Copenhagen remained silent for hours at a time. During these quiet days there



Bought by Teekay in 1986 for \$3.75 million at a time when the tanker market was very unfavourable for shipowners, the Aframax *Sunrise* (ex-*Sunrise Trader*) had already been trading for 11 years since her launching in Japan, and the wear and tear showed, for here was a ship that had worked hard. To ensure that she met the high standards Torben required for his ships, repairs while in drydock cost \$350,000, a large sum in those days and nearly 10 per cent of the purchase price. Yet there were still defects that manifested themselves at the most inappropriate times and required running repairs while the ship continued to trade. Compounding the issue was that four different Chief Engineers had attempted to tame her engine, but had given up. Thus, she still had a tendency on occasion to not go astern, such as the time when the old tanker was approaching the Exxon berth in Singapore and as Captain Steve Tucker rang for full astern, she continued to head directly for the berth. Second Mate Boni Tespoer who was in charge of the fo'c'sle party at the time, had to rely on all his seamanship knowledge and experience to let go both anchors in quick time to avoid a most costly accident!

On her first loaded voyage she was carrying A380 heated fuel oil from Kuwait to Singapore when she had to anchor for a few days off Fujairah while the engineers scrambled to effect repairs. 'Remember,' wrote Captain Tucker, 'this was during the tanker

war when we also had to watch out for missiles in the Arabian Gulf!'

En route from the loading port of Esmeraldas in Ecuador to make the first call at Long Beach by a Teekay-owned vessel, Captain Tucker had to take her into Acapulco as a place of refuge to get 600-volt wiring for engineers to fix the defective main switchboard. And once she was alongside in Long Beach, lingering problems manifested themselves again, requiring engineers to shut down the ship to repair generators and other parts of the electrical system, much to the disappointment of office staff members who had come aboard for a meal to celebrate the arrival of the first Teekay ship to berth at her home port.

And within days she was proceeding up the Santa Barbara traffic route with the turbo alternator stoked up for the first time when the lube oil-caked lagging for the governor caught fire. 'A very excited Chief Engineer Bill Gray rang the bridge to tell me what I could smell already!' related Captain Tucker later. The fire was extinguished quickly with no major damage to the machinery or the electrical systems. The Pacific crossing to Korea was otherwise uneventful although the ship passed through the Unimak Passage into the Bering Sea, leaving a force ten storm astern.

But credit must go to all those who worked tirelessly on the old tanker to get her shipshape so that she passed all the

extremely rigorous pre-charter surveys conducted by every oil major, a far cry from her 'blacklist' status under her previous owners. In those early days of Teekay, she held the record earnings (\$280,000) for a single short-term charter, fixed by the Tokyo office when she carried a cargo for Mobil from the Beilun terminal in Ningbo to Singapore.

Having commanded her for six months subsequent to her purchase by Teekay, Captain Tucker handed over command to Captain Harry Carlisle, and Tucker noted at the time that she was valued at \$9 million, an appreciation of over \$6 million thanks to the hard work of many during that time to meet Torben's high standards for the maintenance of his ships.

Renowned for his energy as well as his eye for an opportunity to promote the company's image, Captain Carlisle was on the foredeck of the tanker during a protracted period at anchor off Fujairah while the ship awaited orders. His eye passed over the forward side of the accommodation block. 'It's a bit bare,' he thought, and his fertile mind produced an idea. 'Why don't I paint the company logo up there?' His careful planning developed a scale design of the logo which he, standing on a stage lowered from the monkey island, personally painted on the accommodation. The logo was subsequently painted on the superstructure of every Teekay ship.

After eight years of very profitable trading for Teekay, *Sunrise* was sold. *Shigeru Matsui* ■



RIGHT Another of the early Teekay fleet was *Koyo Spirit*, which was already 12 years old when Torben bought her in 1988. **Shigeru Matsui TOP** 'Flying out to Hong Kong where I joined *Asiatic Spirit* (ex-*Geiko Maru* and *Sanko Hope*) from a launch at Huangpu on the Pearl River in June 1990 was fun,' wrote Captain Steve Tucker. 'With the first group of 12 Filipino cadets aboard, we went to some interesting ports: Sriracha, Singapore, Long Beach, Los Angeles, Fos, Tranmere, and Rotterdam. Donald MacDonald from Inverness was the cadets' training officer, known as El Professor. Many of those cadets passed their licences within the top 20 in the 1991 national board exams. *Asiatic Spirit* had a service speed of 18 knots in ballast. Boni Tespoer began the voyage as first officer, and was promoted to chief mate in December 1990. Two years later he was one of the first Filipino senior officers to gain command.' **Captain Steve Tucker ABOVE** Torben had a share in two 480-teu containerships, *China Express* and *Teekay Hunter*. He always maintained that to be successful, a shipowner should concentrate on one type of ship, and, since his operation focused on tankers, his involvement in these two containerships was a short-term project from 1987 to 1989. This photograph shows him aboard one of the vessels in the shipyard. *Axel Karlshoej*



were even times when the newly recruited head of the office, Bjorn Moller, and another new Danish employee, Mads Meldgaard, resorted to whiling away the time by playing soccer in the office, using a ball made of rolled up telex paper held together by packing tape.

During this period, Hong Kong-based shipowner Tommy Hsu found it difficult to secure a fixture for his 125,000-deadweight tanker *World Horizon*, for which the best offer entailed a daily hire of less than the operating costs. 'What can we do with her?' a perplexed

Hsu asked his broker, Victor Reachi. 'There is only one person,' Reachi replied, 'who can take her.' 'Who is that?' inquired Hsu. 'Torben Karlshoej,' the broker responded, 'a guy from Long Beach who runs Palm Shipping.' Within two days the tanker was fixed at a rate equivalent to the operating costs, and delivered to Palm Shipping a week later in the Mediterranean.

Torben felt that the market would improve before the end of 1985, but the Mediterranean was an overcrowded place for tanker owners at that time.

'I'll take her east!' he announced to his team, paid for the Suez Canal transit himself, and traded her, with other tankers, on the successful run from Indonesia to the American west coast.

For six months *World Horizon* lost money but, true to his hunch, global rates improved and for the next six months she became a money spinner for him. That her operation was successful was hardly surprising, considering that she was managed by Bjorn Moller, one of the sharpest minds ever to work with in the Teekay organisation.

As early winter snow was falling in Denmark about a year after chartering his tanker to Torben, Hsu and Reachi visited Torben in Denmark. 'We found him very friendly,' Hsu commented when describing his first meeting with the great tanker man, with whom he struck up an immediate close friendship and for whom Hsu developed enormous respect. 'He even divulged his plans for the development of his tanker fleet,' Hsu remarked later, 'which showed me that he trusted me, a relative stranger at that time, and I respected him greatly for that.'

Teekay ships' names

In the early days of Teekay the nomenclature of the company's ships was to maintain the existing names of acquired second-hand tankers, but in 1985 when Torben was negotiating the purchase of the Aframax tanker *Sanko Prestige* it was clear that the ship's name would have to be changed. The negotiation was tough and drawn-out; despite Sanko's desperate financial condition the Sanko manager in charge of selling the ship was holding out for a higher figure than Torben was willing to pay. Shigeru Matsui, who was brokering the deal, advised Torben that the latest Sanko offer was the best obtainable. Matsui said that the Sanko man was showing

a lot of 'Yamato Damashi' (Yamato spirit). Impressed, Torben accepted the proposed price and advised Matsui that he intended to name the vessel *Yamato Spirit*.

Subsequently, most of the Teekay ships bore the suffix *Spirit*. Captain Alan Hayes recalled a function aboard *Kisuca* when his wife asked Torben why he had chosen that particular suffix for his ships. 'Because of them,' Torben replied, pointing across at the group of officers he was entertaining. Hayes added: 'As long as there's a Teekay emblem on the funnel, that's how it will stay, except ... his [Torben's] was the Spirit and he wasn't aware of it.' ■



The plans that Torben had discussed with Hsu and Reachi included ordering three vessels from the Uljanik yard in Yugoslavia with an option on a fourth tanker. While Hsu ultimately did not participate in that newbuilding order, the Hsu family did enter into another joint venture with Torben over time, including two newbuildings from a Japanese yard. These ventures were subsequently crowned with success when the tanker markets improved, with an associated steady increase in charter rates. More importantly, the close friendship that developed

between Torben and Tommy Hsu was to play an important role in Teekay's future some years later.

With the tanker market beginning to turn, and with the expanded Sanko deal negotiated via Shigeru Matsui, Torben was gaining recognition from the market for the emerging Teekay, which one commentator described as 'powering its way into the market'.

In the summer of 1986 the Copenhagen office moved to London, one of the global shipping hubs, where it was perceived that

Captain Harry Carlisle remembers *Musashi Spirit*

Captain Harry Carlisle is a colourful character who began his seagoing career in 1954 when he boarded Bank Line's freighter *Beaverbank* and signed on as an apprentice. A fascinating career followed, which included time aboard one of the first VLCCs with a deadweight of over 300,000.

He joined Sanko Line in 1977 and his first command there was in the VLCC *Sanko Stresa*. While he was in command of *Mint Prosperity*, another Sanko tanker on charter to Teekay, she had sailed in July 1985 from Long Beach, California, in fog. Captain Carlisle noticed a large target on the radar, among numerous smaller craft that were probably fishing vessels.

The large target, which he had contacted and ascertained was a United States warship, continued approaching and collided with the tanker. Fortunately no one was injured in the accident, but both ships needed repairs.

Carlisle turned his ship and headed back to Long Beach, where Teekay's Captain Jim Hood came on board to discuss the accident, listening to Carlisle's explanation of the measures he had taken to avoid the collision. Before he left, Captain Hood surprised Carlisle: 'I've got a job for you,' he said. 'I want you to relieve Steve Tucker, the master of *Sunrise*, one of our tankers.' As Sanko had cut salaries by 25 per cent in an effort to reduce their costs, Carlisle jumped at the opportunity to earn more and a few months later he took over the command of the tanker from Captain Tucker.

Late in the summer of 1987, Captain Harry Carlisle went to the Verolme shipyard in Rotterdam to take command of a 1973-vintage 262,411-deadweight ore-bulk-oil vessel that Teekay had bought from a French company. To be named *Musashi Spirit*, she had discharged a cargo of crude oil, and before Teekay took delivery, she had to undergo a number of repairs, including the replacement of the port anchor and chain that had been lost during a previous voyage. As she had gone through a special survey shortly



TOP LEFT Captain Harry Carlisle **TOP RIGHT** The OBO *Musashi Spirit* (1) that Torben bought from French owners in 1987. **Captain Harry Carlisle** **ABOVE** Chief Officer John Burton (promoted to master in the LNG fleet in 2008), Captain Hans Schaefer, Chief Engineer Sveto Franovic and First Engineer Milan Corak at Christmas time. Beginning as a deck boy in the bulk carrier *Bernd Leonhardt*, Captain Schaefer had a long and most interesting career in the German merchant navy. The ships in which he sailed traded across the globe, carrying minerals or grain, and he also served in a reefer vessel on the Canary Islands-Europe banana trade. Company rules at the time specified that one had to sign on and sign off one's ship in Germany, a practice that invariably meant a long time away from home. An introduction to tankers came when he joined *Esso Bremen* and at once realised that conditions aboard were luxurious compared to his experience of some other ships. Here the entire crew were issued with sheets, and fresh milk and fruit were part of the daily menu. His first command came in 1987 aboard the tanker *Barbara Brask* on a voyage from New York to Goteborg with fuel oil. Schaefer was introduced to Teekay by Captain Hans Schiefelbein, one of Torben's trusted superintendents. His first Teekay command was *Shilla Spirit* in September 1990. After two years ashore in Manila as a training consultant, he returned to sea, retiring from *Mayon Spirit* after 15 years of service with Teekay. **Captain Hans Schaefer**

before her arrival in Rotterdam, all her certificates were in order.

When Torben came aboard to inspect the ship before signing for it, he took Captain Carlisle to a quiet place on the ship. Their discussions covered a number of issues, including a memorandum that Carlisle had sent to the office while in command of another vessel. In that memorandum, he had pointed out that the Teekay officers were on the same

low wage scales as the Sanko officers had been when that company was in such dire financial difficulties that it had been forced to cut the portage bills to save money. Filipino crew members were getting their original pay, which was far less than they would have received had they been employed by other companies, including Teekay.

'Look,' said Torben, 'if you give this ship your best, I will review the wage situation.

Here is my card,' he continued, 'and if there are any problems, you call me on this number. It's my direct line. Now let's go and buy this ship!'

The problems were soon resolved, repairs were effected and the ship was eventually passed to Teekay. Torben told Carlisle to order whatever stores were needed in Rotterdam, and then to take the ship through Suez to the Arabian Gulf, where she was on charter to move two oil cargoes, before sailing under another charter that would be made known at a later stage. That turned out to be a six-month charter to the German steel company Krupp to carry iron ore from Saldanha Bay, South Africa, to Germany.

As *Musashi Spirit* passed through the entrance of Saldanha Bay harbour on her first ore-carrying voyage to Germany, she began to roll in the well-known Cape rollers – those long, heavy swells that build up as they cross the South Atlantic Ocean towards the South African coast. Carlisle had just handed the con to the officer of the watch when the radio officer gave him a message. This contained just five words: 'Salaries have been raised. Karlshoej.' Captain Carlisle later wrote:

Then I knew I was working for a man of his word. I was working for someone who would trust me, support me, and listen to my comments upon which, providing they were reasonable, he would act should he be able to. I was proud to serve Teekay.

Torben enjoyed visiting his ships. When the new *Frontier Spirit* arrived on her maiden call in Long Beach the following year, he hurried down to the ship. She was the first of six sister ships (the others were *Namsan Spirit*, *Pacific Spirit*, *Pioneer Spirit*, *Ulsan Spirit* and *Shilla Spirit*) built in Ulsan, Korea, between 1988 and 1990 (see page 48). Carlisle showed him the vessel and pointed out a number of items that needed attention. 'I did not see him taking notes,' Carlisle recalled, 'but all of the items were attended to.' ■

Captain Steve Tucker and *Pacific Spirit*

Spending three months in the Hyundai shipyard in Ulsan, Korea, in 1988 before the commissioning of the 244-metre tanker *Pacific Spirit* was a pleasure for Captain Tucker, who wrote:

Perhaps the leather jacket and the NASA baseball cap I wore and a karaoke rendition of [the] Righteous Brothers' 'You never close your eyes anymore' in our favourite bar had something to do with the good time we had, but looking after the newbuilding inspections on both *Pacific Spirit* and *Namsan Spirit* could have been another reason. The Koreans called me 'Mr Reject' because I would never pass their work without it being near-perfect. On *Pacific Spirit*, we went into Long Beach (the home port for Teekay) and enjoyed a maiden voyage party which is stored in the memory banks with Jim Hood, Bjorn Moller, Vinay Patwarden [sic], David Carr, and most of the office staff enjoying our hospitality.

Richard Gladwin was Chief Engineer and Nigel Horsfield was First Engineer [shortly before his promotion to Chief Engineer]. We had a great team on there.

Our voyage to Constantza in July 1988 during their troubled times was an education too. Pilots demanded jars of coffee which was a banned import during [President] Ceausescu's austerity regime. The Rumanian authorities kept all the ship's trading certificates until our London office managed to arrange the bank transfer for port disbursements, the offer of my own surety being an insufficient guarantee. Twenty-three cartons of cigarettes was the currency for getting in and out of that archaic place ...

We saved \$18,000 during that voyage when I declined pilot service for the

Marmara Sea and Dardanelle Straits passage. Bosphorus pilotage was of course compulsory, and I was quite glad of the Turkish pilot's advice as that is a very busy waterway ...

During my second tour of duty in *Pacific Spirit* in 1991, the ship underwent the guarantee drydocking in Mipo, Ulsan. Among other work that had to be done during that drydocking, shipwrights cut 89 millimetres off each of the propeller blades to lighten the load on the main engine, and the vessel performed much better after that.

On a voyage from San Pedro and Los Angeles to the Far East, the ship was loaded to her full scantling draught of 115,000 deadweight (normally 100,020 deadweight) and she had a very low freeboard, but luckily, the weather held for the Pacific crossing. Stowage of the cargo was interesting – normally she carried three different grades, but on that voyage, six grades of fuel oil cargo were aboard, and as many bills of lading were required.

While transiting the Singapore Straits one night, *Pacific Spirit* was boarded by pirates. Fortunately the chief engineer raised the alarm when he found them trying to break into a cabin. With the crew responding to the alarm, the pirates hurriedly left the ship. *Pacific Spirit's* complement were fortunate that the incident did not have the characteristics of more recent acts of piracy off the Somali coast and in the Gulf of Guinea, which reflect a serious escalation in the threat to ships and their crews. ■

Extract (1) from *Let There be a Yard* by Sung Hyuk Hwang, former executive at Hyundai Heavy Industries, Korea

Torben started visiting Korea in the mid-eighties. His frequent visits to Korea and continuous ordering of ships were greatly helpful to our shipbuilding industry in those days of recession. He was also a regular customer of Mitsubishi and Onomichi Shipbuilding in Japan.

He built ships throughout the recession. He built Aframaxes at a price of more or less 20 million dollars that had cost 40 million dollars before the recession. He was an especially important customer during these years because he was not someone who ran away after building one or two ships; rather, he built many ships consecutively with the same technical specifications.

At that time, Hyundai Shipyard was operating under a survival plan: contracts would be signed at a price below the level of the production cost by sacrificing a considerable number of the fixed cost items. As with those orders from Teekay Shipping, the shipyard benefited

not only from having building berths in constant use, but also a marginal but nonetheless significant income deriving from the repeated building of ships. Torben ordered six identical ships in series.

A day after the crisis of the labour dispute at the yard had passed I was walking around the shipbuilding site with him. The site was in disorder and productivity had not yet recovered. 'Sung, look at those men; I mean their working attitude. Don't they look serious? I like them.' ...

On the Sunday of that week, Chairman Karlshoej and I climbed Namsan Mountain in Gyungju. I used to climb it whenever I was in Ulsan for the weekend. It always left me feeling both refreshed and warm, like being with an old friend ...

Namsan is a broad, rocky mountain, eight kilometres long, four kilometres wide, and about five hundred metres high at its peak. It looks over Gyungju Field and sits in parallel

with the highway between Seoul and Busan. There are around forty valleys spreading out in every direction, and each one harbours the spiritual remnants of the Shilla Kingdom, which prospered in this area thousands of years ago. The rise and fall of the kingdom and the joys and sorrows of its people are carved on each and every broad rock of those valleys.

We arrived at Poseokjeong with the contract administration staff at around two o'clock. We climbed towards the top of Namsan, turning around to the right of Poseokjeong. The road was newly constructed and the terrain far from difficult to walk, but Torben was soon soaked with sweat from lack of exercise. He looked serious as we explained the history of the last two thousand years to him. While standing there we enjoyed the

Palmstar Rose, one of the eight sister ships built by Onomichi shipyard, entered service in 1990. *Teekay Collection*



view of Toham Mountain and Gyungju Field ...

The following week I got a call from California.

'Sung, is all going well with *Nordic Spirit*?' It was the name of a soon-to-be delivered ship of his.

'Absolutely. She will be delivered in two weeks.'

'I have a problem.'

'What problem? It's almost finished.'

'I know it's hard, but there is a small technical thing that needs changing.'

'Technical change? Now? I'm not sure I want to hear about it, because whatever it is I'll not accept it.'

'No, you have to accept it.'

'Go on.'

'It's the ship's name. I think I have to change her name.'

Now I was irritated.

'It's already finished. You saw for yourself that the painting had been completed and the steel plate cut and welded in the right place.'

'I know, but I ask it as a favour.'

'What would you like to change?'

'I want to change *Nordic* to *Namsan*. At least the number of letters is the same.'

I felt knocked out. How could I disagree with such a wonderful idea?

I immediately delivered Chairman Karlshoej's words to Managing Director Jang Won-gap in charge of design. He was someone who would never agree to anything if it contradicted fundamental rules or principles; but he was also someone who enjoyed exploring Namsan, and he readily concurred with the suggestion.

Torben named all of his ships with two words, and *Spirit* always followed the first word. The names of his next ships were *Ulsan Spirit* and *Shilla Spirit*. He liked to express his love for Korea in many different ways ... ■



Palmstar Cherry, another of the eight fast sister ships of around 100,000 deadweight that Torben ordered from the Onomichi shipyard in the late 1980s for delivery between 1989 and 1991. All were sold by 2005. *Teekay Collection*

Torben and Teekay would enjoy a greater exposure to customers, tanker owners and other shipping industry people. The catalyst for the timing was that Sanko, as part of its bankruptcy, was shutting down its London office at short notice. Torben agreed to take over their lease and instructed Moller and Meldgaard to pack up the office and move it to London. They left Copenhagen on a Friday night with a few boxes of important files stowed on the back seat of Bjorn's small Renault 5, drove across Denmark to Esbjerg, where they caught a ferry for Harwich; and on the Monday morning Teekay's London office opened in the old Sanko office in Knightsbridge, with another newly hired employee, Nick Wright, as the managing director.

Most of the early second-hand Aframax tankers in the fleet were bought for \$4-7 million, which in retrospect were bargain prices, seeing that a couple of years later in a one-month voyage carrying Indonesian crude oil to Barber's Point or El Segundo, a tanker could earn more than \$1.2 million.

During a dinner party aboard Torben's yacht *Kisuca* (2) some years later, someone reminded Torben of the time he had missed

the opportunity to buy an ex-Sanko Aframax that was being sold by a court in Hawaii. Torben explained that, knowing his own competitive streak only too well, he was concerned that, if he himself attended the auction, he would chase the bid to whatever it would take to win. Instead, he had sent Jim Hood to the sale carrying \$400,000 in cash – the required 10 per cent deposit on the expected purchase price – but the hammer fell when a slightly higher bid was made by another shipowner and Jim could not find the extra cash. 'Well,' Torben retorted, 'we couldn't win them all.'

With tanker markets looking reasonably favourable, Torben continued to increase the size of his fleet and, re-mortgaging many of his older tankers, he placed orders with Korean, Yugoslav and Japanese shipyards to build several other ships. He developed a particularly close relationship with Sung Hyuk Hwang and his Hyundai yard in Ulsan, Korea (see page 48), and with the Onomichi shipyard in Japan. Working to Torben's specifications, the latter yard created a special design for a 245-metre 100,000-deadweight tanker, known as the Onomax class, that became the major type of vessel in his fleet. The first of

these ships, *Palmstar Orchid*, was delivered in 1989, its name a guarded poke of fun at an oil major that had ships with similar names, and with whom Torben had had an earlier quarrel. Over the next two years, other similar ships followed from the Onomichi shipyard: *Palmstar Cherry*, *Onozo Spirit*, *Palmstar Poppy*, *Palmstar Rose*, *Palmstar Thistle*, *Teekay Spirit* and *Palmstar Lotus*. They proved their worth for they were fast, well-built vessels whose tank, cargo pipe and manifold configuration allowed them to be versatile in terms of the cargoes they could carry. Having a fleet of identical, inter-changeable vessels was a key element in Torben's trading strategy; it allowed for flexible scheduling and higher overall utilisation.

In a letter to all masters in the fleet dated July 5, 1988 he mentioned 19 ships that would be added to the fleet, which he expected to grow to 35 ships before the end of 1989. That he was building a significant number of ships propelled Torben into a new league among shipowners, and when additional fleet expansion programmes were announced the Teekay operation was seen to be a force to be reckoned with in the tanker industry.

In August 1988 he acquired the Aframax tankers *Teekay Vigour* (ex-BP *Vigour*) and *Teekay Vision* (ex-BP *Vision*) from BP in a bare-boat swop for his two small Onozo-class product tankers, *Onomichi Spirit* and *Nakata Spirit*, which were renamed *BP Advocate* and *BP Architect*. The company's management office in Glasgow, Teekay Norbulk, a joint venture between Torben and Norbulk Shipping, operated the two former BP tankers, as well as other newly acquired ships – *Flying Clipper*, *Flying Cloud* and *Scotland*.

Then, on March 24, 1989, came a major disaster that would have very serious repercussions not only for the American tanker sector but also for international shipping in general. The 209,836-deadweight single-hull tanker *Exxon Valdez* had loaded a cargo of crude oil from the Alyeska Consortium's pipeline terminal in Valdez, Alaska, and sailed for Long Beach in California. In fair weather the fully laden vessel grounded on Bligh's Reef in the picturesque Prince William Sound and the subsequent oil leakage

A letter informing senior officers of the company's progress, and exhorting them to introduce their seagoing friends to Teekay so that the officer corps could be expanded by employing those recommended by currently employed personnel. *Captain Boris Banic*



Cathay Spirit

Taking over some of the older acquisitions was challenging, as Captain Steve Tucker recalled:

We took delivery of *Cathay Spirit* (ex-*White Gardenia*) from Japan Line in June 1987. She had been laid up in the Verolme shipyard, Rotterdam, for 14 months with a skeleton Korean crew. In Tank 5C, the Teekay crew found 400 tons of hard sludge that had to be removed poste haste as Exxon had already booked a cargo for the ship. They had to hot-blast the sludge with fresh water and transfer it into a slop tank for discharge at Bayway, New Jersey.

Budget constraints had not restricted her fitting out with new mooring wires, full stores, and all the equipment necessary to render her a

fine addition to the rapidly expanding fleet. This included modifications to restore the ship to her full deadweight capacity in the CBT mode, she had dual certificates, tanks had been coiled, and the numerous tests had been carried out. As usual, the drydock repair list had been professionally vetted by our visiting technical supervisor, Nagaosan.

The classification society, Exxon and then flag state inspections followed her handing over to Teekay at the Verolme yard. With all systems go, we loaded her to the tank tops with VGO and AGO and sailed across the pond to New York. Before lightering in New York, she came through the usual rigorous U.S. Coast Guard Inspection with flying colours, testimony to the hard work done by all staff (especially since she had been laid

up for so long) and the high standards of Teekay's operations.

While the ship was alongside discharging at Bayway Terminal, New Jersey, I received a call from the chief officer. 'Captain, TK is here.' Torben had arrived to view his new acquisition. His good friend Eric Hallman preceded 'the boss' up the stairway to my cabin. I opened a Dutch refreshment for each as these were the 'old days'.

Among his many visits to ships, I shall never forget JTK's intense interest while walking through the entire ship down below and on deck to get a feel of things and pass on his comments no matter how scathing, constructive, or complimentary. He never forgot a conversation. Two years later whilst proudly giving me a tour of *Kisuca* berthed at Onomichi yard in Japan where I was standing by at the shipyard

prior to the delivery of *Tokyo Spirit*, he reminded me of our chat back at Bayway regarding concerns of mounting costs in ship-shore telex communications. 'We've kept it short, sir,' I said, 'but what about the office?'

JTK was a boss you looked up to and admired for his total commitment to excellence. His intimate knowledge of all things relating to ships and the sea, [and] his intelligence, vision and integrity were some of the many qualities we shall always remember.

Note: Torben's association with Eric Hallman dates back to the early days of Teekay. Despite losing both legs during the Vietnam war, Hallman's resilient character made him a most popular man, especially in shipping

circles where he was a respected broker. While visiting a vessel he was climbing a gangway extremely slowly, much to the annoyance of Torben who happened to be boarding the vessel at the same time. 'Move faster,' Torben yelled, 'we haven't got all day!' Hallman responded by throwing one of his prostheses at the impatient man, and when Torben arrived at the top of the gangway he quietly said, 'Shall I throw the other one at you as well?' Never one to make fun of those with disabilities, Torben was acutely embarrassed for he had no idea that the man was handicapped. Despite this incident, the two men became firm friends. ■

Mendana Spirit

Built in Japan in 1980 as *Nachi Maru* and subsequently bearing the names *Arcadia Spirit* and *Bayani Spirit*, the Aframax tanker *Mendana Spirit* was off the Yemeni coast early on the morning of February 10, 1991 when she collided with the Turkish ore carrier *C. Eregli*, which was fully laden with a steel cargo. The ingress of water into the bulker was such that she sank quite quickly, settling with only the top of her main mast protruding above the water.

The Dutch frigate *Wielingen* was on patrol in the area and responded to the Mayday call from *C. Eregli*, rescuing 25 crew members from the bulker. Tragically, the only man lost in the accident was the ship's master, who was on his last voyage before retirement and whose wife was also on board for the occasion.

Mendana Spirit had sustained a large hole in the bow and, since an inquiry was to occur, the authorities detained her and placed her Korean master under house arrest. When the court hearing took place, \$11 million was paid into 'chambers' and the ship was released. Captain Roger Barber and 13 crew members arrived in Yemen to relieve the crew, who had been on the ship since the collision. In the latter stages of their confinement they had no hot water, while the food store was depleted of its usual range of supplies. When news came that the 'chicken boat' (a vessel bringing thousands of frozen chickens and other reefer produce to Aden) had arrived, Barber rushed ashore to buy food.

He also obtained a seaworthy certificate for the ship to make a one-way voyage to Dubai for repairs to the damaged fo'c'sle area. In Jebel Ali she berthed opposite the berth frequented by United States naval vessels, many of whose crew visited *Mendana Spirit* during her stay in the port for repairs. Of special interest to any visiting engineer was the ship's unusual engine, which had a chain-driven system that was very difficult to clean.

Mendana Spirit was sold to a Greek owner in March 2000, and under her new owner caught fire off Oman after another collision four years later. ■

was the largest in American history at that stage. Although the amount of oil was less than that spilt in some other less publicised incidents, the accident caught the media spotlight because it had occurred in such a pristine environment, abounding with wildlife.

The oil slick extended far along the coast and the *Exxon Valdez* grounding immediately became the subject of what some have called a media feeding frenzy. Apart from the financial recompense sought legitimately by dozens of litigants, the political implications of the accident were significant, particularly as politicians sought to appease their constituencies by promising tough measures against those responsible,

and also by promising the introduction of tough laws to prevent a recurrence.

The immediate effects of the *Exxon Valdez* grounding were felt by those aboard *Golden Gate Sun*, as told by Captain Steve Tucker:

On the second trip in *Golden Gate Sun*, [Chief Engineer] Alan Murphy and I had a run ashore in Nikiski, Alaska during the same week-end that *Exxon Valdez* ran aground. I recall that the agent Annette Saling took some photos of us on the bridge wing and even though it was -4 degrees C, there was Alan in typical Kiwi style, with no shoes or socks! When we got back to LA [Los Angeles, the vessel's discharge port] it was a USCG [United States Coast Guard] nightmare, with those guys checking everything. Oil trading would never be the same again.

From the Desk of JTK

Once more, our industry finds itself in the middle of two separate events of great worry to us. Just last week Iraq decided to invade Kuwait. The insurers immediately increased premiums for vessels trading in the upper AG and international action was taken to boycott the nations involved. We have both Sun Arcadia and Yamato Spirit on time charter to Kuwait Oil Tanker Company and we have been unable to communicate with the charterers since August 1. In the meantime fuel prices have almost doubled and about 4.5 million barrels of oil are missing from the market daily with predictable results. We only hope this whole complicated situation will be solved within reasonable time. Having just finished eight years of trading in the War Zone neither we nor anyone else in this industry needs to do it all over again.

The other event is the passing of comprehensive oil spill legislation in the United States which, when signed by President Bush, will make it very difficult for us to trade to U.S. ports. In fact we have decided to stop calling U.S. ports until we can get a clear understanding of all of the new laws being enacted. Right now each state is being released to write their own individual laws and they have the

power to enforce them in their own way in addition to those written by the Federal Government. The result is a legal mess in the event that one of our vessels has an oil spill in U.S. waters. To worsen the situation, the fact that should we have a spill we not only face unlimited liability but officers, crew, and shore personnel would most likely face criminal indictments. This is unacceptable.

To be frank, it will take quite some time to know each law being enacted. If we cannot figure a way around these laws we shall have to continue not to serve the U.S. This is quite a blow as U.S. trade amounted to 50 percent of our business last year.

Last but not least we have recently been faced with a number of expensive problems on board several ships involving off hire and cargo retention. I again ask everyone in the fleet to "READ THE BOOK - GO BY THE BOOK". Each of these fo'c'sles could have been avoided by exercising due diligence. There is no longer room for any "cowboys" in the tanker business. **Think safety and think performance.**

Narsan, Bahamar
8th August 1990

The in-house publication *Teekay Log* carried this piece, in which Torben discusses the issues of the Iraqi invasion of Kuwait and the draconian Oil Pollution Act promulgated by the United States in 1990. Fearing that some of his officers would land in jail because of even the slightest accidental oil spill, he decided that his ships would cease trading to the U.S., a decision he later rescinded (see page 53).

In the wake of Exxon Valdez

When Torben decided to cease trading his ships to United States ports in the aftermath of the *Exxon Valdez* oil spill in 1989, Teekay had to advise their customers that they could no longer serve them on certain routes.

One memorable dinner took place in 1990 when Jim Hood and Bjorn Moller met with U.S. refiner Tesoro with whom Teekay enjoyed a long-standing contract to ship heavy fuel oil from Alaska to Japan. This was a difficult-to-serve trade and Tesoro was somewhat dependent on Teekay carrying the monthly cargoes to keep their refinery in Kenai, Alaska, running. Tesoro expected that the function would be just another regular

relationship-building dinner; Hood and Moller knew it would be a much more fateful evening and they were waiting for an opportune time in the evening to break the bad news.

Finally, towards the end of the meal, Phil Garrett of Tesoro had just ordered coffee from the waiter when Hood blurted out, 'Phil, we are pulling out of the Kenai contract!' Garrett's only reaction was to turn to the waiter and say, 'Hold the coffee - and bring me a double Scotch!' In the event, Tesoro took the news well. They found alternative ways to move their fuel for a few months, following which Teekay resumed trading and returned to serving Tesoro. ■

His words were prophetic. As had happened after the *Titanic* disaster in 1912, many amendments were made to vessel construction and onboard practices and a range of new guidelines were introduced - all of which were imposed on tanker owners calling at U.S. ports. Among the provisions of the harsh Oil Pollution Act of 1990, which also stemmed from the *Exxon Valdez* accident, was the extension of existing strict liability laws pertaining to oil pollution incidents, and the criminalisation of seafarers or others responsible for pollution, even if it was totally accidental. In its reaction to the incident, the International Maritime Organisation introduced comprehensive marine pollution prevention rules (known as MARPOL and IOPP) that were ratified by IMO member countries. The overall result was that onerous responsibilities were placed on tanker owners to ensure that their vessels' construction, fitting out and operation complied in all respects with a raft of these new and expanded regulations. Teekay was not immune from the implications of these new regulations and introduced new guidelines. In fact, despite it

being a core trading area for Teekay, Torben temporarily withdrew from trading his ships to the United States for he feared that in the backlash following the *Exxon Valdez* disaster, any of his ships causing the slightest oil pollution - even by accident - would be targeted by the judicial system; his seafarers, whom he treated as close colleagues, would receive harsh treatment from the law; and even the most trite litigants would declare open season on the company, as had happened in the *Exxon Valdez* saga, potentially exposing the company to unlimited liability and financial ruin.

Torben expressed his thoughts to his ships' masters in a memorandum dated July 12, 1990:

Once more, I implore all on board to realise the importance of the Company rules and regulations. Read the book - go by the book [his underlining]. Remember the world is looking at us and we shall all be judged by the actions of those on board.

This brings me to the subject of non-U.S. trading of which you have been advised by telefax. There are essentially

two reasons for halting this trade: (1) to avoid criminal prosecutions of personnel (whether on board or ashore) in case of an accident, and (2) to avoid massive unlimited liability claims for oil pollution. Last year, I wrote about the *Exxon Valdez*. I am sorry to say that the book has not been written as yet on what exactly happened. As we see it, everything and everyone was whitewashed in the eagerness to bang the Captain. Be that as it may, what has transpired in the interim is quite incredible.

Essentially, twenty-four U.S. states have been released to write their own laws with respect to oil pollution clean up and liability. In effect, already 17 states have on their books statutes relating to totally unlimited liability - and equally bad for us - criminal liability. Not to be outdone, the Federal Government is now shortly voting on a raft of different laws which will include the foregoing and then mandate all sorts of new regulations, including double hulls.

Our only defence has been to declare the U.S. a 'war zone' and then decline to continue trading. Quite a switch from our attitude during the Middle East War! [The last sentence was a reference to Teekay's continued trading into the Arabian Gulf during the so-called Tanker War of the 1980s.]

A development that stemmed from allegations of inebriation among some of the officers aboard *Exxon Valdez* was the demand from Exxon that any crew members aboard any vessel chartered by them could be tested randomly for drug or alcohol use. Torben resolutely opposed this demand, affirming his steadfast belief in the high levels of professionalism of his officers. Any such tests, he felt, would be an intrusion into their privacy and an insult to their professionalism, for which he had the highest respect.

However, he had to concede defeat on that issue as all the oil majors, fearful of the ramifications should a similar accident befall any of their chartered ships, made the same demand, which meant that if Teekay was to hope for any charters from the majors the company would have to comply. On October 26, 1990 he sent a message to all his ships, informing them of the change in policy, and concluding with the remark, 'ONLY EXCUSE I CAN OFFER IS THAT WE WERE LAST MAJOR COMPANY TO CAVE IN - JT KARLSHOEJ'. ■

Yachts

While in the Bahamas, Torben's great delights were boating, fishing and diving, initially in his motor yacht *Impetuous*, which he had first seen on the cover of a yachting magazine. He hunted for her, located her, and made the owner an offer he could not refuse. Once the sale had been completed, he promptly moved his office from California to the rather cramped quarters aboard *Impetuous* (see page 36).

A James Bond fan, Torben would watch as many Bond movies as possible, and offered *Impetuous* to the director of the film *Never Say Never*. He was very excited at the prospect of having his boat in the movie, but the contract was not adhered to and *Impetuous* remained alongside.

His daughter Susan recalls time spent on the yacht:

We had lots of fun in the Bahamas on board *Impetuous*. We went diving and waterskiing, we visited the different islands, like Allens Cay with its wild iguanas. We'd go fishing sometimes (Kim did this more than I did with Dad) but I remember we had a fish on the line that was fighting like mad and then suddenly the line was heavy, but no fight. We reeled in the fish – well, it was half a fish. The rest had been taken, probably by a barracuda. We sliced up the fish and that was my first sashimi.

As he was running his office from the boat he required a bit more space and began to look for a larger vessel. His friend and shipping magnate Arne Naess and his partner Diana Ross, the famous singer, were frequent visitors aboard *Impetuous*. At the time Torben's eldest daughter Kim, who was staying on the boat, badly wanted a horse. When Naess heard that, he gave her money to start her 'horse fund', but Torben quietly mentioned that he would first need to buy another boat before the horse.

Dressed in his customary jeans and T-shirt, Torben went to Fort Lauderdale to look for a suitable boat. A salesman at a yachtbroker's office looked askance at the figure who had

walked into his office and disdainfully directed him to a younger salesman, who showed him several boats, none of which fitted the specifications that Torben was wanting. 'What about this one?' asked the salesman, taking him on board an 18-metre Bertram that Torben immediately liked. A sea trial confirmed his feeling and he bought her, leaving behind a very happy young salesman.

He had given the name for his new boat much thought. 'Why did you name her *Kisuca*?' his friend Captain Peter Whittington, the marine manager for the Bahamas Water Corporation, asked Torben one night. The tanker man gave him a withering look, and blew a wisp of his cigar smoke into the air. 'Kim, Susan and Caroline, my daughters' came the simple response, with the emphasis on the first syllable of each name. Kim got her horse later.

Torben, Kim and their various guests spent carefree days boating, fishing, waterskiing and generally enjoying life in the Bahamas. While her father was spear-fishing along a reef one morning, Kim suddenly noticed that he was standing on the reef, waving. She waved back, but when his waving became more frantic, she knew that something was wrong. As the water became troubled close to

where he was, she noticed that a large school of barracuda had arrived, swimming around the reef, and, since their small but jagged teeth can inflict serious injuries, Torben had elected to remove himself from harm's way by climbing onto the reef. 'For once,' Kim reflected later with a chuckle, 'he appeared vulnerable.'

Torben took *Kisuca* (1) along the eastern American coast to New York, where Kim and Susan joined him for the passage through the Hudson River and canal system to the St Lawrence Seaway and the Great Lakes. 'There was so much beautiful scenery, much activity as we passed through the locks, and lots of shipping.' In a marina, the boys on a boat alongside the same jetty went windsurfing, and Kim, never one to stand back, went with them in a freshening wind. When the wind speed increased, the boys could manage their windsurfers and continued sailing further out. Kim, however, struggled in the strengthening wind and was very soon in the shipping channel! Her anger that the boys had left her was more than matched by Torben's fury that his daughter had gone out on her windsurfer in a strengthening wind. She was confined to her cabin for several days!

Continuing the voyage, *Kisuca* entered the canal system to reach the Mississippi River. '*Kisuca* hit the bottom perhaps over 100 times during the voyage!' Kim recalls. Yet the tiny craft completed the remarkable journey and returned to the Bahamas.

In 1985 Torben was on board *Kisuca* en route from the Panama Canal to the Pacific coast of Mexico in international waters. The master noticed on the radar that another vessel seemed to be following them and pointed this out to Torben. When *Kisuca* entered United States territorial waters some hours later, they were hailed on the VHF radio, 'This is the United States Coast Guard, please identify yourself.' Torben initially instructed the master to ignore the approach but after a repeat broadcast from the Coast Guard vessel, Torben responded on the VHF in his irreverent



Torben and his father Poul on the jetty in the Bahamas. In the background is his first leisure yacht *Impetuous*. Axel Karlshøj



TOP Torben's beloved private yacht *Kisuca* (2), which a Norwegian shipyard converted according to his plans from a laid-up fishing vessel. When commissioned, she had luxurious accommodation and a carefully laid out wheelhouse. From Norway Torben took her to Copenhagen, where he berthed her close to the A.P. Moller headquarters. **ABOVE** Torben was always in touch with the office while aboard *Kisuca*, although there were times when he was secretly delighted that the vessel was out of range of communication systems. **AXEL KARLSHØJ LEFT** On board *Kisuca*. Left to right: Bjorn Moller, Aiko, Torben, Susan and Kim. **AIKO KARLSHØJ**



TOP Torben on *Jack in the Box*, a large motorised vessel that he stowed in the hold of *Kisuca* (2). **MIDDLE** Torben and his brother Axel aboard *Kisuca* (2) during a cruise in Chilean waters. **ABOVE** Kim (Torben's eldest daughter), Axel, Poul and Torben in the Bahamas. **OPPOSITE** *Kisuca* (2) in Tahiti. *Jack in the Box* and a small yacht are alongside. Aiko Karlshøj

style, 'This is the Russian submarine *Santa Claus*, over.' 'Please repeat,' the Coast Guard vessel ordered. 'This is the Russian submarine *Santa Claus*,' Torben repeated. It was not long before a launch from the Coast Guard vessel came alongside, demanding to board *Kisuca*. Torben resisted but soon decided it was wise not to antagonise the Coast Guard officers further. Upon boarding, they advised Torben that they were doing drug enforcement operations and requested permission to search *Kisuca*. Knowing that he had nothing to hide, Torben agreed. Unfortunately, during a detailed search of the ship, a small packet of marijuana was found in a drawer in a crew member's cabin. With great glee the Coast Guard impounded *Kisuca* and escorted her to Long Beach where she was held for three weeks at a dock in a far corner of the port before a very agitated Torben, working through a lawyer, was able to negotiate her release after paying a sizeable fine.

Although such trips and the boating life were an invigorating escape from the stressful world of the tanker business, Torben desired a larger vessel from which he could operate an office that was growing busier each day. His generous nature also moved him in that direction as a larger vessel would enable him to entertain family members, friends and business associates on board.

Torben had made a lot of money during the 1979–1981 tanker market mini-boom, and while he had lost some of it in the ensuing year of low tanker rates he still had sufficient left, he thought, to build a luxury yacht and sail around the world. Captain Hans Schiefelbein wrote that during a boat tour of the Jacksonville River in 1983 Torben saw the former long-line fishing vessel *Amazon Express*. She had beautiful lines and he immediately fell in love with her but the owner was unwilling to sell. 'When you are ready,' Torben told him, 'give me a call.' Some time later, while he was in the Bahamas, the owner contacted him and said that he was open to negotiation. Lest the man should change his mind, Torben rushed to his house to conclude the deal. 'Can you pay me \$100,000 in cash now,' the man asked, 'and transfer the rest into my bank account?'

'Yes,' Torben replied, 'but may I ask why you want this arrangement?' It transpired that the seller's wife needed the money for a visit to the casino that night!

Torben began to plan a more colourful future for the rust-streaked vessel. 'I'm finished with tankers,' he declared to a friend, and his quest to own a luxurious private yacht took hold. *Amazon Express* had seen better days, and although a refit would cost a lot of money Torben took the plunge as he felt that this opportunity might not arise again. Peter Whittington was taking the island's water barges for maintenance to Fort Lauderdale and Torben asked him to look for a specific fishing vessel that was lying there. Whittington found her, a rather dilapidated craft. 'What do you think of her?' Torben asked when Whittington returned. 'She's a wreck,' Whittington replied. 'I know,' Torben responded, 'I bought her!'

He arranged for *Amazon Express* to be towed to Copenhagen for a total refit and commissioned a Danish naval architect to convert the run-down hulk into a luxurious yacht. When he compared the quotation from a Danish contractor with that of the shipyard at Horten, near Oslo, he sent her to Norway instead. 'Much cheaper!' he remarked to his family later.

The shipyard gutted the old fishing vessel and modified every part of her so that when she emerged from the yard in the summer of 1984 she was all that he had hoped for – a beautiful, luxurious vessel of which he was immensely proud, especially since, at that time, she was the world's fifth largest private yacht. Susan Karlshøj wrote:

Kisuca (2) had just been delivered from Horten, Norway, and we'd sailed over to Denmark to start our first voyages in her ... Anything that may seem that one is trying to be any better than others is frowned upon in Scandinavia, and at that point my Dad had become quite wealthy and now had a bright new shiny enormous yacht on which we were all going to sail around the world. We had docked in Copenhagen and Dad was fiddling with something up forward. An old Danish man on the dock started asking questions about *Kisuca*, and Dad was answering his questions. When the old man asked, 'How come you

know so much?' Dad answered, 'Because I'm the deckhand.' That story makes me smile because, in a nutshell, it tells a bit of who my Dad was. Despite his success at the time, he was tremendously down to earth. You got the feeling that he'd be the exact same person – that wealth wouldn't change him.

During a long voyage across the Pacific, *Kisuca* arrived in Honolulu from Tahiti on the same day that Captain Schiefelbein was inspecting a Teekay tanker at the Barber's Point single buoy mooring, near Honolulu. As soon as he saw the white vessel coming from the south he recognised her as *Kisuca* and exchanged greetings by radio with the Teekay owner, who was on board his special yacht. 'Come over to visit us,' came the warm invitation over the airwaves and later that morning Schiefelbein boarded *Kisuca*. On the bridge of the yacht Torben showed him a relatively new piece of equipment, a hand-held GPS that Schiefelbein immediately tested by taking various visual bearings, and, fixing the ship's position on the chart, he remarked to Torben, 'Your GPS is quite accurate. Now you must supply all our ships with this modern GPS machine!' A month later Teekay Tokyo supplied the first Teekay vessel with a GPS set.



Captain Steve Tucker wrote about *Kisuca*, recalling the time when Torben brought her into Onomichi harbour while Tucker was standing where *Tokyo Spirit* was being built:

Our team went on board for a lovely party the night before delivery [of that tanker] in July '89. The boss gave us a personal grand tour of his fine yacht. She had a truly magnificent interior, but rolled on wet grass and could have done with some stabilisers. One fact I remember was that there was three months' stock of food and drink aboard, and a fuel range of 17,000 miles. Nearly every one of our tanker purchase contracts during those days was signed on *Kisuca*, Shigeru San [Matsui] being the broker each time.

She had a 40-foot Hatteras sport-fishing boat stowed in the forward hold, named *Jack in the Box*. This was launched via a cage and lifted by a stainless steel wired hydraulic crane, with the hatch covers acting as balance. Scuba gear was also in evidence, as were a couple of jet skis. Fun toys aplenty!

Diana Ross and her beau Arne Naess [the shipping magnate and mountaineer who died tragically during an early morning mountain climb in South Africa] were frequent guests, particularly, I understand, sailing around the Bahamas. I remember seeing our VP (finance) Al Stevens coming back from one of those jaunts – red as a beetroot. Perhaps they had run out of sunscreen. Allan [Stevens]

left Teekay when we moved to Vancouver, but was very influential in the early days, putting our hard earned dollars to good effect.

Torben used *Kisuca* to promote his business and, in rare cases, to reward loyal employees with a good holiday – one recalled that he and his wife were treated like royalty, with personal service, during their time on board *Kisuca*. Torben also provided his wider family with really leisurely holidays. His half-sisters Lis and Ruth travelled from Denmark to Norway in *Kisuca*, and his other siblings Tom, Knud, Inger and Laila also sailed in her, some of them being on board for a trip via Iceland to the United States. Axel, his wife Inge and their sons also enjoyed the delights of cruising aboard *Kisuca*.

Often, family members recall, voyages aboard *Kisuca* were the most memorable times spent with Torben, for invariably he would open his heart to them and reveal intimate feelings about life, in particular his tough childhood. These were moments to cherish, for they were cathartic for both the listeners and for Torben himself.

His father Poul and stepmother Esther were regular visitors to *Kisuca*, with Torben usually paying for their airfares from Denmark to join the yacht. A most significant and essential step – and one that put both men's minds at rest – occurred when Poul and Torben resolved their differences during one of these voyages, with Poul conceding that his second son had 'come good', and with Torben acknowledging that, while he may have viewed his father's strictness and refusal to help him financially to start his business as the actions of a cold, harsh man, Poul's stance had moulded in Torben a determined spirit without which he would not have succeeded as he had done in the tanker world. As a tribute to Poul, Torben brought *Kisuca* to the small Danish port town of Hadsund on the occasion of his father's seventy-fifth birthday.

In the dark days after October 3, 1992, when Axel and others planned a way forward to save Teekay from hostile adversaries, *Kisuca* was sold, but the family's recollections of the beautiful times spent aboard her linger on. ■

A Cedar Has Fallen



Oil markets and tanker rates climbed steadily until mid-1990. The tanker war had ended and the Gulf States were trading normally. It was then that a new crisis hit tanker operations.

Smarting after significant losses at the hands of Iran during the war in the 1980s, Iraqi leaders looked for ways to divert attention from the economic crisis in their country, which was deep in debt after the war. Some of its oil terminals, installations and pipelines had been wrecked, inhibiting foreign earnings, and some of its major clients, who had sought more reliable sources of oil elsewhere during the war, continued to import from their newly found suppliers. Thus a new 'enemy' had to be the focus of Iraqi attention, and allegations were made that Kuwait was using slant drilling to extract some Iraqi oil. In addition, Iraq accused the tiny emirate of overproduction of oil to keep the prices relatively low to attract buyers. Iraqi forces mobilised and observers noted a large military build-up along Iraq's border with Kuwait.

Most diplomats believed that this was simply a show of force – until August 2, 1990, when, with very little warning, Iraqi forces swept across the border and invaded Kuwait. Two days later Iraq's President Saddam Hussein claimed the tiny – but rich – oil producing state as the nineteenth province of Iraq.

From Riyadh to Rome and Washington to Wellington, the world was aghast at the move. Significantly, the Gulf States, probably

fearing either that their own oil exports would be compromised by a localised war at the northern end of the Gulf, or that Hussein had plans for further expansion, were unanimous in their condemnation of the unprovoked invasion of a sovereign state.

The United Nations responded within 36 hours, calling for an immediate and total Iraqi withdrawal, a warning that Saddam Hussein ignored. A subsequent United Nations' motion gave the green light for a coalition force to expel the invading forces from Kuwait.

Again the Gulf region was thrown into turmoil and the world oil markets became jittery. War became inevitable when Iraq continued to defy the United Nations' resolutions, and no one could predict where this latest destabilisation would end, driving the oil price from about \$21 a barrel in 1989 to over \$30 per barrel, and, lest oil supplies from the Gulf became totally disrupted, another scramble for oil occurred that increased tanker rates. Insurance surcharges for tankers entering the northern part of the Gulf also increased the shipping costs.

After months of careful planning and military build up, the eventual invasion by the United States-led coalition force in January 1991 was preceded by the bombing of Iraqi military installations and supply lines. 'Mid-East War' or 'Gulf War Begins' cried newspaper billboards, while television viewers across the world watched the war unfold as media teams accompanied troops into battle,

or filmed missiles being launched from the giant United States battleship *New Jersey*, or aircraft taking off from aircraft carriers in the Gulf to sow destruction on Iraqi forces. Hussein responded by ordering missile strikes on Saudi Arabia and Israel, and television viewers also saw these missiles striking Israeli towns and crashing into parts of Doha in Saudi Arabia. Suddenly, war had become a grim reality, even in the sitting rooms of the world, further increasing global anxiety that the conflict could escalate considerably, for no one outside Iraq knew how many missiles were available to Hussein's forces and no one could predict how long the conflict would last. However, the coalition forces proved too strong for the Iraqi army and by February 25 Kuwait had been liberated.

One effect of the Iraqi conflict was the closure of the Dorytol Pipeline, which moved 1.5 million barrels of oil per day from Iraq to terminals in Turkey for onward shipment. With that pipeline closed and 1.5 million barrels of oil not being available for shipment from the eastern Mediterranean to Europe, at least two additional VLCCs were needed per day to move oil from the Gulf or elsewhere to replace the volume usually piped to Turkey. Even that seemingly small additional demand for tankers increased the rates.

At the beginning of the 1990s the structure of Torben Karlshøj's tanker operation was rather complex. Viking Star Shipping was the ship-holding company, buying vessels and time-chartering them on a break-even basis

to sister company Palm Shipping, which was the commercial arm of Torben's empire. A third component was Teekay Shipping, an agency through which charters were fixed for the vessels operated by Palm Shipping.

Taxation was a big issue to Torben, as were aspects of the Jones Act that related, inter alia, to the shipment of cargoes between American ports. Also troubling him was the American stance on tanker operations and oil pollution following the *Exxon Valdez* accident, whereby personal prosecutions of the officers aboard an offending ship and even leading figures in the associated corporates could follow. In addition, crippling sanctions could be applied, even in the case of an unavoidable accident. To him – and indeed to many in the industry – such blanket prosecutions smacked of unfairness and unwarranted draconian power in the hands of the Coast Guard or others who might be more concerned with retribution for oil spills, perhaps to appease public sentiment, than with fair justice.

In response, he decided to move his business out of the United States and considered relocating to London, Denmark, the Bahamas (where he had been earlier) or even to South Africa, which was emerging from its dark days under apartheid and seemed to be heading for new heights. Another country on his list was Canada, where the maritime sector and a group of Chinese shipowners were lobbying the government to investigate ways to attract shipping business. Canadian shipping leaders reminded their government that 'Hong Kong is shortly to revert to Chinese rule, and some shipping companies there may wish to relocate. Because of its location on the west coast, Vancouver will be ideal for them.'

In Ottawa Torben, Art Coady (the company's legal adviser) and Tommy Hsu negotiated with Canadian officials, who told them that an imminent announcement would confirm that shipping companies incorporated or operating outside Canada could move their management to the country and would pay no tax on international profits. The day following that announcement, Torben

Doing things properly

Torben was a stickler for doing things properly. In June 1987 his circular to masters contained yet another exhortation to all:

Whilst the past fiscal year result was acceptable, I would like to point out that several million dollars were lost due to the grounding of *Oshima Spirit* and the bulkhead repairs and off-hire on *Flying Clipper*. Besides those major problems, we were faced with a litany of irritants all of which [reflected] on the performance and reputation of our Group. Those which come readily to mind include:

- Oil spills through sheer negligence
- Oil spills through equipment failure
- Avoidable crew injuries

- Deliberate and unnecessary pumping of slops on the sea
- Unsafe navigational practices
- Collision
- Avoidable engine damage

... Gentlemen, it is quite simple: **nothing less than being the best is good enough** and then once we have achieved this goal, we shall have to go for the next one – **absolute excellence**. These things are to be accomplished while we are expanding. Easier said than done – I know, but **it must be done.** ■



Torben and Bjorn Moller on board a Teekay tanker in Long Beach, California. *Teekay Collection*

decided to move his office from Long Beach to Vancouver.

'That was the best decision I have made,' Torben told Axel later. But there was also heartache associated with the move. Not

only had Long Beach been a happy place for Torben in terms of his business success, but he also had to retrench a number of people who, for various reasons, could not relocate to Canada. Then came the big move: on



A growing fleet

'At this time, Viking Star still has 11 tanker newbuildings to take delivery of through September 1990. We are working on more but cannot go public with this information as yet. I personally expect a 40-ship fleet by this time next year and around 50 by mid-1991. The growth will naturally start slowing as we must now look at the possible sale of some of the older units with a view to eventually [becoming] the first major owner with a full SBT fleet.' – *Circular to masters, June 27, 1989* ■



TOP Completed by the Onomichi shipyard in February 1992, the Aframax tanker *Mayon Spirit* (shown here in Melbourne, Australia) was Teekay's first double-hulled tanker. Despite that safety measure, the ballasting of these ships proved to be difficult because they had a large centre tank with perforated bulkheads fore-and-aft, and were susceptible to listing – as had been experienced when *Mayon Spirit* heeled six degrees during sea trials. A similar tanker belonging to another company had listed so far during discharge that she damaged shoreside installations. (Captain Boris Banic recalls that when *Palmstar Poppy* did the same manoeuvre during her trials, she listed less than two degrees.) Banic sent a message to Torben explaining the problem and suggested that masters of these vessels include reference to the problem during their handover of command procedures. Subsequent ships were given solid bulkheads, which seemed to solve the problem. *Mayon Spirit* was also the first ship in the company to have a system that filled ullage spaces and empty tanks with inert gas, thus reducing the risk of explosion that had claimed many tankers and lives. *Captain Hans Schaefer*

ABOVE LEFT AND RIGHT Connecting the cargo hose to the manifold. *Captain Hans Schaefer*

Tokyo Spirit

The newbuild 39,545-deadweight clean products tanker *Tokyo Spirit* was a real beauty. She had strengthening above the upper deck and fully coated tanks, with both vac-strip and eductors to help drain the white spirit grades she carried. She was probably my personal favourite of all the Onozo tankers, the most fun to operate, and she called at a variety of excellent ports. She was time chartered to Navix and after delivery we steamed around the world in her during my seven months away. Arriving in Singapore on the nation's birthday during our maiden voyage, ensured we were dressed-overall. Voyages on her also included berthing at Honolulu's container berth to discharge jet fuel to the Japanese Airline facility through an eight-inch hose. During our two days in port, we had a chance to go ashore to enjoy Waikiki Beach and the other tourist delights of Hawaii.

'We transited the Panama Canal to load more jet fuel at Shell's Deer Park in Houston, and returned to Japan. In January 1990, *Tokyo Spirit* was the first Teekay ship to enter Manila Bay, a joyous occasion as most of our crew were Filipinos and we enjoyed having their families aboard during our four days in port to load reformat and naphtha. We served over 140 extra meals during our time in Manila. Having worked with Filipinos since 1977 it gave me the opportunity for my first view of their amazing country. Manila is such a vibrant city, and full of charming people with a unique colourful lifestyle.

'Passing through the archipelago with a helpful current pushing us out into the Pacific through the San Bernadino Strait, we recorded 21.2 knots on that ship.' *Captain Steve Tucker* ■



TOP Built by Hyundai in 1988, the Aframax tanker *Pioneer Spirit* was converted to an FSO in 2002 and renamed *Karratha Spirit*. *Teekay Collection* **ABOVE LEFT** *Onozo Spirit*, one of the ships ordered by Torben from the Onomichi shipyard in Japan, was commissioned in 1990. She traded in Teekay colours for 15 years until her sale in 2005. *Teekay Collection* **ABOVE RIGHT** *Apache Spirit*, a newbuilding in Croatia, was close to completion in November 1990 but major problems arose in the area. Although two vessels of the three-ship order had been delivered, the Rijeka shipyard was under extreme financial pressure as no money was coming to it through Belgrade in Serbia, with the result that the workers had not been paid for a while. 'We finally got out,' wrote Captain Harry Carlisle, 'and went down to the Bay of Kotor to enter a floating drydock to have our launching brackets removed from the hull, the bottom of the ship painted, and the vessel made ready for sea trials. To get cash to the needy [shipyard workers] a special arrangement had to be made, and Eric Hallman of tin-leg fame travelled out with the cash so that the workers could get some money for Christmas.' *Apache Spirit* was delivered to Teekay at the end of January 1991. The first Gulf War had begun and there was talk that the new ship would be chartered to carry 100,000 tons of fresh water to the Gulf for the coalition forces. That charter was cancelled in favour of what Carlisle called 'an old rusty ship', much to the disappointment of the Teekay crew, who then prepared to load the usual consignments of crude oil. *Teekay Collection*

November 15, 1991 Teekay began to operate from Vancouver. About 15 employees moved from Long Beach to Vancouver, some of whom had to change their sunny Californian lifestyles to suit the colder weather of British Columbia. A further 60 Canadians were employed in the new office.

Apart from the corporate financial benefits offered by the Canadian tax system, Torben was personally very happy in Vancouver. On his 50th birthday in November 1991 Aiko, his companion for about eight years whom he had met in Tokyo, had organised a surprise birthday party at a Vancouver restaurant. Present were his senior management team with their spouses, and Axel and Inge Karlshoej. Everyone present was amazed when the otherwise shy Torben rose and made a long, impromptu speech in which he highlighted to each person present in turn what he appreciated about them. They had never seen him so happy and relaxed. Aiko wanted to settle down. 'I can't keep living in hotels,' she told him. 'I need a home.' He obliged, married her in April 1992, and made Vancouver their permanent home.

The Teekay Corporation, formerly Viking

Shipping, remained incorporated in the Bahamas.

Anthony Gurnee, a former United States naval officer, had completed a degree at Columbia University in New York before beginning a career with Citibank. Teekay was one of his clients and he established a good business relationship with Torben, whose style of operation he admired. This was reinforced during a visit with Torben to the Aframax tanker *Nagasaki Spirit* on her maiden call at Long Beach in 1989, where he observed Torben's genuine interest in his ships and those who manned them. 'He engaged warmly with them,' Gurnee enthused later. He also found that the tanker owner was very willing to discuss his approach to shipping. 'Why are you concentrating on one type of ship?' he asked Torben as they chatted informally. 'If you have one ship,' Torben replied in measured tones, 'you are regarded as an idiot. If you have ten or more of one type, you get the business.'

When Gurnee was offered a position in a shipbroking firm he called Torben for advice. 'No, don't go there,' Torben advised, 'but if you want a job in shipping give me a call.'



An article from *Vancouver Sun* published on March 1, 1991, announcing that Teekay would set up its office in the Canadian city. (Copy provided by Aiko Karlshoej, with acknowledgement to *Vancouver Sun*.)



Chief Financial Officer Anthony Gurnee and Bjorn Moller. *Teekay Collection*



LEFT *Seraya Spirit* was completed in 1992 and was sold with her sister ships in 2004. *Captain Hans Schaefer*
ABOVE Completed in 1989, the 97,163-deadweight *Sentosa Spirit* was sold in 2004. *Captain Hans Schaefer*

'Our Lyondell-Citgo time-chartered ships *Seraya Spirit*, *Sentosa Spirit* (shown above), and *Senang Spirit* were a pleasure to command as we were assigned to such a pleasant trade: loading in Venezuela (Puerto la Cruz and ports in Lake Maracaibo) and discharging at Oil Tanking in Houston or Arco in Texas City. Although the accommodation on these early ships built at Imabari or Koyo Dock was cramped, we enjoyed our time aboard.

'On those ships with insufficient horsepower, crossing the bar at Lake Maracaibo through the "fluff" at San Carlos with a 13-metre forward draught was problematic, while the so-called Texas-chicken manoeuvre in Houston Ship Canal was always interesting – to say the least – and sometimes downright scary. *Sentosa Spirit* held the pumping record at Oil Tanking until *Kiowa Spirit* was taken on time charter.

'During a voyage to Covenas in Colombia, *Sentosa Spirit* broke down when the turbo-charger self-destructed and we drifted for two days off the Cayman Islands. Our engineer superintendent, Nagao San, arranged for us to pick up a new impeller off Kingston, Jamaica.

'I was asked to introduce the crew in *Sentosa Spirit* to SEP – Safety & Environmental Protection, the forerunner of the International Ship Management Code of the International Maritime Organisation. That was quite a challenge, and it would be a year before the fleet received the final introduction package. After much proof-reading and trials, the DocMap system of 2000 proved easier to implement.

'After the Lyondell time charter, we carried some cargoes from Pajaritos and Cayos Arcos in Mexico to ports in the U.S. Gulf, always an interesting voyage that on some occasions involved a ship-to-ship transfer of cargo.

'Twice, we took full cargoes of carbon black feedstock, loaded from interesting places with rickety berths along the U.S. Gulf coast, via the Cape to Port Elizabeth, South Africa. We discharged at Port Elizabeth's manganese terminal whence a pipeline carried the cargo to the Alcoa factory on the eastern side of the city whose economy is based largely on its motor vehicle assembly plants.' *Captain Steve Tucker*



ABOVE LEFT *Luzon Spirit* in heavy weather. *Captain Hans Schaefer* **ABOVE RIGHT** After the naming ceremony of *Leyte Spirit* at the Onomichi shipyard in 1992, Torben and Anthony Gurnee returned to their office in Tokyo where they studied the company's financial statements. Such was his stress at what he saw, that Torben's hands began to shake. Financially, the company was in a bad way, and, true to his character, Torben decided to face the banks to whom he owed millions of dollars to ask for a rescheduling of the loan repayments (see page 68). *Captain Steve Tucker*

Not long thereafter Torben phoned Gurnee. 'How would you like a real job?' he asked. Gurnee did not need a second invitation and joined Teekay in Vancouver in May 1992.

In the build-up to the Gulf War most countries had accumulated extensive stockpiles of oil, fearing a serious disruption of supplies from the Middle East if the war developed into a protracted regional conflict. Tanker owners, including Teekay, had benefited from that and other favourable conditions prevailing at the time. Although the Gulf War had been ferocious with great loss of life, it lasted only a few weeks and did not become the regional conflagration that many had feared. Tankers were able to trade normally (and make good money) during the hostilities, with the obvious exception of loading at Kuwaiti and Iraqi terminals. Yet the fact that oil had been stockpiled reduced the demand for oil shipments after the war, and therefore the demand for tankers quickly declined.

Compounding the problem of declining tanker demand was an oversupply of tonnage. On the strength of the buoyant market up to the middle of 1990, owners had ordered ships, many of which were coming into service in 1992 and 1993, thereby flooding the market with surplus tonnage. Tough times lay ahead for tanker owners – including Teekay – as charter and freight rates fell by around 50 per cent. Heavy weather was looming for the international tanker sector.

The problem for Torben lay in the fact that his fleet was suddenly generating zero cash flow in the weak freight market. Servicing current debt was eating into his cash reserves, and with his cash resources soon to be depleted Torben Karlshøj was heading for a financial crisis for the second time in his life. It transpired that, in the heady days of a booming market, he had ordered a significant number of new tankers from Korean and Japanese yards, several of which had yet to be financed, and construction instalments on these vessels were becoming due. To add to his woes he had, perhaps unwisely, agreed to pay yen prices for the Japanese ships, gambling on the yen weakening against the dollar as the Japanese economy was showing

Torben in Japan

Gaining the confidence of Japanese shipbrokers and shipowners was a major step forward for Torben, thanks largely to the tireless efforts of Shigeru Matsui to convince that tightly knit shipping community that his friend was worthy of their trust. Nevertheless, deals with Sanko and other shipowners to charter or buy vessels, and with various Japanese shipyards to build tankers for his expanding fleet, took time, as did his quest for cargoes. To handle much of the Japanese business, Torben established an office in Tokyo, where he spent a lot of time.

He had a small apartment in the city and cycled to the office, his trouser legs secured with rubber bands. His employees were horrified at this practice, viewing cycling as inferior when other shipowners travelled in upmarket chauffeur-driven cars. When they approached Aiko to persuade Torben to

comply with their expectations of the lifestyle of a shipowner, she decided to order a taxi to take him to the office. In keeping with his simple lifestyle, he took only ten dollars per day for incidental expenses.

Michihiro Machida of the Sumitomo Corporation wrote in 1996:

I distinctly remember – it was the Marine Club, Ginza, where I first met Torben. He was then [late 1988] smiling from ear to ear because of the mini boom in the Aframax tanker market. At the time, I seem to remember he was operating in the region of 20 vessels. Thereafter, he concentrated on increasing his fleet, mainly on the basis of newbuilding contracts. I was pleased and honoured to have been given the opportunity to assist in the expansion of his then little known fleet. We were successful in coordinating more than 15 Aframax tankers, [which] to me was a tremendous achievement. ■

signs of decline. (At the time of the order, US\$1 was worth Y135 and Torben had based his financial projections on the dollar being worth Y150 when most of the ships would come into service, thus reducing their cost price in dollars.) However, the yen surprised most economists and shipping executives and strengthened considerably to Y105 against the dollar, increasing the dollar cost of the tankers.

The debt Torben owed to the banks that had financed the loans therefore escalated at a rate of \$7 million for each Y1 increase in the exchange rate. Alarming, the exchange rate continued to increase in favour of the yen, and in July 1992 instalments were due for about a dozen tankers. As a result of the depressed tanker market, even some of Torben's new tankers that were being

commissioned contributed nothing to his reserves; some were actually draining those reserves by trading at rates below the operating costs. The company was in serious trouble. When Tony Gurnee, by now the company's chief financial officer, raised the possibility of bailing out the company with some of the cash that had been kept in the Bahamas, Torben looked at him and said quietly, 'I've spent it on my new tankers.'

Never one to shirk his responsibility, Torben accepted that, besides the unfavourable trading conditions that were beyond his control, this grim situation was the result of his own doing. He had simply over-ordered and had misjudged the trends in exchange rates completely. He sprang into action, writing letters to all the banks involved, inviting them to a meeting in Vancouver on July 2

at which they would be informed about the company's predicament and his plans to meet his commitments.

As Torben and Gurnee pored over sets of accounts and other financial documents in preparation for that crucial meeting, the tanker boss sat back in his chair, drew on his cigarette, and slowly blew the smoke upwards. 'Exciting stuff this, isn't it?' he

remarked. Despite the perilous situation, he showed little emotion, perhaps bottling up his frustration that the market had collapsed, that all his hard work and his dreams might have been in vain, and that within months he could be in the same situation he had been in only years before. Indeed, at least two incidents were perhaps portents of things to come.

After a most pleasant naming ceremony of the Aframax tanker *Leyte Spirit* at the Onomichi shipyard in Japan in 1992, Torben and Gurnee returned to the Teekay office in Tokyo where they downloaded the company's cash flow statement. As the two men studied it, Gurnee recalls, Torben's hands began to shake, such was the rise in his stress level as he realised the desperate financial straits

Saving the boss's bacon

Captain Harry Carlisle's record of the post-launch party of *Nagasaki Spirit* reveals Torben's personal attributes:

I was appointed next to the first of the big ships to be built in Japan in December/January 1989. The ship I took out [of the shipyard] was the ill-fated *Nagasaki Spirit*. Torben and Aiko attended the function, as well as Jim Hood and his wife, who was to name the ship. At the large party, shipyard bosses, our Japanese Tokyo office superintendents, [and] Torben's associates were there for this happy occasion. After the dinner, we all sat cross-legged on the floor with much toasting. Some boss was nominated to sing and whoever sang could nominate the next singer. Eventually (I think it was Shigeru Matsui) called on Torben to sing. I could see that he was devastated but everyone kept calling his name and very reluctantly he walked towards the microphone. When he came past me, I said to him, 'Do you want some support?' 'Yes,' he replied, 'come on!' Four of us from the ship were in uniform, and I indicated to them to join us on the stage. Torben handed me the microphone. We sang 'Green, Green Grass of Home', and 'When the Saints go Marching In'. After that, it was the dragon dance.

At the launching ceremony the next day, Torben whispered to me, 'You saved my bacon last night!' Then I noticed a bit of paper stuck to his face, and he nonchalantly [went] to the launching podium. He had cut himself shaving – he said it was excitement when some message had come in to say he had made a million dollars! ■



Art Coady

A Nova Scotian, Art Coady graduated from law school at Dalhousie University, Halifax, in 1960, and on completing his degree moved to a general law firm in Calgary. He and two of his law school classmates later established their own firm that specialised, inter alia, in oil and gas law. Among his clients was Tiber Energy, a small oil and gas company in which Torben Karlshoej had bought shares, mainly to learn about the upstream part of the oil and gas business.

When Torben became a member of the board of Tiber Energy, Coady met him and such was the immediate mutual trust between them that he subsequently became a legal adviser to Torben and to Teekay. Indeed, the two men also became good friends. Torben hosted a Tiber board meeting in the Bahamas in 1983, and Coady took a week off to enjoy a fishing trip with Torben. When Tiber was sold in 1988, Torben asked Coady to join Teekay Bahamas as the managing director and also to head up a small bank, Ocean Bank & Trust Company. A specific part of his job description was to establish a sound sustaining ownership structure for the company and its affiliates, which until then had operated rather independently. Apart from the corporate structure, Torben asked Coady to ensure that the structures he put in place would also secure the education of his daughters. Via the establishment of trusts, both objectives were achieved: Teekay's ownership was handled within a more formal structure, while the future educational needs of his daughters were secured.

Art Coady later concentrated on the company's legal matters but continued



Art Coady, photographed at the Palm Springs house where Torben died. *Brian Ingpen*

as one of Torben's legal advisers. After Torben's death, the sustaining structure that Coady had established secured the continuity of the company and also demonstrated to the banks (to whom large debts were owed) that a sound structure was in place to meet the company's future requirements. (The trust structure has been modified twice since then.)

Apart from being a close friend of Torben, the genial, unassuming Art Coady was a tower of strength to Teekay in the years immediately after Torben's death. His meticulous handling of the intricate nature of the legal side of the company before it went public in 1995 was of immense value in ensuring that Teekay could forge ahead, safe in the knowledge that its financial and legal framework was sound.

'I wouldn't have missed this for the world,' Art commented later when reflecting on his time at Teekay. ■

through which his company was steaming. On a later trip to London to discuss the company's finances with banks, Torben's escalating stress level manifested itself in the onset of a panic attack, which, some suggested, may have been a heart attack. Certainly, the severe strain under which he was working at the time was a major contributor to a later, sad event.

With its forested hills, the purple mountain peaks in the background, and the sparkling waters of the Sound dotted with yachts and other pleasure craft, Vancouver in mid-summer is a most agreeable place. Into that delightful city flew 22 bankers from a number of countries, each eager to hear what Torben would tell them about the state of his company's finances and, perhaps more importantly, how he intended to rectify a particularly precarious situation. Most were under severe pressure themselves as the financial world was in turmoil and banks generally were scrambling to find every dollar they could. They assembled in the boardroom and, after polite exchanges, Torben told them – with disarming frankness – of his company's predicament: the tanker operations were suffering severe financial losses, he had too many ships on order, each of which had instalments due, and he had no ready cash with which to service the rapidly escalating debt.

Writing on a whiteboard, he spelt out his rescue plan that involved raising cash to service his debt by selling a number of ships, including his beloved *Kisuca*. To give him time to settle the debts, he asked the banks for a year's deferral on debt repayment and, importantly for the bank officials at the meeting, he placed his own reputation on the line by his commitment to settling the debts. (Anthony Gurnee recalls that Torben left instructions that the whiteboard on which he outlined his rescue plan that day should be sprayed with a special chemical to preserve it. 'Everyone should see it,' he remarked at the time.)

It was a well-constructed plan but, when one considers that the banks themselves were struggling with the economic downturn, Torben had asked them to accept an



FAR LEFT Anne Oian, vice-president of Den norske Bank, who cautioned Torben about the financial state of Teekay and suggested that he appoint a board to assist in its operation. He took her advice, and she was one of the leading bankers to support Teekay during its darkest hours after his death. *Brian Ingpen* **LEFT** Trond Scheie, vice-president of Den norske Bank, photographed in 2011. He and Anne Oian supported Teekay, enabling the company's loan repayments to be rescheduled. *Brian Ingpen*

almost impossible solution to the crisis. Had even one of the banks called in its debt, the Teekay operation would have been forced to close, but without any immediate dissension the bankers hurried back to their offices to assess the request and obtain credit approval.

One of the leading banks involved was Den norske Bank (DnB), whose relationship with Torben stretched back to February 1986 when the respected Norwegian shipowner and Torben's friend Arne Naess suggested to Anne Oian, later the bank's senior vice-

A grounding and a collision

The Aframax tanker *Oshima Spirit* was built in Nagasaki, Japan, in 1976 as *Diana Prosperity*. Two serious accidents marred Teekay's proud safety record. She grounded in the Magellan Straits and had to have extensive repairs to her bulbous bow. In June 1990 she collided head-on with another ship off Sri Lanka, incurring great expense as part of her upper bow had to be replaced. In his circular to masters dated July 12, 1990, Torben referred to the latter incident:

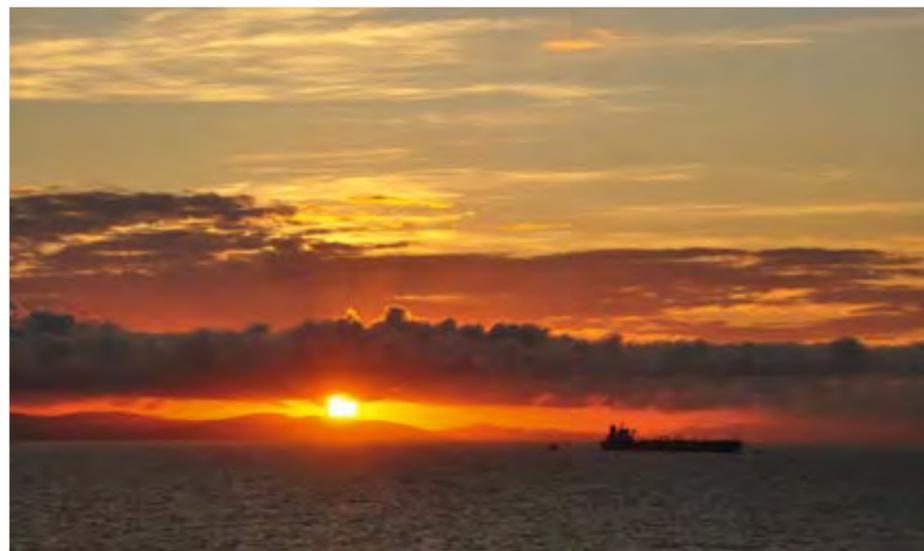
Oshima Spirit collided because of the most blatant disregard for regulations, instructions and common sense-seamanship exhibited by the watchkeeping Chief Officer in particular, and others on board in general. To make matters worse, the personnel on board then put their story together amounting to one big lie. They all lost their jobs! The saga has cost about \$5 million and three months' time. While

this incident was the worst, we have had several others – which by the exercise of due diligence, could have been avoided.

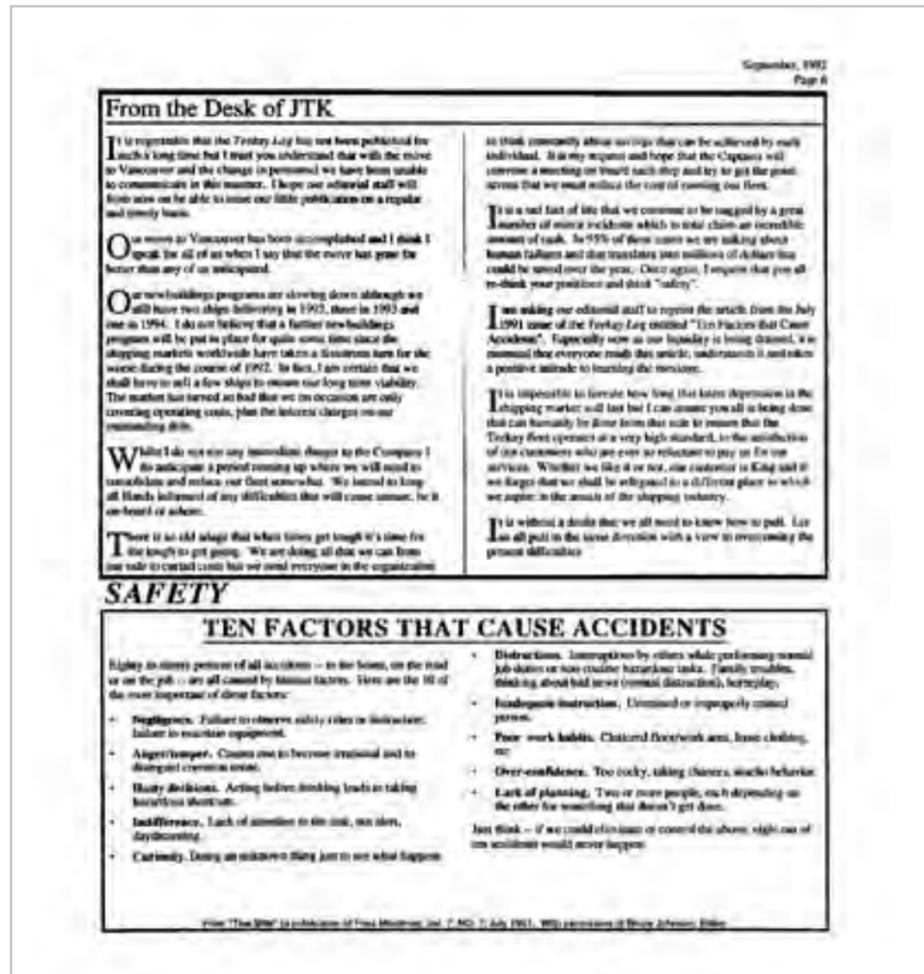
Once more, I implore all on board to realise the importance of the Company rules and regulations. Read the book – go by the book. Remember the world is looking at us and we shall be judged by the actions of those on board. ■

Progress and an omen

Allan Stevens, who worked as the vice-president, finance, from September 1987 until February 1992, said that when he arrived on his first day in the Long Beach office, he found that his desk had been placed inside Torben's office so that he could have ready access to financial information. 'It was that way for over a year,' wrote Stevens. 'It was my good fortune and the happiest days of my life!' At that stage, the Viking Star fleet had eight tankers and the balance sheet showed \$40 million in equity and the same amount in debts. Within five years, Stevens recalls, Torben had acquired 57 tankers, and a 51 per cent stake in Baltimar Overseas Shipping (a short-lived joint venture with the Dane, Stig Jensen), had contracted Chinese yards to build 20 containerships in the late 1980s, while another 10 tankers were on order at a total cost of over \$1 billion. Debts totalling \$785 million had been spread over 26 lenders. ■



ABOVE RIGHT Torben's last contribution to the in-house publication *Teekay Log* before his untimely death. *Teekay Collection* RIGHT A Teekay vessel in silhouette. *Teekay Collection*



Maintenance is an important aspect of Teekay's ship management programme. *Captain Hans Schaefer*

president, that she should consider doing business with Torben Karlshøj. Working with Trond Scheie, another bank official who also rose to senior vice-president, Oian conducted an assessment of Torben's operation, which included his Baltimar Shipping (see page 70). Torben met with them in London to discuss the possibility of the bank financing the construction of ships in a Chinese yard, but, despite Torben's obvious knowledge of shipping, Den norske Bank declined to become involved at that stage. The fact that those would have been among the first ships to emerge from a Chinese yard for a western owner, and the general decline in shipping markets at the time, did not encourage the bank to offer the finance for them.

Since he could not obtain the backing of banks, Torben had financed the acquisition of several of his earlier ships himself but, desperate to have a reputable bank involved, he had invited Anne Oian to be the 'godmother' of the Aframax tanker *Pacific Spirit*, which was named at the Hyundai Heavy Industries' yard in Ulsan in 1988. Over time, Den norske Bank found Torben to be extremely knowledgeable

about the tanker markets and they valued the fact that he was easily contactable and would immediately provide any information the bank required. When Trond Scheie visited Torben's Long Beach office he found a professionally operated and expanding business. Armed with his findings at Long Beach and a generally favourable picture of the Teekay operation, financial assistance for the construction of several more ships followed, although the Norwegians remained uneasy about some aspects of Teekay's operation. In July 1991 Oian and Torben met again in London. Over dinner she told him that the bank had difficulty in accepting the fact that his company had no board of directors. 'Why do I need a board?' Torben asked. 'If something goes wrong,' she replied firmly, 'we need to be able to refer our inquiries to more than one person, and,' she continued quietly, 'you do owe a lot of money.'

A few weeks later Torben told Oian that he had established a trust, appointed trustees (his brother Axel, Tommy Hsu, Shigeru Matsui and Art Coady – see page 68) and had drawn up a will.

Oian mentioned later that, at the time, there was little cause for concern as Torben had fixed charters for his newbuildings before they were completed – albeit it to the related group company Palm Shipping – thus assuring himself, and the bank, that the new ships would be earning revenue from their first day in service.

Den norske Bank gradually increased its funding to Teekay, growing into one of the two largest lenders to the company, based on the trust that the bank's senior officials had in Teekay's ability to manage its own affairs well, and, perhaps more importantly, their trust in the integrity of the tanker owner himself. That integrity carried the day for Torben during the crisis of 1992. Trond Scheie gave Oian the details of the meeting in Vancouver and Torben's survival plan. 'Go ahead,' she said to Scheie, 'tell him that we will support him.'

Apart from a small Danish bank, all the banks – including major Japanese lender Sumitomo – whose representatives had attended the crucial briefing agreed to a temporary moratorium on Teekay's debt repayments for one year. Scheie flew to Copenhagen to meet the chief executive of the dissenting bank, and managed to persuade him to follow the rest of the banks in supporting Torben. Although most of the banks had been forced to reduce the extent of their involvement in shipping, all saw in Teekay a glimmer of hope.

Letters bearing the good news began to come into Torben's office. By the end of September 1992, he had learnt that the board of every bank to whom he owed money had approved the rescheduling of debt repayments for one year. His impassioned pleas had been heard, and, above all, the bankers had placed great store on his track record of absolute integrity and his ability to meet his commitments.

Such was the confidence that Den norske Bank had in Torben and his tanker operation that, even after Teekay's financial difficulties had become known to them in the spring of 1992, they took up the mortgage on *Victoria Spirit* and *Vancouver Spirit* – both 103,200-deadweight OBOs that Torben had

ordered from Hyundai Heavy Industries in Ulsan, South Korea.

In an attempt to alleviate the extent of the debt, Torben approached some of the Japanese shipyards with whom he had placed orders for ships, requesting that some contracts be cancelled and others postponed. 'We know you'll be back when times improve,' one yard responded to his request.

The protracted stress of handling the company's financial crisis had taken its toll on Torben's health. To compound the strain under which he was operating, another major blow came on September 19, 1992 that distressed him in the extreme.

When Tony Labella arrived for his duty at the Vancouver office on that Saturday morning, another employee was leaving. '*Nagasaki Spirit* has been hit!' he told Tony and gave him an outline of the events that had led to the tanker colliding with a containership in the Malacca Straits, an incident that resulted in the fiery death of all on board both ships, except for two Teekay men who had been rescued (see page 75).

'Go up to the office,' the man said, but warned him to stay out of Torben's way. 'He's not in a good space at present.' Labella walked into the office to find a pall of deep gloom hanging over normally cheerful people. Torben as well as Jim Hood, Vinay Patwardhan and David Glendinning were very focused on trying to get updated information from their agents in Singapore, on organising search and rescue, on reaching the families of the crew members and, throughout their sad tasks, on keeping their own emotions in check – for they knew each of their crews so well that a loss like this assumed personal proportions for them.

The loss of the ship was bad enough for Torben, but to have lost so many crew members – people who he knew well – in such a frightful way was a burden he found extremely hard to bear. When Trond Scheie of Den norske Bank contacted Torben to offer his condolences on the loss of the ship and her crew, Torben was at home, weeping. 'It's like losing twenty-two sons,' he said.

Torben telephoned Kim, his eldest daughter, to share his distress. 'Hi, it's your father,'

he said. 'One of our ships has exploded in the Malacca Straits and we can't find the crew ... I must get the loved ones back for their families ...' Although they had arranged to meet on October 4 in Palm Springs, this was the last time that Kim spoke to her father.

'I can't stand this!' he confided to Tommy Hsu during one of the many calls he made to his friend in those dark days after the accident. 'I'll go to Palm Springs to play some golf.'

Playing golf was one of his relaxations, and having heard that the banks would assist, he decided to spend some time at the house he had bought on one of the golf courses in Palm Springs. He and Aiko travelled down to Palm Springs on Friday October 2 and he played a round of golf with Shigeru Matsui that afternoon. 'I'll play you again at 6 o'clock tomorrow,' Torben said to Matsui as they finished the round, 'but it will be over 36 holes, and I'll beat you!'

When Torben returned to the house, Aiko had something important that she had been bursting to tell him. Later that evening she whispered to him that she was pregnant, news that he received with great excitement.

When Aiko woke up the following morning she realised that Torben was late for his golf game with Matsui and tried to wake him, but he did not respond. Then, to her absolute horror, she realised that her much beloved husband, Teekay's giant cedar, had died in his sleep.

Aiko phoned Axel Karlshoej at his home in Yuba City, north of Sacramento, California. 'Something's wrong!' she cried, 'I can't wake Torben!' It took a while for Axel to realise what she had just said to him. 'Get 911!' he told her, but when the paramedics arrived at the Palm Springs house they could not resuscitate him.

The cumulative strain of the previous few months – the financial crisis, as well as the loss of *Nagasaki Spirit* and her crew – had exacted the ultimate price on a man who was so dedicated to his work and his staff. Jens Torben Karlshoej was 50 years old.

On his little yellow notepad Axel listed all those who he should contact immediately to convey the devastating news;



Golf and the Palm Springs house

One of the most memorable things I remember was Torben's newly acquired love of golf, though this was not easily ascertained. After many years of gentle persuasion by Mr Matsui, Torben's stubborn temperament was finally subdued and he had utterly fallen under its spell,' wrote Michihiro Machida of the Sumitomo Corporation in 1996. 'My fondest memories of Torben were those we shared on the golf course. I knew instantly that, with a few more lessons, he was destined to be a very good golfer.'

In common with many shipping people, Torben loved golf. Despite his wealth and in keeping with his natural humility, Torben would often queue at municipal golf courses to play a round, but when Shigeru Matsui bought a condominium situated on a golf estate at the popular Palm Springs in California, Torben went to the desert town for the housewarming party thrown by his close friend and business ally, who had opened doors to the Japanese shipping markets for Teekay. Torben bought a

smart German car and drove from Long Beach, but when he arrived at the Matsui house, he simply commented, 'I like this view!' Within a day, he had bought a house adjoining one of the fairways at the golf estate.

Matsui challenged him to golf, and although Torben accepted he conceded that his friend was a far better player. 'Tell you what,' Torben said to Matsui, 'I bet you that I will beat you at golf within a year, provided I can play off a 50-stroke handicap.'

'What will you bet?' inquired Matsui. 'A thousand dollars a stroke,' retorted Torben confidently. The deal was struck, Torben hired a professional coach and he worked extremely hard at his technique, determined to beat his friend. The envisaged match did not happen, for, in October 1992, fate intervened in a cruel way.

Michihiro Machida concluded his reminiscence of Torben: 'His enthusiasm for the sport having been carried right to the end, as I am told, his last thoughts must have been of golf.' ■



TOP Nagasaki Spirit. Teekay Collection **LEFT** Nagasaki Spirit was named by Karen Hood, wife of Captain Jim Hood, who was the company's vice-president: operations at the time. Left to right: Captain Hood; Aiko Karlshoej; Karen Hood; Torben Karlshoej; Mrs Kagachi and Mr Kagachi (representing the Mitsubishi shipyard in Nagasaki). **Captain Jim Hood ABOVE** Karen Hood about to name Nagasaki Spirit. **Captain Jim Hood**

Nagasaki Spirit

Built in the Mitsubishi Heavy Industries' shipyard in Nagasaki in 1989, the 95,997-deadweight *Nagasaki Spirit* traded across the Pacific Ocean and occasionally took parcel cargoes elsewhere.

With her Sulzer engine pushing her along at 15 knots, she was in the northern end of the Malacca Straits shortly before midnight on September 19, 1992. Most of the crew were asleep, some were watching a movie, and Third Mate Candolesas was preparing to hand over the watch. Captain Alan Mackereth was also on the bridge as the ship moved through the crowded straits.

The weather was fair and the sea calm, an idyllic night that would soon turn to absolute horror.

Coming towards *Nagasaki Spirit* was the 1,466-teu containership *Ocean Blessing*, a unit of Orient Overseas Container Line. The officer of the watch on another ship in the area (possibly the Hapag-Lloyd containership *Hawaiian Express*) tracked the containership's passage on radar and, as the area is notorious for pirate attacks, he believed that she may have been trying to avoid pirates for she was moving in an erratic manner, zigzagging and also changing speed. Then, making about 21 knots according to her engine-room log repeater that was found intact, *Ocean Blessing* hit the port side of *Nagasaki Spirit*, carving a huge indentation. The sequence of events is a little confusing for Captain Alan Mackereth, master of *Nagasaki Spirit*, called Jim Hood by radio telephone. The duty vessel operations co-ordinator, Carlo Herras, took the call, and transferred it to Jim Hood's extension.

Hood: Captain, this is Jim Hood. What has happened?

Mackereth: We've been hit on the port side by a containership and we're on fire. I think she hit us at Numbers 5 and 6 tanks. We've got spiked crude on board and the inert gas is breached. I'm afraid we may have an explosion and we're abandoning ship.

Hood: Where are you?

Mackereth: South of Blang Langcang, between Blang Langcang and One Fathom Bank.

Hood: What ship is it?

Mackereth: I don't know.

Hood: How did it happen?

Mackereth: [Hood could not recall whether Captain Mackereth prefaced his next statement with any remarks nor the content of those remarks if he did.] We kept trying to warn her but she just kept coming on.

Hood: What's your position?

Mackereth: 4°33' N 98°43' E [Handwritten next to this entry is the following: Accurate/Satnav confirms.]

Hood: Did you get off a distress signal?

Mackereth: We sent an RCC.

Hood: OK Captain, good luck, we'll try to get help to you as quickly as possible.

The phone then went dead. Another report indicated that Mackereth had issued a Mayday call. 'Have been fired upon and now have fire in Numbers 5 and 6 centre tanks,' he is quoted to have said. 'Abandoning vessel immediately and into two 16-man liferafts and will activate EPIRB in lat 4°33' n 98°43' E at 1623 GMT Sep 19. No time to report further as abandoning vessel.'

Whatever the cause of the dreadful collision, both ships were entirely gutted in the huge fire and, tragically, the crews of both ships died in the accident, except for *Nagasaki Spirit*'s Third Engineer Maximo Balasbas and Second Cook Harry Flores who, when burning oil began spreading beneath the starboard side lifeboat, ran forward and both jumped overboard. Part of Balasbas's statement regarding the tragedy reads (quoted verbatim):

I immediately run to the foredeck then when I was in the starboard manifold section, I looked back presuming that they [the rest of the crew] were moving their direction to foredeck but nobody

was following me so I decided to go on and when I arrived on the foredeck, the wiper [probably A. Tabucan] was already there. I decided to throw overboard the foredeck liferaft so we did it. When the liferaft was already activated and floating properly, the wiper jumped to the water. Before I followed him, I looked back on the accommodation's starboard side but I can't get a nice visibility due to big smoke and fire was engulfing the whole accommodation. I immediately jumped and upon reaching the water, I saw the wiper not far from me. I looked back from both side and found that fire in the water was so fast approaching on our position so I told wiper that we have to leave this liferaft. I swam away from the fire but after few minutes, I looked back to him but I can't find anymore the wiper and fire was only a meter away from the liferaft, so I presumed that wiper came aboard the raft and very impossible to save. So I continue swimming for my own safety. After 20 minutes of swimming, I looked back [at] the whole ship and I came to realise that there was another ship burning which finally I recognised it as a containership, so all I done after that was waiting for a rescue and so happen that after more than an hour, I found that fishing boat were the only near on us so I just waited and hoped that they will find me so finally at around 0045Hrs, one of the Thai fishing boat located my position so they picked me up from the sea and at 0100Hrs I was on board the fishing boat.

All the fishing boats continuously went around on the vicinity to search for any survivors and after an hour, another fishing boat went alongside us and transferred another survivor which so lucky that it was my 2nd cook [Flores] so we were together by that time in one fishing boat. After that at around 0300Hrs we passed very near on the 'Nagasaki Spirit' starboard side and I found that the lifeboat davit was down so all I presumed that they are able to release the lifeboat. But from my own analysis during the height of the fire in the first two hours I'm quite sure that the starboard side lifeboat was not able to make it for safer area and eventually it was reduced to pieces. So by then we continue for our search and rescue, but we found nothing except some burned oil soak debris which were all beyond recognition and around 0500Hrs, I spotted a big commercial vessel in the vicinity so I instructed the Thai fishing

boat to go near, and for God's shake [sic] I found that the ship is also owned by TK Shipping, so after a few minutes we were transferred to M/T 'Mihara Spirit' together with our 2/cook.

The last thing I would like to say is we are on board M/T 'Mihara Spirit' on the morning of September 20, 1992, safe and sound but with another with regards our belongings specially our papers.

Mihara Spirit had been about 50 miles astern of *Nagasaki Spirit* at the time of the collision and, as she was the first vessel on the scene, had been the search co-ordinating vessel until those duties were taken over by USS *Niagara Falls*, which arrived some hours later.

A helicopter operating from the American warship plucked the body of Captain Mackereth – mysteriously showing no burns – from the sea and put it aboard *Mihara Spirit*. No human remains were found on *Nagasaki Spirit*, suggesting that the crew had indeed abandoned ship in the starboard side lifeboat, a point confirmed by Captain J.W. Rogers, master of *Mihara Spirit*, who reported

that the falls of the starboard side lifeboat 'were extended to just above the water and the blocks and bottom gear showed nothing to indicate other than a normal release of the boat'. As neither the lifeboat nor any of its occupants were found, speculation was that it had been caught in the raging fire and the boat plus its occupants were incinerated. (The portside lifeboat had been burnt to ash while still in the davits.)

Investigators found human remains aboard *Ocean Blessing*. Some reports indicated that more remains were found on the vessel than the number of crew on the crew list, perhaps lending credence to the notion that pirates had indeed been aboard the containership, which may explain the erratic course she was steaming before the collision.

Media speculation was that *Ocean Blessing* was carrying a consignment of weapons and ammunition for various groups in the Arabian Gulf region; if true, this would explain the ferocity of the fire that engulfed the containership.

The tug operator Semco mobilised several tugs to fight the fires aboard the two ships, but the oil cargo in *Nagasaki Spirit* burnt until September 26, whereupon the Malaysian authorities ordered the badly damaged vessel to be towed away from the coast to minimise any pollution threat. Semco anchored her off Belawan in Indonesia, where she remained for nearly a month, during which time the remaining oil was trans-shipped to another vessel. Only on December 12 was *Nagasaki Spirit* tied up at the shipyard in Singapore.

She was sold 'as is, where lies', her new owner had her repaired, and she returned to service in 1994 as *Neptune Leo*. After three subsequent owners and name changes, she went for scrap as *Ross Sea* in 2003.

Since they seemed to have complied with all the requirements, Semco applied for a salvage award but, rather than deciding on the traditional salvage award, the salvage arbitrator calculated their award based on the 'special compensation' remedy provided under article 14 of the 1989 International



Captain Jim Hood participating in the celebrations to mark the naming of *Nagasaki Spirit*. Captain Jim Hood

Extract (2) from *Let There be a Yard* by Sung Hyuk Hwang

Torben called me by telephone soon after the crash. He was amazingly calm as usual, and I could not find the proper words to console him. He brought the subject up first. He did not say anything about the loss of the crew members.

'They are talking too much. What are they saying about the tanker market? Tell me about that.'

'They are only talking about what everybody already knows. They are complaining about how hard it is to survive. They are worried that because Teekay owns many oil tankers, it will be more painful for you.'

'Sung, what do you say to that?'

'To be honest, I'm not entirely without worry either. I'm sure that it will be no problem for you to settle the matter, Torben, but the market situation is terribly bad.'

His tone was balanced.

'Sung, you know me well. Don't worry. It's terribly hard, but it's no problem. Take a closer look at us. And tell everybody Torben will overcome.'

He died just a few days later. ■



Guests and officials at the naming ceremony of *Nagasaki Spirit* and her sister ship *Koyagi Spirit* in Nagasaki in 1989. Captain Jim Hood

Convention on Salvage (London Convention), which is part of the Lloyd's Open Form 1990.

Not surprisingly, Semco appealed that decision, claiming that they were entitled to recover expenses incurred during the salvage operation, over and above the usual provisions of the Lloyd's Open Form agreement. Their claim was dismissed by the appeal court, and, after a protracted process that went to the British House of Lords, the tug operator was left empty-handed. However, the case provided a legal landmark in that the terms of SCOPIC were subsequently improved considerably in favour of salvors.

Although the hull and machinery insurers agreed to declare the vessel a constructive total loss and paid out the full insured value of \$55 million, Teekay did not measure the loss of *Nagasaki Spirit* in dollars, but in the depth of the human tragedy that surrounded the frightful accident. So many families had lost their loved ones, who had also been their breadwinners, but none at Teekay was more burdened by the fiery loss of so many men than Torben Karlshoej. Behind his occasional

loud bark was his genuine care for the welfare of his crews and their families. It thus troubled him enormously that the men from *Nagasaki Spirit* had simply disappeared without trace, while the horrific manner of their demise added greatly to his distress. ■

Nagasaki Spirit postscript

Bearing a cheque to give to the wife of the deceased Captain Mackereth, Allan Murphy went to his funeral service in St Johns, New Brunswick, where the captain was interred in a churchyard that overlooked the Bay of Fundy. After the service Murphy returned to his car and only ten minutes later heard the news of the death of Torben Karlshoej.

It is said that the insurance payout following the loss of *Nagasaki Spirit* (about \$55 million) breathed life into the struggling, debt-ridden Teekay, but the tragedy killed its founder. ■

Thomas (Tommy) Hsu

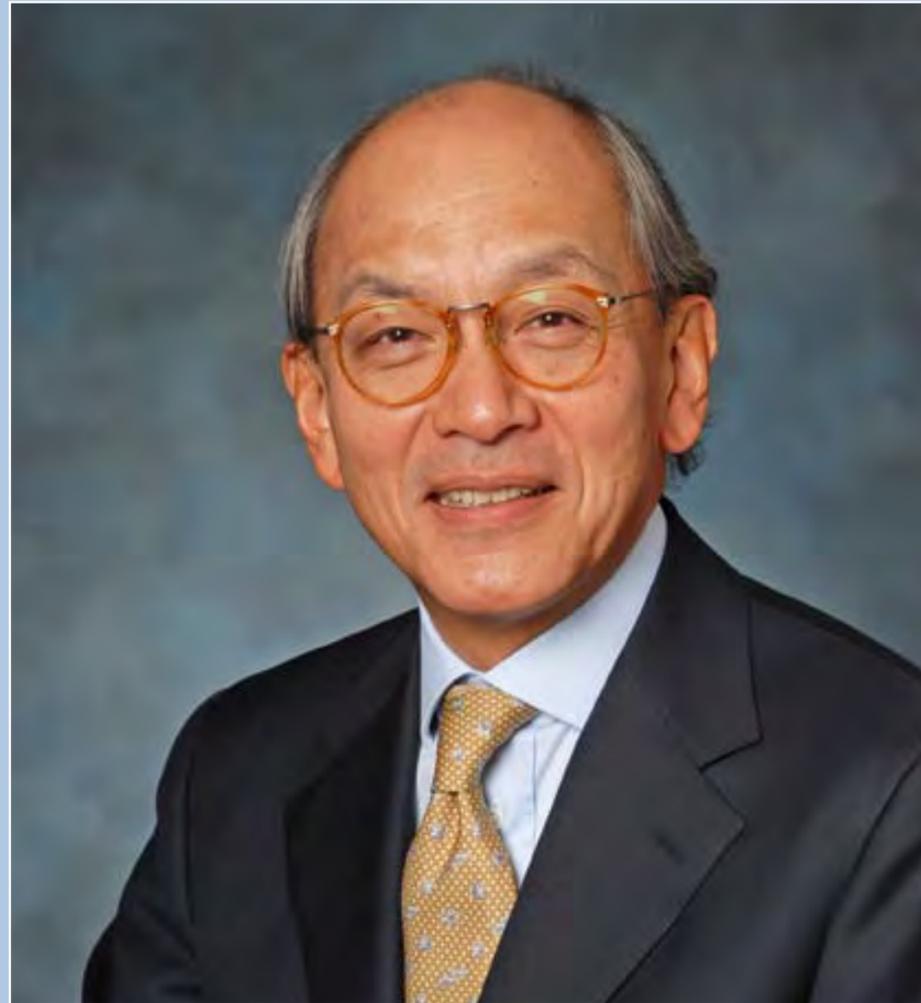
Born in Shanghai, Tommy Hsu was four years old when his family arrived in London where he grew up and was schooled. From childhood he was exposed to shipping and its intricacies for, in 1951, his father founded the Expedo Shipping Corporation, which is a successful shipowning and management company that prizes the quality of its ships, safety at sea, and meticulous management practices.

In 1963 Tommy Hsu went to the Massachusetts Institute of Technology to study engineering, his successful time there followed by an equally successful period at Harvard University. He met his wife, Linda, in the United States, and shortly after marrying they returned to London, where he began to work with his father at Expedo, quickly gaining experience in all aspects of shipowning, ship management and operation.

In 1976 Expedo supervised its first newbuilding in Japan and other newbuilding assignments followed, including the construction of two double-hull VLCCs. With a reputation to match its engineering capabilities, Expedo developed a new generation of tankers to specifications that exceeded commonly accepted class requirements and yard standards, and which led the way in aspects of hull design. Tommy Hsu was stamping his own mark on the company that he would later lead.

His friendship with Torben began in 1985 when Torben wanted to charter one of Hsu's vessels. Such was the immediate spirit of trust between the two men that, during their first meeting, Torben shared with his new friend his ideas for the future development of Teekay, a gesture of absolute trust that Hsu, himself a man of the utmost integrity, appreciated greatly.

Hsu learnt that Teekay was not an ordinary company: woven into every development were the underlying values of integrity and industriousness that he shared. He also found in Teekay the traditions that he cherished, and there was a special attitude towards business with which he felt very comfortable.



Tommy Hsu Teekay Collection

Torben's untimely death was a blow to Hsu for the two men had become extremely close friends, as well as mutual business confidants. Because of this, he was one of the people who Torben had nominated, shortly before his death, to be a member of the new Teekay board.

Hsu's remarkable partnership with Axel Karlshøj in those dark days after Torben's death when the company appeared to be ripe for a buy-out is perhaps one of the key elements that led to Teekay's later success. As he had been to Torben, Hsu became a trusted adviser, mentor and friend to Axel who, like his brother, respected Hsu's wise counsel.

He enjoys a full life attending to his own shipping business, Teekay's affairs, and undertaking a range of charitable work. And undertaking a range of charitable work. And family time is important, for he and Linda have three children and three grandchildren. Tommy Hsu's inherent modesty allows him neither to seek the limelight nor to claim any credit for Teekay's successes. Yet his advice – based on years of experience in the shipping industry – was crucial to the development of Teekay, for he is highly respected as a person and as a shipping personality of note. Indeed, the company has benefited greatly from his continued role as a board member over the past 20 years. ■

obviously family members were on the list. Susan Karlshøj described the moment she and her sister received the news of their father's death:

Kim had been visiting in California. She and her husband had gone out for the evening with my husband and me, and we had expected to visit Dad and Aiko the next day out in Rancho Mirage [at Palm Springs]. We got the news from Axel that Dad was dead. Our world went tilt – this was just impossible, but yet it was true. It was a bizarre and confusing time. I don't imagine that it was any different from anyone else's experience when a loved one passes away suddenly. We knew somewhat that there would be difficulties with the company, but that was not foremost in our minds – it was just such a devastating thing to have lost our Dad. I still miss him very strongly, and it is almost 20 years later.

Also on Axel's list of people to contact urgently on that sad Saturday morning were Jim Hood, the company's president at the time, as well as Tommy Hsu, Bjorn Møller and other leading figures in the company.

It was Sunday in Hong Kong when Jim Hood reached Tommy on the telephone. 'Bad news, Tommy,' he said, 'Torben's dead!' It took a while for Tommy to assimilate the news he had just heard – the man who had been such a good friend was dead!

Møller recalls that he was playing golf that morning in Vancouver. He and his partners, Captain David Glendinning and Mads Meldgaard, were quite far into their game when a small truck came speeding towards them on the golf course. 'Which of you is Bjorn Møller?' the driver asked. When Møller identified himself, the breathless driver barked, 'You must phone home urgently!' Believing that a member of his family had taken ill, Bjorn rushed to the clubhouse to telephone his wife. 'Phone Axel immediately,' she told him.

'Torben's dead,' Axel said when Møller phoned. 'Please get to the office straight away.' The news stunned Møller, for to him Torben had been not only the central cog of Teekay but also his mentor and friend. Reflecting on that dreadful day, Møller realised that Torben had suffered earlier medical

problems, which had manifested themselves on several occasions: even in the office, Møller remembers, Torben had been in pain, while other employees mentioned instances when he had experienced discomfort or had suffered what seemed to be either cardiac difficulties or panic attacks. Yet, despite the pressures under which he worked, he had refused help, had declined to take some of the medication prescribed by doctors, and had continued to smoke and enjoy a few glasses of liquor each day.

Jim Hood had reached the office before Møller arrived and was already putting into place an emergency system of communication to inform as many people as possible – including the ships' masters – about the untimely and totally unexpected death of the company's founder. While the impact of Torben's death on the company was serious, his passing was an intensely devastating experience for the Karlshøj family. His pregnant widow, his brother Axel who was also his closest friend, his three daughters, and other members of his wider family were grief-stricken, as was every employee to whom he had been a mentor and role model.

Axel and his wife Inge invited Aiko to their home in Yuba City to allow her time to recover from her awful experience, and to discuss funeral arrangements. Axel suggested that Torben be buried at sea from his private yacht *Kisuca*, but Aiko wanted him buried in Vancouver, the city that had been his home.

Apart from his family and Teekay employees, leaders in the tanker industry and bankers came from far afield to pay their respects to this remarkable man whose roots lay in the simple life of a farm boy in Denmark, but whose mark had been made in the cut and thrust of the worldwide tanker trades, leaving behind one of the world's largest private tanker companies with a reputation for safety, superior quality and service. His personal involvement in every aspect of the company's operations and his personal interest in the training and welfare of his staff were aspects mentioned in eulogies both at the funeral service and in the media. Captain Steve Tucker later wrote:

Attending Torben's funeral in '92 and the reception afterwards in our Waterfront office will remain a defining milestone for me. Seeing so many people from our industry paying their respects, and representing the fleet (in full regalia) was an honour. Jim's and Axel's eulogies should have been recorded for posterity. The entire week went by in a whirl.

When departing for the airport after Shigeru Matsui's evening event, that was the first time a CEO (Jim) hugged me. Tell the boys it's business as usual,' Hood said. [Because of the events surrounding and following Torben's death, the] next 3 years were quite difficult for us all though, at least until the Initial Public Share Offering in 1995.

Torben's body was laid to rest in Capilano View cemetery in Vancouver, his tombstone bearing only his name and an engraved picture of a tanker. 'It conveys his simple, unassuming style,' said one observer.

Focusing on the death of Torben as the end of Teekay, the maritime media believed that a takeover was imminent and that with debts of about \$300 million owing to Den norske Bank and \$500 million to Sumitomo Bank, among others, the company was ripe for the picking. Speculation abounded concerning possible companies that would target a 'weakened' Teekay for purchase on what some called 'a fire salvage sale'. Another believed Teekay to be as good as dead, with the comment 'The vultures are circling'. Some believed that Torben was a lone operator whose extensive tanker operation would collapse, while a Greek shipowner remarked, 'Karlshøj built us our new fleet of tankers', implying that the fleet would be sold, and that Greek tanker owners could secure excellent ships at bargain prices.

Those who peddled such notions had not reckoned on the resilience of Axel Karlshøj who, fearing that others would try to buy out the fleet by hook or by crook, simply but forcefully remarked, 'We're not selling. We are going forward!' One of the Japanese bankers drew Axel aside at Torben's funeral. 'I don't know you,' he said, 'but if you're anything like your brother, we'll stand behind you.' Another figure to underline Axel's role in the resurgent company was Captain Alan Hayes, who called him 'one big powerhouse'.

Extract (3) from *Let There be a Yard* by Sung Hyuk Hwang

On October 5, 1992, the phone was ringing as soon as I got to work. It was a phone call from Shigeru Matsui, the most successful shipbroker in Japan. A lot of newspapers and documents were piled up on my desk because it was the following Monday after the National Foundation Day holiday. I did not even have the chance to touch anything before the phone rang. In a choked voice, as if he was being chased, Matsui said,

'Sung, don't be surprised. Don't be shocked.'

From his panic-stricken voice I could tell something awful had happened, but I did not know what, I said,

'Ok, Shigeru, tell me. I feel alright. I'll not be shocked.'

He mumbled hoarsely, sighing as if in pain:

'Sung, don't be shocked. Don't be shocked.'

My heart started to freeze and my voice was shivering:

'Yes, Shigeru, I'm listening. Tell me. What happened? Shigeru, what happened? Tell me.'

He shouted roughly, as if spitting something from his mouth:

'Torben's dead. Sung, Torben's gone. It was a heart attack, yesterday. He died of a heart attack.'

Even before he had finished I started yelling as though he was responsible for what had happened:

'No, no! What? Torben, Torben. What? Torben's dead? I talked to him by phone only last weekend.'

He kept on repeating that I should not be shocked, and I continued to yell meaningless words. And then we were tongue-tied, only listening to the sound of each other's breathing ...

I arrived in Vancouver on October 9, the day before his funeral. I dropped by at the head office of Teekay Shipping to see President [Jim] Hood and the people concerned with [the] funeral service, but I could not bear to go and look at Torben's face. I refused to accept anything but his smiling face.

In the evening I felt the need to get out of my hotel room. Despite being heavily jet-lagged I was kept awake by many troubling thoughts. What is death? Is it any different if it comes in your early fifties? What is death when one is in the prime of life? These thoughts filled me with confusion. If I had stayed alone in my room, I would have burst into tears, so I went to the hotel bar. There was a lot of noise and conversation, mostly from the employees of Japanese trading houses who had provided ship finance for Teekay Shipping.

Everyone seemed to be worried about the future of Teekay Shipping because they had financed it for sums of tens – and sometimes hundreds – of millions of dollars. And Teekay was managed by only one person: Chairman Karlshoej. There was a gathering for people like me. Shigeru, Stig, Gerald, Jim, Tom, Sam and Evan were sitting around a large table. They had all come because they missed him. We sat and drank toasts to his memory until the waiters eventually drove us out of the bar ...

On the day of the funeral, the sky above the beautiful town of Vancouver was covered with dark and heavy clouds. The service was held at a small church. Afterwards, a long funeral cortège marched to a graveyard located at the centre of a cosy grass field surrounded by woods. From the edges it looked like an everyday field or meadow, but the barely visible, horizontally placed gravestones, one of which was carved with *Torben Spirit*, revealed it to be a cemetery.

Torben's coffin lay on a platform next to where he would be buried. It was time to say goodbye forever. His close friends stepped up one by one to pay silent tribute. When my turn came I put my hands together in prayer but my mind was blank. As I could not bring myself to just turn away, I placed my hand on his coffin. His coffin lowered slightly because of the spring mechanism that supported the platform. As I drew my hand back in surprise, the coffin moved, and all the hairs on my body stood on end. For a few moments I was overwhelmed by the illusion that he had woken up. But my wishful vision quickly passed, and I gazed at the deep green grass and the gloomy woods that formed a fitting backdrop to the scene ...

Travelling back from the burial in a bus with other mourners, I looked out of the window and leant my head against the glass. The other passengers were murmuring, but I could not hear anything clearly. In the garden of a house on a luxurious residential street facing the sea, the last flowers of that year were smiling feebly. Some old men were preparing the garden for the coming winter. They ignored the long procession passing by their gate. The trees and flowers were living in their own season, and the sky over Vancouver remained very grey. Nothing had changed in the time we had been at the cemetery.

Has his death left the world so unmoved, so untouched? Does his death mean nothing despite the fact that he left us suddenly, abandoning so much unfinished business and at such an important time of life? Is this how life is? Does it really just carry on regardless?

There was nothing but the grey sky. I felt incapable of further thought or action.

Adieu, Torben!



TOP The pall-bearers – Axel, Tom (Torben's younger brother), Eric Hallman, Captain Jim Hood (obscuring Captain Vinay Patwardhan) and Bjorn Moller – carry Torben's casket to the grave. **Aiko Karlshoej RIGHT** Esther and Poul (Torben's stepmother and his father), Caroline (Torben's third daughter), and Aiko (Torben's widow) at the graveside. **Aiko Karlshoej ABOVE** Representing Teekay's sea staff, Captains Andrew Phillips and Steve Tucker salute the great man. **Aiko Karlshoej**



The cover page of the programme for the funeral service showed Torben in his fishing gear. *Aiko Karlshoej*

Reflection on 1992: the lowest point of my 25 years with Teekay

'Beyond doubt,' wrote Captain Steve Tucker, '1992 was the lowest point of my 25 years with Teekay. Not only did we lose Torben, but at the same time, we also lost a good friend, Chief Engineer George Thompson, [who] lost his fight with cancer.'

'We were also all still reeling from the tragic loss of *Nagasaki Spirit* with only two survivors. I had sailed with three of the officers who perished in that awful explosion and fire. Some say that because of the insurance paid out for the constructive total loss of *Nagasaki Spirit* we survived financially.'

'Our former MD in London told me that an oil major had not offered any condolence over the loss of our founder, but instead asked if we wanted to sell off the entire fleet.'

'Their letter was apparently unceremoniously dumped in the waste bin.'

'I believe there was very little love lost between Teekay and that company in those days ...'

Industry much poorer after untimely death

Your Shipping Editor Jim Mulrenan wrote a thoughtful and informed article on the late Torben Karlshoej and the company he founded.

In pointing out that Torben achieved a level of discretion about his affairs perhaps highlights the basis of a number of speculative pieces about Teekay's future.

I obviously do not know what the future holds for Teekay (much less the market – more's the pity) but what I would like to put on record is that BP Shipping enjoys a close business relationship with Teekay.

This relationship has been based on compatible business objectives together with a large slice of trust by both parties.

It is also worth adding that we would not have countenanced such a relationship with, as your headline implies, a 'one man band'.

That said the industry is much the poorer for Torben's untimely death.

W. Luff, BP Shipping, Harlow, Essex
Published in *Lloyd's List*, October 23, 1992

Unquestioned integrity a model to all

Torben Karlshoej was a leader in the tanker industry and his unquestioned integrity was a model to competitors and colleagues alike.

The bad tidings of his early death gave a deep sense of loss to us all; for a group of shipping executives assembled in Scotland, the immediate reaction was to commemorate him with a period of silence and reflection.

Torben Karlshoej became a legend in his own time, by building a fleet of more than 50 tankers not only in a remarkably short period, but also in a turbulent and challenging period for our industry.

Unlike some in our industry, he did not spend his time talking, he acted and his actions display an uncanny ability to turn problems into opportunities.

I was privileged to meet him for lunch last year in Oslo and to discover the man behind the legend. Obviously his phenomenal success was no coincidence. Not only did he have the energy to follow the market and opportunities wherever his presence was required, but his incisive mind showed a keen understanding of the events that actually moved the market, as opposed to those that conventional wisdom held to be the reason.

He possessed a unique combination of market understanding, and hands-on knowledge of what happens on board a ship.

In a period where 'absentee landlords' were increasingly common in the shipping industry, he was a man who knew what quality in operation of his own ships was all about.

It was obvious that to Torben Karlshoej 'building a business was more fun than having fun', so in that sense he was fortunate in having his kind of fun to the very end.

But it is a tragic loss to us all that such a pleasant colleague and challenging competitor leaves us just at the time when his example in turning problems into opportunities is so strongly needed.

Jens Ulltveit-Moe, Haugesund, Norway
Published in *Lloyd's List*, October 23, 1992

A man with vision and a mission

I count myself among the many individuals who Torben Karlshoej befriended in the course of his busy career. We cannot imagine that any one of us should expect to see the like of him again, in our personal or business lives. His untimely passing was a terrible shock, and a loss that cannot be diminished by time.

Our personal feelings though are not one of emptiness. It was impossible to meet this man and not be affected permanently by the example he set in his unique approach to work and life. He had a lifelong passion for the sea and ships, which began with visits to the harbour as a child in Denmark, and which became ever more a reality rather than just a dream. With his natural curiosity, a quick mind, great instincts for markets and inexhaustible energy, he could have turned his mind to almost any industry or technology, and been equally successful.

His concern and respect for all those who worked for his companies engendered fierce loyalty amongst his staff. Rather than make decisions for a particular individual, he would share in the decision-making process, imparting his special brand of rigid, disciplined commonsense, and ultimately allow that individual to make the decision. The result is a company that makes decentralised decisions with a common tightly focused goal. Such are the organisational ingredients for commercial success, a textbook case of a company with vision and a mission, one to be studied by future generations of students in business schools.

If that was all that could be said of Torben Karlshoej he would have been just another spectacular star of the shipping world of which there have been many. Our memory of him is more enduring. As some know, he was in the habit of describing himself as a simple Danish country boy. It was in part a natural and charming modesty, but also an unconscious expression of his inability to explain the insincerity and cynicism which he saw around him, and his disappointment when faced with them. He was devastatingly perceptive, but always straightforward and open in his business dealings, preferring simplicity to complexity. What mattered most to him though, was that he and his company kept their word, whether written or not, and met their commitments to all their commercial partners, come hell or high water.

Naive, some would say, but it was surely the very foundation of his particular success. People from all nations, cultures and backgrounds trusted him and his company, and felt secure doing large amounts of business with him. Ethics always came before everything else. We must hope they teach this in business schools as well.

It is, for his friends, the quiet moments of each day when a cold unspeakable sadness descends. We reflect. We sustain ourselves by the warm memory of that simple, pure and principled Dane. And go forward once more, invigorated.

Thomas K.Y. Hsu



SHIPPING

Business as usual for tanker fleet

Teekay Shipping (Canada) Ltd. — and its 70 employees in Vancouver — will maintain normal business operations following the death at aged 50 of its Norwegian owner Torben Karlshoej, a company official said Friday.

Teekay Shipping, which controls one of the world's largest, most modern tanker fleets, was the first foreign company to move to Vancouver to take advantage of the city's tax-free status as an International Maritime Centre.

"Business is going to continue as before," company president Jim Hood said in a telephone interview Friday.

"The advisory board and the management and employees are determined that that will happen and as far as we know our bankers are solidly behind us. It's business as usual."

Teekay Shipping owns a fleet of 50 tankers totalling five million deadweight tons and has partial ownership of another 25. It has management or chartering offices in Bahamas, Tokyo, Singapore, Manila, London and Glasgow but its operational headquarters has been in Vancouver since November 1991.

Karlshoej, who emigrated to the U.S. from Norway in his early 20s, is described by colleagues in the shipping industry as a hands-on owner who had an instinctive feeling for the spot trades.

He died in his sleep after a golf game in Palm Springs Oct. 3.

He is survived by his wife Aiko and three daughters.

Funeral service was to be held today at the United Church of Canada, on Esquimalt Avenue, West Vancouver.

The obituary in *Vancouver Sun* emphasised the 'business as usual' approach that the company adopted after Torben's sudden passing. (Copy provided by Aiko Karlshoej, with acknowledgement to *Vancouver Sun*.)



To meet Teekay's high safety standards, regular emergency drills are carried out. Chief Engineer Kanwar Deep Ghei

Those assessments of Axel – coming from completely different quarters – were entirely correct, for the older Karlshøj brother had a personal crusade to honour Torben's memory by brushing off the tirade of negative press surrounding Teekay's future. He would ensure that others kept their hands off Teekay and launch a clear plan that would allow the company not only to continue its operations but also to expand them to the point where Torben's dream of creating the world's largest tanker company could be realised. As he had defended his younger brother so many times in that rural community in Denmark, Axel would now defend Torben's reputation and his dream.

Apart from dealing with his personal grief at losing someone so close and dear to him, Axel had to make rapid and vital decisions concerning the future of the company. His unswerving commitment to ensure the future success of the company was clearly the driving force that propelled the company from what many believed to be a tenuous situation towards a very bright future. His strong, confident intervention at that time also gave much-needed assurance to the Teekay staff that, based on Torben's hard work in the past, good times lay ahead.

The 'one-man-band' perception that many outsiders had of Teekay until Torben's death had overlooked not only Axel's strong character, but also the formidable team that Torben had established around him. In people of the calibre of Jim Hood, Bjorn Moller, David Glendinning, Vinay Patwardhan and Tony Gurnee, together with their respective teams, the company had staff with vast experience, ingenuity, professionalism and integrity – all the right ingredients for success.

As regards his own assets and the business itself, Torben had been far smarter than the media or his competitors realised. Back in December 1991 – probably in the light of those secret moments when his health alarmed him, and also in response to the company's spiralling debt – he had called Art Coady. 'Art,' he had said, 'we need to talk.' When Coady arrived Torben had said that he needed to restructure various aspects of the company and also to formulate a plan

for his own money. Among the details that had drawn his close scrutiny was the future security of his daughters, although he didn't want to spoil them in any way. 'We don't want anybody wasting money and then coming to beg for more,' he had said. 'And what about the distribution of assets in the event of your death?' Art asked him. 'The assets,' Torben had responded, 'should be held in trust and dedicated to charitable works in the maritime industry.'

Torben and Art had agreed on a flexible structure whereby Torben would download his assets into three separate, firewalled trusts in different jurisdictions, with a protecting trust to ensure that each trust operated according to its constitution. He had carefully selected the trustees for that overarching body, ensuring that the future care of his company and the trusts would be in the hands of people he trusted implicitly: Axel, Tommy Hsu, Art Coady and Shigeru Matsui.

The work had been complex, but when Coady had completed the extensive task Torben was satisfied. 'I have disposed of all my assets,' he had said, 'and I don't own a thing!' The foresight of both Torben and Art Coady to restructure the company's finances and his own assets provided the basis for the future success of Teekay.

The four trustees had immediate difficulties to address in order to ensure the survival of the company, and shortly after the funeral they met as a group, Teekay's new board of directors, for the first time to discuss the serious situation facing the company. The debt

was escalating, the banks that had agreed to a deferment of debt payment wanted clarification on the succession plan as they feared that with the owner gone the company might unravel, while the clients who regularly chartered Teekay ships feared that the service they had enjoyed when dealing with Torben would be eroded.

Mindful of their enormous responsibility to continue and expand on Torben's hard work, the trustees made several important decisions at their first meeting. Teekay would go ahead, they agreed, and they handed the position of chief executive officer to Captain Jim Hood, whose penchant for orderly operation, his professional approach to his work, and his vast experience in shipping inspired much confidence. He was the epitome of the stabilising figure needed by the company, its clients and its staff at that critical period in its history.

Teekay owned or operated a fleet of 75 ships and the trustees agreed that they would have to dispense with the ships that were not part of the company's core business, which lay in the Aframax and products markets. However, contrary to speculation that the ships could be snapped up at bargain prices, Teekay demanded market-related prices for the tankers they chose to sell. Among others, three Yugoslav-built ships were sold for \$76 million, raising critical cash, but more cash was needed.

To meet a commitment made to the banks as part of their agreement to a twelve-month deferral, Teekay had to have at least \$25 million of cash in the bank by the end of

1992. They only just managed to clear this hurdle, in part by selling a few million dollars worth of accounts receivable. Miraculously, the trustees also managed to clear all debt due for repayment by the end of 1992, but in the process a nostalgic piece of Torben's life was also sold – his beloved yacht *Kisuca*, which had been his home, the showpiece for his company, and aboard which several difficult relationships had been ameliorated, not the least of which was his previously stormy relationship with his father, Poul.

Negotiations with Onomichi shipyard in Japan yielded an agreement to delay the delivery dates of some of the tankers on order, debts were being paid off according to plan, and, in time, all agreements were honoured, including outstanding payments to Gerry Plato, without whose help in the early years of the company Teekay might not have made it into the big league of tanker operators.

Torben had ordered a VLCC at the top of the market but without suitable financial cover. The vessel was due to be completed in January 1993 and the board was desperate to have the ship, later named *Musashi Spirit*, operational as soon as possible because the markets were turning for the better and she would be a good revenue earner – and improved income is what the company required urgently. Working hard to secure financing for the ship, Shigeru Matsui brought to the table an offer from a bank to finance her, but the trustees felt that the bank should have offered more. Matsui approached them again and managed to



Torben had ordered a VLCC at the top of the market but without suitable financial cover. After his death, the newly formed board managed to secure a loan – an indication that the finance houses were beginning to note that the company had turned the corner. The board was determined to have the ship, later named *Musashi Spirit (2)*, operational as soon as possible because the markets were turning for the better and she would be a good revenue earner – and improved income is what the company required urgently at the time to repay loans according to a tight schedule. Once delivered, *Musashi Spirit* (shown here in Fujairah in 1993) did earn the expected revenues during the tough times as Teekay began to emerge from the depths of financial despair. Captain Hans Schaefer

Torben Karlshoej

From the farm in rural Denmark to the bustle of North American cities, Torben Karlshoej adjusted far more quickly and completely than many would have expected. The values of industriousness and integrity that he had learnt as a farm boy were applied in his new surroundings so that he quickly earned a favourable reputation as a hard-working man of his word.

After being left in the lurch in a difficult time by his first business partners, he remained true to his word and, assuring a ships' agency to whom his fledgling company owed money that the debt would be repaid, kept his promise. As they had been patient with him at that desperate time, he appointed them as Teekay's agents wherever he could when his company restarted.

This highly intelligent man had an entrepreneurial flair and competitive spirit that occasionally would drive him to take risks, such as the decision to order more ships than his resources at the time would cover, a move that drew the company into significant debt and may indirectly have contributed to his death.

Bjorn Moller who worked closely with Torben in the days when his office was in Long Beach and later in Vancouver, believes that Torben felt guilty when not working hard, especially when on his beloved yacht *Kisuca*. Yet he enjoyed his leisure time, and was perhaps secretly overjoyed when his voyages in that yacht took him to places where there was little contact with the outside world and therefore with his office.

He was more than a shipowner – he had a passion for ships and visited his vessels whenever he could. Captain David Glendinning recalls that when Torben visited *Golden Gate Sun* and was introduced to the chief engineer, a seasoned man with years of experience at sea, the man was silent for a minute and then said quietly, 'You're the first shipowner I have ever met!'

To some he was an intimidating figure, insisting on high standards, and was reputed



At the helm of his beloved *Kisuca*. Axel Karlshoej

on one occasion to have dismissed senior officers when he found that they had not followed the required maintenance programme for their ship. However, to those with whom he worked he was a role model of dedication and determination. Many developed their shipping knowledge under his patient mentorship as he was keen to share his knowledge and experience with even the youngest employee.

A humble man by nature, he wanted no fanfare, and preferred to operate incognito, a characteristic aided by his wont to dress very casually. Since he always remembered his roots, he was uncomfortable with anything that might tag him as 'elite' and did not behave as might have been expected from

someone with his resources. Associates tell of occasions when he would not pay expensive fees at upmarket golf courses, but often, early in the morning, took his place in the queue to play at public golf courses, rather than exert his considerable influence on the course officials to give him a tee-off time ahead of those before him in the queue.

Although his personal life suffered as he strove relentlessly and kept exceptionally late hours to realise his dream of building the largest and most efficient tanker company, he managed to achieve his goal, and even after his untimely death the foundation he had laid was the basis on which his successors built an even larger company of world renown. ■

Working with the great man – JTK

More than most seafarers in the Teekay fleet, Captain Benhur Villavicencio had close contact with Torben Karlshoej, particularly during his time aboard Torben's yacht *Kisuca*. In an article written for an in-house publication shortly after Torben's death, Captain Villavicencio recalls those times and tells of his own career in Teekay tankers.

My path to Teekay and working with the great Mr J. Torben Karlshoej started as an unbelievable story. In 1986 while on board a chemical tanker as second officer, I was due to sign off after 20 months on board. While waiting at the southbound convoy at the Suez Canal, we tied up at Port Said and welcomed various merchants aboard. Back then, before the International Ship and Port Facility Security (ISPS) Code was introduced [in 2001], this was quite common.

One merchant was a palm reader who told me that after signing off I would be offered a job that I couldn't refuse and would be on board within a week. I dismissed his prediction since

nobody would rejoin a ship so quickly, particularly after a 20-month contract.

On arrival in Manila after signing off, I called a friend at Panfilco Agency who asked if I was interested in joining a luxury yacht as Chief Officer. I had just enough time to unpack my luggage and wash my clothes before I was on board the *Kisuca* in Singapore, only six days after I had signed off my previous ship!

I spent two memorable years aboard the *Kisuca* (named after Torben's daughters) ... and worked directly with Torben. Our voyages included sailing to Japan for the inauguration of Teekay's Tokyo office and to Croatia (then Yugoslavia) where Torben signed for the building of the *Shoshone Spirit*, *Navajo Spirit* and *Apache Spirit*. During a call in Greece, I met Mr Bjorn Moller, then Chartering Manager in the London office, who has been the only Teekay employee I've known to stay on board while on holiday!

I value knowing Torben, his family and many others I have met. Torben was a down-to-earth man who treated and cared for his crew as if they were family, and knew his ships inside out. Before I left the *Kisuca*, he said, 'Ben, your two-year

vacation on board this yacht is over and I am putting you back on normal ships.'

In 1988, I joined the MT *Brilliancy* which was the start of my tanker career at Teekay. It was a challenge being one of the pioneer Filipino senior officers at Teekay but following hard work and perseverance, I was promoted to Master in 2000.

Whether that palm reader was correct or it was coincidence, I am thankful for ending up with Teekay. This year I celebrate my twenty-fourth anniversary with the company and I will always be loyal to this great company through thick and thin; our One Team can weather any storm. I also believe that Torben is smiling at this great and successful company that bears his initials.

Why did I choose a career at sea? Not only is it in my blood but when I was young and watched the big ships passing by, I always imagined myself on one. I also believe that seafaring is the noblest profession ... Seafarers manage the ships that carry ... oil, gas, automobiles, steel, lumber, electronics, construction materials, etc. in huge volumes that result in the development of many places. ■



With his daughters Kim, Susan and Caroline and his wife Aiko in August 1988. Aiko Karlshoej



Torben with his catch of the day. Axel Karlshoej



As Torben was camera shy, this is one of the few portraits of him, and it was taken at the naming ceremony of *Nagasaki Spirit* in 1989. Axel Karlshoej



secure the full, required loan, an indication that the financial world was regaining confidence in Teekay. And *Musashi Spirit* did earn the expected revenues during the tough times as Teekay began to emerge from the depths of financial despair.

To meet its obligations and also to expand at a time when the tanker market was showing upward trends, the board needed to have long-term finance in place. Rather than close offices, sell more ships, and in the process retrench staff, it had invited participation via a bond issue that had the advantage of no repayment of any principal for ten years, thus reducing the crushing burden of immediate debt repayments that were required by the banks. This bond issue raised capital of around \$200 million and was the product of six months of extremely hard work by everyone, led by Tony Gurnee. In a letter to all the company's masters in July 1993 Captain Jim Hood wrote:

This is an exciting development and confirms our standing as a viable, mature shipping group. We are not complacent about our situation or about market prospects. Nevertheless, we believe that the worst is behind us ... In fact we are very bullish [about] our future prospects. We control approximately 9% of the world's Aframax fleet. The average age of our fleet is 7.5 years versus an industry

average of nearly 14 years. Sixty per cent of our fleet is less than five years old.

That succinct summary of the company's position illustrates its strength compared with the precarious situation only nine months earlier, testimony to the hard work of many to ensure its survival and its independence. Hood followed that up with a concluding comment in his circular to all masters in October 1993:

Torben died a year ago yesterday. We've come a long way since then and while he would not have been happy at having to sell-off seven new ships and would probably have disagreed with some of the decisions we have made, I think that he would have been proud of our achievements.

To reach the goal of listing on the New York Stock Exchange, however, required even more late hours and since the board needed a more diverse face, a couple of leading figures were invited to join. Each of the newcomers had an interesting history of endeavour that both enriched and extended the board's perspectives.

Of Czech-Jewish extraction, Morris Feder had worked for a shoe manufacturer before heading for Hong Kong. Shortly after his

arrival the Japanese invasion forced him to flee to Shanghai, where he became the police chief. He entered shipping after the war, focusing on the humane movement of refugees, many of whom had endured terrifying hardship and destitution during the dreadful conflict in Europe and Asia. His work brought him to New York where, while walking in the street, he heard a woman call his name. To his astonishment it was one of the refugees he had helped and who, in the interim, had married a wealthy shipping personality. She negotiated a position for Feder in her husband's company – Overseas Shipholding Group – where, starting from the bottom, he worked his way to the chief commercial officer's chair. His fluency in Russian provided an opportunity for him to demonstrate his integrity. At a key meeting Russian charterers would converse in their own language, unaware of Feder's linguistic abilities. Rather than eavesdrop on their conversations – which may have been to his advantage – he addressed them in Russian, warning them that he understood every

word. That approach brought him great respect among the Russian shipping fraternity, who gave his company as much business as possible. A few months before accepting nomination for the Teekay board he had retired from OSG.

An entrepreneur of note and a colourful character, Michael Dingman worked at the New York Stock Exchange but left to run his own business, the Henley Group, which specialised in buying and consolidating companies. At one time the Group consisted of 35 cast-off companies from the Allied Group, and the operation became known as Dingman's Dogs! It proved to be a highly successful operation and led to one of the largest launches on the New York Stock Exchange. He served on several boards, including that of the Ford Motor Company. Axel met him in the Bahamas and immediately detected that Dingman shared Torben's business principles. It took a simple act on Axel's part – showing him the Teekay prospectus published ahead of their own launch on the stock exchange – to convince him of the company's worth.



Celebrating the successful listing of Teekay Corporation on the New York Stock Exchange on July 19, 1995 are Art Coady, Jim Hood, Bjorn Moller, Anthony Gurnee, Axel Karlshoej, Morris Feder, and a stock exchange official. Teekay Collection

Management's discussion and analysis of financial conditions and the results of operations, 1996

The Company is a leading provider of international crude oil and petroleum product transportation services to major oil companies, major oil traders, and government agencies, principally in the region spanning from the Red Sea to the U.S. West Coast. The Company's fleet consists of 42 tankers, including 38 Aframax oil tankers and oil/bulk/ore carriers, two smaller tankers, one VLCC and, through a joint venture, a 50% interest in an additional Aframax tanker, for a total cargo-carrying capacity of approximately 4.2 million tonnes.

Approximately 80% of the Company's net revenue is currently derived from spot voyages. This dependence on spot voyages, which is within industry norms, contributes to the volatility of the Company's revenue, cash flow from operations, and net income. The balance of the Company's revenue is generated by two other modes of employment: time charters, whereby vessels are chartered to customers for a fixed period at a fixed rate; and by contracts of affreightment, whereby the Company carries an agreed quantity of cargo for a customer over a specified trade route over a specified period of time. Management believes that the Company has a competitive advantage over other tanker owners in the Aframax spot market.

Historically, the fortunes of the tanker industry have been cyclical, experiencing volatility in profitability resulting from changes in the supply of and demand for tankers. Additionally, tanker markets have exhibited seasonal variations in charter rates. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable winter weather patterns which tend to disrupt shipping operations. ■



Nassau Spirit off the Venezuelan coast in July 2011. Chief Engineer Kanwar Deep Ghei

At Axel's invitation he immediately agreed to join the Teekay board.

A prominent figure in Hong Kong shipping circles, Steve Hsu knew Tommy Hsu but was not related to him. He had met both Torben and Tommy in 1991 during the negotiations between Chinese shipowners and the Canadian government that paved the way for the creation of a favourable climate for foreign shipowners to register their head offices in that country (see page 60). Although his expertise was mainly in the dry bulk market, he provided new and very useful insights into global shipping.

With a high-powered board in place and balance sheets that had improved remarkably, the staff at Teekay felt that the crisis was largely behind them and that new horizons beckoned. One goal was to become listed on the New York Stock Exchange. Failure greeted its first attempt in 1994 to offer shares that would total 27 per cent of the company, prompting Jim Hood to inform the fleet of the reasons:

Unfortunately, the US Stock Market dropped by around 7% just as we were about to place the issue in the market and interested potential buyers quickly evaporated. Rather than sell off too cheaply, we have postponed this deal until the stock market firms up ... When this IPO is eventually floated, all senior sea staff with minimum two years' service in the Company will participate in an Employee Stock Option Plan, details of which you will receive in due course.

Teekay Shipping Corporation was admitted to the stock exchange on July 19, 1995, after a successful share offering, an event that provided much-needed capital to reduce debt and create a basis from which to consider future expansion at a time when tanker markets were strengthening. It also cast Teekay firmly into the public eye, which benefited the company greatly for the listing demonstrated clearly that it had survived the loss of its founder and had moved upwards steadily since that tragic event.

Teekay's energetic team and the fleet of high quality, modern ships at its disposal certainly promoted the company among investors and prospective investors. However, entry to the public domain also created

its own challenges, not the least of which was the transition from the private, close-knit, free-spirited operation where decisions were made quickly, to the tightly structured public company that had to bear in mind its wider ownership.

Since its inception Teekay had been more than a company interested in the bottom line. Several people recall instances where Torben had used his own money to meet an obligation, rather than default on a payment, or where he had rewarded hard work privately. Although the public operation required a greater degree of structure, the original spirit and values of Teekay were still discernible in the manner in which employees operated and in the relationship between the company's leadership team and others.

Having played a crucial role in stabilising Teekay during the period immediately after Torben's death and during the time of public listing, Captain Jim Hood was due for retirement by 1998. Although his was not a flamboyant style of management, he had a personal aura that brought deep respect and trust from all and he became the embodiment of security and continuity for both staff and clients during those extremely uncertain

times. 'Because we knew that Jim Hood was at the helm,' commented an employee later, 'we knew the company was on course, and that meant so much to us all.'

The question on many lips centred on his successor. Axel Karlshøj and the rest of the Teekay board felt that they needed to find a replacement with experience in the operational and financial sides of shipping. To that end they briefed a Vancouver-based executive search company in the fall of 1996 to find a new chief executive. Axel had heard about the South African-born Sean Day, who at the time was president and chief executive officer of Navios Corporation, a large bulk shipping company based in Stamford, Connecticut, and asked the executive search company to approach him. Day flew to London to meet the Teekay board – the first time that he had met Axel, Art Coady and Tommy Hsu, as well as Michael Dingman, Morris Feder, Steve Hsu and Jim Hood. It was an interesting meeting from both sides, but despite Feder assuring the board that he 'knew everybody in the shipping business' and that they were 'wasting their time conducting a search' because there was nobody suitable to take over Teekay, they decided that, with his long track record in both shipping and finance, Day would be ideal to run

Teekay. Serious negotiations with Day began but there were complications. He told them that he would only accept the position if they bought Navios, because all of his own net worth was tied up in his 30 per cent ownership of that company. Although he and Art Coady discussed the matter at length, Day broke off the negotiations when they could not agree on a price. Nevertheless, since the board had been impressed by his track record and the manner in which he had conducted negotiations with them, they offered him a directorship in 1998, which he accepted.

The search for a successor to Jim Hood was resumed. They considered Tony Gurnee who, in his role as chief financial officer, had been very close to Torben, particularly as they had worked long hours together, poring over columns of figures as they tried to resolve the company's debt crisis, and in the opinion of some he had the credentials to take over from Hood. On the other hand, a young Dane who had not had the benefit of much formal financial training, but whose résumé showed that he had plenty of hands-on shipping experience, was also in the running for the chief executive's position. During the naming ceremony for *Shoshone Spirit* in 1989, Torben had pointed out Bjorn Moller to his daughter Kim. 'He will take over from me

one day,' he had told her, and several senior Teekay people remember him passing similar remarks at other times.

A telephone call to Moller in December 1996 was the first step in a period of dynamic change for Teekay. 'I need to see you,' Jim Hood told him. 'I'll come to your house in a short while,' and within an hour he arrived at Moller's home. A bemused Moller ushered him to his study where the chief executive went straight to the point. 'The Board,' he said, 'has decided to appoint you as chief operating officer with effect from 1 January.' He paused while he waited for Moller to absorb the news before continuing. 'They also want you to understand clearly that this appointment is a prelude to the eventual succession plans for chief executive when I retire. In other words, Bjorn,' he said, 'the Board is signalling that you will eventually succeed me.'

Moller was surprised at the news and felt a tremendous responsibility to carry forward the vision that Torben Karlshøj had for the company, a feeling that was ameliorated by Axel's unwavering support for him and all that the company stood for. The board appointed Moller as chief executive from April 1, 1998, and a new phase in the company's history was about to begin. ■



Boom Years



With a new chief executive in place, Axel Karlshøj was satisfied that the company was in a stronger position and that he could now step down as chairman of the board to devote more of his time to his work with the Teekay trusts as well as his own company. 'After all,' he said later, 'we survived against all predictions to the contrary, and Torben's hard work had given us a great foundation for future development.' After careful thought he approached fellow director Sean Day with a view to Day succeeding him.

During his years as chairman Axel had elected to play a distinctly non-executive role, leaving Jim Hood with the responsibilities as chief executive officer of Teekay. Axel's intention was that Bjorn Moller should have similar executive powers as CEO, but while the board had high hopes for their young new CEO they recognised that Moller was relatively inexperienced in some of the more strategic aspects of the role. Axel astutely saw the potential to set up a somewhat different working relationship between Moller as the new CEO and Day as chairman. Axel and the rest of the board had been hugely impressed when they first met Day in 1996, and they saw the potential for him to take on the role of strategy mentor for Moller, thereby creating a strong Teekay leadership duo. It was difficult for Day to accept Axel's invitation as he was still involved with Navios, but shortly thereafter he and other investors sold Navios and, with Tommy Hsu

urging him on several occasions to accept the chairmanship, he contacted Axel.

'Axel,' Day said, 'I have sold my stake in Navios. Have you changed your mind about the chairmanship of Teekay?' 'No,' came Axel's terse response, 'I don't change my mind.' Day succeeded Axel as chairman in 1999, and also agreed to take over the business interests of the various trusts that were associated with Teekay and its activities.

After discussing the matter with Moller, Day concluded that it was also necessary to recruit several new board members with broader experience and skills that could contribute to the future success of the company. The new chairman set out to find the best talent available from around the world and gradually strengthened the board with a number of hand-picked independent directors, each of whom brought complementary and relevant talents. The board of directors now included people with years of shipping and energy industry experience as well as vast resources of business acumen that would guide the direction of the company. It would continue to be inspired by the indefatigable Axel Karlshøj, in whom the flame of Torben's passion for his tanker fleet continued to burn, exemplified during those dark days after his brother's death when he brushed off potential buyers and would not countenance the sale of a company that his brother had worked so hard to build.

Moller later commented, 'I always regarded our board as a competitive advantage

for Teekay. No board in the industry can match ours – in relevant experience, in strategic perspective and in responsiveness when we call upon them to consider complex transactions at minimal notice.'

In Moller, Teekay had the benefit of someone who knew Torben's philosophy first-hand. Having already played a major role in building the company's commercial success since 1985, he was now preparing to undertake a major strategic review of Teekay's future potential in his role as CEO. He first turned his attention to making sure he had the right leadership team in place. As often happens with a change in a company's leadership, some members of the team left Teekay, and several new faces joined, each bringing expertise and fresh perspectives, and creating a cohesive executive group.

The new team started by reviewing the competitive strengths that had allowed the company to achieve its current market position. Through a focused strategy over the past decade, Teekay had established a pre-eminent position in the Aframax market in the so-called Indo-Pacific Basin that extended from the Red Sea to the oil-thirsty west coast of the United States. Teekay's area of operation included the major oil-producing areas of the Arabian Gulf, Indonesia, Malaysia and Alaska, and among its customer base were clients within the dynamically expanding economies of Japan, Korea, Singapore and Australia. Operating a uniform Aframax fleet nearly five times the size of

Chief Executive and President Bjorn Moller (left) and Chairman Sean Day formed a new team to lead Teekay from the late 1990s. *Teekay Collection*



the nearest competitor in the region helped Teekay achieve higher vessel utilisation and provide superior customer service in a charter market that often required ships to be interchanged at short notice to meet the needs and specifications of the charterers.

A second competitive factor was the relatively young age of the Teekay fleet (around eight years on average, compared to the industry average of closer to 14 years), a product of the daring construction programme that Torben had launched in the last few years of his life. This modern fleet, with long sister-vessel series and fuel efficient engines, was very cost effective. Standard equipment and machinery facilitated the training of sea staff and made fleet maintenance programmes easier to manage, resulting in operating costs below the industry average.

Perhaps the most valuable advantage, however, was Teekay's people. As one commentator noted, Teekay's secret weapon, and one of Torben's key legacies to the company, were the seasoned, loyal seafarers who ran

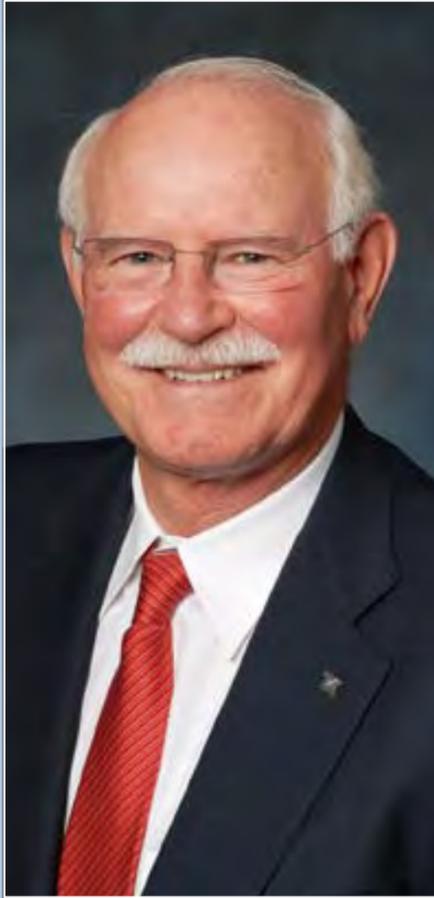
the ships, and the equally experienced and committed shoreside personnel – many of whom had been hand-picked and mentored by Torben himself – who operated the fleet efficiently, using in-house expertise that reduced costs. With a strong board, a formidable team in the office and on the ships, a strong competitive position in Teekay's core market, and a strong balance sheet, there was an enhanced positive mood and sense of anticipation in the air. Analysts who had originally made gloomy predictions that the company would be swallowed up after Torben's death were now taking note of the truly positive characteristics and competitive advantages of the company that could propel it to new heights. With its remarkable strengths, Teekay had a distinct advantage over many competitors – and as its financial woes were behind it, the company had all the right ingredients for the rapid development and extension of its operations. What it needed now was an ambitious strategic vision to soar to its full potential.



Aiko Karlshoej, Torben's widow, launches the Aframax tanker named after her late husband. The ship was built at the Onomichi yard where Torben had built a number of other tankers over the years. *Aiko Karlshoej*



Rain had threatened throughout the day of *Torben Spirit's* launching, and *Teekay Log* reported on the day's events: 'Just as Aiko Karlshoej prepared to cut the cord for the launching, the dark clouds parted, the ship was bathed in sunlight ever so briefly. At the peak of the tide, and amidst a deafening shout of "Banzai!", *Torben Spirit* roared down the slipway into the waiting circle of tugs in Onomichi Bay. Some guests quipped that Torben had ordered the sunshine and had stalled the rain! ... It was a fitting tribute to a friend, brother, father, husband, a man who had lived and loved ships his whole life long.' *Aiko Karlshoej*



Axel Karlshøj

Throughout the story of Torben Karlshøj and Teekay, the resolute figure of Axel, Torben's elder brother, has played a prominent role. They shared the grief of the early death of their mother, and forged a close relationship, not only as brothers, but also as playmates who wandered down the path to have fun in the shallows of the Baltic Sea, or to build rafts – one of which took them further along the coast than they had expected – or to hunt for turkeys that had escaped from their enclosure. These were farm boys who spent time together, and, as young boys do, they even fought on occasions.

As the older, more sanguine brother, Axel came to Torben's aid in schoolyard disagreements, often simply pulling his younger brother away from ominous situations, a characteristic of their relationship that came to the fore again during Torben's tough time when his initial foray into shipping failed.

Axel, who had moved from Denmark, married Inge, and set up his own earth-moving business near Sacramento, California, was adamant that Torben return to shipping when the latter wanted to quit.

Axel's insistence was the tipping point for Torben, who did return to shipping and began to build one of the world's most successful tanker operations.

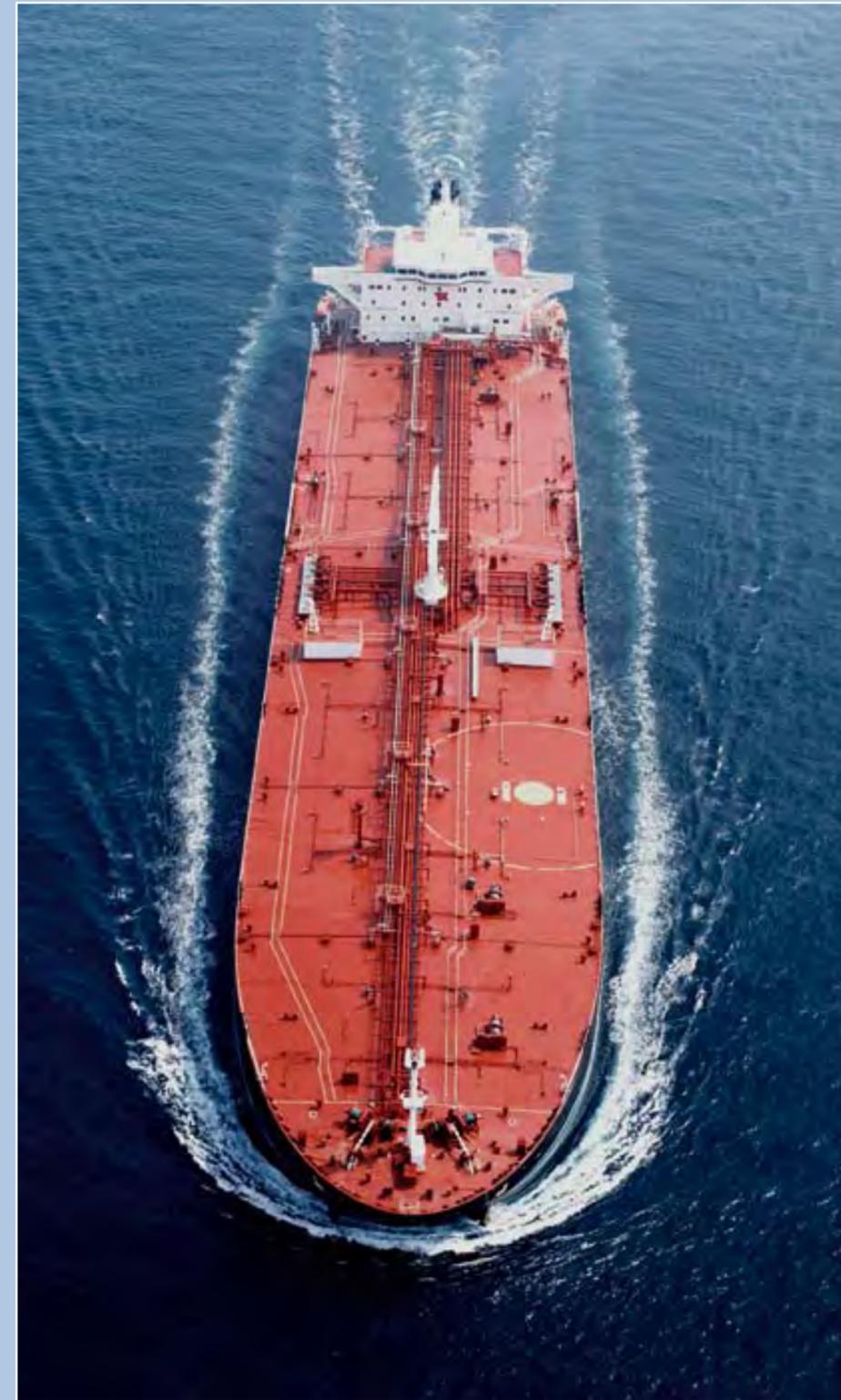
The close relationship between the brothers was perhaps most evident during those dearly remembered times aboard Torben's private yachts as the two enjoyed water sports or simply walking on remote beaches or talking through the night.

Torben's sudden death was a severe blow to Axel, who had lost not only a brother but also a dear friend and soulmate with whom he had shared so much. The tragedy presented Axel with an opportunity to share in his brother's dream of building that vibrant tanker company, and his resoluteness in the face of a possible hostile takeover of the company saved the day for Teekay. Those who thought that the company could be bought out at that fragile time in its history had not reckoned on Axel's determination to see Teekay come through its difficulties and expand to the heights that Torben had envisaged.

'It will be business as usual,' Axel announced, 'and watch this company grow!'



TOP Axel Karlshøj. *Teekay Collection* **ABOVE** Axel and Inge with their three sons, Jens, Erik and Poul, circa 1988. *Axel Karlshøj* **RIGHT** Commissioned in 1995, the 105,351-deadweight *Poul Spirit* was named after Axel and Torben's father. It was also a clear confirmation that the rift between Torben and his father had been healed. *Chief Engineer Kanwar Deep Ghei*



LEFT *Erik Spirit* during her sea trials. *Teekay Collection* **ABOVE** The naming ceremony of *Erik Spirit* at the Samsung shipyard in Korea in 2005 was a particularly poignant occasion as the family reflected on the life and tragic death of Erik, the second son of Axel and Inge Karlshøj. Some said that Torben had viewed his nephew as a possible successor in later years as the younger man had displayed a special interest in ships and the wider maritime sector. Left to right: Flemming Eversby, Jens Karlshøj (Axel and Inge's eldest son), Stacey Karlshøj (Jens's wife), Axel and Inge, Poul Karlshøj (Axel and Inge's youngest son), and Matt Stevenson (Erik's best friend). In front is Anne Eversby (Inge's sister). *Axel Karlshøj*

And it did as he gathered around him experienced shipping and business people to serve on the board, and people with incredible energy, far-sightedness and integrity to operate it.

To his credit, once he was satisfied that the company was on the right course and that the right people were proving their worth, he stepped down from the chairmanship of the board and left that role to others.

Axel and Inge had three sons – Jens, Erik and Poul – but further tragedy struck when Erik was killed in a motor accident not far from their home in Yuba City, California, a terrible loss to this closely knit family. In honour of their late son, an Aframax tanker was named *Erik Spirit* in 2005. Jens runs the earth-moving business, while Poul is in the Teekay office in Singapore.

The amiable, highly principled Axel remains on the Teekay board and plays an important, patriarchal role in the company and in the Karlshøj family. ■



Built to Last: Successful Habits of Visionary Companies, a best-selling business research book by Jerry Porras and Jim Collins, was on the reading list for a four-week executive development course Moller had attended at the Kellogg School of Management at Northwestern University shortly before being named CEO. He was captivated by the book, struck by its findings that the most visionary companies share a belief in two central tenets, ‘preserving the core’ and ‘stimulating progress’. ‘It almost felt like the book was talking about our company,’ he mused, for those attributes of a successful company advanced by Porras and Collins coincided with many of Torben’s keys for success.

It spoke of a company’s success being dependent on its adherence to core values and its striving to stay true to its core purpose, both of which it described as ‘sacred’. When he reflected on his time with Teekay and his close relationship with Torben, Moller recognised that there were a number of such core principles on which Teekay had been run, although some of these had never been explicitly stated or committed to writing.

The authors also found that visionary companies are always in search of continuous improvement – another of Torben’s oft-stated messages in his circular letters to his

shipmasters and senior shore staff, exhorting them to raise the bar in performance and operational excellence.

Another recurring theme noted by the authors was that all of the successful companies covered by their research had articulated an aspirational Big Hairy Audacious Goal, or BHAG, to generate excitement and directional focus within the organisation. Again, Moller recognised the parallels to Torben who, in the mid-1980s, had famously declared to his brother that he had decided to build the biggest and best tanker company the world had ever seen. Now, that sort of BHAG was something to get one’s teeth into, Moller thought.

Although it had many of the ingredients for success as the pre-eminent operator in its Indo-Pacific Aframax business, Teekay would have difficulty in substantially growing what was, after all, a niche business. To move upward at a greater pace the company would have to find adjacent or new businesses to pursue. But what realistic BHAG could the company embrace? After months of intense discussion in strategy meetings with his leadership team, Moller went before the board in 1998 to present management’s distillation of Teekay’s Core Purpose statement and its list of Core Values. He also unveiled an exciting proposed BHAG for Teekay ‘to attain the

OPPOSITE, TOP Commanded by Torben’s friend and his senior master, Captain Alan Hayes, the 244.8-metre *Torben Spirit* was commissioned on January 28, 1994 as the company’s third training ship. **Chief Officer Harsh Yagnik** **OPPOSITE, BOTTOM LEFT** During a voyage to Chiba, Japan, in November 2008, the officer of the watch aboard *Torben Spirit* sighted what he thought initially was a fishing marker. As the ship steamed closer, he saw that the object was a makeshift bamboo raft to which eight men were clinging. *Torben Spirit* hove to and rescued the men, Filipino fishermen whose fishing boat had partially sunk when she was battered by swells on the outskirts of a typhoon. They were landed in Chiba. **Chief Officer Harsh Yagnik** **OPPOSITE, BOTTOM RIGHT** *Torben Spirit* steaming into a head sea. **Chief Officer Harsh Yagnik**



‘I was back again at the [Onomichi] shipyard in 1997 for the delivery of the double-hull Aframax *Hamane Spirit*, the last of our Onozo ships,’ wrote Captain Steve Tucker. ‘Chief Engineer Alan Holmes, his wife and I had the chance to visit Hiroshima and the atomic bomb museum and peace park – a very solemn place.’ Once delivered to Teekay, the tanker called at ports all over the Pacific – Australia, the west coast of the United States, Far Eastern ports and more. ‘We were off Honolulu later that year, waiting to discharge at Barbers Point during the time of Princess Diana’s funeral,’ Captain Tucker continued. ‘The event was broadcast on all the local television channels, and, as the former Sandwich Islands, the Hawaiian state flag has the [British] Union flag prominent in its design. Throughout the island, the flags were flown at half-mast. Some of us went ashore to visit Pearl Harbour and the *Arizona* Memorial, which we found to be a very sombre experience.’ The vessel is shown here in Liverpool. *Teekay Collection*

PetroCanada awarded a contract to Teekay to transport oil from Newfoundland to Canadian and United States ports from 2002 to 2005. Three Canadian shuttle tankers would transport the oil from the Grand Banks offshore oilfields Hibernia and Terra Nova to the terminal at Wiffen Head in Newfoundland. Teekay was to deliver this oil from Wiffen Head to Portland, Maine, from where it would be moved by pipeline to Montreal refineries.

To meet Canadian cabotage requirements, the oil had to be carried in a Canadian-flagged vessel, causing Teekay to re-flag the Aframax tanker *Nassau Spirit* from the Bahamian flag to the Canadian flag, to rename her *Avalon Spirit*, and to replace her multi-national crew with Canadians. She was commanded by Captain Oleg Dolzikov for over two years; Steve Nowell from Nova Scotia was the chief engineer, while Chief Engineer Roman Kanarek also did several trips in *Avalon Spirit*.

For Captain Dolzikov and the rest of the ship's complement, this was a very challenging but interesting experience. The ship operated in extremely harsh North Atlantic weather conditions – frequent severe storms, ice in winter, and almost continual fog during summer – and yet had to maintain an extremely tight schedule to undertake three to four voyages each month.

When the ship arrived in Canaport (St John, New Brunswick), an occasional discharge port, after a particularly cold winter passage from Wiffen Head, the increased ship's draft indicated that 1,200 tons of ice had formed on deck. De-icing was a continuous 24-hour operation during winter voyages, carried out by deck hands (mostly from Newfoundland) working in six-hour watches and using sea water, heated by the Butterworth cargo tank washing system, and pumped through the ship's fire hoses while the ship was steaming to her discharge port through freezing spray and the so-called Arctic smoke. At times the air temperature reached -20 degrees Celsius.

Despite the hardships for the crew, the venture was successful and at the end of the charter *Avalon Spirit* was re-flagged to the Bahamian flag, she reverted to *Nassau Spirit*, and the Canadians were replaced by the usual multi-national crew. ■



TOP LEFT As the spray flew across the foredeck, it froze, turning the deck piping into a winter wonderland. **Captain Oleg Dolzikov** **TOP RIGHT** When *Avalon Spirit* arrived in Canaport on Christmas Day 2002, she was greeted by the pilot disguised as Santa. **Captain Oleg Dolzikov** **CENTRE** The Canadian-flagged Aframax tanker about to sail from the Portland Pipeline Terminal in Maine, USA. The oil that she discharged was pumped from Portland to Canadian refineries via pipeline. **Captain Oleg Dolzikov** **ABOVE** The ship's complement in their immersion suits during a lifeboat drill aboard *Avalon Spirit*. **Captain Oleg Dolzikov**



Reverting to her original name once the Canadian charter had been completed, the Imabari-yard Aframax vessel *Nassau Spirit* continues to trade in the Teekay fleet. *Kanwar Deep Ghei*



Chief Engineer Roman Kanarek aboard *Avalon Spirit*. **Captain Oleg Dolzikov**



Second Mate Judy Ash aboard *Avalon Spirit*. **Captain Oleg Dolzikov**



A.B. Leroy aboard *Avalon Spirit*. **Captain Oleg Dolzikov**

Luck and determination involved in winning Teekay's first FSO contract, creating the cornerstone for future offshore business

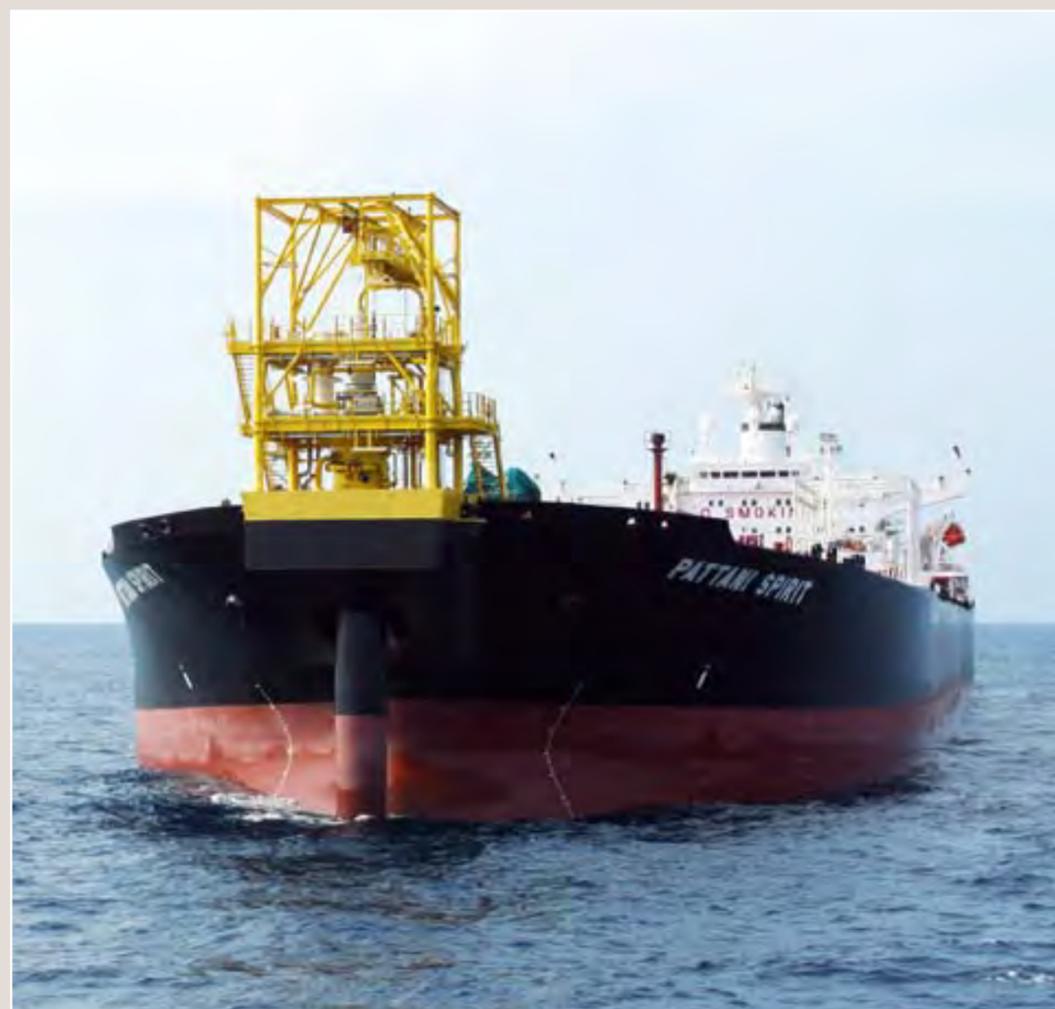
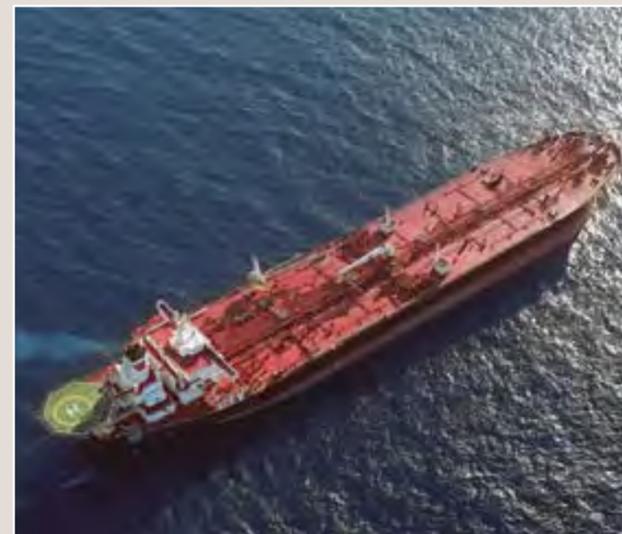
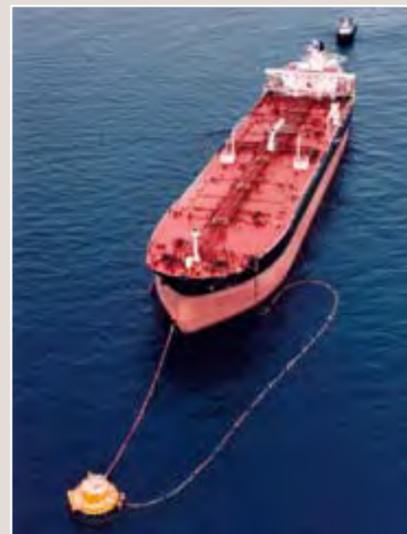
When Teekay was formulating its first BHAG to broaden its business in 1997/1998, Apache Energy requested proposals seeking a ten-year charter contract for an FSO (floating storage and offload tanker), including the provision of a CALM-buoy (catenary anchor-leg mooring) for the Stag oilfield in north-west Australia. With no experience in CALM buoys, Teekay initially joined forces with Dutch offshore company Bluewater with the idea that the latter would be the main contractor to Apache while Teekay would be a subcontractor to Bluewater for the provision of a converted tanker hull.

One week before bids were due, Bluewater advised Teekay that they would not be bidding. Bluewater had concluded that it would involve too much risk from them, considering that providing a CALM buoy was only a \$5 million scope for them, whereas Teekay's scope of work was worth \$20 million for providing the vessel. Teekay was left in the lurch, and as it would be impossible to find another partner in one week it faced the choice between dropping the project and attempting to go for it on its own. The latter would require putting together a compliant bid to Apache, not to mention overcoming the challenge of being awarded a contract with no proven FSO track record.

Bluewater agreed to assist Teekay in preparing a bid, provided that if Teekay were successful it would purchase the CALM buoy from Bluewater, plus pay them a success fee of \$100,000 for their efforts. Time was of the essence. After a few hours of soul-searching, the Teekay management team decided to

mobilise all necessary resources to go after the project and that same day a team of ten senior Teekay people from Vancouver, Glasgow and Tokyo, led by Bjorn Moller, travelled to Bluewater's office in Amsterdam. During the following week – including a number of all-night sessions – teams of Bluewater and Teekay people worked side by side to develop detailed conversion and operating budgets, offshore procedures and financial models, eventually producing the four thick binders that made up the contract bid. The binders were hand-delivered to Apache in Perth, Western Australia, just before the deadline. Eventually, after an exceptionally complicated negotiation that lasted more than six months, Teekay was declared the successful bidder.

Instrumental in the award was Teekay's operational reputation, the credibility of the company's negotiating team, and the experience with Australian seafarer unions emanating from Teekay's simultaneous entry into Australian operations through the Caltex Australia deal (see page 103). The deal that almost never happened became the company's first foray into the offshore marine sector, an area that was to develop over time into a key pillar in the company's successful growth. In a poetic twist, the vessel selected to be converted into Teekay's first FSO was *Frontier Spirit*, the vessel that had joined the fleet a decade earlier as the company's first newbuilding. She was renamed *Dampier Spirit* and, following a number of contract extensions, she remains in service at the Stag field in Australia. ■



TOP LEFT In 1997 David Glendinning was the driving force behind the conversion of *Frontier Spirit* to Teekay's first floating storage and offtake (FSO) vessel, a project that was completed the following year. She had been commissioned ten years earlier at Hyundai's Ulsan yard as Teekay's first newbuilding. Now, with bow-loading gear and an enlarged capacity, she took up station off the Australian coast as *Dampier Spirit*. In 2003 Teekay tendered for and won the contract to manage and crew four LNG carriers for BHP Australia, a role that increased Teekay's Australian profile. On the Australian oil trades, BHP had been a good client for Teekay, so that entry into the gas trade strengthened the company's relationship with one of the world's premier mining houses in terms of energy-related business. *Teekay Collection* **TOP RIGHT** The FSO *Karratha Spirit*, formerly Teekay's second newbuilding *Pioneer Spirit*. After her conversion to a floating storage and offtake vessel in 2001–2002, she was chartered to Woodside Petroleum of Australia. *Teekay Collection*. **RIGHT** *Pattani Spirit* was built as the Aframax tanker *Namsan Spirit* in 1988 and converted to an FSO in 2004 when she took up station off Thailand. *Teekay Collection*

same pre-eminent position as currently held in the Aframax Indo-Pacific in three new markets by 2010'. Essentially, the team was proposing a goal of quadrupling the business over a twelve-year timeframe. The presentation included a listing of examples of potential new markets, which included expansion of the Aframax business beyond the Indo-Pacific region, and diversification into product tankers, gas shipping and offshore marine (including shuttle tankers, floating storage and floating oil production). The growth plan envisaged a combination of organic growth and expansion through the acquisition of existing companies in the various sectors, the latter being especially appropriate if entering a business area where Teekay had no direct experience.

Importantly, with Moller's first-hand knowledge of how Teekay had nearly gone under in the early 1990s because of over-ambitious growth, he and the leadership team analysed the financial viability of their plan, and made sure that this remained a watch point at all times.

The board was energised by the ambitious vision and expressed support for the growth trajectory it implied. With that, Teekay officially entered a major growth phase for the first time in nearly a decade.

Around the time of formulating the BHAG, Teekay was pursuing two deals involving Australian operations. In light of the torrid pace of growth that was to follow later, these early opportunities may seem relatively minor in scope; yet, at the time, each one represented a potential breakthrough beyond Teekay's existing activities. Caltex Australia, a long-time Teekay customer in the conventional charter market, wanted to outsource its sub-scale tanker-owning business to reduce risk and concentrate on its refineries. It conducted an auction among a list of marine companies that were invited to bid to buy Caltex's four-ship tanker fleet and charter it back on long-term contract to Caltex to move its products along the Australian coast.

After a lengthy period of due diligence, Caltex selected Teekay as its long-term marine partner. It was a major seal of approval: for the first time, Teekay's reputation had earned it a trusted, integral role in

an important customer's supply chain. It was the first of many examples of Teekay extracting tangible value from the brand it had built through its customer focus and operational excellence. It also provided the first of many profitable, long-term fixed-rate charters. Teekay took the opportunity to become closely involved in Caltex's Australian operations, further exposing the brand to the market in the wider Australasian region.

The second Australian project that Teekay tackled around that time was its first bid for the operation of a floating storage and offtake (FSO) vessel for Apache Energy on the Stag oilfield off the north-western coast – another project that enabled the Australian oil and gas sector to become familiar with Teekay's well-managed operations (see page 102). In the context of the company's progress, it also gave impetus to the BHAG campaign as employees could note and be encouraged by the new development (see page 99).

Moller's desire to move the BHAG campaign ahead in earnest experienced an apparent setback with the onset of the Asian economic crisis that crippled the economies of many of the Asian 'tiger' countries in 1997, with a commensurate negative effect expected on shipping the following year. However, it coincided with an OPEC decision to export more oil, a move that both reduced the price of oil to below \$10 a barrel and boosted shipments in 1998, to the advantage of tanker owners.

Teekay, sensing that the strength in the market was only temporary, took the opportunity to issue more equity in anticipation of future attractive buying opportunities. True to its prediction, the good time did not last long. Faced with a flood of oil on the global markets OPEC reduced production in 1999 and the tanker market fell sharply, opening a window for Teekay to use its strengthened finances to make counter-cyclical investments. They were able to order the Aframax sister ships *Kanata Spirit* and *Kareela Spirit* from Samsung Heavy Industries at low prices. Moller saw the downturn as a golden opportunity to get Teekay's bold expansion plans under way as soon as possible, and he turned his attention to the Atlantic basin, and in particular to Norway.

Kanata Spirit was built in the Samsung Heavy Industries yard in Korea in 1999 at a time when shipbuilding prices were low. *Teekay Collection*



Kareela Spirit undergoing sea trials off the Korean coast. *Teekay Collection*



The company's focus fell on Bona Shipping with its fleet of ten Panamax OBO ships and fifteen relatively modern Aframax tankers, the second-largest Aframax operator in the Atlantic trades. A couple of years earlier, Bona had absorbed another Aframax operator, Smedvig Tankships, in competition with Teekay. With the Bona fleet, Moller and his team reasoned, Teekay would have the perfect portal to expand its operations into the Atlantic tanker trades. Previous overtures to combine Teekay and Bona had not materialised, but this time Bona's main shareholder and chairman, Leif Hoegh, appeared more motivated. However, hard work lay ahead to secure a deal and, because of the disclosure rules associated with Bona as a company listed on the Oslo Stock Exchange, the entire due diligence investigations by the Teekay team, led by Moller and Chief Financial Officer Peter Antturi, had to take place during long hours over a weekend in Oslo in the spring of 1999. The team was working with the law firm BAHR whose Oslo offices were located on the Aker Brygge, the waterfront street that was also the home of major tanker owner Frontline and Den norske Bank. This meant that the senior Teekay people were confined to the BAHR office lest they should meet someone who might recognise them and guess their reason for visiting Oslo. As a result of the need for secrecy, the Teekay team ate a lot of take-away meals in BAHR's offices that weekend!

Last minute tensions arose on the Sunday evening when the Bona board made some upward adjustments to the 'golden parachute' compensation packages for their senior staff, adjustments for which Teekay would have to pay. Following a robust discussion between Moller and Hoegh, tensions were defused. 'It's still a good deal,' the Teekay team concluded, and agreement was reached on a friendly takeover. Recognising that this deal was being consummated at a low point in the cycle, Hoegh chose to bet on a subsequent upturn in the tanker market, taking Teekay shares in exchange for his 40 per cent ownership in Bona and, as an added benefit to Teekay, he also joined the Teekay board. The remaining Bona shareholders were happy to accept cash payment for their investment.

The \$450 million transaction was announced before the stock market opened on the Monday morning. Simultaneously, Hoegh, Moller and Antturi walked into the Bona offices where a town hall meeting had been called without prior notice. Hoegh announced he had sold the company to Teekay because he viewed it to be too small to succeed on its own in a market where major oil companies were merging to form mega entities, and would demand more of their suppliers in the future.

Bona staff were shocked. They thought the company's strategy was to grow to challenge Teekay for market position, and now



The Aframax tanker *Seletar Spirit* (ex-*Pacific Mercury*) was not in good condition when Teekay took her over at Busan in 1998. After her ten years under other owners, some ballast lines were leaking, as was the main circulation pipe in the engine room, and the freon piping to the freezer rooms was crumpled in parts. The galley was a mess, fit for cooking for only 17 crew members, and the galley exhaust trunking was coated with grease. It took the master two weeks to clean ten years of cigarette-smoke grime off his cabin deckhead. There were no carpets until she was refurbished a few months later. The crew had to dispose of all the mattresses, sheets, towels, and about \$3,000 worth of inedible food. An extra oven was installed in the galley, which made the chief cook's job much easier. The crew really worked hard to get the tanker shipshape according to Teekay's high standards. Following the initial refit and subsequent refits, she traded in the Teekay fleet until her sale in 2004. *Teekay Collection*

Captain Andrej Vlasimsky

An exceptional seafarer is one who not only has expertise in navigation, seamanship or marine engineering but who also takes note of the beautiful, fascinating and ever-changing environment through which he moves. Captain Andrej Vlasimsky, who has been with Teekay from cadet to master, is one of those with a deep philosophical interest in, and awe for, the waters that give him his livelihood and challenge him to retain that beauty. In 'The Blue Planet', an article written for a Teekay in-house publication and reproduced below, Captain Vlasimsky captures some of the feelings engendered by his seagoing career:

Since I was little, I have been fascinated by our planet's beauty and diversity. As I grew up, I began to realise how everything fits together in perfect harmony. Nothing was more obvious than the fact that the globe is comprised of immense seas and oceans, and all of the planet's diversity comes from both.

This is, and will always be, a blue planet. You can believe anything you want, but the fact remains: the sea is a creator of all life on this planet. This led me to a career at sea since nothing is more important to this planet than the sea that covers it.

For me, becoming a seafarer was the best path to the sea and I set my sights on becoming



Captain Andrej Vlasimsky Teekay Collection

a Captain. Why? To be a Captain was considered a privilege and is something that only the most dedicated, brave and knowledgeable were given a chance to become. However, it does come with a great sacrifice; you have to give a lot to the sea in return for all it gives to you.

I started my career as a cadet and my first choice was to work at Teekay. This decision gave me a chance to live my dream to its full potential. Over time I realised that no matter how much growth I, the company or our civilisation

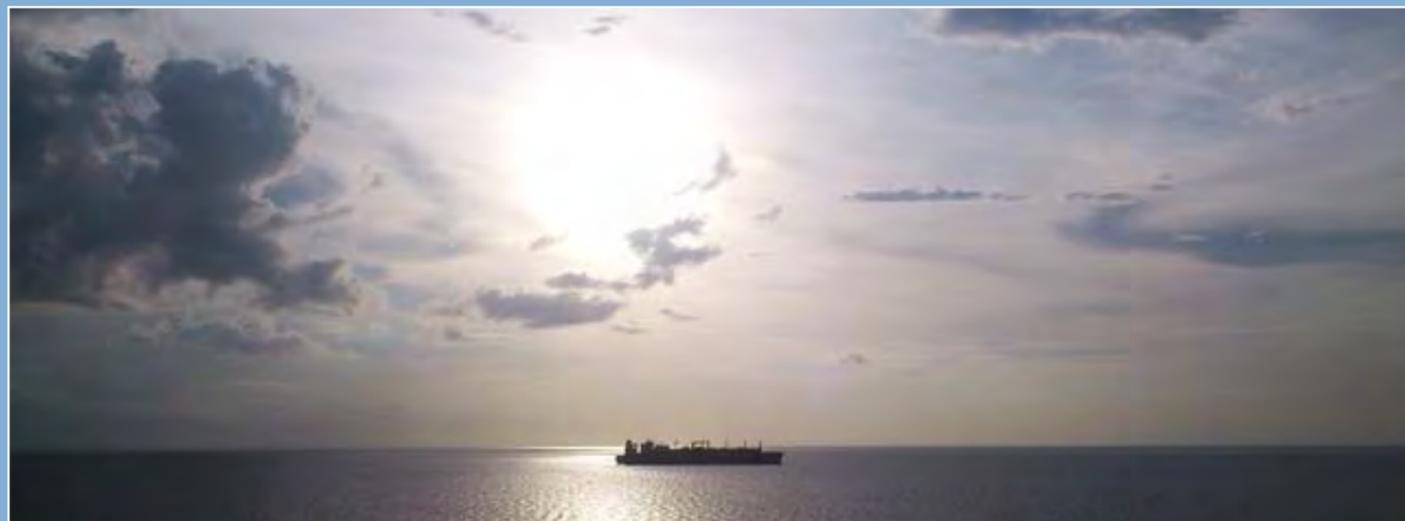
experiences, the sea constantly reminds us of how small and insignificant we all are.

To achieve something in life, you need the help of others, which brings me to my fellow seamen. Without their help, their teamwork and effort, I, as Captain, am nothing. There is no better place to show you this than the ship that sails the oceans. On board the ship, I am a company representative, business manager but also a parent, friend, doctor, coach and priest to those on board. The rules must be obeyed and the hierarchy is known, but it doesn't take long for the sea to show us how together we stand, divided we fall. Although we appreciate the acknowledgement of 2010 as Year of the Seafarer, to those of us on board, it is a lifetime, and we have chosen it because we love the sea and want to spend our lives on it.

For the young people who want to start this career I say: You can travel the globe and see millions of places, but have you been in the middle of the ocean on your blue planet? I have, and I will be there again. Will you?

As for those who wonder how you can be in love with the sea and still transport oil with a tanker, my answer is simple. I am a protector of the planet, a keeper of the blue. As long as there are people like me who are in charge of the ships and companies like Teekay that appreciate and understand the planet, your blue planet is safe in our hands. We will cherish it like a gentle ocean phytoplankton.

This is my planet.
I am a sea creature. ■



they had been absorbed by Teekay without prior warning.

To ensure that they could meet with key Teekay investors in New York on the same day, Moller and Antturi flew aboard Concorde from Paris at noon on Monday, arriving in Manhattan by 10 a.m. local time Monday. This was the only time that Teekay employees used the expensive supersonic aircraft in the course of business travel. Bjorn Moller later commented, 'I was so exhausted after a weekend with almost no sleep that

I wasn't even awake when they served the Beluga caviar during the flight!'

The purchase of Bona Shipping proved to be a big success. Teekay had become the largest operator of Aframaxes globally and, when tanker rates began to rise significantly in late 1999, the enlarged fleet brought good profits to the company. The integration of the two organisations was very smooth. A significant side benefit from the deal was to put Teekay's name on the map in Norwegian shipping and energy circles as an upwardly

mobile force to be reckoned with, positioning the company well for future involvement in that country, particularly in the North Sea oil industry.

In early 2000 Teekay noticed that the share price of the venerable Danish product and dry bulk shipping company Torm was languishing, despite the fact that shipping rates were in a recovery phase. Sensing the possibility of a bargain opportunity, Moller first obtained permission from the board to acquire up to 4.9 per cent of Torm's shares

Erika and Prestige – disasters that affected tanker operations

International developments would also play a significant part in the company's march forward. In December 1999 the aged tanker *Erika* loaded a cargo of heavy bunker oil in Dunkerque, France, and headed for Livorno, Italy. The synoptic chart for western European waters showed a deep depression, its ominous isobaric pattern leading meteorologists to forecast that gale force winds, generating heavy seas, would prevail as the ship moved through the Dover Strait and the English Channel.

On the morning of December 12, French and British helicopters were scrambled when the ship broadcast a distress message indicating that she had fractured in the wild seas, so common in the Bay of Biscay.

As the helicopters plucked the crew members from a lifeboat and from the stern section of the tanker, it was obvious that large amounts of oil were already leaking freely into the sea from tank ventilators and the damaged hull, and authorities on both sides of the English Channel prepared to counter a major oil pollution incident. Broken in half, the ship sank and the slick increased in size, but initially only pockets of pollution occurred along the French coast.

The weather deteriorated, however, and amidst what one commentator called 'the storm of the century' even stronger winds drove the extensive slick ashore, polluting much of the Brittany coast. Although the authorities managed to clean up the coast, the ramifications of the oil spill for the tanker industry – like those in the aftermath of the grounding of *Exxon Valdez* on the Alaskan coast a decade earlier – were significant, including calls for the phasing out of single-skinned tankers and for more stringent surveys, including very rigorous checks by charterers, classification societies, flag states and port state surveyors.

The hand of the International Maritime Organisation was forced when a similar accident occurred nearly two years later.

The Greek-owned Aframax tanker *Prestige* had loaded 77,000 tons of two grades of heavy fuel oil in Riga for Singapore. Off the Spanish coast her hull cracked and, despite the pleas of her master that the weather was worsening and the seaworthiness of his ship was deteriorating in the increasingly heavy seas, she was refused entry to Spanish, Portuguese or French ports. She sank on November 19, spilling oil that came ashore on the

Spanish and French coasts, causing widespread pollution.

Like the earlier accidents involving *Exxon Valdez* and *Erika*, this incident had several effects on the shipping industry. Her master, Captain Apostolous Mangouras, was arrested for allegedly disobeying the orders of the Spanish authorities, an action, they claimed, which led to the break-up of the tanker. This drew the ire of seafarers' unions, who protested vehemently against the criminalisation of seafarers, especially in cases where the master was trying to save his ship.

Although several European countries slapped an immediate ban on single-hull tankers entering their waters, the *Prestige* saga also led to the IMO phasing in a ban on single-skinned tankers, which meant that all such vessels would be out of service by 2010. Since most of Teekay's tankers were double-skinned – and the remaining single-skinned vessels would be withdrawn before the relevant phase-out date – the step by the IMO did not impact negatively on the company's operations. On the contrary, oil majors sought out double-skinned tankers even before their use became compulsory, raising Teekay's status and therefore increasing the possibility of securing long-term charters.

Crewing

'Never heard of them,' was a frequent retort in the 1970s and even in the early 1980s when a seagoing officer was asked whether he wanted to work for Teekay. One of these was Captain Boris Banic, who tells that in a moment of idleness when he was the chief mate in a Sanko tanker, he broadcast on the ship's VHF radio in the Yugoslav language simply to see who would respond. Seconds later, a Yugoslav officer responded from the tanker *Grand Wisdom*, Teekay's second ship, giving Banic his first introduction to Teekay. After making further enquiries about the company, he joined *Grand Wisdom* on September 15, 1986 as chief officer.

To crew his ships Torben used Azalea Manning Agency in Rotterdam, which was run by a Mr Tsutsumi, who worked in the Rotterdam office of the Japanese bulker and tanker operator, Sanko, with whom Torben worked closely in the chartering of ships. It was Tsutsumi who also supplied officers for some of the Sanko ships.

In August 1985 Sanko was faced with serious financial difficulties that resulted in several of its offices closing, including the Rotterdam recruiting office. The company was forced to sell a number of ships, some of which Torben bought and, if he found that the ships' officers shared his attitude and work ethic, he offered them jobs with Teekay. Other Sanko officers wanted to leave the company in case its financial woes caused it to close completely, and when Sanko announced a reduction in salaries a number of very competent officers sought employment with Teekay.

Because he believed in a family-like atmosphere, company collegiality and loyalty, Torben often exhorted his senior officers to encourage their seagoing friends to join Teekay. Again, provided they were competent and shared the work ethic and other values expected by Teekay, they were offered employment. Service in Sanko ships was a significant entry portal to Teekay and many seamen were recruited in this way, some rising to command or chief engineer level in the growing Teekay fleet.

As he had married a Dutch woman, Tsutsumi did not want to return to Japan when Sanko closed the recruiting office and he remained in Rotterdam but continued crewing ships. Since Tsutsumi knew many Sanko officers, Torben offered him a job to recruit officers for his ships, instructing him to use former Sanko men wherever possible.

Because of a problem regarding payment of the correct salaries to his seafarers, Torben was quick to improve the entire system of recruitment, appointment to ships, and payment to his crews. He transferred all the officers to Teekay itself by opening Teekay Norbulk (Glasgow), which would administer the officer complement.

He would visit as many ships as he could and numerous anecdotes have been told of those visits. One officer said that while his ship was in port in Long Beach he was reading in his cabin late one Friday evening when there was a knock on his door. In came Torben, who after working late in his office had boarded the ship simply to say hello and greet the crew before going home.

During a visit to *Sunrise* in 1988 Torben noticed that despite the valiant maintenance work done by the crew there was still a backlog. 'Want more crew?' he asked the master. 'Yes,' the master replied, 'that would be very helpful.' 'Just call Vinay [Patwardhan] and ask for extras,' Torben told him, and in due course the additional crew members arrived to join the ship.

Teekay's Filipino officers and ratings were employed via the Manila-based crewing agency Panfil. In June 1989 Torben wrote in his circular letter to masters:

I was advised that our new crewing agency in Manila - Mayon Marine Management Inc. - finally had the full fleet transferred to it from Panfil. This is very happy news as it will further our aim of quickly becoming a totally independent organisation. I further wish to express my hope that senior fleet officers help us to train our Filipino officers and crews, keeping in mind that in this Group we treat everyone as an equal [his underlining to emphasise



Photographs taken aboard Teekay ships by Chief Engineer Kanwar Deep Ghei and also sourced from the Teekay Collection

that point]. ... Panfil did their best for us and we are grateful to them for that. We merely believe that we can do better on our own, considering that we must get involved more in direct recruiting and training - with all that entails, both in Manila and on board.

Another letter told his seafarers of a further development:

From the late 1980s, Teekay employs every crew member directly, rather than depend on the discretion of crewing agencies to appoint crew members. Like so many other shipping companies, Teekay ships have a preponderance of Filipino crews, as, for decades, that archipelago has been the world's leading supplier of seafarers, and its largest export is its seafarers. The Philippines-based Mayon Marine provided crews, but to avoid any unhappiness among Teekay's seagoing employees, Teekay took over the Filipino company and renamed it Teekay Philippines.

His quest to employ seafarers directly was to draw loyalty from them, which one would not get if each person was on a contract that terminated with his tour of duty, leaving the person with no guarantee of re-employment. 'That's no way to gain their loyalty,' he said. 'We will have our own people.'

To ensure that the best Filipino officers and ratings came to Teekay, Captain Hans Schaefer was sent to Manila from 1996 to 1998 to help improve training facilities for seamen and, in the process, to understand Filipino customs. Among his findings during this valuable time in the Philippines was that seafarers' children were the most important beneficiaries of the wages the men earned as most of them saved a significant amount to provide a better education for their children than they themselves had experienced. Although many sons followed in their fathers' footsteps and embarked on maritime careers, others became university graduates, made possible by the savings accrued from their fathers' wages.

To find suitable crews for its rapidly expanding fleet, Teekay had to look for other reliable sources of well-trained officers and ratings. With its maritime training based on the British system, Indian training institutions were producing well-trained, competent officers and good crews. Indeed, many well-known British



Photographs taken aboard Teekay ships by Chief Engineer Kanwar Deep Ghei and also sourced from the Teekay Collection

shipping lines had employed Indian ratings for generations, establishing a large pool of good and experienced seamen. Teekay recruited hundreds of excellent seafarers from India, many of whom have gained command or chief engineer status in the company, and some have moved to various shoreside positions.

As the domination of eastern Europe faded and more democratic systems were established in former 'Eastern Bloc' countries, several state-owned and state-subsidised shipping lines collapsed in the face of open competition from within those countries and from the international shipping sector. This led to serious unemployment among hundreds of well-trained officers from those former state-run shipping lines, and from the late 1980s into the following decade western and Asian companies sought out the best among them for their own fleets.

For that purpose John Adams and Captain Steve Tucker undertook two remarkable trips to Novorossiysk in Russia, and the Latvian capital, Riga. Soon after that it was back to Japan again to stand by the construction of *Samar Spirit* during which Tucker had the temporary title of port captain, but having to work with and supervise the full crew from Latvia was a particularly memorable challenge.

Although most Teekay ships carry cadets, the concept of a specialised training ship came to fruition when *Asiatic Spirit*, commanded by Captain Andy Phillips, was converted to carry twelve cadets and *Tasman Spirit* was converted to a training ship for engineer cadets and pumpmen. *Torben Spirit* was the first custom-built cadet ship with accommodation and training facilities for twelve cadets, most of whom were British. They were given an induction course in Glasgow, where they received their cadet training books, after which they visited the Teekay offices in London, Vancouver and Tokyo before going to a shipyard. Then they boarded the famous bullet train to join *Torben Spirit*. This extensive introduction to Teekay was intended to develop in the cadets a sense of loyalty to a large, global company that offered them much.

Although Teekay crewing has been dubbed 'transnational' and most ships have crew members from a number of countries, others



TOP Ongoing engineering work is a part of Teekay's maintenance plan for each ship. Teekay Collection ABOVE Chief Officer Tomislav Gospic. Chief Engineer Kanwar Deep Ghei

are crewed entirely by Norwegian, Australian or Spanish seafarers for operational reasons.

Pay scales were originally the same for all officers, irrespective of their country of domicile, as Torben believed strongly that only competence mattered and thus refused to differentiate. Eventually, in keeping with international trends, Teekay was forced to change the system, which now reflects their domicile and cost of living, not their nationality.

To comply with the international requirements for crewing, emphasis is placed on updating the expertise of all seafarers through simulation exercises, courses, and exposure to the range of ships within the fleet. This is especially true as new technology is developed, such as dynamic positioning systems on shuttle tankers and other types of vessel. Increasing the number of gas ships in the fleet meant that the Spanish officers aboard the company's first gas carriers that were bought as part of the deal with Tapias could train other members of Teekay sea staff to crew the new LNG ships, for these are specialised vessels requiring specialised training. Before his own deployment to the LNG vessels, Captain Steve Tucker attended a Lloyd's course on their construction in Vancouver, completed the Warsash gas ship familiarisation course that included simulator training, and later joined the former Tapias vessel *Catalunya Spirit* for a voyage from Trinidad to Boston and back to Puerto Rico, followed by three further voyages aboard *Galicja Spirit*. Time in the shipyard in Korea during the construction and sea trials of *Al Areesh* concluded most of the training, although before he took command of the new *Al Marrouma*, he joined the vessel at her first loading port, and only took over after several days of introduction to his new command.

Teekay's pioneering SCOPE programme, the only internationally accredited competence management system – encompassing not only matters relating directly to safety, seamanship and engineering, but in addition to important issues such as leadership and personal development – commenced in 2005 and is now central to ensuring that all seafarers in the fleet have the opportunity to develop to their full potential. ■

September 11, 2001

On a clear, late summer morning in the United States, a new horror was beamed across the world's media. A television crew filming the work of firefighters checking a gas leak in New York City, inadvertently captured the moment when the first of two passenger aircraft, hijacked by Islamic extremists, crashed into New York's World Trade Centre on September 11, 2001. Minutes later, another aircraft hit the other tower, a third hit the Pentagon in Washington, while a fourth crashed in a Pennsylvania field after its passengers engaged the hijackers. This was horror on a scale not experienced in the United States since the attack on Pearl Harbour in 1941.

The 9/11 event created an immediate tightening of security in the airline industry and caused an already jittery world to wonder what the American reaction would be. After all, this was the first time that Americans had been attacked on a large scale since Pearl Harbour. 'We will smoke 'em from their caves,' announced President George W. Bush, warning that the perpetrators of such horrendous deeds could run, but there would be no place for them to hide. This was an expected response from the president, who needed to promise his anxious nation that retribution would follow, and that his countrymen would be safe as measures were put in place to prevent further attacks.

As had happened during previous times of global anxiety, importers scrambled to ensure that their oil stockpiles were sufficient in case the usual supply chain was dislocated by the American zeal for revenge and to counter any further attacks by terrorists. The tanker spot market bounded upwards, and new, longer-term fixtures reflected higher rates, all favouring owners, including Teekay to an extent, although most of its ships were already fixed on charters.

Almost immediately after the 9/11 attacks, the oil price began to increase, creating an increased interest from tanker owners. In the wake of the attacks on New York and Washington the shipping industry had to examine its own security to avoid terrorist attacks on

harbour installations and the deliberate or unwitting importation of weapons of mass destruction into the hearts of ports and cities. In addition, they had to become aware of the potential for prospective terrorists to enter a country by posing as crew members aboard a ship or by stowing away on a ship. These fears led to the imposition by the International Maritime Organisation of the United States-inspired International Ship and Port Security Code, a set of regulations that forced ports all over the world to install high-security systems to prevent intrusions into the world's docklands, while ships had to comply with equally restrictive measures to prevent unwanted people from boarding.

The consequences of the enforced implementation of the ISPS code were serious for shipping companies, including Teekay, who had to extend their existing security systems to ensure compliance with the new regulations. As the new regulations came into force, shipmasters steeled themselves for an avalanche of paperwork. More detailed crew lists and other documents had to be submitted to port authorities at least 96 hours before a vessel's arrival, and as implementation day dawned the masters of numerous ships arriving off American ports were confronted by Coast Guard officials. Similar experiences awaited vessels calling at ports in several other countries.

For the crew of ships many obstacles were imposed, including stringent visa regulations for nationals of many countries who could formerly enter most countries, including the United States, on the internationally recognised 'seaman's book'. For Teekay, with its multi-national crews, this curtailment of the freedom of movement of seafarers was a particularly troublesome intrusion. In addition, restrictions on shore leave in United States terminals made life difficult – even unpleasant – for those on board as they suddenly faced the reality of little, if any, shore leave in American ports.

As the demand for oil increased, the oil price also increased, spurred on by simultaneous economic growth in Asia and a weak United States dollar. The combined effects of all of these factors caused the tanker markets to surge. ■



The 9/11 Memorial, New York. Gallo Images/Getty Images/Michael Orso

(just below the 5 per cent filing requirement), and began acquiring shares in the open market. In March Axel Karlshøj, Sean Day and Moller visited Torm's chairman, Sven Gullev, and its CEO, Erik Behn, in Copenhagen with a clear message: as Torm's shareholders seemed disenchanted and there were rumours that some large shareholders were looking to sell, the company would be better off trying to control its own future by combining forces with Teekay. Torm gave a guarded response, denying any unrest in their shareholder ranks and asking Teekay to give them several months to consider their options. Later the same day, Villy Panayotides, a Greek ship owner, conducted a 'street sweep', mopping up more than 30 per cent of Torm's shares in one afternoon. Teekay had to recognise that its instincts to first try the friendly route by initially approaching Torm's board had lost out to Panayotides' hostile approach, especially since the events made it clear that Torm's management had been oblivious to their shareholders' dissatisfaction with the company.

As an aside, the following year Teekay opportunistically acquired a bloc of some 17 per cent of the shares in Torm at an attractive price. It resold the shares within one year at a profit of \$95 million.

Having concluded and integrated the Australian and Bona deals, as well as having made a well-timed re-entry into the new-building market after a lengthy hiatus, a session was convened among the senior leadership team – joined by board members Sean Day and Leif Hoegh – to brainstorm what the next steps should be for Teekay. Understandably proud of their recent achievements, the young leadership team felt they were on a promising path. Yet, Day and Hoegh offered the thought-provoking strategic perspective that perhaps the company's competitive position was even stronger than the leadership team realised and that the company might consider raising its sights even further than the BHAG. They challenged management to consider how to get out of the 'commodity trap'. 'It is not good enough to be the best of a bad bunch,' commented Hoegh.

Highly energised by these discussions, the leadership team went back to the drawing

board in early 2001 to consider how it might raise its sights beyond an already ambitious BHAG. It was around this time that Teekay started looking more closely at the shuttle tanker business as its next stop.

Starting in the late 1960s Norway had played a significant role in the offshore exploration work for oil and gas reserves beneath the North Sea. Questions regarding the best way of bringing the North Sea oil and gas ashore arose, and with their rich maritime history Norwegians assumed tankers would be used. However, fears of tanker off-take stoppages at the offshore installations because of the wild winter sea conditions and frequent gales sweeping across the North Sea caused them to reconsider the medium for bringing oil to shore-side refineries. Concerns were also expressed that as Norway could not provide all the shuttle tankers to bring the oil ashore, the country might soon become dependent on foreign-flagged vessels, a situation that many regarded as a potential threat to the national security of the Norwegian oil and gas industry, and therefore to its economy. These arguments prompted an initial political decision to bring all of Norway's oil and gas ashore by pipeline. However, this decision proved impractical to implement, partly because of the remoteness from land of some oilfields and also because of the nature of the seabed, especially since the Norwegian Trench (up to 95 kilometres wide and 700 metres deep in parts) runs between the mainland and the principal production area. Thus, some of the emphasis switched to using shuttle tankers to bring the oil ashore, provided the ships were equipped with state-of-the-art technology to allow station-keeping in all but the most extreme weather conditions. With their long maritime tradition and expertise, Norwegian tanker companies soon developed a near-monopoly in providing these sophisticated tankers.

The logistics surrounding a large part of that country's oil industry – its development, the shipment of crude oil and oil products, as well as refining – were the domain of the state-owned Statoil, whose refineries were located throughout Scandinavia. The system worked very well and extended the capacity

of Norwegian shipping, which in turn provided employment for Norwegian seafarers and developed a pool of local expertise across many of the oil and shipping sectors. These fed off each other and expanded beyond all expectations after the late 1970s, when the first oil and gas came ashore from some of the most promising fields that fell within the Norwegian economic exclusion zone.

In the 1990s Statoil reorganised its shipping activities, creating a subsidiary, Navion Shipping, to oversee all of its shipping needs. Navion was considered by many as 'the crown jewel of Norwegian shipping', for it held all of the state-sponsored contracts to move oil from the offshore installations.

Asian Spirit (a Suezmax tanker) was commissioned in 2004. *Teekay Collection*



Navion owned a number of highly sophisticated shuttle tankers in its own right and also leased-in a number of other ships under long-term charters from independent Norwegian ship owners. Utilising the unrivalled scale of its shuttle fleet in a complex scheduling programme to service more than 30 oilfields, Navion allowed no room for tanker owners to play a role except as subcontractors. A small number of other oil companies were handling their own logistics on a smaller scale using a few leased-in shuttle tankers, but Navion was the 'big fish in a small pond'.

The growing North Sea shuttle tanker niche had allowed the Oslo stock-listed, Sandefjord-based company, Ugland Nordic Shipping (UNS), to become the largest of these subcontractors, building up a fleet of

about 25 shuttle vessels, some on time charter to Statoil, its biggest customer, and others to Esso Norway. Its involvement in long-term charters to major oil companies, and in particular to a state entity, had not escaped the attention of Teekay and Bjorn Moller. In fact, in 1996 Moller had organised a pleasant dinner in London with Andreas Ove Ugland, chairman and large shareholder in UNS, seeking his help in finding a way for Teekay to become involved in the shuttle trade. Despite the cordiality of the evening Ugland made it very clear that UNS had no interest in helping a potential competitor like Teekay to enter this lucrative niche.

The increased involvement in the conventional tanker trade in the North Sea that came from the Bona acquisition gave Teekay a front-seat view of the shuttle trade,



Staying 'undercover' in Sandefjord

Similar to the acquisition of Bona in 1999, and because Ugland Nordic Shipping (UNS) was a publicly listed company, Teekay had to conduct all of its confidential due diligence studies in the UNS acquisition process during a single weekend. UNS's offices were located in the small Norwegian town of Sandefjord, two hours' drive by car from Oslo. UNS CEO Herbjorn Hansson (seen here with Teekay CEO Bjorn Moller) was expecting a Teekay team of three to five people, but some 20 arrived, conspicuously made up of the typical Teekay melting pot of ethnic backgrounds. When Hansson called Bjorn Moller in Vancouver to express his concern about blowing their cover, Moller assured him that his team would be discreet. Ironically, it was Hansson himself who almost blew the team's cover when, on Saturday morning, he went to his local bakery shop and ordered 40 rolls instead of his

usual two. That raised a few eyebrows! The team was able to complete their due diligence investigation by Sunday night. What remained was for each member of the team – covering financial, legal, accounting, technical, and other aspects – to report his findings promptly to Vancouver to allow the preparation during Sunday of a board presentation to seek approval to proceed, and then prepare press releases and investor presentations in time for Monday morning. To save time, the debriefing of the team in Norway took place while they drove in a five-vehicle convoy from Sandefjord to Oslo. Simultaneously connected to a conference call with Vancouver, every member of the team delivered his findings verbally. Undoubtedly, this was one of the stranger sights seen on the road to Oslo, not to mention one of the most expensive cellphone bills in Teekay's history! ■

reaffirming its interest in this growth area. However, breaking into the 'club' of shuttle tanker owners was proving a challenge for a newcomer. When in early 2001 the company picked up a rumour that another large shareholder, Andreas's brother Johan Benad Ugland, was considering selling his 30 per

cent shareholding in UNS, Teekay promptly opened up discussions with him. At the same time Teekay bought a 10 per cent share in Ugland Nordic in the open market through a Norwegian brokerage firm. Although this was supposedly confidential, Herbjorn Hansson, UNS's energetic chief executive,

quickly learnt through his contacts of Teekay's purchase and realised immediately that Teekay was planning a takeover. He swung into action to foil Teekay's plans of a hostile takeover, announcing Teekay's interest to the Oslo Stock Exchange, causing the share price to increase markedly and defeating the approach by making a deal extremely expensive for Teekay. The Teekay team, who had travelled to Oslo in anticipation of clinching a deal, had no option but to withdraw and return to Canada with little to show for their efforts.

While Teekay was smarting from this unsuccessful attempt to gain entry to the shuttle tanker sector, another, unexpected development changed the scenario significantly. A few weeks later, Johan Ugland announced he had sold his shareholding to the Kristiansand-based Rasmussen Group, who declared it was their intention to build and maintain a large minority position in UNS. Rasmussen, which had owned a 20 per cent stake in Navion Shipping (Statoil had the rest of the shares), was locked in a feud with Statoil over Navion's late delivery of the drillship *West Navion* and the cost overrun in its construction, resulting in what they considered to be unsatisfactory returns on their investment in Navion. Increasing tensions between the two parties led Rasmussen to declare an intention to take their dispute with Statoil to arbitration. (Statoil later preempted the arbitration route by offering Rasmussen a good price for their shares, which they accepted, giving Statoil total control of Navion.)

Hansson quickly realised that UNS's new majority shareholder – Rasmussen – was in a bitter feud with UNS's biggest customer – Statoil. This was not a tenable situation, from a customer perspective as well as having a depressing effect on his future share price. He decided that perhaps the better bet was to talk to Teekay.

While in Japan, Moller received an unexpected call from Hansson. 'I have talked to all of my key shareholders and I can deliver a minimum of 50 per cent of the UNS shares, if you are still interested,' he told an excited Moller. Hansson proved true to his word and

The shuttle tanker *Nordic Laurita*, one of the Umland Nordic fleet that was taken over by Teekay in 2002, in the Cape Town anchorage, awaiting a crude oil cargo from the Sable oilfield off the southern coast of South Africa. She had a year's charter to move the crude oil either to Saldanha Bay or to the offshore mooring buoy at Durban for onward delivery to the respective oil refineries by pipeline. *Brian Ingpen*



by the next day he had managed to line up 54 per cent of the UNS shares for Teekay, who reacted immediately by acquiring the shares and launching a public offer for the rest of the shares at a price that valued UNS at \$700 million, an offer that Rasmussen eventually, albeit reluctantly, accepted as their objectives had been defeated. Unlike the unsuccessful Torm project the previous year, where a hostile suitor had won out, here the hostile approach of Rasmussen was ultimately defeated by a friendly deal between UNS and Teekay. Teekay was now in the happy position of owning UNS, making it a significant player in the Norwegian oil transportation sector. And another major opportunity on the shuttle tanker front was to follow within a year.

In 2002 Statoil was reviewing its ownership of Navion. 'Why should Statoil have its capital tied up in a shipping company when there are several excellent shipowners who could do the job?' was the question being asked by the Statoil board. Others suggested that, through Navion, Statoil was competing with Norwegian shipping companies,

although there were dissenting voices that pointed to the strategic role the company's fleet played in the Norwegian oil industry. Nevertheless, the board decided to start preparing to sell its shipping arm, and the word quickly spread.

Immediately realising this would be an opportunity never to be repeated, Moller went to Norway even before the official announcement by Statoil to express Teekay's strong interest in the purchase of the Norwegian company. He brought with him a team of four other senior Teekay executives and they gave a three-hour presentation about every aspect of Teekay to a team from Statoil, led by Statoil's executive vice-president and Navion chairman Erling Overland, a key figure in any decision to be made regarding Navion's future.

In the following weeks, Moller and Overland developed a good understanding and mutual respect. The Statoil man invited Moller to an unusual meeting in the small harbour town of Tananger. Following lunch at the restaurant Hummeren, the two men walked along the beach, discussing a wide

range of issues – the price tag, the dangers of moving the Navion fleet operation out of Norway, the development of offshore loading technology, and more. Overland later revealed that he had had a similar conversation with Moller's counterpart at the leading Norwegian company competing for the purchase of Navion. 'I needed to get to know these men more,' Overland commented later. 'After all, we were entrusting the movement of Norway's oil to one of them.'

When the announcement of the proposed sale of Navion was officially made, many top-class companies displayed a keen interest. Not only would their 30 shuttle tankers and 20 conventional tankers provide a strategic platform for any purchasing company, it would also provide valuable fixed revenues through contracts of affreightment with a reliable customer at a time when rates had collapsed in the wake of the terrorist attack on New York's World Trade Centre.

Teekay knew it would be difficult to persuade Statoil to hand to a foreign company the important role of transporting most of Norway's oil, especially since at least two

North Sea shuttle tanker operations

Huge seas and high winds are characteristic of the North Sea, yet it is the environment in which the oil and gas rigs operate, and in which shuttle tankers are required to link up to loading buoys to ferry crude oil ashore.

Among the first shuttle tankers to operate in the North Sea was Bergshav's *Bergina*, ex-*Jarena*, built in 1982 and purchased from the Kosmos Group in 1991. She was on charter to Statoil to load cargoes at their oilfield Statfjorn and also at Gulfaks, for discharge in Wilhelmshaven, British ports, Rotterdam and Norway.

She was a well-constructed vessel with some very comfortable accommodation for her crew. Wooden panelling, long since prohibited in ship construction, made her a cosy ship in which to sail, but when she arrived at the loading buoy all traces of cosiness were left behind as control of the ship had to be passed to a mini-bridge up forward, and the fo'c'sle party, including the master and mate, trudged to the bow to take control of the ship, make the loading

hose fast, and begin loading. Frequently the wind was strong and whipped spray off the sea, and despite the warm and protective clothing worn by those up in the bow the cold somehow penetrated. One master installed a coffee machine and a sink in *Bergina's* forward mini-bridge. Initially, she had an elementary dynamic positioning system that was later upgraded.

On older ships the hoses had to be connected and disconnected according to changes in the weather, a laborious procedure that has since been semi-automated and can be operated from the bridge.

All modern shuttle tankers have state-of-the-art dynamic positioning systems as well as the latest equipment and systems for loading. A host of safety procedures and equipment have also been fitted, including sophisticated shutdown equipment that can be activated at the press of a button. After all, environmental considerations are extremely important to the oil industry, and to Teekay in particular. ■



established Norwegian companies were also vying for the purchase of Navion. Moller was also acutely aware that business circles were buzzing with speculation regarding the ultimate purchaser of Navion, and that the local view was emphatic that a Norwegian company should operate this vital service that was so important to the nation.

Moller was joined by Sean Day and Peter Antturi in a series of formal meetings with Statoil teams, including Statoil's CEO, Olav Fjell. As Navion was an important employer in Stavanger, Moller and Day also visited Stavanger's influential mayor, Leif Johan Sevland, several times, gaining his confidence and support. Advantageous to Teekay's approach was Moller's Scandinavian background, and, of course, Teekay's Scandinavian heritage. Moller also addressed the town council, which was particularly anxious that the company should remain in the city, that jobs would be secure, and that any new buyer would commit itself not only to Norway but also to Stavanger. By the end of the meeting, Moller had provided all the assurances they required, including vital promises that Teekay would leave the operating headquarters in Stavanger and would grow the business. Such was the rapport between the councillors and the Teekay delegation that the meeting paved the way for future close co-operation between the city and the company.

There was also good news for Teekay on the bid front. One of the local companies had withdrawn from the race to secure Navion, believing that the price was too high and the process too long. With other potential bidders from Sweden, Denmark and further afield having already dropped out of the race, only one major Norwegian owner and Teekay were competing for the 'crown jewel' of Norwegian shipping. Statoil approached the Norwegian military for their views, but the response revealed no major concerns that a reputable foreign company might operate Navion.

Teekay's compelling presentations to Statoil had showcased Teekay's international reputation for sound management, safety, meticulously maintained vessels, and highly professional seafarers, as well as its strong balance sheet and strong corporate



ABOVE The Aframax tanker *Axel Spirit* was built at the Samsung shipyard, Korea, in 2004 as one of a series of four vessels, each bearing the name of a Karlshoej family member, the others being *Esther Spirit*, *Erik Spirit* and *Helga Spirit*. Chief Engineer Kanwar Deep Ghei **RIGHT** Peter Antturi, Sean Day and Bjorn Moller played a major role in Teekay's acquisition of Navion. Of Finnish origins, but Canadian by birth, Peter Antturi went to Vancouver University from Toronto, and after completing his business studies degree he returned to Toronto to work for Upper Lakes Shipping. On his first day an old hand took him through a vessel in port, crawling inside some of the narrow spaces and tanks, an experience that engendered in Antturi a fascination with ships. Returning to Vancouver to work for a company that was involved in the shipping of phosphates, he learnt from the local press that Teekay would be relocating its head office from Long Beach, California, to Vancouver, and believing that it would be preferable to work in a corporate head office than in a branch, he sent his résumé to Captain Jim Hood in Long Beach. 'You're hired,' Hood told him on the telephone, and for the six weeks before the company's move to Vancouver he had on-the-job training in Long Beach. Several years after the move to Vancouver, Antturi wanted to leave Teekay. Determined not to lose a person of this calibre, Bjorn Moller took him out for a meal. 'Congratulations!' Moller told him during the evening. 'You're the new chief financial officer.' And Antturi was in his early thirties! He played a major role in the expansion of Teekay, notably in the various deals that brought the company into the Norwegian tanker sector and, in a most important role, he moved to Stavanger, Norway, to oversee Teekay's initial years of involvement in operating the 'floating pipeline of Norway's oil' (see page 121). Antturi wanted to return to Canada and retire from the company, but when Axel Karlshoej heard about this he persuaded him to become involved in one of the family trusts through which he retains contact with the wider Teekay operation. *Teekay Collection*



governance. With Statoil's ambitions to grow its business outside the North Sea, Teekay's global reach offered the ability to follow Statoil wherever required. These were key factors for the Statoil board to consider, particularly as the North Sea operation involved high-risk loading from offshore platforms via hoses to tankers, often in dreadful weather conditions. Teekay felt it had the edge over

the competition in terms of track-record. Nevertheless, recognising the risk of the outcome being influenced by nationalist sentiment, Moller knew that it would be a close decision for Statoil's board, prompting him in the final meeting with Overland to present a final purchase offer that was \$10 million higher than the \$750 million the Teekay board had originally sanctioned. Overland

sat back in his chair and looked at the Teekay men, who were joined by Hans-Petter Aas of Den norske Bank. 'How are you going to pay for this?' he asked. Aas leant forward and pushed a document across the table. 'Here's \$500 million of it,' he said, referring to a proposed loan agreement that was contained in the prepared document he had tabled. Understandably, Overland was impressed. This was one of the largest single loan commitments that Den norske Bank had ever issued, and was based on the relationship of trust that Torben had developed with the bank, a relationship that was reinforced by the team led by Axel in that uncertain period after Torben's death, and by Teekay's honouring of the subsequent repayment of debts to that bank and other creditors. The deciding Statoil board meeting took place the following week.

A large Teekay team had travelled to Norway to be ready to spring into action in the event of a successful outcome. The team had convened in a meeting room at offices of its PR consultants in Oslo, and the mood was a combination of excitement and apprehension. Everyone remembered having to travel back to Vancouver empty-handed after the first, failed attempt in the UNS deal just one year earlier. Finally, in the late afternoon, Moller's cellphone rang. It was Overland. 'The board meeting is over. I don't know what you were worried about - Teekay won!' It was Friday December 13, 2002 and the greatest prize in Norwegian shipping had been acquired by Teekay (see page 114).

'I remember vividly,' Sean Day remarked later, 'how the Teekay team then worked right through the weekend in several hotel rooms in Stavanger to prepare all the press releases and to prepare for the press conferences, investor conferences and other meetings that were planned for the following Monday.' One of the important appointments was with Navion employees and other interested parties, who were invited to a meeting in the employees' cafeteria in the Stavanger office at which the new owners would address them. Day, Moller and Antturi admit to being a bit anxious about the reception they would receive from the audience

Navion gift exchange revealed the closeness of the competition

In December 2002 a team of Teekay executives travelled to Oslo in anticipation of a decision by the Statoil board about the sale of its shipping arm, Navion. According to tradition, Teekay had brought a corporate gift to be presented in the event of success - a silver platter engraved 'Statoil - Teekay - Navion; December 2002'. After Teekay was declared the successful bidder for Navion that Friday, the team travelled to Stavanger to meet Statoil officials over the weekend to prepare for the official announcement on Monday morning.

When it came to exchanging gifts at the celebration dinner on Sunday night, Bjorn Moller stood up and presented the silver platter to Erling Overland. Moller said, 'Erling, we didn't know the exact date of the signing, so the date says "December 2002".' Overland got up, handed over his gift to Moller, and stated with a wry smile, 'Well, Bjorn, you may not have known the date. We knew the date, but what we didn't know was who the winner would be! So our gift to you is simply inscribed "Navion Transaction, December 15, 2002. Congratulations!"' ■



The Teekay and Statoil teams in Vancouver in 2003 to celebrate the agreement whereby Teekay took over Statoil's subsidiary Navion Shipping. Navion was of strategic importance to the Norwegian economy, moving a large share of that country's oil from its offshore oilfields. *Teekay Collection*

when they walked into the auditorium. 'The employees had no idea who had bought the company,' Day continued, 'and I will never forget how they stared at us as we came in, and then an excited whispering broke out as they tried to identify us before we made the formal announcement.' A Navion staff member later commented that the first thing he had noticed was that all three men were

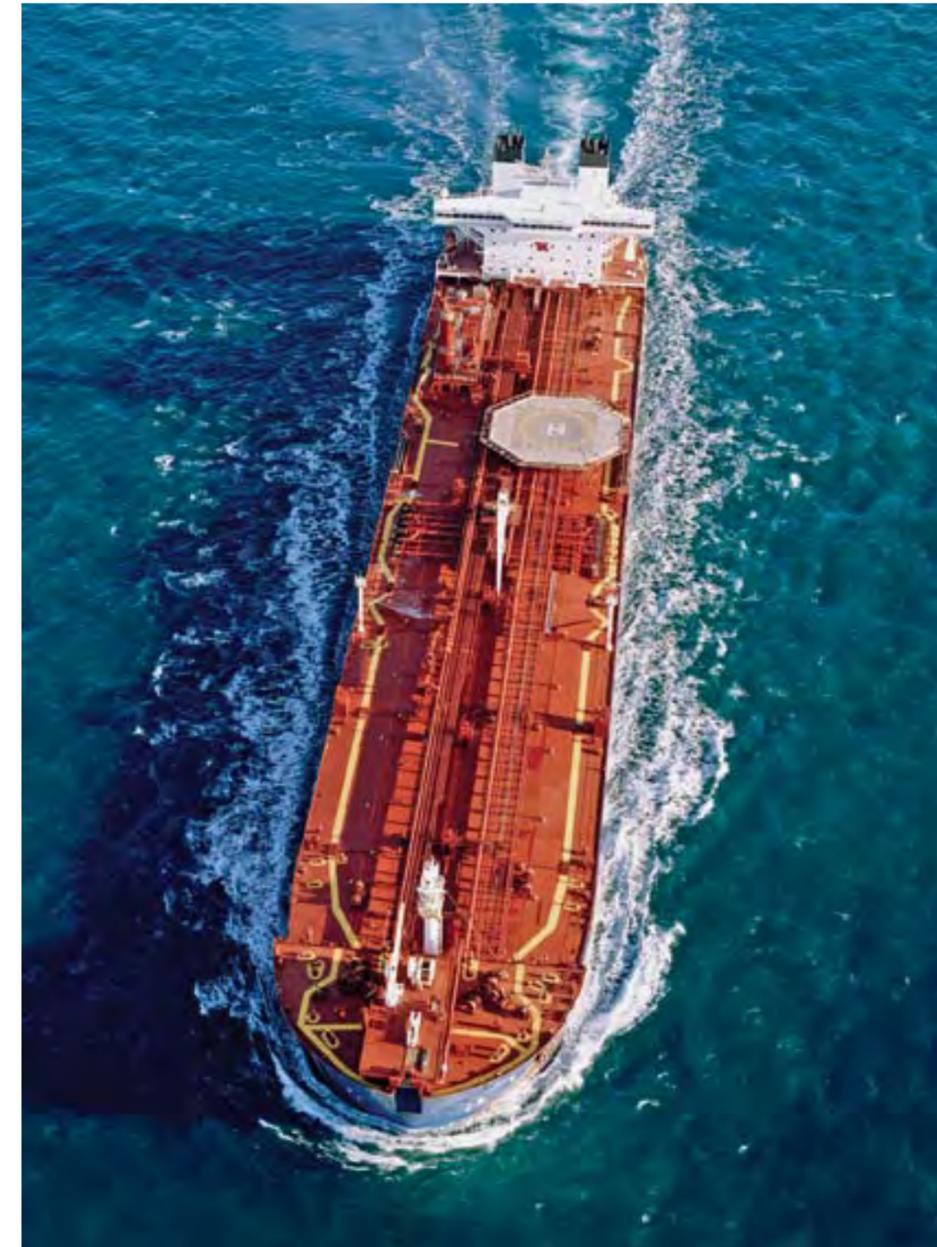
wearing identical white shirts and red ties; however, although this was by pure coincidence, some Navion people thought it was a kind of uniform! In their address, Day, Moller and Antturi talked freely about Teekay, its ideals and its dreams. The audience gradually warmed to the newcomers, the ice had been broken, and new horizons began to open for both the Navion personnel and Teekay.

The hard work continued. Loose ends were tied up to provide security of tenure for Navion's employees, to give assurances for many other aspects of the company's operations, and to meet existing contracts, which included not only the shuttle tanker business but also the chartering of conventional tankers to move Statoil's cargoes, an unexpectedly profitable part of the deal. (When

they valued the company, the Teekay team had put a conservative value on the large fleet of conventional tankers that Navion had time-chartered in to serve part of their export requirements. However, contrary to the team's assumptions, the tanker market boomed over the next few years, making this what Sean Day called 'a very nice upside surprise!')

Thus by the end of 2002 Teekay had taken over both Uglund Nordic and Navion as going concerns, and, apart from having the largest fleet of Aframax tankers, Teekay had also become the largest owner of shuttle tankers. These two acquisitions made the company the official carrier of more than half of Norway's oil, leading one commentator to write, 'Teekay now has the keys to the floating oil

pipeline of Norway.' Because Navion had such a large number of assets and personnel in Norway, Moller asked Antturi to relocate to Stavanger as president of Teekay-Navion Shuttle Tankers (TNST) and to manage the integration of the two companies. Since public opinion had been so strongly in favour of a Norwegian company taking over the national oil shipments, it was essential that



FAR LEFT The 148,729-deadweight shuttle tanker *Navion Stavanger* in the port after which she was named. *Teekay Collection*
LEFT Built in 1999, *Navion Anglia* was one of the vessels that were absorbed into the Teekay fleet after the takeover of Navion. *Teekay Collection*

Alliance Spirit, a total loss

Rare meteorological systems, similar to tropical cyclones and known in Spanish as *medicane*, occur over the Mediterranean Sea, bringing high winds, extremely heavy seas, and driving rain. Records show that such systems occurred in September 1947, September 1969, January 1982, September 1983, January 1995, January–February 2003 and October 2006. The most recent occurrence, in November 2011, was classified officially as a tropical storm. Some have the ‘eye’ that is characteristic of tropical cyclones, and, on that occasion, a ship recorded winds of 85 miles per hour (140 kilometres per hour) and an atmospheric pressure of 975 millibars.

Arriving in ballast from Philadelphia at Skikda, Algeria, on January 15, 2003, the Aframax *Alliance Spirit* anchored off the port to await a berth to load crude oil. Also in the anchorage were two other tankers in ballast. When the port authorities gave a storm warning all three tankers moved out of the anchorage to ride out the storm at sea, and once the worst was over they were allowed to return to anchor. No more storm warnings followed, yet the wind increased to such an extent that all three ships left the anchorage twice of their own accord and returned on each occasion when the wind had subsided. However, there were now 17 ships in the anchorage and when the wind began to strengthen for the fourth time the *Alliance Spirit*'s master, Captain Boris Banic, ordered the anchor weighed shortly after midnight on February 1. Similar steps were being taken aboard the other vessels, resulting in considerable confusion and frantic radio calls between ships in the crowded anchorage. When the port control called an Aframax tanker to warn that she was too close to the breakwater, her master replied that his ship was already aground!

As *Alliance Spirit* began to move ahead, the wind strength increased substantially within minutes, the sea became wild and confused as an enormous swell started running, and the low-powered engine simply could not cope. Banic turned the ship to steer 310 degrees, but such was the strength of the elements



Captain Boris Banic photographed aboard *Alliance Spirit* off Cape Horn on July 26, 2002. Cape Horn is the southernmost headland of the Tierra del Fuego archipelago of southern Chile, and is on the small Hornos Island, although it is not the most southerly point of South America. A passage via Cape Horn can be particularly hazardous as it is a zone of exceptionally strong winds, heavy swell, powerful currents and even icebergs, a combination that has put fear into the hearts of the most intrepid seafarers, and killed hundreds, perhaps thousands, over the years.

While in command of *Alliance Spirit*, Captain Banic passed Cape Horn five times. The first was during a voyage from Sydney to Argentina to load a cargo for Los Angeles, and a week later his laden ship rounded the Horn again en route to Los Angeles. The vessel returned to load in Argentina via the Horn again, and, bound for San Francisco, passed Cape Horn for the fourth time. On that occasion, he says, they passed Cape Horn at night in rough weather. His fifth transit of the notorious passage occurred when the ship was steaming from San Francisco to Argentina, where he was initially instructed to load again for the Californian port, but he received an amendment to the voyage instructions that sent the ship to Philadelphia instead. On his final voyage via the Horn the weather was good, despite the fact that it was winter. Yet the officers had to be wary of icebergs that had been seen in the area. Captain Banic was fortunate – not many ships round that notorious cape five times in winter, encountering heavy weather on only one occasion!

Young Boris Banic's dreams of a sea-going career and his broad interest in ships began when he accompanied his father to sea in naval vessels in his native Yugoslavia, dreams that became a reality when he joined his first ship, the Yugoslav Liberty ship *Konavli*, as an apprentice in 1967, obtaining his master's certificate eight years later. During his subsequent naval service he was initially a training officer for the navy and was later assigned to the Yugoslav presidential yacht until his naval service ended in December 1976.

Returning to serve in merchant ships, Banic did several tours of duty before joining Sanko Line, where he sailed with several officers who later joined Teekay. His first promotion to chief officer was in *Sanko Stresa*, commanded at the time by Captain Harry Carlisle, while the ship's second mate was David Glendinning, both of whom later joined Teekay.

His first Teekay ship was *Grand Wisdom* and despite other offers he 'could not imagine leaving Teekay,' as he later wrote, and took command of *Sunrise* in June 1988. For the next 21 years Captain Banic remained in command, and from the Onomichi yard in Japan he brought out two ships, *Palmstar Poppy* and Teekay's first double-hulled tanker, *Mayon Spirit*. He particularly enjoyed the North Sea trade between 2003 and 2009 before he retired. *Captain Boris Banic*

that the ship's course over the ground was 250 degrees. To make matters worse there was a change in wind direction from north-west to north, and the tanker was being pushed sideways towards the shore. During the struggle to keep her from the shore the propeller came out of the water, thus reducing propulsion, and the engine tripped 27 times! To aggravate the situation the visibility was reduced by heavy rain, which became a serious problem as all the ships were trying to leave the anchorage simultaneously.

Banic managed to keep *Alliance Spirit* clear of a rocky area, where she would have been smashed by the heavy seas and lives might have been lost. However, because of the heavy roll and the seas that swept over the deck, it was too dangerous to order the fo'c's'le party forward to drop anchor. The ship was thus at the mercy of the storm and at 06:00 she grounded on the beach, bow-first. A particularly large wave lifted her and turned her through 90 degrees, exposing her starboard side to the waves.

Banic alerted the Algerian Coast Guard to the grounding. 'Don't worry, Captain,' the radio operator said, 'this happens every year. We'll pull you off this morning.' But the storm continued, carrying the starboard side lifeboat from its davits and driving it ashore. Using a rubber duck, the Coast Guard tried to rescue the crew, but after one trip through the wild sea – carrying two seamen – the rubber duck capsized during the second attempt and they abandoned the rescue.

Banic decided to abandon ship and ordered the port side lifeboat to be prepared for launching, a procedure the crew had practised many times. He took the ship's papers and the crew boarded the covered lifeboat. From inside the lifeboat the crew lowered it, released the hooks and the painter, and Banic took the con to try to clear the ship. However, at a crucial moment an eddy pushed the crowded boat against the stern, where it became trapped. Banic's skilful boat handling saved the day as he managed to ease the craft away from the ship's stern, only for it to be

engulfed by another huge wave. On the beach a crowd of onlookers, which included members of the Algerian Coast Guard and Teekay shore staff, were horrified to see the boat disappear as the wave swept past the stern of the ship. 'It's gone!' someone shouted. 'The boat's gone!'

Suddenly the boat bobbed up behind the wave, but the swirling wind and the frightful eddy that had formed landward of the stranded ship pushed the lifeboat out again, throwing it against the ship. The occupants were jolted by the impact and the boat again became trapped against the hull. Banic once more managed to free the boat and headed for the beach, but then the inexplicable happened. When it was only about 100 metres from the beach someone opened the hatch and the boat immediately became flooded and the engine died! Fortunately the wind and waves carried the boat towards the shore, where Coast Guard officers scrambled into the surf to attach a line and the crowd, which had grown as word of the drama spread, rushed to pull the boat ashore. Once it had grounded, eager hands opened the hatch and helped the crew ashore, their terrifying ordeal now behind them.

A total of three Aframax tankers were driven ashore in that appalling weather, one grounding on the beach, ahead of *Alliance Spirit*. A salvage team from Smit International boarded the ship but, contrary to the optimistic comments of the Coast Guard official who promised to tow the ship off the beach later that day, the wild conditions deteriorated further and lasted nearly eight days. Slowly the ship began to succumb to the incessant pounding of the sea: the engine room became flooded, her single hull cracked in various places, and she listed heavily to starboard, leading insurers to declare her a total loss.

'The Algerians were excellent,' Captain Banic said later. 'They treated us with great respect and courtesy, but of course they were concerned about the oil in the ship and they wanted a guarantee that the wreck would be removed. So they detained the chief engineer

and me until the protection and indemnity club had guaranteed that costs would be met.' They even invited the two men, the insurers and the agent to dinner at a restaurant, but for them it was not a pleasant experience because they could see the ship from their dinner table and also hear the occasional screech of steel as the sea moved the parts of the now cracked hull.

Teekay, Banic also said, had been most supportive, even while the crew were still aboard the ship. Captain Graham Westgarth co-ordinated Teekay's response from Vancouver while two highly experienced men, Allan Murphy and Raffaele Paturzo, were dispatched to Algeria immediately. They arrived within a day of the grounding to take charge of the salvage operation from Teekay's side. 'They took great care of us,' glowed Banic as he recalled the incident. 'Graham [Westgarth] even told me that the two representatives would not leave Algeria until the chief engineer and I were on an aircraft heading for home.'

Smit International was contracted to remove the fuel oil from the tanker, and then to remove the wreck. Their team chartered a small tanker to take off the bunkers, and mobilised a barge, a crane-barge, and various other salvage craft and equipment. In a major project lasting more than two months, they cut off the superstructure and managed to refloat the wreck in two pieces – the forward section was towed to Turkey for demolition, while the after section was taken out to sea and sunk.

The special weather forecast that had been provided for Skikda during the grounding was very different to the reality: south-west winds of 15 to 20 knots with a light swell was the forecast, yet the area was ravaged by 85-knot winds that created a monstrous swell.

Captain Banic and the chief engineer were called to Vancouver to provide an account of the grounding, while an external investigation declared that, given the prevailing severe weather conditions, corroborated by meteorological reports at the time, the accident had been 'an act of God'. ■

Tenth anniversary in Vancouver



To celebrate the tenth anniversary of the move to Vancouver, Teekay provided a grant to the Vancouver Maritime Museum for the construction of the J. Torben Karlshøj Gallery, which depicts, inter alia, the history of the company. At the function to open the new gallery were: Axel, Poul and Inge Karlshøj, Jens and Stacey Karlshøj, Bjorn Moller (Teekay's chief executive and president), Aiko Karlshøj (Torben's widow), and Yumi Karlshøj (Torben and Aiko's daughter). *Axel Karlshøj*



Aiko unveils a portrait of her late husband at the gallery in the Vancouver Maritime Museum. *Axel Karlshøj*

Teekay should demonstrate its commitment to Norway by sending one of its most senior executives to run the company. Antturi's role thus became more than that of a manager of a shipping entity: he was Teekay's 'ambassador' to Norway, a vital role at that time.

Across the road from the Norwegian king's state summer residence stood a fine old house that had been built between 1910 and 1912 by a sailing-ship owner. Now it was being acquired by Teekay to be the residence of the Antturi family. The beautiful building had thick walls and teak doors, floors, cupboards and panelling, some of which had burn marks as the wood had come from an old sailing ship. However, it was in serious need of renovation. The public needed reassurance that the newcomer to Stavanger would respect the house, for many had married there over the years or had attended functions in the grand old building. Permission was granted for the house to be renovated, but its original beauty was enhanced by the careful and meticulous restoration work that Teekay undertook out of respect for that important piece of local culture.

Having taken over the Navion offices right next to the water in the extensive harbour, Teekay became an integral part of Stavanger's waterfront area, so that when a gathering of tall ships took place soon after the acquisition of Navion, Teekay provided sponsorship for the event. Teekay, in a way, was adopted by the sailing ship fraternity for the company had become the owner of the beautifully crafted replica of the 1910-vintage *Stina Mari*, a schooner-rigged wooden vessel that to this day is usually moored adjacent to the Stavanger office, and she has taken part in the tall ships' race on more than one occasion.

Adding to the team's satisfaction that their efforts had been rewarded with the purchase of such an important company, the leadership team was particularly pleased because another milestone had been reached. Teekay had achieved market-leading positions in two new sectors – Aframax Atlantic and shuttle tanker operations – over a period of only four years since the launch of a BHAG which originally called for 'only' three new sectors

in 12 years. The company was becoming a renowned global shipping company and, more importantly for shareholders, greater profits had been accrued than expected.

Teekay could have rested on its achievements, but the strategic perspective recently provided by board members Day and Hoegh – that Teekay should consider raising its ambition level beyond the initial BHAG – now looked particularly relevant. Moller shared the view that more could be gained. 'We must raise our sights,' he told his leadership team. 'Instead of a big, hairy, audacious goal, we now need a big, hairy, scary goal!' Following a number of leadership team strategy discussions over several months, with many diagrams and figures on flip charts, the team eventually formulated a new, broader BHAG: 'To become the undisputed leader in marine services to the oil and gas industry by 2010.'

'The purpose of this audacious goal was to broaden the size of the challenge we were setting ourselves,' commented Moller later. 'We were looking to redefine the level of ambition for Teekay, and this new goal certainly did this. We did think about whether the term "the undisputed leader in marine services" might have sounded a bit arrogant but it actually sprang from our customer focus. We recognised that our customers would only permit us to reach this goal if we delivered flawless and value-added service to them.'

Once again, Moller received the support of the board for the idea of raising the company's ambitions. When rolled out to the rest of the organisation the new BHAG was greeted with great enthusiasm.



Towards the end of 2002, maritime analysts had begun to project a more positive tone for global shipping. In the East, a new economic giant had awakened. Like Japan in the post-war period, and South Korea a few decades later, all agrarian economies that develop and industrialise experience phases of development, resulting in a decade or two of rapid, above average economic growth, usually characterised by rapid urbanisation.

As the country industrialises and begins to build steel mills, power plants as well as the infrastructure and buildings to house new arrivals in the cities, a consumer economy starts to develop as incomes rise to a level where the population can afford durables such as vehicles, household appliances and other personal items. As the swing towards greater industrialisation gains momentum, the country experiences a rapid increase in demand for basic raw materials such as iron ore, coal, and other minerals.

China had embarked on its period of rapid growth in the early 1980s when Deng, referring to a potentially rapid change from the arch-communist economy to a more

capitalist society, said, 'It doesn't matter whether the cat is white or black, as long as it catches the mouse!' The trajectory had been steadily upward for 30 years, with a few disruptions along the way, but in the early 2000s China began the phase of rapid industrialisation and growing consumer demand, leading to an exponential need for raw materials, including vast amounts of steel and cement required for the booming construction industry.

The pace of development, according to some observers, had been spurred by regaining control of Hong Kong in 1997 when the Chinese had realised that, instead of enveloping the thriving city in the dour shrouds

Another career in Teekay

Beginning as a wiper, Chief Engineer Bacalando tells of his career with Teekay, which has meant more than simply a job, as he confirms in the names given to his daughter:

As I initially dreamed of being an airline pilot, being a seafarer was not my original ambition – but this turned out to be the career that has moulded me into who I am today.

It was not easy applying to the company, but as part of the full selection process, I took the engineer cadet examination with Teekay, and started in November 1989 as a wiper.

Spending countless days and nights at sea for 20 years is already my life – battling the raging waters of the deep sea, storms, and pirates are only a few of the hindrances of being a seaman, not to mention the time spent away from your loved ones, and missing special occasions that are as important as my life. I am blessed with three children, a loving family who really need my care and fatherly love which I can only provide during the days of my vacation. But mainly with the help of my wife, we have been able to raise loving and respectful children – what we expect them to be – hoping that they too will become professionals and successful as I have been.

As a remembrance to our company, I named my second child Therese Kaye with the nickname of 'TK' to let everybody know how proud I am to be a member of the Teekay team.

There are always downsides in life – failing examinations and missing promotions are only a few – but life goes on as they say. It was my father who always encouraged me to take examinations and grab opportunities for promotion, and it is sad to say he never made it to the rank of 1st Engineer as I have – but he always gave me the motivation to pursue my dream.

Working with my shipmates on board is the main focus – aiding them with their work, hearing their opinions and suggestions, and [helping them with] the paperwork that we need to attend to, and just as importantly, joining with them on occasions which make us forget the rigours of life on board. We do have fun with video games, karaoke, and watching movies ...

I am happy to say that I was able to go to different places worldwide, [and even if I have] only a few hours I still enjoy the breathtaking scenery of every place that I've visited. I bet that's the best advantage we seafarers enjoy most, while meeting relatives and friends that we haven't seen for a while is also very special. But above all of this is the power of prayer to our Creator who guided me in making [me] what He wanted me to be ... ■



LEFT The Suezmax tanker *European Spirit*, seen here sailing from New York, was completed in 2003. *Teekay Collection*
TOP The 111,920-deadweight Aframax tanker *Americas Spirit* joined the fleet in 2003. *Teekay Collection*
ABOVE The Aframax tanker *Australian Spirit* entered service in 2004. *Teekay Collection*



Bjorn Moller and Eileen Mercier at the naming ceremony of the 106,360-deadweight *Fuji Spirit* at the Tsuneshi yard, Japan, in 2003. *Captain Hans Schaefer*



ABOVE Some of *Fuji Spirit's* crew during the naming ceremony. *Captain Hans Schaefer*
TOP LEFT A photograph taken from *Fuji Spirit* off Whangarai, New Zealand. *Captain Hans Schaefer*
TOP RIGHT *Fuji Spirit* discharging at the oil terminal in Brisbane, Australia. *Captain Hans Schaefer*



MIDDLE *Fuji Spirit* approaching Melbourne, Australia. *Captain Hans Schaefer*
ABOVE A view from *Fuji Spirit* in the Arabian Gulf. *Captain Hans Schaefer*

of communism, Hong Kong's recipe for financial and commercial success could be replicated elsewhere in China. Indeed, the smooth handover from the British and the continued prosperity of the former colony as a financial, commercial and shipping hub in the Far East surprised all, and also made an impression on Chinese leaders.

In addition, the prospect of entertaining hundreds of thousands of visitors before, during and after the 2008 Olympic Games generated in the Chinese a different approach to economics and politics, paving the way for an extraordinarily rapid opening of the formerly reclusive country to trade and tourism, so that an unparalleled expansion of the Chinese economy began.

While economic and shipping projections began to sound more positive for Asia – and indeed for world trade – no one could have foreseen the rate at which the Chinese giant would awaken to unleash broader economic growth that caused shipping rates, within a matter of months, to rise to unprecedented levels. The phenomenal changes that began late last century were more akin to a new revolution sweeping across China – but one that moved faster than the revolution of 1949, which had plunged the country into communism and shrouded it behind the Bamboo Curtain for nearly 50 years.

The huge population of China, now emerging from the isolation of the past decades and flocking to the urban areas, presented an attractive market for a wide range of products, ranging from perfume and clothing to vehicles and construction materials. In turn, Chinese industries realised the potential of the massive European and North American markets for products such as electronic equipment, textiles, machinery and household goods, which they could produce at much lower prices than rival countries such as Japan or Korea. In contrast to the one-way flow of cargo to western markets during the Asian economic crisis a few years earlier, a new horizon for shipping dawned as containerships carried goods both to and from China, prompting a wave of shipbuilding to cater for owners wishing to order larger ships to meet the surge in two-way trade.

In 2004 analysts wrote that China's steel production was expanding at around 9 per cent annually, stimulated by the demands of a booming construction industry engaged in massive projects, including new dams and power stations, expanding transport systems, high-rise blocks for offices or apartments, and shopping malls. Chinese urbanisation alone was said to be at a rate that would require extensive construction projects in virtually all of China's cities and large towns, generating an ongoing demand for steel, timber, aluminium and cement.

Photographs of a typical scene in downtown Beijing a decade or two ago show hundreds of bicycles and pedestrians; more recent images reflect a significant change as cars now form traffic jams and large buses have replaced most of the informal transport. Associated with the transport boom has been a surge in the Chinese vehicle manufacturing industry, which grew further as the global economy recovered, increasing the need to import steel and vehicle parts and generating a vibrant vehicle export trade. The Chinese thirst for oil and oil-related products unleashed a global demand that, within a few years, would cause the oil price to increase to a record level of over \$141 a barrel. These dynamics set in motion a boom period for tanker owners, although it also increased the price of bunkers with a commensurate increase in operating costs.

Again the shipping companies rejoiced as Chinese imports swelled the volume of container traffic, while the dry bulk markets – already bullish – soared to new heights as brokers scrambled to fix vessels for these windfall cargoes.

Apart from building vessels for their country's growing ocean-going merchant fleet as well as hundreds of coasters and river craft, the Chinese shipbuilding industry had not been on a globally competitive footing. Yards were relatively small, parochial and inefficient in their operation, and some produced low quality vessels. However, as they looked at neighbouring South Korea and Japan, where shipbuilding had become a mega-industry in a relatively short space of time, some Chinese shipyards began a refitting process that would

My journey with Teekay – cadet to chief engineer

Fascinated with ships from an early age, Chief Engineer Surendra Sirodar traces his career, which took him to the rank of chief engineer:

It was a childhood hobby to watch ships from my house that overlooked the port. My father worked on a ship and took me on board for the first time when I was six. I sat on my father's shoulders and tightly held his head while he climbed the pilot ladder. I was curious about the operations on board and I was fascinated to meet everyone. It was this exciting and memorable experience that inspired me to choose a career at sea.

The journey started when Teekay selected me as a cadet and I boarded the *Tasman Spirit* in 1990. My first voyage was thrilling and electrifying with rough weather across the Pacific.

During this voyage, I took part in a Teekay-designed training program that was the first of its kind. With instructor Chief Engineer Robert Lindsay, I completed nine months of onboard training. It was an excellent mix of theory and practical hands-on experience. At the end, I was prepared to take on challenges at sea with confidence. A treasured moment from this trip was shaking hands with Teekay's owner, Mr Torben Karlshøj, on his visit to the ship at Long Beach.

Soon after, in 1992, I was assigned the position of Third Engineer. By 1996, I became First Engineer. From the beginning, my goal, which I met, was to achieve competency with a minimum sailing period and to pass my examination on first attempt. This is thanks to my serious efforts, my family's moral support and the grace of God.

In late 1999, I accepted the opportunity to work at the Vancouver office as a Marine and Safety Coordinator. This role prepared me to take on the Chief Engineer position without hesitation.

However, with an increase in rank comes increased responsibility. On joining the *Sudong Spirit* as Chief Engineer, I meticulously identified a serious malfunction issue with the steering gear which, if undiscovered, might have caused a major mishap. Thanks to the excellent support from the staff on board and ashore, we have tackled and resolved many issues over the years. Sailing is my passion and taking challenges is my inclination. Each voyage has been different and every problem has been a new challenge. Resolving the task gives me immense satisfaction and continues to keep me motivated in my job.

During my 20 years at sea, I have managed my time effectively. This included using my vacations and spare time on board to enhance my knowledge. I completed my MBA in 2007 and recently underwent training for a private pilot's license.

A sea career has been very rewarding as I have had the opportunity to explore the world, and understand the people and their cultures. I have been privileged to develop myself while supporting a good lifestyle.

To those starting a career at sea, I suggest having short- and long-term goals since life at sea is full of opportunities if you have a good plan. In addition, today's technology provides us with the whole world at our finger tips. One can take full advantage of the short contracts and use the time effectively to achieve one's goals and celebrate our precious life. ■

raise them to levels where they were competitive in terms of price, and in some cases the quality of their vessels was comparable to those that were produced by shipyards in other countries.

On the back of unprecedentedly high shipping markets, this expansion of Chinese shipbuilding came at the right time since most yards in other oriental countries were fully committed for the foreseeable future, and several European yards had priced themselves out of the market. Shipowners thus came to the upgraded Chinese yards in their droves. The shipbuilding boom was another factor that escalated the Chinese demand for steel and the importation of a wide range of parts and equipment for the new vessels.

To support the phenomenal growth in Chinese industry and the consequent voracious appetite for goods, minerals and energy, global demand for ships expanded, creating the largest market for shipping, even when compared with the extraordinary levels of demand after the Second World War.

With charter and freight rates soaring as a result of the massive global demand for crude oil, oil products and gas, tanker owners also benefited from this unprecedented surge in shipping markets. The widespread pollution following the sinking of the single-skinned tankers *Erika* (1999) and *Prestige* (2001) off the French and Spanish coasts respectively brought European restrictions on such vessels, a move that was followed by the International Maritime Organisation's decision to order the phasing out of single-skinned tankers by 2010, immediately boosting the fortunes of double-skinned vessels (see page 107), including the large double-hulled fleet owned and in-chartered by Teekay. The lessons learnt from the sinking of *Erika* and *Prestige* also heightened oil companies' flight to quality, making them very interested in chartering Teekay's vessels, often for lengthy periods.

With his experience in banking and shipping finance (his bank had represented Statoil before and during the negotiations that led to Teekay's purchase of Navion), Peter Evensen joined Teekay in 2003 to take over from Peter Antturi as the chief financial officer. He



When Teekay took over the Spanish gas tanker company Naviera F. Tapias SA in 2004, it not only gained four gas carriers, including the 135,423-cubic-metre gas carrier *Madrid Spirit* (ex-*Ivan Tapias*), but the deal also included nine Suezmax tankers, an aspect of the transaction that proved profitable. *Teekay Collection*

quickly established himself as a very strategic team member, negotiating complex deals on behalf of his new company. In cooperation with David Glendinning – then senior vice-president of Marine Project Development – he was instrumental in commencing the pursuit of the next area in the energy sector that awaited Teekay's entry. As major energy sources, coal and oil were coming under increasing scrutiny because of the amount of carbon, sulphur and other impurities given off during combustion, while nuclear power generation was also the focus of attention from environmentalists, many of whom argued against its widespread use. On the other hand, many viewed natural gas as a cheaper and more eco-friendly energy source, particularly for domestic purposes, and the industry, aided by a significant green lobby, was pushing for its more widespread use, not only for domestic consumption but also for industrial use and, notably, for power generation.

Not surprisingly, during 2003 Teekay became interested in playing a role in the growth of the shipment of liquefied natural gas (LNG), which was among the most capital intensive areas of shipping. As this was a largely unknown sector for the company, it would need to embark on a steep learning curve if its entry to the operation of LNG ships was to be successful. Above all, its seafaring staff – to comply with international requirements – would need to undergo considerable training in the specialised field of gas tanker operation. Alternatively, Teekay could add the necessary expertise through the acquisition of an existing player. The company set out to pursue both of these alternatives.

Evensen, who earlier in his career had enjoyed a good relationship with the privately owned Spanish gas tanker company Naviera F. Tapias SA, initiated a series of negotiations that ultimately led to Teekay's acquisition of that company in 2004. The owner of the company, Fernando Tapias, was a colourful figure who was also a vice-chairman of the famous Real Madrid football club. Early in the negotiating process, while Teekay was courting Tapias to sell his company to them rather than to one of



Another of the former Tapias LNG carriers, *Galicia Spirit*.
Teekay Collection

the competitors who were also pursuing him, a team consisting of Evensen, Sean Day and Bjorn Moller were scheduled to have dinner with Tapias in Madrid, but he called to postpone the start time of the dinner because he had to host the Spanish king that evening at a football match against Valencia. To make it up to the visitors, Tapias offered them tickets to the game, and they gladly accepted. After all, they dearly wanted to watch the match! When the three men arrived at the stadium they were ushered to the VIP suite where drinks were served to a crowd of attending celebrities before the game, and, to their horror, the Teekay people were surrounded by television cameras. They realised that if any other shipowners were watching the match, which was being broadcast on television across the world,

and saw them in that suite, they might conclude Teekay was secretly negotiating a deal with Tapias. Thus, instead of concentrating on the match, they spent the evening ducking and covering their faces each time they saw a television camera pointed in their direction!

The subsequent successful acquisition of Naviera Tapias for \$1.3 billion provided the Teekay fleet with an additional nine Suezmax tankers, but, more importantly for the company's plans to participate fully in the burgeoning LNG market, the acquisition included four gas carriers that were on long-term charter to Spanish companies. This brought Tapias's seagoing and shore-based personnel with experience in the gas trade into the Teekay fold and formed the basis of later developments in the gas sector.

A large-scale exploration programme in Qatar had discovered extensive gas reserves and, as gas had become an increasingly favoured energy source, it was logical that the operation of LNG vessels would be an expanding sector for shipping. ExxonMobil, as a partner in the Qatari development, drew up specifications for a massive building programme involving 70 LNG ships – worth more than \$15 billion – which they ordered from Korea, and then sought shipping companies to acquire these ships and charter them to the Qatari joint venture under long-term contract. As only a small number of gas ships existed prior to the huge newbuilding programme, very few shipowners had been regarded in the past as being 'LNG competent' to operate these technically challenging vessels. By acquiring Tapias and its gas carrier operations, Teekay had gained valuable experience and, with the company's high operating standards in the tanker business, it felt it had established the necessary credentials for

participation in this sector, and it was now ready to put this to the test. Captain David Glendinning contacted an acquaintance in ExxonMobil to ascertain the requirements to allow Teekay to pre-qualify for a contract to move LNG from Qatar to various import ports. ExxonMobil forwarded a pack of documents for completion and shortly thereafter Glendinning was called to a meeting in London, where he learnt that Teekay had pre-qualified and was invited to tender for that contract. After skilful negotiations over a number of months, he was delighted to secure contracts under which Teekay would form a 70:30 joint venture with Qatar Gas Transport for the construction, ownership and operation of three LNG carriers under 20-year contracts to Rasgas II. 'Although we had limited exposure to LNG shipping, we got into this on the strength of our reputation in the wider oil sector,' Glendinning commented later when discussing this \$600 million investment.

Teekay's first annual management conference was held at Whistler, British Columbia, in 2004. Teekay Collection



The Aframax tanker *Esther Spirit* (115,444 deadweight) was completed at the Samsung yard in 2004. She was named after Torben and Axel's stepmother, whose gracious manner helped them to come to terms with the early death of their mother when they were still young boys. *Teekay Collection*



Glendinning and Teekay's marine operations team, headed up by Graham Westgarth, immediately began to plan the construction and operation of the three 149,539-cubic-metre LNG carriers to be built in the Daewoo yard in Korea. On delivery in 2006–2007, the 288-metre, state-of-the-art ships were named *Al Marrouna*, *Al Areesh* and *Al Daayen*. Driven by steam turbines whose boilers are fired by boil-off gas, these ships were designed to reach a service speed of 20 knots.

Teekay's next venture into LNG shipping happened almost by coincidence. A BP planned operation in Indonesia was being hampered because of a conflict of interest perceived by the Indonesian government due to BP's dual role as operator of the gas field and proposed owner of the LNG ships that would ship the product. The oil major, who had already booked slots in a shipyard to build the gas carriers, now had to sell the

ships. BP offered them to Teekay, who readily bought the two gas carrier sister-ships – renamed *Tangguh Hiri* and *Tangguh Sago* – and, since each vessel came with existing 20-year charters, Teekay was assured of lengthy employment for their new acquisitions in the Tangguh Project.

Within a year, Teekay entered into a second, even larger joint venture in Qatar to move gas across the globe, and this project led to the construction of four 214,000-cubic-metre LNG ships (*Al Huwaila*, *Al Kharsaah*, *Al Shamal*, and *Al Khuwair*). With lengths of 315 metres they were the largest of their kind at the time and totalled over \$1 billion in value. In a unique and memorable ceremony in February 2008 at the Samsung yard on Koje Island, South Korea, all four LNG ships were named at the same time, a world-first.

Between 2004 and 2012, LNG shipping became a third area of market leadership

for Teekay, building its position from initial entrant into the world's second-largest independent owner of LNG ships.

In terms of continuing its drive towards the BHAG, in 2006 the Teekay leadership team turned its attention to a growing sector of the offshore oil industry – the operation of floating production, storage and offtake (FPSO) vessels. These complex structures, which typically cost hundreds of millions of dollars, are permanently moored on an offshore oilfield where they take the well-stream directly from beneath the seabed, remove water, sludge and other impurities, separate gas from the oil, compressing the gas or releasing it in a controlled way, and then store the stabilised crude oil until it is transhipped to a shuttle tanker or piped for delivery to a shoreside refinery. Having already built a strong position in its customers' offshore oil value chain through its fleet of shuttle tankers and floating storage vessels, Teekay saw FPSOs as the natural extension of its service offering. It would require the company to scale a high barrier to entry and prove to customers it had the capability of adding value in this highly engineering-focused business.

Teekay therefore sought a joint venture with an established operator for its first

FPSO, and, in the Norwegian company Petrojarl, Teekay found a partner with whom they felt comfortable and where common ethics prevailed. Having had significant contact with them earlier in his career, Peter Evenesen knew the Petrojarl people well and concluded the joint venture deal with them to develop the FPSO business further. The new partners soon joined forces to convert a vessel in Poland to serve under a contract to Petrobras of Brazil.

Within a few months an outsider, Prosafe, unexpectedly acquired a 30 per cent stake in Petrojarl, a public company with fragmented ownership. Teekay had to decide quickly whether they wished to try to prevent their new partner from falling into the hands of another company by securing Petrojarl for themselves. The Teekay board was convened at short notice to consider the situation. To the board this seemed an agreeable prospect since the acquisition of full ownership of an FPSO company would be a good fit in their chain of operation. In addition, they noted the significant growth potential for these vessels in the broader oil industry, which was seeking every opportunity to develop operations away from the Middle East to areas such as the North Sea, Brazil, Australia and West Africa, where FPSO business was expanding.



ABOVE TOP Training in liferaft launching procedure aboard *Torben Spirit*. Chief Engineer Kanwar Deep Ghei **ABOVE CENTRE** Rescue and other life-saving drills are carried out regularly. Here an 'injured' crewman is secured to a stretcher. Captain Hans Schaefer **ABOVE** Maintenance of lifeboats. Captain Hans Schaefer **LEFT** The Aframax tanker *Helga Spirit* was built by Samsung in Korea in 2005, and bears the name of Axel and Torben Karlshoej's mother. *Teekay Collection*.



World-class people – the key to the Teekay brand

Torben Karlshøj's dream of building the world's biggest and best shipping company was rooted in his belief that it was possible to establish Teekay as a respected symbol of quality, recognised as a true, differentiated brand in a largely commoditised industry.

Since Teekay's inception, its people have been responsible for creating, sustaining and enhancing this brand. The seed was sown when Teekay entered shipowning in 1986, and Torben recognised the need to have the right people to deliver consistent, safe, high-quality customer service. He hand-picked highly motivated crews and shore staff, inspiring them with his passion for 'doing it right'. He successfully built the organisation to manage the growth of the fleet to about 40 owned tankers between 1986 and 1992.

To fulfil the 1998 BHAG that called for a quadrupling of the fleet by 2010, Bjorn Moller realised that the organisation first had to be made scalable. His first step was to ensure Teekay had the right senior leadership team (SLT), who in turn could build a talent base that could handle rapid growth while preserving consistency of the brand. The company was reorganised around four

business units, which would focus on marketing the company's key business segments, and four corporate units, which would provide a uniform corporate infrastructure across all of the business segments (see diagram page 138).

Over time, Teekay's home-grown talent emerged to lead three of the four business units: Bruce Chan (tankers), David Glendinning (gas), and Kenneth Hvid (shuttle tankers). Peter Lytzen was hired to lead the fourth unit, the FPSO business. Each of these executives was responsible for a business that ranked among the world leaders in its segment, and collectively they had responsibility for more than \$10 billion in assets.

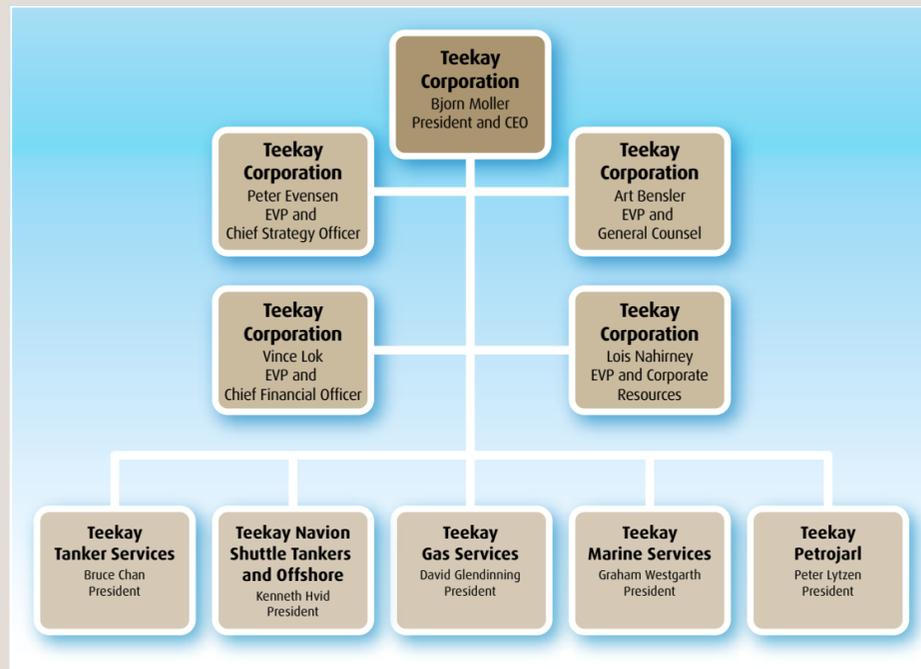
In charge of coping with the rapid growth of the fleet was Captain Graham Westgarth, president of Teekay Marine Services. He standardised the operational quality by creating and implementing a number of innovative systems across the fleet and shore operation. At its peak, Teekay Marine Services managed over 150 ships and was also responsible for the company's newbuilding activities, building nearly 100 ships between 1986 and 2012. At one stage, Teekay was simultaneously



A unique feature of Teekay is its virtually 'stateless' identity, because, despite its Danish roots and its Canadian head office, the company has no specific national affiliation. People from across the continents make up the board and management; Teekay employees – ashore and at sea – come from all corners of the globe; and the company operates in a number of regions. Few companies display a cosmopolitan nature to the same extent, a significant strength in Teekay's operation and a characteristic that allows the company always to recruit the very best talent, regardless of nationality. No glass ceilings exist when promotions are considered, a factor that reflects the philosophy of Torben Karlshøj, who welcomed all to his company as long as they were fit for the job. *Teekay Collection*



ABOVE The Teekay Senior Leadership Team in 2011. Left to right: Kenneth Hvid, Bruce Chan, Vince Lok, Peter Evensen, Peter Lytzen, Graham Westgarth, David Glendinning, Art Bensler, Lois Nahirney and Bjorn Moller. *Teekay Collection*



constructing ships at a number of shipyards and also seamlessly integrating into the fleet over 70 ships acquired through companies bought by Teekay.

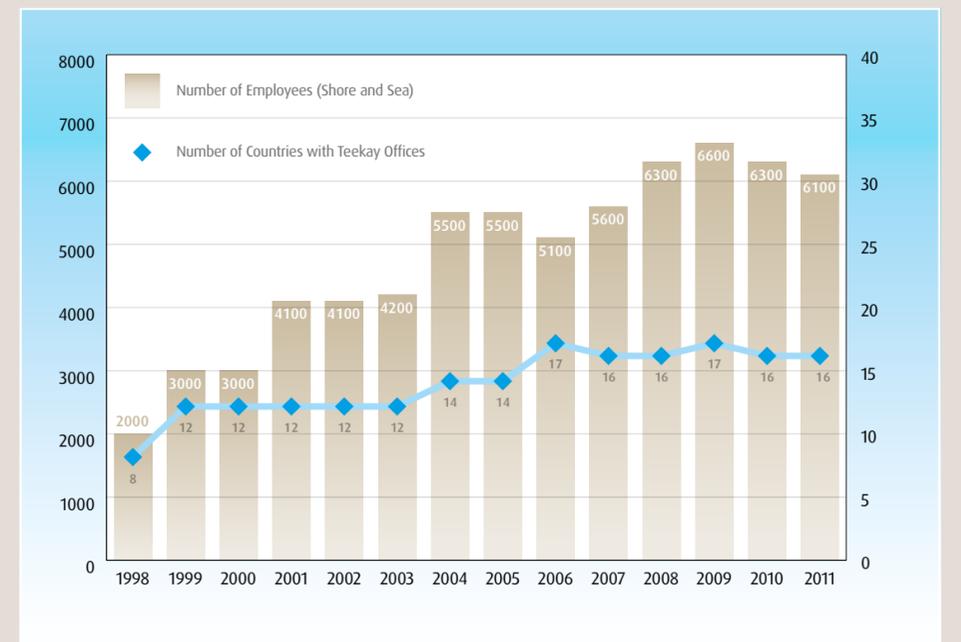
In the finance and accounting area another home-grown talent, Chief Financial Officer Vince Lok, oversaw the financial integration of the company's huge growth, leading the elaborate accounting processes of four separate public companies, raising billions of dollars in equity and debt financing during a time when Teekay's balance sheet assets grew tenfold.

The complex legal structuring, tax and insurance activities of a growing fleet and of many corporate acquisitions were led by General Counsel Arthur Bensler.

Executive Vice-President Lois Nahirney provided global corporate services, including hiring and integrating shore staff and IT systems from acquisitions, thereby providing a platform from which Teekay could operate around the clock across its global network of offices on five continents.

Chief Strategy Officer Peter Evensen, working closely with CEO Bjorn Moller, led the acquisitions of companies and the design of the corporate structure involving the parent company and three publicly listed companies for LNG, offshore and conventional tankers.

There can be no question that the greatest asset of Teekay is its world-class people. From approximately 25 employees worldwide in 1985, the Teekay organisation grew to more than 6,000 sea staff and 1,000 shore staff by 2010. The successful integration of new colleagues, who joined through acquisitions and brought new ideas and perspectives, with Teekay's long-serving home-grown talent who grew up immersed in the Teekay culture, allowed the company to use each of its acquisitions as a foundation on which to build further growth. The focus on providing flawless customer service, which has always been a hallmark of Teekay, has continued to build Teekay's reputation. This, coupled with the virtually unlimited amount of talent, experience and capacity for work that has been assembled in every part of the organisation, has allowed Teekay to achieve its ambitious BHAG. ■



The growth in the number of employees and the number of countries in which Teekay had offices are indications of the expansion of the company over the years. *Teekay Collection*



TOP Built in Korea, the 149,539-cubic-metre LNG ship *Al Marrouna* (shown here in Zeebrugge during her maiden voyage) was completed in 2006 as part of Teekay's joint venture with Qatar Gas Transport. Her original schedule took her from Qatar to Zeebrugge, with some voyages from Qatar to Japan, or to Aliargo in Turkey. Her current destination with Qatari gas is usually a terminal south of Venice. To ramp up to full loading at 12,000 cubic metres per hour takes about an hour, and under two hours to ramp down. After clearing Ras Laffan, she arrives at Port Suez about six days later, transits the canal, and after a three-day passage she arrives at the Italian terminal where discharge takes about fourteen hours. Her route takes her through the pirate-infested waters off Somalia, and although her speed and high freeboard make her an unlikely target for a successful pirate boarding, their arsenal now includes rocket-propelled grenades that could be lethal if launched at one of these ships. *Teekay Collection* **ABOVE** A remarkable ceremony at the Samsung shipyard in Ulsan, Korea, in 2008 involved the simultaneous naming of four large LNG carriers, *Al Huwaila*, *Al Kharsaah*, *Al Khuwair* and *Al Shamal*. *Teekay Collection* **RIGHT** *Petrojarl 1* was taken over by Teekay in 2006 as part of the deal whereby the company bought out Petrojarl to enter the FPSO market. *Teekay Collection*



A new FPSO: the Remontowa project

Teekay's first FPSO project involved a joint venture with Petrojarl for the conversion of a tanker to an FPSO for operation on the Siri oilfield in Brazil's Campos Basin. Initial planning began in Trondheim, Norway, in 2007, and a shipyard in Gdansk, Poland, won the contract for the conversion project on which the engineering work began later that year.

Much cutting away of unnecessary equipment and top hamper by acetylene torches preceded two heavylift floating cranes lowering a 600-ton processing module into position on the ship. New piping, new electrical systems, including pumps, as well as extra accommodation, had to be installed in the operation, which lasted nearly a year. Besides the engineering and naval architectural challenges presented

by the project, several other issues arose. For the first time teams from Norway, Britain and Poland worked together on a Teekay project. Although cultural difficulties between the groups seemed insurmountable at first, a few team-building exercises – not the least of which were fundraising efforts for a local orphanage – became the catalyst for blending the various nationalities involved in the project into a good operational unit.

When the Polish shipyard completed its part of the conversion shortly before Christmas in 2007, the vessel's length had been extended to 197 metres – including a helipad jutting over the stern – and she sailed under her own power to Rio de Janeiro. During the voyage, teams continued to work on the modification, and on

arrival in Brazil a Niteroi-based shipyard undertook several additional fitting-out jobs. The FPSO has six cargo centre tanks with a capacity of 34,044 cubic metres (214,103 barrels) of oil and equipped with heating coils. Discharging the oil to shuttle tankers is done by two steam-turbine centrifugal pumps with a pumping capacity of 151,000 barrels a day, an electric centrifugal pump that can move 128,296 barrels a day, and a steam piston pump with a capacity of 98,108 barrels a day. She has accommodation and facilities for sixty people, although her normal operational crew strength is about forty-five.

Renamed *Petrojarl Cidade de Rio das Ostras*, she began operating in April 2008. ■



Formerly the 1981-built Aframax tanker *Che Guevara*, the FPSO *Petrojarl Cidade de Rio das Ostras* was rebuilt in stages by Norwegian, Polish and Brazilian shipyards for operation in the Siri oilfield off the Brazilian coast. Teekay Collection



Teekay also recognised that, while most oil drilling had occurred in shallower waters where it was easier to pipe oil ashore, drilling was moving into deeper water, generating a burgeoning demand for FPSOs. It also seemed logical that an FPSO operation would provide more stability to the company, compared to the conventional tanker markets. The board therefore decided that Teekay should pursue the blossoming FPSO sector and authorised the acquisition of Petrojarl.

Moller and Evensen were both in Scandinavia on individual business trips when the news of Prosafe's raid on Petrojarl broke. Having been informed of the situation while attending a reception at which the king of Norway was the guest of honour, Moller excused himself and called Evensen to discuss the best way to proceed. They then went to work, and in a successful overnight 'dawn

raid', they secured 40 per cent of Petrojarl's shares. Teekay subsequently launched a public bid for the remaining shares and, although Prosafe held out for a while, Teekay eventually secured the full shareholding.

Graham Westgarth was put in charge of the new company on a temporary basis until a permanent head could be appointed. To operate the new company – known as Teekay Petrojarl and based in Trondheim, Norway – Teekay needed a strong, experienced leader, which led Moller to approach Peter Lytzen, a true oil and gas professional. His career included time with the A.P. Moller Group, where he gained experience as the project director for their North Sea operations, and time with Shell in Brunei. The latter appointment gave him experience in planning projects at a time when the oil price was around \$9 a barrel. Apart from industry-based work

Petrojarl Foinaven operating in the North Sea. Teekay Collection

in Brunei, he also had to plan a system to pipe gas sixty kilometres from the gasfield to the sultan's palace to fuel a bank of generators so that the sultan could play golf at night on his 18-hole course! Within a year, the system had been installed and, to celebrate this, the sultan invited a number of special guests, including several prominent players, for a round of golf.

When he returned to A.P. Moller, Lytzen managed the engineering and construction side of the group's FPSO business, where he quickly learnt to combine his engineering experience with financial management. When he received Bjorn Moller's telephone call, and during the subsequent meetings, he

A 2006 photograph of the Teekay Corporation board. Standing (left to right): Tommy Hsu, Bjorn Moller, Tore Sandvold, Ian Blackburne, Axel Karlshoej. Seated (left to right): Eileen Mercier, Peter Janson, Rod Clark and Sean Day. *Teekay Collection*



Peter Evensen ringing the bell at the New York Stock Exchange at the listing of the first daughter company, Teekay LNG Partners, on May 12, 2005. *Teekay Collection*



wondered whether he should accept the offer to move to Teekay – he was, after all, enjoying his job in the A.P. Moller Group. However, excited by a new challenge, particularly to merge the FPSO expertise of Petrojarl with the financial strength and overall resources of Teekay, he accepted the offer to join Teekay Petrojarl as its president and chief executive.

When Teekay took over, Petrojarl had four FPSO units operating in the North Sea, a part-share in an FPSO off Tunisia, and the joint

venture with Teekay for a converted unit in Brazil. Over the previous 20 years Petrojarl had created a valuable brand around its technical and operational strength, which had enabled it to build a leading position in the highly regulated North Sea sector. Indeed this reputation was one of the key attributes that attracted Teekay to the company. However, having been bounced around between several different owners over the years, the company had never been allowed to build financial

strength. As a result, Petrojarl had enjoyed limited commercial flexibility, meaning that several of its units were committed to relatively unattractive contracts. Under Teekay ownership, the first priority was to improve the profitability of the existing units. Once progress had been made on this front Teekay Petrojarl was able to start focusing on expansion. The financial strength of the parent company, coupled with the acumen of the much-strengthened Petrojarl management team, enabled the company to embark on a successful growth path.

Subsequently, two FPSOs were ordered, one of which was a \$400 million conversion project for Brazil in 2012, and the other a \$1 billion newbuilding destined for the North Sea in 2014. The wider future of FPSO operation was extremely positive.

By 2007 the size of Teekay's Aframax fleet had declined somewhat from the sale of its remaining single-hull tankers. With the tanker market remaining very strong, and asset values being high, Teekay chose to replenish its Aframax fleet through in-chartering of third party tonnage from a relatively fragmented market. It was also seeking to expand its tanker business with a move into the Suezmax market in response to new emerging trade routes. With the more concentrated ownership structure in the Suezmax segment, and no attractive fleets being available for sale, Teekay was pursuing this segment through a newbuilding programme of eight vessels, but remained on the lookout for opportunities to consolidate the Suezmax business through the acquisition of a first-class fleet of modern Suezmaxes to catapult the company into a leading position. In a hot market, both client demand and investor interest were strong, making a meaningful transaction more attractive than piecemeal expansion. As Sean Day put it later, 'One of the big challenges of growing so big is that [we needed] to start buying ships "wholesale" rather than "retail". We didn't want to just buy a few ships and slowly enter the Suezmax market – we had reached a point where we were looking to do it on a larger scale.'

When OMI Corporation put itself up for sale in 2007 it presented Teekay with a rare opportunity to acquire a large bloc of modern

Project code names for corporate transactions

In the world of mergers and acquisitions, projects are normally code-named to ensure confidentiality. In particular, the world of shipping is small and has a very active rumour mill. One of the more notorious places for information leaks to occur over the years has been on board flights between some of the world's leading shipping centres – Oslo or Copenhagen to London – with bankers or shipping people discussing business with their colleagues a bit too loudly within earshot of a competitor. You never know who might be sitting next to you as you work on your laptop computer on a flight, or who your cab driver in a foreign city might be related to. Because companies may be involved in more than one project at a time it is practical to use code names that help the team remember which company it involves, yet provide no connection for the uninitiated. For this reason, code names are often quite irreverent and humorous. Below is a list of some of the code names Teekay has used over the years:

- ◆ Project 'Peninsula' (Caltex Australia) – decision to pursue project was reached during a meeting at Peninsula Hotel in New York.
- ◆ Project 'North-West' (Bona) – named for the combination of Bona Shipping, located in Norway (= 'North'), and Teekay, located on the west coast of Canada (= 'West').
- ◆ Project 'Discovery' (UNS) – the pursuit of this shuttle tanker company was code-named after the U.S. space shuttle *Discovery*.
- ◆ Project 'Hummer' (Navion) – code-named after the name of restaurant Hummeren (Norwegian word for 'The Lobster'), where Bjorn Moller had a key meeting with the chairman of Navion, Erling Overland, during the initial phases of this project.
- ◆ Project 'Posh Spice' (Naviera Tapias) – the owner, Fernando Tapias, had an honorary role as vice-president of Real Madrid Football Club. At the time, David Beckham played for RMFC and his wife, Victoria Beckham, was known as 'Posh Spice' in the famous girl band Spice Girls.
- ◆ Project 'Viking' (Petrojarl) – a natural name, given the company's location in the northern Norwegian town of Trondheim.
- ◆ Project 'Donut' (Sevan) – named for the doughnut-shape of the cylindrical hulls of Sevan's floating production vessels.

Drama in the North Sea strengthens Statoil/Teekay relationship

The North Sea has a reputation for gales that generate wild seas, especially in the region where swells sweep across the North Atlantic Ocean, uninhibited by land. In this region is the Statfjord oilfield, a vast oil- and gasfield about 200 kilometres west of Bergen in the Norwegian sector of the North Sea, and operated by the Norwegian state oil company, Statoil.

Weather and sea conditions at Statfjord A Platform on December 12, 2007 were bad as Teekay's shuttle tanker *Navion Britannia* was connected to a loading buoy. A force ten south-westerly wind was blowing and a seven-metre swell was running when a surge of pressure in the loading hose ruptured it, causing about 3,700 tons of crude oil to spill into the sea, creating a slick that stretched for 23 square kilometres. Because the rupture occurred underwater, no one noticed that oil was escaping until the slick was spotted when daylight broke.

The Teekay leadership team were in a meeting in Vancouver when news broke of the accident. On hearing of the disaster from an aide everyone was shocked, worrying about the environmental impact as well as the excellent reputation of the company. A team of Teekay people was assembled immediately to assess first-hand the extent and impact of the oil spill, and ascertain its cause. Fortunately the south-westerly wind continued to blow the slick towards the north-east, while the wild sea and strong wind caused it to disperse fairly quickly.

Nevertheless, for Teekay – a key service provider to the Norwegian oil industry and entrusted with the vital movement of oil for the Norwegian nation – this was an acute embarrassment, especially as the subsequent investigation into the incident revealed that there were mistakes made by both Statoil and Teekay, with a number of breaches of barriers in the way the loading operation had been conducted.

In his book *From Sea to Shore*, John Ove Lindoe writes:



The explanation is that this equipment [experienced] pressure loads which [exceeded] its design capacity. During loading, up to 2,000 litres of crude can flow through a hose every second. Under such loads, a hose needs a shut-down time of 30 seconds. Because of procedural errors and technical faults, the hoses had been shut down in seconds – and they simply broke in two. That is what happened on Statfjord.

While it would have been easy to launch into a blame game, both Teekay and Statoil cooperated openly, sharing information and suggesting ways to prevent a recurrence of the accident. A key meeting took place between a team from Statoil, led by Jon Arnt Jacobsen, the executive vice-president who had taken over the liaison with Teekay, and a delegation from Teekay, led by Bjorn Moller. A task force was established and began studying the investigator's report and ensuring that

the company complied with all the recommendations made in that report. It was important for the Statoil-Teekay relationship and for their commitment to the Norwegian people that they should allay fears of a recurrence that could have a more devastating impact on the marine environment. More importantly, it was vital that the right measures should be taken, simply because it was right to do so.

The dedicated approach by the Teekay and Statoil teams was lauded both in Norway and further afield. They worked closely together on the rectification programme, which, inter alia, brought more thorough training of crews on the tankers and the offshore installations, upgraded equipment, and modified procedures to be adopted during the entire loading operation.

One year later Teekay approached Statoil to seek their agreement to restructure the

The shuttle tanker *Navion Britannia*. Teekay Collection

terms of certain shuttle contracts whose financial viability had been undermined by unprecedented increases in operating expenses in the North Sea. The rapport that had developed between Jacobsen and Moller, and indeed between members representing both organisations, while resolving the exceptional challenges of the Statfjord incident proved very important. 'The commercial negotiations were tough,' recalls Jacobsen. 'We worked on it for a long time, but we developed mutual respect and had a desire to engage to find solutions. And we achieved it ... There was a common culture between the two organisations ... and a willingness to do the right thing. Teekay's partnership and willingness to invest were crucial to moving forward.'



TOP *Matherhorn Spirit* (114,834 deadweight) was completed at the Daewoo shipyard, Korea, in 2005. Teekay Collection
ABOVE The vessel's first passage through the Baltic Sea in winter. Chief Engineer Kanwar Deep Ghei



TOP In February 2008 a naming ceremony was held on board the FPSO *Petrojarl Cidade de Rio das Ostras* to celebrate first-oil. Also known as the 'Siri FPSO', this was the first Petrojarl FPSO to go into production after Teekay's acquisition of Petrojarl. On the right in the photo is the vessel's godmother, Ms Anelise Quintao Lara, manager of Reservoir Engineering, Petrobras, joined by Bjorn Moller, Teekay CEO (centre) and Peter Lytzen, president of Teekay Petrojarl. **Teekay Collection** **ABOVE** A four-year apprenticeship at the Mazagon Dock Limited launched Kanwar Deep Ghei on a career as a marine engineer that has spanned more than three decades. His first ship was the Scindia Steam Navigation Company's freighter *Jalarashmi*, a 6,714-kW power vessel that he joined as 5th engineer in April 1982. He moved through the ranks, and soon after gaining his chief engineer's certificate of competency, he joined Teekay in July 1994 as 1st assistant engineer in *Mendana Spirit*. Promotion to chief engineer came with his appointment to *Pacific Spirit* in April 1998. A special memory for this amiable man was being in the Daewoo shipyard in Korea during the last few weeks of the construction of the ice-class Aframax tanker *Matterhorn Spirit*, and being aboard for her delivery voyage in 2005. Indeed, he continued to serve in the vessel as chief engineer for the first three years of her career. Kanwar Deep Ghei is one of those interesting seafarers who take their cameras to sea, and he has thus compiled an extensive photographic record of life aboard the ships in which he has served. 'Joining Teekay,' he wrote, 'was the best thing to happen to me...' The support he has received from the company over the years and the pleasure of working with its personnel have been most memorable. *Teekay Collection*

Suezmax tankers. However, OMI's fleet also included a large number of smaller product tankers, which was not a strategic fit for Teekay. In addition, at \$2.2 billion the cost of the entire OMI fleet was very significant. The company solved these issues by forming a partnership with the Danish products tanker specialist Torm to bid jointly for OMI. Their combined offer was accepted by OMI, and Teekay added the Suezmaxes to its fleet and Torm took the product fleet. In one stroke, Teekay had become the largest operator of Suezmax tankers. Although the tanker market downturn in the following years proved the cyclical timing to be less than ideal, the deal still offered significant strategic benefits to Teekay.

Midway through 2008, financial storm clouds began to loom on the horizon. Contrary to sensible trading practices, many banks and other financial institutions had lent beyond the repayment capacity of many of their debtors who, in increasing numbers, were reneging on their repayments, some of which were relatively small amounts for home mortgages, while other payments involved huge amounts in the commercial and industrial sectors. The crisis deepened as some of the largest American financial houses collapsed, rendering tens of thousands of people unemployed, compounding the problems relating to debt as the number of debtors increased, and reducing the demand for consumer goods, motor vehicles, luxury items, and even fuel.

The downward spiral then hit the manufacturing sector as vehicle assembly plants and the electronics and clothing industries cut production, putting more people out of work and aggravating the credit crisis. Tourism also suffered as fewer people were able to travel, creating further unemployment.

The malaise spread to the UK and the rest of Europe, and with the declining demand for vehicles, consumer goods and industrial equipment, oriental countries also began to feel the pinch. China's meteoric economic rise was now threatened by the slackening of demand for its wares, and it began to reduce its industrial production – notably steel – and began laying off thousands of people and

reducing its import volumes of minerals and other raw materials, including oil.

Since the frenetic Chinese growth had been the generator of the shipping boom from 2001, its quieter production lines now signalled serious times ahead for shipping. Gone was the surging demand for all types of ships that had conveyed raw materials to Chinese ports and had moved Chinese products to Europe and North America. Freight and charter rates, particularly for containerships and dry bulk ships, were slashed, forcing many owners to either scrap or lay up their older, less economical ships. Few new orders were placed with shipyards – in 2009 no containerships were ordered – while many owners who had already ordered new ships either requested later delivery of their new tonnage or cancelled their building programmes, reneging on their contracts. This aggravated the decline in global steel production, especially in China and South Korea, further reducing the demand for ships, with all the negative side effects of that malaise.

The shipping markets continued at their low levels as the prices of new and second-hand tonnage dropped. Some struggling owners were keen to dispose of their fleets, which often included relatively new ships, making this period a good time for buyers.

Amidst the financial carnage of the decline, tanker owners were pleasantly surprised that the market remained relatively strong for several months, and, with the demand for oil at the onset of the northern hemisphere's winter, rates even improved. However, they did not escape the decline entirely. In mid-2008 the average spot charter rate for Aframax tankers was at a near-record high of \$80,000 a day, a figure that within a year dropped to \$25,000 a day; and rates for other classes of tankers were reduced by at least 60 per cent, the worst being the VLCC rates, which moved from well over \$210,000 a day to \$80,000 a day a year later.

These were still relatively attractive rates in historical terms, and unexpectedly in the first half of 2010 tanker rates staged another strong rally. The main reason was the widespread use of tankers for floating storage because the price of oil futures was in



contango. Traders could buy oil, fill a tanker, and sell it forward at a price that was sufficiently high to make a comfortable profit. But this was to prove a short-lived respite for tanker owners: when the contango pricing disappeared, a large number of tankers were released from storage and re-entered the tanker market to compete with large volumes of tanker newbuildings pouring out of the shipyards, ordered during the boom years earlier in the decade. Coupled with a rare drop in tanker demand resulting from the economic collapse, tanker rates entered a prolonged slump to their lowest level in more than a quarter of a century.

Although many of Teekay's vessels across its various tonnage segments were on long-term, fixed-rate charters to oil majors or national oil companies, and therefore did

not experience such a downward spiral at the time, the overall gloom in the financial and shipping markets still drove Teekay's share price down in line with the rest of the industry. From a peak above \$60 per share in the spring of 2007, the shares reached a low of \$11.50 in early 2009. Once the panic of the financial market settled down a year later, Teekay's shares staged a recovery that better reflected the company's unique business model.

Throughout its pursuit of the BHAG, the Teekay team had been true to its promise of maintaining financial strength. Its diversified business, with leading market positions in attractive growth niches, its strong cash flow from solid fixed-rate contracts and its access to capital, were to prove extremely valuable in the stormy seas that lay ahead. ■

The teams from Teekay and the Danish product tanker specialist TORM at a commemoration of the 2007 joint acquisition of OMI that led to Teekay acquiring OMI's Suezmax fleet, and TORM taking OMI's product tanker fleet. With that transaction, Teekay became the largest operator of Suezmax tankers. *Teekay Collection*

Bjorn Moller

‘One of the sharpest minds in shipping,’ is how one colleague described the man who led Teekay from 1998 until March 2011, and who is credited with taking it to new heights with his goal-orientated leadership.

His introduction to the working world was delivering flowers when he was 12 years old, but his career began in earnest in the wood department of the Copenhagen-based East Asiatic Company, at that time (1975) Europe’s biggest trading house and Denmark’s largest company. He was involved with the shipment of logs brought from the tropical forests to Europe, much of it carried by East Asiatic’s own fleet of ships.

Nine months of military training in the Danish air force interrupted his career, but when he returned he completed his introductory programme at East Asiatic before being transferred to London to work in a timber yard. This was followed by an 18-month tour of duty in Cameroon in West Africa as East Asiatic’s export manager, controlling the shipment of logs and sawn timber. At the age of 23 he was the ‘big boss’ of about 300 people, some of whom worked in the forest where the trees were felled, some at sawmills, and others in Douala, where ships were loaded with export timber. Although the head office wanted him to spend another 18 months in Cameroon, he returned to Copenhagen in 1981 to study economics part-time at Copenhagen Business School. At that time East Asiatic had a vacancy in its recently created five-vessel product tanker department, and Moller was offered and accepted this position. Here he learnt the fundamentals of tanker chartering and operations, launching him into a new career path, the outcome of which he could probably not have foreseen even in his wildest imagination.

By 1985 Teekay, located in Long Beach, California, was expanding, and Torben Karlshøj wanted to open an office to serve Europe, where some of the oil majors had their head offices. He extended a dinner invitation to the head of East Asiatic’s tanker department, Jan Selsmark, to conduct an informal assessment of him as a candidate to run the Copenhagen



Bjorn Moller, chief executive officer and president of Teekay from April 1, 1998 until his retirement on March 31, 2011. *Teekay Collection*

office. By coincidence a tanker broker who was also going to attend invited Moller to join the dinner party. Though he did not know who Torben Karlshøj was, nor that Karlshøj was looking for people to hire, Moller enjoyed the evening immensely, especially as he found the conversation around the dinner table stimulating and refreshing. He was stunned when he received a telephone call the following evening from the broker, who told him to go to Torben’s hotel to discuss working for the tanker owner. Torben welcomed him enthusiastically and described his own background and his vision for the fledgling company. ‘How different to the formal structure

of East Asiatic,’ Moller thought, captivated by Torben’s approach as he shared his dream that Teekay would become the world’s biggest tanker company. Here was the principal figure in a shipping company talking to an unknown entity and becoming passionate about his plans for expansion. ‘It was exciting, even compelling listening to him,’ Moller reflected later.

‘Come and see me next Monday,’ Torben told him as Moller left, ‘and tell me what it will take to persuade you to work for me.’ Moller’s mind was racing. As his friends in the tanker business had never heard of Teekay, nor did anyone know anything



TOP LEFT Fishing in the streams and lakes of British Columbia or game fishing in the Caribbean Sea is one way a busy shipping executive like Bjorn Moller can find relaxation. *Teekay Collection* **TOP RIGHT** Like Torben Karlshøj, Moller enjoyed meeting those at sea, particularly as the discussions helped him to understand the issues facing the seafarers. *Teekay Collection* **ABOVE** At Koje Island, South Korea in 2006, Bjorn Moller delivered an address at the double ship naming of the first two liquefied natural gas (LNG) carriers ordered by Teekay, the *Al Marrouna* and *Al Areesh*. These ships serve under a 20-year contract to RasGas II. *Teekay Collection*

about its owner, he was apprehensive about terminating a promising career in East Asiatic for an unknown company. ‘What if it doesn’t work out?’ was his constant concern. However, he met Torben as agreed and, if the subject arose, he had determined that he would ask for a salary that was 50 per cent more than he was earning at East Asiatic. ‘Done deal!’ said Torben when they reached the salary issue during their discussion, and Moller was hired to work for Teekay as chartering manager, starting May 1, 1985 in a shared office in Vedbaek, north of Copenhagen.

‘What are the office hours?’ he asked Torben a few days before his starting date. With

a surprised expression on his face Torben looked straight at him and responded quietly, ‘There are none! We just work!’ It didn’t take long for Moller to realise that his new boss was an uncomplicated, action-orientated man with high business principles.

When Torben wanted to transfer his European office to London, the hub of international shipping, Moller closed the small Copenhagen office on a Friday afternoon and opened the new office in London on the Monday morning. More upheaval was to follow. Soon after he met his future wife, Rochelle, in an Italian restaurant in London he received a telephone call from Torben inviting him to

become the vice-president of the chartering department in Long Beach. He moved to the United States in November 1987 and Rochelle followed her beau! Exciting times lay ahead as Teekay expanded rapidly. In the course of his negotiations with clients and ordering new ships Torben travelled widely, telephoning Moller every day. He became well acquainted with Torben, learning his ways and absorbing his business philosophies, and Torben regarded him as a close confidant, to the point that he mentioned to several people that he wanted Moller to succeed him.

A formidable figure, Captain Jim Hood, Teekay’s president and Torben’s second-in-command, had been of immense help to Moller in Copenhagen and London, and continued to encourage him during his time at Long Beach. After Torben’s untimely death in 1992, the two men worked closely with the rest of the senior management group to ensure that the company’s growth continued despite its desperate financial situation.

Moller moved to the position of chief operating officer on January 1, 1997 and eventually succeeded Jim Hood on April 1, 1998, remaining as president and chief executive officer until his retirement on March 31, 2011. Thereafter he continued his association with the company as a non-executive director on Teekay’s board.

The results of his highly acclaimed leadership of the company are recorded elsewhere in this book, but worth noting here are the comments of a senior figure at the time of Moller’s retirement: ‘Bjorn has a brilliant but practical mind; he is loyal to people, humble and leads by example when it comes to hard work.’ A more junior employee in Vancouver summed it up in her way. ‘He even remembered our birthdays,’ she said, and, referring to a major project on which she had worked in Poland, she added, ‘I was homesick, and, after he had talked with me during his visit to the shipyard, the president was concerned enough to send me a package from Vancouver with all the familiar goodies from home. Now that meant a lot to me.’ ■

Wider Horizons



Although tanker rates, surprisingly, did not drop immediately in the first part of 2009 – largely owing to the speculative demand for tankers to be used for floating oil storage – most tanker owners found operations increasingly difficult as the year wore on. Teekay, however, was cushioned for a while from the ravages of the global shipping slump. In addition to securing long-term charters for a large percentage of its ships, the stable income from its investment in gas, FPSOs and shuttle tankers confirmed the wisdom of diversification into these sectors, where long-term fixed rates provided a measure of financial stability for the group.

In view of the decrease in the global demand for crude oil, OPEC had cut production and, although oil inventories in many countries had declined, predictions at the start of 2009 did not provide much hope for an imminent increase in tanker rates. New ships continued to be delivered into the market at a rapid rate as a consequence of the bloated orderbook, which had built up during the boom years, further exacerbating the imbalance between supply of tanker capacity and the demand to move oil. In January 2009 Morgan Stanley wrote:

VLCC and Aframax rates firmed last week, up to \$76kpd and \$31kpd, respectively, while Suezmax rates softened somewhat to \$43kpd. VLCC rates continue to defy gravity, propped up by demand for storage resulting from the current steep crude oil contango . . . [A leading tanker company]

estimates that 80m bbls of crude are being stored in tankers, occupying 30–35 VLCCs and [about] 10 Suezmaxes (Bloomberg). However, with westbound sailings continuing to fall, OPEC supply cuts [are] yet to hit the market and [with] the Brent contango flattening, storage demand could soon start to wane, thereby putting pressure on tanker rates.

It was becoming clear that Teekay would not remain immune to the effects of the global trends and, in response to growing concerns, the senior leadership team initiated decisive pre-emptive steps to steer the company through these difficult waters. It launched a three-year strategic plan in 2009 with the slogan ‘Survive and Thrive’. The introductory lines to a pamphlet issued by the executive stated the following:

Teekay has undergone tremendous change since the launch of the Teekay Vision and the first Big Hairy Audacious Goal (BHAG) in 1997. The Teekay Vision has been a guiding light for our initiatives and growth. Our investments in people, systems, access to capital and processes have given us a reputation in the industry as a quality operator. It has enabled us to achieve ten-fold growth in assets in just over ten years while expanding beyond oil tankers into gas and offshore.

Today, after five exceptionally strong years in shipping and offshore, we face an operating landscape filled with uncertainty. Teekay took early action in anticipation of a down cycle and is continuing to take strong action. This three-year strategic plan outlines our plan to ensure the company is positioned

not only to survive this downturn, but ultimately to thrive by taking advantage of opportunities in the future.

In 2009 the United States stock market began to recover from the global financial meltdown that had started in 2008. Teekay’s three publicly listed daughter companies – Teekay LNG Partners, Teekay Offshore Partners, and Teekay Tankers, in which investors enjoyed attractive yields – recovered more quickly than most. Low interest rates made investors ‘yield hungry’ and Teekay’s dividend-paying daughter companies with substantial long-term charter coverage prospered. This allowed the company to continue raising large amounts of capital in the daughter companies to pay for assets dropped down from the parent company, Teekay Corporation, a move that also allowed the parent company to continue to de-leverage its balance sheet despite the poor shipping market. The bold and innovative daughter company strategy was proving its worth in troubled times, to the envy of most other shipping companies, which had been shut out of the capital markets. The de-leveraging of Teekay Corporation and the dropdown of assets also accelerated the recovery of Teekay stock, to the delight of investors.

While the previous goals had been orientated towards expansion – which Teekay had undoubtedly achieved in a remarkable fashion through the acquisition of several well-known companies and the building of

Besides the conventional tankers operating worldwide and experiencing some of the worst weather conditions possible during the course of their normal operational voyages, Teekay operates FPSO and FSO vessels as well as shuttle tankers in the North Sea, one of the world's most challenging weather environments for the offshore industry. The equipment is designed to withstand, and operate in, very harsh weather, and it requires highly trained crews to keep production running uninterrupted in all but the most extreme conditions. In December 2011, the Teekay FPSO *Petrojarl Banff* (seen here in calm waters), operating in the British sector of the North Sea, experienced extreme weather conditions in excess of the 100-year storm. During a harrowing night, with waves exceeding 16.5 metres and wind speeds in excess of 160 kilometres per hour, five of the FPSO's ten mooring lines broke, causing the unit to drift off its geostationary position. (The actual wind speed is not known as it exceeded the maximum read-out on measuring equipment.) Despite *Petrojarl Banff* pitching 17 metres from trough to peak every 12 seconds, the offshore installation manager (OIM) managed to use the FPSO's thrusters to hold it faced into the weather, helping the remaining five anchor lines to hold and allowing the vessel to ride out the storm. The FPSO was subsequently taken off the field for repairs, and the unit is expected to be back on the field in 2013. *Teekay Collection*



new ships – the strategy now focused on maintaining strong cash flow and driving greater efficiency, enabling Teekay Corporation, the parent company, to become net debt-free by 2011. The actions included restricting capital projects, selling some vessels, and extending or refinancing bank facilities on loans. But the new plan also reached into every office, every desk, and even aboard every ship, calling on Teekay staff to work smarter and cut costs wherever possible. Internal cost-cutting managed to trim 20 per cent off the company's overhead and operating expenses without compromising safety aboard its ships.

In response to these assertive steps, the share price rebounded and, although the returns were not as good as they had been a year earlier, the company out-performed its competitors.

The preparation by everyone at Teekay for a rough passage proved very timely, for although 2010 began on a surprisingly positive note as rates improved – with analysts predicting increased cargo volumes – there was little net growth as the year passed, when measured against the cargo levels of 2008. Adding to the malaise was the fact that the worldwide tanker fleet had grown

by about 8 per cent, leading to the supply of vessels outstripping the demand and resulting in continued pressure on charter and freight rates for much of the year. Even the *Deepwater Horizon* accident in the U.S. Gulf in May 2010 and the resulting fear that other supply platforms in the U.S. Gulf would be closed as a precautionary measure made little impact on overall rates, though the expected slight increases in demand for vessels to cater for the northern hemisphere's winter oil requirements continued to show negative trends.

Glimmers of hope appeared for conventional tanker owners during the early part of 2011 when short-term rates spiked at the onset of the Libyan civil war. As a result, it was reported that Suezmax tankers had outperformed other tanker classes, with rates for ships trading from West Africa to the U.S. Atlantic coast reaching above \$18,000 a day. Although this represented a serious downward trend from the levels prevailing during the halcyon days back in 2008, the fact that earnings in excess of operating costs were possible was of some comfort to tanker owners. However, figures for other major trades showed rates easing and doused the

The TK Foundation

Torben Karlshoej had a life-long passion for the sea and ships, and transformed his early audacious goal to operate his own shipping company into reality with the formation and remarkable development of his tanker operation. He had an especially high regard for those who crewed his ships, for he recognised their sacrifice and efforts, always caring for their comfort and welfare. He had great human compassion, and offered a ready hand to assist seafarers with personal hardships.

He would often give young people a chance to prove themselves, and would reward their good work. He was blind to issues of race and ethnicity, hiring and promoting people from all backgrounds. Although he had no formal tertiary education, he understood the importance of education to uplift disadvantaged young people.

In view of Torben's ideals, the TK Foundation, established in 2002, seeks to further the causes about which Torben cared most, and to continue the emphasis on the values that were important to him: honesty, trust, respect and perseverance.

The foundation's focus centres on programmes relating to the health, safety and welfare of seafarers, maritime education and training, and to strengthening maritime security. A special emphasis in many of the projects is the improvement of the lives of young people who have encountered physical, economic or academic barriers to their success. Torben was a great believer in giving 'a hand up' (but not a 'hand out') to hard-working and deserving young people. Since its inception, the foundation has awarded over \$20 million in grants to assist special projects initiated by non-profit maritime-related organisations, and it is expected to distribute a great deal more in the coming years to deserving causes around the globe. ■



TOP In her role as programme officer at the TK Foundation, the amiable Susan Karlshoej, Torben Karlshoej's second daughter, works closely with non-profit applicants and successful grantees (mainly in North and South America and Africa) as well as with partners in operations, funding, and management. In wholehearted support of the TK Foundation's hands-on philosophy, she relishes the face-to-face discussions with grantees and grant applicants, as well as visits to the sites where the TK Foundation has made a difference in the lives of people. She is also a board member of the TK Trust Company Ltd, the trustee of the TK Foundation. She holds a bachelor's degree in social ecology with an emphasis on criminology, law and society from the University of California, Irvine, and is currently reading for her master of business administration degree. She is shown here with a senior student in the simulation bridge aboard the training ship *Golden Bear* at the California Maritime Academy. The TK Foundation supported phase two of the construction of the navigation laboratory that incorporates a multi-function simulation bridge and an on-board classroom simulator, complete with 20 cadet workstations. The academy has the only training ship in the United States equipped with a state-of-the-art simulation facility, which complements the ship's traditional operating bridge. *Brian Ingpen* **ABOVE** One of the flagship projects undertaken by the TK Foundation was the funding of the construction of a specialised building to house the Lawhill Maritime Centre at Simon's Town School, South Africa. With its magnificent view across False Bay to the distant mountains, the fine building has accommodation for 54 students as well as supervisory staff. There are two custom-built classrooms for the teaching of maritime subjects to over 100 students aged 15 to 17 years. The Centre also has a maritime resource centre for students, a dining saloon (with fully equipped galley) and recreational rooms, making this a home-from-home for out-of-town students, most of whom come from disadvantaged situations. *Brian Ingpen*

flicker of hope of a revival, despite Asian imports of crude oil growing at about 4 per cent since the start of the year, and Chinese imports increasing by 7 per cent. Apart from a surplus of ships on the world trades, importers were sourcing crude oil from Asia and the Middle East, further reducing the demand for tankers on the longer haul from West African and Mediterranean ports. Economists pointed to a 15 per cent decline in African crude oil exports to most Far Eastern destinations, in favour of imports from closer oilfields. This represented a decline in voyage-time that translated into less demand for tankers and resulted in flattened rates.

However, Teekay's analysis and the 'Survive and Thrive' strategy had some positive elements as it identified several patches of sunlight on the otherwise gloomy sea of despair that prevailed in the global shipping industry from 2009. Three of the particularly brighter patches stemmed from Teekay's significant involvement in the Norwegian oil industry, so carefully nurtured from the time the company's team signed for the takeover of Bona Shipping, thereafter Ugland Nordic Shipping, and, finally, the prized Navion Shipping. Through these acquisitions, Teekay had established itself as the leader in shuttle tanker operations, a sector that had grown beyond expectations as worldwide exploitation of deepwater oil reserves expanded significantly. Similarly, Teekay had also become an important player in the Norwegian FPSO business through its acquisition, in two stages, of Petrojarl. This had extended its operations to position an FPSO in Brazilian waters, where limited undersea piping to offshore fields had also provided Teekay with significant growth in the shuttle tanker business. With deepwater exploitation via conventional rigs and FPSOs, an increasing volume of oil had to be brought ashore by shuttle tanker, and Teekay had increased its stake in this burgeoning business.

From the Samsung yard in Korea the company ordered four 106,000-deadweight shuttle tankers: *Amundsen Spirit* for delivery in 2010, and *Peary Spirit*, *Nansen Spirit* and *Scott Spirit* for delivery in 2011 for service mainly in the North Sea. With a length of 248.6 metres, these state-of-the-art vessels are



Statoil, Norway's leading oil and gas company and refining body, needed to maintain production and export during unplanned export riser repairs at the Kristin field in the North Sea. Over two and a half months, the shuttle tankers *Navion Britannia* and *Navion Hispania* were fast-tracked through comprehensive modifications to meet all the specific and statutory requirements for operation at the oilfield. Teekay developed field specific dynamic-positioning (DP) software, installed a telemetry system, reprogrammed the communication systems and developed specific training programmes, field operation manuals and emergency procedures. This enabled the Teekay ships to deliver continuous loading operation on the dynamic positioning system through direct loading to the tankers until the completion of the repairs. *Teekay Collection*

Northern Pacific crossings

The sea has its moods: calm, quiet waters of a tropical passage, or a wild, troubled, raging mass that can sow destruction on passing ships. Among the places where the sea can show its worst is the northern Pacific Ocean, and several Teekay ships – whether choosing to transit the Unimak Pass into the Bering Sea, or on a Great Circle route to pass about

60 miles south of the Aleutian Islands – have experienced considerable discomfort.

Chief Officer Harsh Yagnik relates an account of a winter crossing of the northern Pacific Ocean in December 2009 to January 2010 when *Torben Spirit* was fixed to load carbon black feed stock in three United States ports (El Segundo, Benicia and Richmond),

for later discharge in Yosu (Korea) and Singapore:

The Great Circle route from the Golden Gate Bridge to Korea was going to take *Torben Spirit* close to, but south of the Aleutian Islands. Very cold weather was expected and hence precautions were put in place. The weather throughout the passage was indeed cold, with

temperatures dipping below zero at times, accompanied by occasional snow ...

As the ship left the calm waters of the San Francisco Bay, the thoughts and feeling were [the] same among all onboard ... here come the days of rock-n-roll! And rock-n-roll it was! Though not as notorious and unforgiving as the North Atlantic, the Pacific can give her share of tough times.

But *Torben Spirit* braved her way through the many low pressures that originated off the Asian coast, as if coming off some factory production line. Even weather routing was not too helpful, with lows spread all across the North Pacific. Basing our passage decision on the prognosis and synopsis of the weather facsimile, satellite weather bulletins and weather routing reports, the final courses changed from those planned.

As she distanced herself from the US coast and started climbing up the latitudes, the temperatures started dipping. Very soon it was snowing, with a beautiful white blanket covering *Torben Spirit*. Since the cargo was heated, the actual deck surface was relatively warm, and no snow or ice accumulated on deck which helped moving around topside. No slips, trips or falls! The pipelines and other structures, including the lifeboats, were well covered in ice though. The white of the snow on the pipelines and other structures, with the red of the deck as the backdrop gave a good, contrasting colour theme.

Besides the weather, other operational challenges occurred throughout the voyage. A cargo of low viscosity and a 'negative' API, that needed heating to high temperatures, presented a challenge. To complicate matters, some heating coil manifolds developed leaks, leading to steam condensing and the water freezing! That started the difficult job of working in strong wind conditions in sub-zero temperatures, to remove and repair these steam manifolds.

Every time the waves broke on the ship side and sent spray flying onto the deck, the crew at work would feel the chill up their spines as the spray hit them. The wind chill and freezing spray were a couple of tough factors to brave and work against, but work the crew did! The tasks continued late into the evening, and only when all defects had been repaired did the crew rest for the night. This was unavoidable as the cargo had to be heated the next day. As the days progressed and the ship moved into lower latitudes, the sub-zero temperatures rose to zero and stayed around zero to positive four degrees. There was no more snow and the sun melted what little ice and snow had collected over the earlier days.



OPPOSITE LEFT *Torben Spirit* shortly after being commissioned in 1994. She was withdrawn from service in 2012. *Teekay Collection* **TOP** Ice on the foredeck of *Torben Spirit*. *Chief Officer Harsh Yagnik* **ABOVE** The Great Circle course of *Torben Spirit*. *Chief Officer Harsh Yagnik*

After over five days of dark and overcast skies with cold winds and freezing temperatures, the nice bright sun for the last two days of the voyage was a big welcome. It was the dawn of a beautiful day and there were broad smiles across the faces of the crew who worked on deck, in spite of the cold winds which still persisted. As the vessel made her way through the approach channel at Yosu early in the morning, the rising sun and the sweet smell of land made the perfect

way to start the day. Discharge at the Korean port, however, was in itself a different story as we had to unload into seven barges while the vessel was anchored off the berth, before going alongside to discharge for about seven hours and then we returned to anchor to discharge into the remaining barges.

From Korea, we headed to Singapore to discharge the rest of the cargo to two ships, via ship-to-ship operation.

A successful voyage was completed. ■



highly automated, not only in terms of their machinery, dynamic positioning systems, and navigation equipment, but also in the automated connection of their bow-loading equipment to hoses from the loading platforms. A Teekay public relations piece stated:

We are proud of our latest generation of shuttle tankers, the Explorer class – the most sophisticated and eco-friendly shuttle tankers ever built. [The design of] these vessels received the Clean Shipping Award in recognition of outstanding efforts to reduce the emission of greenhouse gases at the 2009 NOR-Shipping exhibition in Oslo.

Teekay brought *Amundsen Spirit* to Stavanger for her official naming ceremony. The ship dwarfed buildings in the immediate vicinity of the berth, drew curious townsfolk to the harbour, and reaffirmed Teekay's commitment to Norway. The special arrangements for the naming, and the photographs of *Amundsen Spirit* so dominant in the narrow confines of that part of Stavanger harbour, also provided a fillip for staff morale, especially in Norway.



More uncertainty lay ahead for Teekay. In Vancouver Bjorn Moller had decided to retire, a step that signalled the closing of a most successful chapter in the life of the company. It was also unwelcome news for many Teekay employees and business partners as he had been the public face of the company, and his care for the staff had been impressive and encouraging, particularly during the sudden downturn in shipping. He was a trusted and highly respected figure in the wider tanker world and would continue to be involved with the Teekay Group by remaining a member of the board.

A prominent business leadership consultant, Steve Langton, was commissioned to undertake a wide-ranging survey of the

company, in the process devising a succession plan for Moller and also pinpointing the skills and attributes that would be needed by its next leader. Among a range of other findings, Langton affirmed that Moller embodied the legacy of Torben Karlshøj and was an impressive chief executive who had become a highly respected, trusted figure among Teekay employees, clients and competitors alike. In addition, a powerful relationship had developed between him, the chairman Sean Day, and the company patriarch Axel Karlshøj. Because of the esteem demonstrated by company employees towards Moller and his remarkable track record – especially his leadership during the global uncertainties of 2009 and 2010 – his shoes would be difficult to fill.

Whether his successor should be an outsider or should come from within the company was an important decision for the board, who soon agreed on the latter because of the considerable talent available within the senior leadership team. Langton had drawn attention to the fact that Teekay was able to develop people because, while the company had strong leadership, individuals at many levels were involved in decision-making processes. The board therefore invited members of the senior leadership team to put their names forward if they were interested in being considered to fill Moller's position. Five out of nine members of the team decided to toss their hats into the ring, and in September 2010 they each made presentations to the board during a meeting in Shanghai. Such was the talent available that it proved to be an exceedingly difficult decision. The board believed that each of the five was qualified to lead the company, which was a testament to the depth of management talent within the company. However, in the company's chief strategy officer, Peter Evensen, Teekay had a logical and extremely able successor who had wide experience in shipping finance and who had made an outstanding contribution

Occidental Petroleum was seeking an FSO vessel for deployment on the Al Rayyan field off the coast of Qatar. Teekay was awarded the contract in April 2009 and delivered the modified *Falcon Spirit* (formerly the shuttle tanker *Sarita*) in December 2009 for operation at the offshore field. This fast-track project included the procurement of heavy equipment and the conversion of the tanker. The Al Rayyan field was developed by a production jack-up rig that uses the 124,472-deadweight *Falcon Spirit* for storage. The FSO is moored to a single buoy mooring using standard shuttle tanker bow loading equipment. Conventional tankers moor astern of *Falcon Spirit* for cargo transfer once every two months. *Teekay Collection*

Sean Day, chairman of the board

Teekay's chairman, South African-born and educated Sean Day, has been a major player in the phenomenal success of the company. World affairs and shipping have been his interests since his days in the boarding facility at the South African College School, the country's oldest school, where, early each morning, while his schoolmates were still in bed, he would hasten to the common room to read the daily shipping column in Cape Town's daily, the *Cape Times*, and scan the rest of the newspaper to keep himself abreast of global and national events.

On completing his schooling he enrolled at the South African Merchant Navy Academy *General Botha* for pre-sea training, where he became senior cadet captain, and then joined Safmarine, at the time South Africa's largest shipping line. Later he became an officer in the South African Navy before studying first at the University of Cape Town and then, after being awarded the prestigious Rhodes Scholarship, proceeding to England to read jurisprudence at Oxford University.

He then moved into the shoreside of shipping at Jardines, the famous Hong Kong shipping company. His three years in Asia were followed by a spell with Fednav in Montreal, which he joined in the late 1970s. Marriage to Ginny brought him to New York in 1981, where he undertook freelance work for banks with distressed shipping portfolios. In 1982, after Fednav had bought into Navios, a raw material shipping arm of the United States Steel Corporation, he was asked by Fednav's Chairman, Ladi Pathy, to join a team of senior managers to rescue Navios from financial distress in the deep shipping slump of the early 1980s. While handling the restructuring of numerous freight contracts, he had an increasing desire to 'become an owner of a business, rather than just an employee of the company,' as he puts it.

A spell at Citibank gave him valuable experience in the complexities of high finance, after which he returned to Navios in 1989 as



Steeped in maritime matters from an early age, the chairman of the main Teekay board, Sean Day, enjoys time aboard his leisure boat, *Spirit*, along the waterways of the north-east coast of the United States. *Sean Day*

an investor and owner by virtue of the leveraged buyout that he had arranged with the backing of Citibank and Fednav. At the helm of the company for ten years, he transformed Navios into a profit-making, leading bulk shipping corporation.

On one occasion, while at Navios, the prospect of doing business with Torben Karlshoej arose. 'Who is he?' Day asked an associate. 'He's a guy who runs a shipping company from his boat in the Bahamas,'

came the response. 'We don't deal with people like that,' retorted Day, and the deal went flat. Little did he realise that shortly thereafter he would be directly involved in the company established by the guy on his boat in the Bahamas and would find that he shared so many of the principles for which Torben Karlshoej stood.

With all his talents, his sharp financial acumen and his business achievements, Teekay invited Day to join its board. In 1999,

once he and the other investors had sold Navios, he became the chairman of Teekay's main board and also chairman of several other boards within the group.

With the astute Day as chairman and Bjorn Moller as the president combining to form a formidable team, the company moved from tanker ownership to its position as a leader in several oil-related fields, including its vital role in the Norwegian oil industry.

His style is that of a 'hands-on' chairman and his time at sea allows him to understand the intricacies of seafaring and some of the conditions under which seafarers work. When he visited the shuttle tanker *Nordic Laurita* that had been in the anchorage off Cape Town for several weeks waiting to load her next consignment from the FPSO off the South African coast, he learnt that the ship had not been alongside for a long time. He scribbled a note in the little book that he carries with him and the following day, at his insistence, the tanker was alongside in Cape Town to enable the crew to enjoy a run ashore. 'We must look after these people,' he responded to a local journalist when asked about the ship's sudden berthing in Cape Town.

Acclaimed for his contribution to shipping over more than three decades, he was elected commodore of the Connecticut Maritime Association in 2005.

Sean Day does more than simply remember his South African roots. To enable the Teekay board members to understand the potential and complexities of his original homeland, he brought them to South Africa in 2005, exposing them to experiences ranging from the sights and sounds of South African township life to those of the Bushveld, that remarkable part of the country, rich in flora and fauna. Through his personal involvement – and that of his wife, Ginny, and his four daughters – in various educational projects, he does much to encourage young South Africans to reach their full potential. Having accomplished so much himself, Sean Day is a role model for young people – including those from his native land – who are prepared to work hard and adhere to uncompromisingly high personal standards. ■



TOP With his wife Ginny and two of his four daughters, Sean Day celebrates his election as commodore of the Connecticut Maritime Association. *Sean Day ABOVE* Sean Day in his reading nook at his home in Connecticut. *Sean Day*

Teekay's office, Vancouver. *Teekay Collection*



Bjorn Moller taking leave of his amiable personal assistant, Theresa Murray, in 2011. In 1993 she responded to a newspaper advertisement for a human resources position at Teekay and was appointed. Having substituted for Bjorn Moller's personal assistant in 1996, she continued in that role during the rest of his tenure as chief executive and president of Teekay, and remains personal assistant to his successor, Peter Evensen. *Teekay Collection*



to Teekay since he joined the group in 2003 as chief financial officer, working inter alia on the Tapias and Petrojarl acquisitions and overseeing the establishment and growth of the daughter companies. As Moller had been unique, Evensen too would provide his own unique style of leadership. 'He is an energising, creative personality,' commented a close colleague, with whom there was widespread concurrence among Teekay employees.

The board appointed Evensen, and after a six-month handover period – during which he and Bjorn Moller visited Teekay offices and customers around the world so that Moller could bid farewell to the staff and introduce his successor to clients – Moller retired on March 31, 2011.



Once the board had appointed Peter Evensen to succeed Bjorn Moller as chief executive officer and president of Teekay, the two men visited each Teekay office for Moller to bid farewell to the staff, and to introduce Evensen. Among the centres visited was Sydney, Australia, where they went to the crest of Sydney Harbour Bridge. *Teekay Collection*

Teekay's general leadership conference in 2011. *Teekay Collection*



Teekay had achieved its 2010 Big Hairy Audacious Goal that, though altered once, had essentially served as a fixed, high-level and effective objective for twelve years. With that goal in the past and Teekay moving into recovery from the economic recession of the late 2000s, the senior leadership team realised that Teekay would need a new target around which all could rally as the company moved towards an exciting new chapter. Although there were uncertainties regarding global economic trends, especially in the oil industry, there would also be new challenges and many new opportunities. It was time to establish a new approach.

In late 2010 the leadership team had decided to reach out across the company for input, looking less for a concrete business

goal and more for a unified purpose – something to act as the guiding light for the future. Workshops were held across all of Teekay’s operations to seek feedback and to give staff the chance to contribute to the company’s future plan. Employees were asked a series of questions to determine the themes and characteristics that reflected their shared Teekay experience. The feedback, collected from 31 sessions, across 17 offices and involving 500 employees, was turned into the first draft of Teekay’s new vision. From there, 1,200 more employees were invited to give their input. Though it may seem like an inordinate amount of focus testing, Teekay’s senior leadership team was determined to craft a new message for the company that truly resonated with every Teekay employee.

When the processing of the staff input had been completed, one word kept appearing across the various offices: ‘spirit’, a concept that Torben Karlshøj had embraced and embodied in the suffix of the names of his tankers. Representing the professional attitude, enthusiasm and commitment shared by Teekay’s seafarers and shore staff around the world, the word spirit – with all its positive and exciting connotations – was chosen to anchor both Teekay’s new vision statement and to reaffirm its core values. In June 2011 Teekay officially launched its new vision – *Bringing Energy to the World with Teekay Spirit*. Alongside the new vision, the core values as formulated by Torben were affirmed, using SPIRIT as an acronym for the cultural touchpoints of Teekay’s operations:

Safety and Sustainability, Passion, Innovation, Reliability, Integrity and Teamwork.

Today, *Bringing Energy to the World with Teekay Spirit* lies at the heart of Teekay’s growing and diversified business. With the vision – underpinned by the company’s core values – firmly in place, Teekay staff found rallying as they continued the task of returning the company to profitability.



With a new chief executive officer at the helm, and the new Teekay Vision established, there was much to do. Although the tanker markets remained in the doldrums with little prospect of an improvement, a

new, long-term opportunity had arisen earlier in the month amidst tragic circumstances. On Friday March 11, 2011 Japanese workers resumed duties after their lunch break until shortly before 14:30, when the island chain was hit by a severe earthquake, bringing a subsequent tsunami that inundated vast areas of the Japanese archipelago. In his Tokyo office Dai Matsui, Teekay’s director of chartering and freight (Pacific), waited for the earthquake to subside, as he had done on similar occasions in the past. Although Japanese buildings are designed to withstand earthquakes, which occur frequently in the geologically unstable area, the phenomenal intensity of the earthquake on this occasion shook the building far more terrifyingly than anything he had experienced before, and he ordered

his staff to evacuate. When they ran from the building large pieces of concrete were falling into the street, miraculously missing the fleeing staff members. As television footage of the tsunami was relayed to the outside world, and as media representatives moved into the worst-hit areas, the extent of the devastation became apparent. Television viewers across the globe began to comprehend the sheer horror of the disaster and share the tragedy with the Japanese nation.

The tsunami indirectly caused major damage to the Fukushima Daiichi nuclear power plant following explosions in three reactors as hydrogen gas built up within their outer containment buildings after cooling systems failed. The subsequent explosions were caught dramatically by television cameras,

Captain Steve Tucker

Fresh from secondary school, Cadet Steve Tucker joined Trident Tankers’ *Orissa* in 1965 to begin an illustrious seagoing career that has lasted more than forty-five years. Within ten years he had his master’s certificate but when Trident’s parent company, P&O, announced a pay freeze, he looked abroad for employment and joined the giant Japanese bulk carrier and tanker operator Sanko, which was expanding. Initially he served as chief officer in Sanko’s Aframax tanker *Manhattan Viscount* and later in *Neptune Leo*, before gaining command of *Mint Prosperity*, all of which were on charter to Teekay.

In 1984 he gained his first command in *Sea Royal* and two years later joined Teekay as master of *Sunrise*, a vessel that Torben Karlshøj had bought ‘as is, where lies’ because the price (\$3.7 million) was so low for a vessel of that size. She was in a very dilapidated state but Torben ensured that before she began trading to his account she was refitted. As other problems were encountered they were fixed, so that within a year *Sunrise* was totally shipshape.

With Captain Alan Hayes and Chief

Engineer George Thompson, Tucker was invited to a meeting with Torben in London in January 1987. He recalls a cordial atmosphere as Torben shared his ideas on crewing and outlined expansion plans for the company. ‘We will need good officers,’ he told the three men, ‘and I will value your input regarding new recruits for senior ranks.’ That the owner had included these senior officers in such discussions was a reflection of the way he ran the company.

Subsequent officers’ conferences demonstrated the same willingness on the part of the company to share its plans and to gather input from those who venture to sea and whose opinions are always regarded as important to the smooth operation of the fleet.

After in-depth training in 2005, including time at sea in two of the former Tapias LNG carriers, the affable Captain Tucker transferred to the group’s LNG carrier fleet and currently commands *Al Marrouna*, the first of the new LNG carriers, built by the Daewoo yard in Korea in 2006 and 2007. (Also see the other references to Captain Tucker’s experiences.) ■



FAR LEFT Captain Steve Tucker aboard the gas carrier *Al Marrouna*.
LEFT Cadet Revan Pristiwana plotting a position. He is from Jakarta, Indonesia.
Captain Steve Tucker



Chief Cook Honorato De La Cruz, and Second Cook Jeorme Castillo cooking doughnuts for the morning coffee break.
Captain Steve Tucker

as was the aftermath – parts of the power plant lay twisted and broken, and commentators agreed that a major result of the disaster would be felt in the contamination of the area around the plant.

Some local Teekay operations were immediately affected by the earthquake, the tsunami and the nuclear disaster. Employees suffered from extreme stress in the hours and days after the tragedy, especially those who waited anxiously before they received news that all their relatives and friends were safe;

others went in search of family members and the same applied to many of the staff of Teekay's Japanese clients, port employees and those in ancillary services. Unusually for Japan, delays at the ports were unavoidable for this was an occurrence of catastrophic proportions. Some tankers approaching Japan were ordered to slow down in case the terminals to which they were heading would be unable to discharge their cargoes. With the nuclear plant effectively destroyed, reducing the country's power generation

capacity substantially, Japan had to import large volumes of gas, mainly for domestic heating and lighting, to make up the shortfall. A mini-boom in the gas carrier market followed and owners, including Teekay, scrambled for charters to move gas to Japanese terminals.

As the country began the huge reconstruction task and most of the ports returned to normal operations, issues relating to the longer-term effects of the disaster came under the spotlight. It did not take long for

Captain David Glendinning

David Glendinning walked up the gangway of his first ship in 1970 when he joined *British Fame*, a 16,000-deadweight fuel oil carrier owned by BP Tankers. He gained his second mate's certificate while working for BP and remained employed by them for seven years, attaining the rank of second mate before moving on to different challenges.

In contrast to the national oil companies of the United States and Europe, which were reducing the size of their shipping fleets, foreign flag operators were increasing their fleets, offering interesting opportunities for their officers. In 1977 Glendinning accepted an appointment with Sanko Line, a Japanese-controlled and rapidly expanding tanker operator. Glendinning's tenure with Sanko Line lasted almost ten years as he rose to the rank of chief officer. During this time he first came across Teekay, which regularly chartered Sanko tankers under the Palm Shipping name. In 1986 Sanko was facing financial problems and as part of its restructuring was reducing the number of ships it owned and was moving to a more cost-effective crewing model, which resulted in Glendinning seeking other opportunities. On hearing from his former Sanko Line colleagues



Captain David Glendinning Teekay Collection

that Teekay was recruiting experienced tanker officers for shore positions he made contact with Torben Karlshoej, who invited him to London for a meeting. After a successful interview Glendinning was offered and accepted a position in the Teekay London office working in the chartering department for Bjorn Moller, where he started in February 1987. That position would only last for a few months as Torben insisted that if Glendinning was to be successful ashore he needed to sail as a master. He was subsequently given command of *Golden Gate Sun*, which was trading out of the Arabian Gulf at the height of the Iran-Iraq war, during which tankers were targeted by both sides to try to choke each other's oil revenues. He and his ship survived without incident and he returned to shoreside employment, initially at the Long Beach office at the end

of 1987 as the operations manager in the ship management division.

The next four years were probably the most challenging but exciting part of his career to date. Torben was rapidly expanding his fleet, which required his ship management division not only to keep the fleet running but also to ensure that all additions were properly registered, insured and manned on delivery. The move to Vancouver from Long Beach at the end of 1991 resulted in promotion for Glendinning to vice president of commercial operations, a position that saw him taking responsibility for cargo planning, operations and logistics for the entire fleet. He held this position until 1998, when commercial operations were absorbed into the new team structure. He was then appointed as senior vice president of customer service and marine project development, where he led a number of FSO and other projects.

Once the company had decided to enter the LNG sector, a new assignment awaited him when he was appointed president of Teekay Gas Services in 2003, which involved supervising the expansion of the company's investment in a fleet of LNG carriers and other initiatives relating to the LNG business, a vast and rapidly expanding portfolio. On his watch, Teekay has become involved in the ownership of 27 gas carriers, through the acquisition of the owning companies or ships and through the company's participation in joint ventures. ■



TOP *Galicja Spirit* loading liquefied natural gas at Hammerfest, Norway. **Teekay Collection** **ABOVE** In May 2012 Teekay's *Woodside Donaldson* loaded the first export cargo from Western Australia's newly opened Pluto LNG Terminal, a 4.3 million ton per annum LNG project owned by Woodside. The facility processes gas from the Pluto gasfield, located in the Carnarvon Basin about 190 kilometres north-west of Karratha. The initial phase of the project comprises an offshore platform in 85 metres of water, connected to five subsea wells on the field. Gas is piped through a 180 kilometre trunkline to the onshore facilities, which include an LNG-processing train. The 2009-built LNG carrier, one of six acquired from Maersk LNG in 2011, is on a 15-year time charter to Woodside. **Teekay Collection**

anti-nuclear organisations to make mileage from those scenes, as well as from the fact that hundreds of thousands of people had been evacuated from the area where radiation may have caused harm. Sentiment in Japan began to swing away from nuclear power to other forms of energy, notably to natural gas. The voices of anti-nuclear groups also began to carry weight in other parts of the world where nuclear power plants were operating, were under construction, or were being planned. Clearly, the unfortunate Japanese experience had a large impact on the watching world, and the tanker industry began to wonder whether the growing wave of anti-nuclear sentiment would trigger a swing towards more gas-fired power generation. As expected, in the wake of the Japanese disaster and as gas became increasingly perceived to be a 'cleaner' fuel, that swing happened, and gas became a favoured fuel to make up for the shut-down nuclear plants, at least in the short term.

Shortly before the onset of the Norwegian winter of 2011, Teekay announced a deal with Sevan Marine, a transaction that moved it further into the FPSO sector. Ten years earlier, Sevan Marine had developed a unique design of specialised technology for FPSOs. Unlike the conventional FPSOs, the Sevan design involves a cylindrical unit that is not subject to the usual 'weather vaning' characteristic of a conventional FPSO, thus obviating the need for a very expensive and complex turret structure.

In 2004 Sevan contracted with the Yantai Raffles shipyard in China to build their first cylindrical FPSO, *Sevan Piranema*. Within three years she was in production and Sevan had placed orders for another two, *Sevan Hummingbird* and *Sevan Voyageur*. In terms of the agreement with Sevan, Teekay bought the three FPSOs with their respective contracts, acquired a share in a recapitalised Sevan Marine, and financed the completion of the FPSO *Sevan Voyageur* (later renamed *Voyageur Spirit*). The company also agreed to acquire future FPSO projects developed by Sevan Marine. 'Our investment reflects our confidence in Sevan's strong offshore project development expertise while providing Teekay with an enhanced pipeline of future

Angola

In 1955, 45 years after the Portuguese colonial government granted the first prospecting licence in Angola, oil was discovered in the onshore Kwanza Valley by Petrofina, which, with the colonial government, established the jointly owned company Fina Petroleos de Angola (Petrangol) and built a refinery in Luanda. Seven years later the Cabinda Gulf Oil Company undertook the first seismic survey of Cabinda's offshore area, and in September 1962 they made the first discovery of sub-sea oil. Although its oil prospecting and production was inhibited by the long fight for independence and the subsequent civil war, the country has forged ahead with extensive geological survey work, much of which has yielded positive results, so that Angola now has vast confirmed reserves of oil and gas, making it Africa's second largest producer.

With turbulence frequently threatening Arabian Gulf oil supplies, and as the Iran-Iraq war of the 1980s emphasised the vulnerability of oil supply routes through the Arabian Gulf, western oil interests have been widening the scope of their quest for other, more reliable sources of oil and looked, inter alia, to West Africa for solutions. Closer to both Europe and North America than the Gulf, the rich oil- and gasfields of Angola, Nigeria and other countries in the region had received considerable investment over the years. With pressure mounting to find alternative sources – including the search for sub-sea oil at greater ocean depths – growth escalated at an unprecedented pace.

Also among those with a major interest in the expanding West African oil industry was China, which, through various aid programmes and offers to rebuild infrastructure damaged during the civil war, had established a major economic foothold in Angola. This has led to large volumes of oil moving to China. Although Teekay was not a major player in the West African oil trade, the growing importance of the region in oil and gas production brought the company



ABOVE LNG carrier *Soyo*. *Teekay Collection* **RIGHT** *Cubal*, the last of the quartet of LNG carriers completed in 2011 and 2012. *Teekay Collection*

opportunities to follow its customers as they become involved in what has become a significant alternative source to the Arabian Gulf. Among other investments, Teekay has a 32 per cent stake in four 160,400 cubic metre LNG carriers (*Soyo*, *Lobito*, *Malanje* and *Cubal*) built by the Samsung yard in Korea. *Soyo* was delivered in May 2011 and the last of the quartet, *Cubal*, entered service a year later. These vessels are on long-term charters to a joint venture between Sonangol, Chevron, Total and ENI, and they operate from the Angolan LNG terminals. ■



TOP FPSO *Piranema Spirit*, the first cylindrical FPSO, is operating for Petrobras on the deepwater Piranema field off Brazil. Installed to operate at a depth of 1,100-metres, she is currently interconnected to seven wells, some for extraction of oil and some to re-inject water into the seabed. *Teekay Collection* **ABOVE** In August 2008 FPSO *Hummingbird Spirit* (then named *Sevan Hummingbird*) became the first cylindrical FPSO to be installed in the North Sea. Her ability to receive helicopters even during severe winter storms and the fact that she experiences no processing restrictions in relation to weather conditions, have demonstrated the suitability of the Sevan design for operations in harsh environments. *Teekay Collection*



ABOVE Stavanger, Norway, on October 5, 2011 when the shuttle tankers *Nansen Spirit*, *Peary Spirit* and *Scott Spirit* were named in a dramatic joint ceremony. *Brian Ingpen* **RIGHT** This photograph indicates the careful pilotage that was necessary to fit the three 248-metre tankers, each with a beam of nearly 44 metres, into Strandkaaien and Skagenkaaien in Stavanger harbour. *Teekay Collection*

on-the-water FPSO growth opportunities,' commented Peter Evensen after the deal had been signed. Teekay also agreed to modify Sevan Marine's capital structure.

In the meantime the other three shuttle tankers of the Explorer class had been completed in Korea but, although they had commenced operations, no formal naming ceremony had occurred for any of them. The success of the naming ceremony of the lead vessel of the class, *Amundsen Spirit*, in Stavanger in 2010 – in terms of extensive media coverage and the generation of goodwill in Norway – prompted Teekay to plan an even more ambitious event: the naming of all three sister ships on October 5, 2011 in that same small area of the harbour at the Strandkaaien and Skagenkaaien.

Guests travelled from various parts of Norway and from further afield to attend the event, which began on the evening before the ceremony with a dinner at the Royal Manor Leedal, an elegant, carefully restored nineteenth-century building that serves as a summer residence for the Norwegian king

and queen, as a museum, and as a venue for special receptions hosted by the local government. Stavanger's energetic mayor, Leif Sevland, representatives of the city, members of Teekay management, including the masters of the three ships, and other guests attended the evening function. Although the Teekay visitors awoke the following morning to cloudy skies, a cold wind from the North Sea and intermittent rain, nothing could detract from the splendid naming ceremony, a spirited occasion enhanced by those in traditional Norwegian dress.

An article in the *Cape Times*, a morning newspaper in Cape Town, South Africa, described the spectacular occasion:

In the semi-darkness of the Norwegian dawn – a long process in those high latitudes at this time of the year – I watched the Teekay shuttle tanker *Scott Spirit* being nudged to her berth in the narrow confines of Stavanger harbour, that important oil centre on Norway's west coast.

When she and her two sister ships, *Peary Spirit* and *Nansen Spirit*, had been





The LNG carriers *Tangguh Sago* and *Tangguh Hiri* (shown here in the Celebes Sea) form part of the BP Tangguh LNG project in Indonesia and carry LNG exports from the Tangguh LNG terminal on Papua Island, Indonesia, to South Korea and Mexico. They are the largest ships involved in this project, and when they were delivered from the Hyundai Heavy Industries yard in South Korea in 2008 they represented advanced technology in LNG transportation: the natural gas cargo boil-off is used as fuel in the four main diesel electric engines for the ship's propulsion, thus making them environmentally friendly ships. **LEFT, TOP** The son of a Russian teacher and a dentist, Oleg Dolzikov grew up in the small industrial city of Sterlitamak in the Russian Ural Mountains on the outskirts of Siberia, thousands of kilometres from the sea. Strangely, when he was 17, he left his Russian home for the Ukrainian port of Odessa to fulfil his dream – to become a ship's captain. After years at sea and with considerable command experience, he joined Teekay in 2002 to command *Avalon Spirit*, and this is probably the only time the company has employed a shipmaster directly from outside the company. Captain Dolzikov transferred to the company's LNG division and was appointed master of the first Teekay-built LNG tanker *Al Marrouna*. He subsequently took command of *Tangguh Hiri*. **LEFT, MIDDLE** Some officers aboard *Tangguh Hiri*. Left to right: Third Engineer Abdul Rauf (without helmet), Second Officer Rahmat Subagio (centre), and Third Officer Ridwan Citra Gurmita. **LEFT, BELOW** Junior officers in the cargo control room in *Tangguh Hiri*. Left to right: Third Officer Ridwan Citra Gurmita, Second Officer Junianto Nugroho, and Second Officer Rahmat Subagio. All photographs: Captain Oleg Dolzikov

squeezed into the port, they completely dominated the skyline, an impressive sight that drew townsfolk galore to see these 248-metre vessels. Although Stavanger residents also turn out in numbers when cruiseliners call during the summer, this was an exceptional event as the tankers were named in separate ceremonies within two hours. Local radio and television stations gave the arrival and naming of the ships excellent coverage. A fourth sister ship, *Amundsen Spirit*, entered service last year after a naming ceremony in Stavanger.

Worth about \$130 million each, these state-of-the-art 109,000-deadweight shuttle tankers ran the pirate gauntlet on their delivery voyages from a Korean shipyard to Norway. Loading crude oil from offshore platforms via sophisticated equipment in

the bow, the shuttle tankers will operate mainly between North Sea oil installations and European or British terminals.

When the Vancouver-based Teekay Corporation bought several Norwegian companies, ranging from shuttle tanker owners and Aframax tanker operators to those with FPSO interests, locals feared that the deals would be hit-and-run affairs, leaving a trail of job losses and perhaps disinvestment. However, to the delight of the locals, Teekay have honoured commitments made at the time of each purchase to retain the Norwegian flavour of each company, and have expanded their investments in Norway. Most of the company's large fleet of shuttle tankers are now operated from Stavanger, while their FPSO portfolio is administered from Trondheim.

Peter Evensen



LEFT Peter Evensen *Teekay Collection* **ABOVE** Peter Evensen greets Mr I.S. Roh of Samsung Heavy Industries, Korea, at the naming ceremony of the LNG carrier *Malanje*. *Teekay Collection*

'Never a crisis, merely an opportunity.' These words have become the mantra of Peter Evensen, Teekay's fourth chief executive officer, who assumed control of the company in April 2011.

During his distinguished career in finance, he had contact with the Teekay leadership group during a number of their acquisition negotiations, and, during a visit to Teekay's office in Vancouver, he walked into the office of Bjorn Moller who casually asked him whether he had ever thought of moving to Teekay. Moller went on to outline the company's BHAG plan and its business philosophy. Based on what he had seen of Teekay's operations and the interesting description of the company Moller had sketched for him, as well as the quality of the Teekay team he had met, he agreed to join the company as the chief financial officer where, from May 2003, his excellent work at raising good-priced capital enabled Teekay to make several subsequent company acquisitions.

When Bjorn Moller announced his retirement in 2011, among the first people he told was Peter Evensen, who decided to put his

name forward for consideration for appointment as the president and chief executive officer of Teekay. After hearing presentations from all applicants for the position, the board appointed him to replace Moller from April 1, 2011.

Evensen, who had previously also served as Teekay's chief strategy officer, was faced with an unenviable task: to return a company that had lost hundreds of millions of dollars in the recession back to profitability.

Though the work ahead was daunting, Evensen's years of experience in banking, working for companies such as the European Shipping Group and J.P. Morgan Securities Inc., made him particularly well suited to the task at hand. Able to look at Teekay's position from an asset manager's perspective instead of from that of a shipowner, Evensen devised a new strategy for the company: 'Buy assets and then grow the hell out of them,' he once said.

Recognising that Teekay's competitive advantage would be in value-added services rather than bottom-line operations, Evensen worked closely with Bjorn Moller to chart a

new course for the company that saw major acquisitions of LNG and FPSO assets, as well as investment in key marine technology companies. 'We figured out it wasn't just a matter of using capital,' he commented. 'It was about how we would enhance the asset. We would really spend time working on those of our skill sets that are needed for a particular project. We look beyond the asset's price tag. It's how you add value to it that is very important. We may look at a lot of opportunities, but we choose very few.'

Resolving to not let Teekay repeat the mistakes of other shipowners who failed to prepare for a changing business landscape, Evensen has proved himself a valuable steward. With a number of projects set to start generating increased revenue in 2013, he has helped guide Teekay from a financial downturn to a truly promising future.

His vast experience in shipping finance, his energetic approach to his work and his gregarious, caring nature have endeared him to the Teekay staff. As a junior staff member commented, 'He is never short of energy, which keeps us energised.' ■

Daughter companies

Before creating what has affectionately become known as Teekay's 'daughter company' structure, the company had two financial challenges – an inherent 'conglomerate discount' in its stock price due to the presence of three unique businesses each with its own cash flow characteristics, and limited or no access to equity capital. While the original structure was perfect in the eyes of Teekay's customers, these financial challenges needed to be resolved, otherwise Teekay's growth would be inhibited and its stock price would be affected negatively. The board and management sought the best solution to these challenges.

To gain a premium valuation, investors' attention had to be focused away from the short-term conventional tanker business towards the longer-term stable cash flows generated by Teekay's newer businesses. The best way of doing this, the board reasoned, was to create 'pure-play' equity vehicles to allow investors to place appropriate value on the discrete cash flows, thereby enabling future success owing to a lower cost of capital. Unfortunately this success would be limited without access to a new source of equity capital.

In the past Teekay had relied on bank and public bond debt and had retained earnings to finance growth. Thankfully, owing to the strong tanker market, Teekay had an abundance of each capital source at that time. However, to achieve its desired growth plans, Teekay required an alternative source of equity capital that was not dependent on the fluctuating tanker market. In consultation with Teekay's investment banks, the master limited partnership, or MLP structure, was analysed in detail. Ultimately this structure was chosen because, historically, MLPs had enjoyed consistent access to a considerable pool of equity capital and because of the general partner, or GP, Teekay could earn outsized profits if it grew the underlying partnership.

Late in 2004 Teekay embarked on a six-month process of launching its first publicly traded subsidiary, Teekay LNG Partners. Focusing on LNG shipping and on contracts ranging from 10 to 25 years in length, this was the first

international shipping MLP. Bankers, lawyers and accountants were hired to help steer Teekay through this arduous process. Although there were setbacks along the way, the team persevered and with a favourable equity market backdrop, Teekay LNG Partners L.P. (TGP on the New York Stock Exchange) was launched on May 4, 2005 at a price of \$22.00 per unit. With investors now able to focus on the stable cash flows generated by the LNG fleet, the valuation of TGP and of Teekay (as sponsor) increased, enabling Teekay/TGP to be more competitive on subsequent LNG tenders. Armed with a cheaper cost of capital than most of its competitors, TGP achieved significant success in the subsequent five years as it acquired interests in 17 LNG vessels that had long-term charters. To help finance this growth, TGP has been able to access the American equity markets. Since its inception, TGP has raised over \$1.2 billion of equity capital.

Based largely on the success of Teekay LNG, Teekay and its investors sought other businesses that had cash flows that would fit nicely inside the MLP structure. Built through the acquisitions of Navion and Ugland Nordic, Teekay's shuttle tanker franchise would be perfect for the new structure. With a higher oil price that generated an increase in exploration and production activity, the offshore shipping, production and storage segments were poised for strong growth. Late in 2005 Teekay hired the same team of investment bankers, lawyers and accountants for the launch of Teekay Offshore Partners in December 2006. Success came quickly to Teekay Offshore Partners L.P. (TOO) as its unit price, which began at \$21.00 on December 14, 2006, reached approximately \$37.50 within months. Since its inception, TOO has also raised over \$1.2 billion of equity capital to fund its growth initiatives.

Lastly, Teekay saw an opportunity to gain a valuation advantage if its conventional tankers were also placed in a publicly listed 'daughter company'. While not an MLP owing to the short-term cash flow, Teekay could reach similar yield-focused investors through a high-dividend payout structure. This would have the added benefit of carving-out this volatile business from Teekay's growing base of fixed-rate cash flows. The team of advisers was hired once again to launch Teekay Tankers Ltd (TNK),

a full-dividend payout vehicle that focused on conventional tanker shipping.

The timing of this offer could not have been better as it was launched in December 2007, before the onset of the worst recession since the Great Depression. The subsequent financial collapse led to one of the worst spells in the tanker markets during the past 30 years. While the growth of this daughter company is not evident in its stock price, it was as successful as TGP and TOO because it allowed Teekay to de-risk its financial position while maintaining functional ownership of the business that initially made it great. Since its inception TNK has also raised over \$650 million of equity capital to fund its growth initiatives.

The formal structures of the three daughter companies was described as follows in public documents in 2012:

Teekay Tankers Ltd (NYSE: TNK)

Teekay Tankers Ltd was formed in December 2007 by Teekay Corporation as part of its strategy to expand its conventional oil tanker business. With a balanced chartering strategy and conservative balance sheet, Teekay Tankers manages the volatile tanker markets by buying and selling vessels, fixing out charters and creating economies of scale with versatile pool partnerships. Teekay Tankers has grown into one of the world's largest midsized conventional tanker fleets and owns approximately 30 vessels, including Aframax tankers, Suezmax tankers, product tankers and one VLCC newbuilding, owned through a 50 per cent joint venture that was scheduled for delivery in April 2013.

Teekay LNG Partners L.P. (NYSE: TGP)

Teekay LNG Partners L.P. is Teekay's gas business entity, operating a number of liquefied natural gas (LNG) and liquefied petroleum gas carriers across the globe. Teekay LNG is the third-largest independent owner of LNG carriers, and has built its successful business through long-term, fixed-rate contracts ranging from 10 to 25 years with high-quality customers. These contracts, coupled with the growing world demand for liquefied natural gas as an abundant, cleaner burning fuel, position Teekay LNG as a force for years to come in the marine energy market.

Formed in 2005 to expand Teekay's



Teekay Chairman Sean Day ringing the closing bell at the New York Stock Exchange. Those attending the ceremony were (left to right) Captain David Glendinning, Vince Lok, a stock exchange official, Sean Day, Bjorn Moller, Peter Antturi, Peter Evensen, Jon Christian Evensen, Paul Wogan and Captain Graham Westgarth. *Teekay Collection*

burgeoning operations in these sectors, Teekay LNG has continually grown since its inception, with major deals such as the acquisition of six A.P. Moller-Maersk LNG carriers in 2011, creating a truly robust fleet. With analysts seeing markets in 2013 and beyond as the 'golden age of gas', Teekay LNG Partners is positioned to take advantage of the increasingly profitable global gas market.

Teekay Offshore Partners L.P. (NYSE: TOO)

Teekay Offshore Partners L.P. is Teekay's offshore segment subsidiary, operating as an international provider of marine transportation, oil production and storage services. The majority of Teekay Offshore's fleet trades on long-term, stable contracts that focus on the fast-growing, deepwater oil regions of the North Sea and Brazil. Established in 2006, Teekay Offshore owns interests in 39 shuttle tankers (including four chartered-in vessels and four committed new-buildings), three floating production, storage and offtake (FPSO) units, five floating storage and offtake (FSO) units, and nine conventional oil tankers. It is structured as a publicly traded master limited partnership.

Now that offshore oil represents approximately 3 per cent of total world production and a record number of new offshore discoveries and projects in recent years, Teekay Offshore Partners is positioned for significant

success. With advanced technology and superior vessel designs, Teekay Offshore is a leading operator in harsh and ultra-harsh weather environments.

Directors of daughter companies

Given the success of the earlier global search to find the ideal mix of skills and experience to serve on the Teekay Corporation board, it was decided to do the same when TK LNG Partners was launched in 2005, followed by TK Offshore Partners and Teekay Tankers. Each of these companies was established with a balance of outside independent directors and Teekay 'insiders', and each of these boards has contributed much to the subsequent success of these companies. The current directors of these companies are:

TK LNG Partners London-based Jane Hinkley has had a distinguished career in the shipping industry, having previously been managing director of two major shipping companies active in oil and gas transport – Gotaas-Larsen and Navion Shipping (before its acquisition by Teekay). Canadian Bob Boyd has held senior financial positions with several major companies, including GulfOil Corporation, and has brought very strong skills and experience to his leadership of the Audit Committee.

Another Canadian, George Watson,

contributes unrivalled knowledge of the North American energy industry, having been CEO of TransCanada Pipelines for six years, and having subsequently run a number of other companies in the energy industry.

The most recent addition to the board is Joseph McKechnie, a retired United States Coast Guard officer who served for more than 23 years, many of which focused on marine safety and security with an emphasis on LNG. Since his retirement from the Coast Guard, he has held multiple senior positions in the LNG industry.

TK Offshore Partners US-based David Lemmon has had an extensive 40 year career in the energy industry, ultimately serving as CEO of Colonial Pipeline Company, the largest pipeline company in the US. He also brings previous MLP board experience to the table.

Swedish Mikael von Mentzer has spent his distinguished career in a number of sectors of the shipping and offshore service industries, including shipbuilding, and brings extensive knowledge of the North Sea oil industry to bear in board deliberations.

Canadian John Peacock was president of Fednav International Ltd, the largest Canadian shipping group, and also has over 40 years of accounting experience, thus contributing a great combination of shipping and accounting knowledge.

Teekay Tankers UK-based Dick Bronks retired from Goldman Sachs, where he held a number of positions in the trading of commodities and derivatives, as well as equity and bond financing. He was previously with BP Oil International, so brings a valuable combination of energy and financial markets experience.

Also UK based, Bill Lawes served as a managing director of JPMorgan Chase; before that he was Global Head of Shipping Finance at Grindlays Bank, thus bringing both shipping and broad financial experience to the board table.

Richard du Moulin is president of Intrepid Shipping LLC, a US-based tanker and bulk ship owning company that he founded 11 years ago. He has had a distinguished career in the shipping industry, including a term as chairman of Intertanko, the leading trade organisation for the tanker industry. ■

Teekay spent much money bringing those tankers to Stavanger, affirming their commitment to their Norwegian operations, a gesture to which the local business community responded warmly.

Last week, Teekay announced the acquisition of another Norwegian company, Sevan Marine, [which] from its headquarters in Arendal, developed and operates cylindrical floating production and drilling units.

My brief venture into Nordic lands left me with several indelible impressions,

including the potential of expanding the mutually beneficial links between port and city. Stavanger's charismatic mayor, who is also chairman of the board of the port, enthused about the role of shipping in the life of the town that has enjoyed significant spin-off from the thriving North Sea oil sector. More benefits will accrue from large newly-discovered oil reserves off the coast, especially as western countries are sourcing more oil outside the troubled Middle East.

Since harbours and their adjacent cities are inextricably linked, the

Norwegians' refreshing approach should be embraced in South African port cities. So much more benefit can be derived if harbours, municipalities and the local business sector co-operate fully regarding each other's developmental plans and other aspects of mutual interest.

The ceremony over, the ships began to leave. In deteriorating weather and with night falling, *Nansen Spirit* sailed first, followed by *Peary Spirit*, and finally, *Scott Spirit* was eased from her berth by two tugs and, like the others,

Providing tailored customer service

Teekay's varied activities in Australia are a prime example of the company utilising its marine experience to deliver a tailored service to meet individual customer needs. This has allowed Teekay to establish a position as Australia's leading marine company. Team Australis operates four product tankers, one shuttle tanker, and four floating storage vessels, two of which are operated on behalf of Shell Australia. The team also operates the agency services in Australasia. Various vessels, including four Capesize bulk carriers, are managed for third parties by Team Gemini, which is also involved in crewing projects, while Team Taurus operates 12 harbour tugs at the iron ore port of Port Hedland, a number that is expected to increase significantly by 2015. The fourth team provides marine services as well as other services for the Australian Defence Force, the government and various research bodies.

In 2011 Teekay Australia won the tender for the design and construction of a research vessel for the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national science agency. Teekay signed a contract for the work with Sembawang Shipyard, Singapore, for the engineering, construction and delivery of the vessel, to be named *Investigator* on her completion midway through 2013. She will be one of the most



Broadsound, one of a fleet of tugs operated by Teekay in Australian bulk ports. Teekay Collection

sophisticated scientific blue-water research vessels. Based in Hobart, Tasmania, she will operate from the tropical northern coasts of Australia to the Antarctic ice-edge and across the Indian, Southern and Pacific Oceans.

In 2012 Teekay Shipping Australia and the Dutch company KOTUG International announced the formation of a new joint venture company, KT Maritime Services Australia Pty Ltd, to pursue new business opportunities in the Australian towage market. The two companies foresaw considerable opportunities for their new joint

venture as Australian production in iron ore, coal and gas increased, as did the size of ships calling, requiring more tugs at some ports. At the announcement of the joint venture, David Parmeter, managing director of Teekay Shipping Australia, commented: 'Since 2002, Teekay has operated in the Australian towage market at both Hay Point and Port Hedland where we currently manage 12 tugs and have experience with several KOTUG RotorTug vessels. With our new JV company, we are formalising a partnership that will deliver top-tier towage services for the Australian market.' ■



ABOVE Teekay's proud record as the largest operator of FPSO vessels in the North Sea and the fourth largest leased FPSO operator globally has been enhanced by conversion projects involving existing tankers and by newbuilding projects. The company's FPSO vessels under long-term contract include two on the Norwegian shelf, three on the British continental shelf, and two off the coast of Brazil. One of Teekay's attainable goals is to be the leader in FPSO operations in harsh and ultra-harsh environments – such as the conditions found in the North Sea and Arctic areas – and to be a significant player in emerging offshore markets. A major project involved the conversion of the Aframax tanker *Archon* (built in 1985 as the Shell tanker *Spectrum*) to the FPSO *Cidade de Itajai* (above) at the Jurong shipyard in Singapore. The joint-venture project, involving Teekay Petrojarl and its partner Odebrecht Oil and Gas (OOG), began with the signing of a contract in October 2010, and she sailed for Brazil in November 2012, becoming Teekay's third FPSO off the Brazilian coast. She is operating on a fixed-rate contract to Petrobras to service the Bauna and Piracaba accumulations in the Santos Basin, corresponding to the areas of Tiro and Sidon, respectively. **LEFT** Costing more than \$1 billion, Teekay's largest project is the construction of *Petrojarl Knarr* FPSO, which will have a design production capacity of 63,000 barrels a day and 70 million mscf a day of gas export via pipeline. The vessel has been under construction since November 2011 at the Samsung Heavy Industries yard in South Korea, and upon delivery in 2014 she will be employed under contract on the Knarr oil- and gasfield in the North Sea. Teekay Collection

moved stern-first down the narrow harbour area before turning to head for the North Sea to continue loading cargoes of crude oil from offshore installations.

The far-sighted ordering of these four ultramodern shuttle tankers was indeed a blessing to Teekay as growth in that sector provided a measure of stability to the

company during the tough economic times that the shipping world has experienced over the last few years.

Guests had hardly arrived back home from that inspiring event in Stavanger when news broke of another positive step for Teekay. Via its LNG daughter company, and in a joint venture with Marubeni Corporation,

Teekay had bought a fleet of LNG carriers from the Danish shipping group A.P. Moller-Maersk for an aggregate purchase price of approximately \$1.4 billion. In addition to the total ownership of six LNG carriers, the deal included a 26 per cent ownership in two additional LNG vessels. Five of the eight ships had been fixed on long-term, fixed-rate

Full house – Teekay’s investor meeting

The Teekay story is clearly attractive to investors as evidenced by the filled to capacity room at the Waldorf Astoria where the 2012 Teekay Investor Day took place on Monday to start off the Marine Money Week festivities. And, we can assure you, it wasn’t the free lunch (180 served) that filled the room. For us, the substance was in the broad strategic focus rather than in the details. Investors now understand the corporate structure which has gone beyond what was viewed as ‘simple’ financial engineering at the outset to an enabler of value creation. Similarly, Teekay is no longer simply the ‘world’s leading midstream marine services company’ but ‘a play on the build-out of global energy infrastructure.’ As the importance of LNG and deepwater offshore oil increases, it is clear that Teekay is uniquely positioned to seize the opportunities that arise.

With the recent dropdown of the bulk of the conventional tanker fleet, Teekay parent has become what was envisioned – a project manager with the overall goal to grow Teekay’s net asset value per share. To accomplish this, the company will be an asset manager, focused on increasing the value of the daughters and the two GP interests, a project developer and an operational leader. The company includes a crucial slide which shows how the corporate structure enables value creation; we

view it as the corporate circle of life. Teekay parent invests in new projects, drops down existing assets currently in inventory, commercialises and monetises new businesses and acquires third party assets. In exchange, it receives sale proceeds and GP and LP distributions. The lifeblood of this process is the company’s financial strength and access to capital, both from the banks and the capital markets. Perhaps just as important as a competitive advantage is its operational excellence, which has evolved over the years, largely through acquisitions. Teekay’s customers encourage growth so that their other businesses can benefit from its expertise. As they suggested they were the only ones who could do the Sevan transaction, which required both expertise and capital. ‘Who ya gonna call? Ghostbusters or Teekay.’

And what proud parent doesn’t like to talk about their children. They’re all fine, thank you very much. Teekay Tankers has taken on the mantle of the original Teekay’s conventional tanker franchise with the recent dropdown of thirteen vessels and has capacity for further organic growth as four Suezmaxes are still inventoried at Teekay. Perhaps the more deprived child, Teekay Tankers, as a consequence of a portfolio of fixed rate contracts, can continue to pay dividends during this weak current tanker market.

Moreover, its strong balance sheet and liquidity ensure survival and ability to grow without raising equity.

The other two children are far more privileged and live and work in nicer neighbourhoods. With easy to find oil getting depleted, the search has moved offshore, particularly in ultra-deepwater. This trend suits market leader Teekay Offshore’s FPSO and shuttle solutions. Teekay LNG Partners participates in the ‘Golden Age of Gas’ as demand growth is driven by the power generation sector with gas displacing coal. The resulting worldwide build-out of a global LNG market requires significant investment in infrastructure and the logistics chain. Is there any question who operators will call? Operating expertise and strong financial position and access to equity capital make Teekay LNG a clear choice in this big dollar business. Financially, the company has \$440 million of liquidity, no material debt balloon payments until 2018, no covenant concerns or unfunded capex. All of this made possible by the MLP structure and a strong supportive parent. Certainly, we have not done justice to the excellent presentations in this short article and can only encourage you to take a look at the webcast and the detailed presentation of just one big happy family.

(An extract from *Marine Money*, June 21, 2012) ■



time-charter contracts, with an average remaining firm contract period duration of approximately 17 years, plus extension options, while the other three vessels had shorter-term, fixed-rate time charters. Such a purchase was more than a boost for the company’s LNG operations at a time when the gas trade was booming – it also had a most salutary effect on company morale, which had taken a knock during a period when so much gloom prevailed in shipping. Here was something new, something positive, a likely earner of good revenue, and a challenge to those involved to merge the new ships into Teekay’s ship management system.

Involvement in the shuttle tanker sector remains a successful venture for Teekay, who, mindful of the progressive movement of oil production towards deeper water, has ordered four new Suezmax ships from Samsung Heavy Industries in Korea. Known as the Samba class, the quartet of dynamic-positioning shuttle tankers are scheduled for delivery in mid- to late 2013, and will

commence operations under ten-year time charters for BG in Brazil. The addition of the four vessels will increase the size of Teekay’s Brazil-based shuttle tanker fleet by approximately 30 per cent.

While the conventional tanker markets remain weak, Teekay teams have been preparing other new ventures, away from the carriage of crude oil. Anyone flying over the North Sea towards the Dutch or Belgian coasts or over the Thames estuary for the first time will have noted with amazement the extent of the wind farms in the area, part of the response to the ongoing pressure for governments to increase the amount of wind-generated electricity. Similar wind farms are located off many coasts in a growing number of countries, but some wind farms stretch further from the coast into deeper water where conditions can become very rough. As the technology of wind power has developed, the turbines and the columns on which they stand have become larger and more robust – and therefore heavier – to withstand storm

Teekay has designed the next generation of tankers: *One Spirit*, a vessel whose revolutionary design has the potential to change the future of shipping. The eco-design reduces fuel consumption by 30 per cent, dramatically reducing voyage costs and providing a more environmentally efficient solution to transportation. The *One Spirit* design has three key innovations: an aerodynamic hull (a saving of 17 per cent with wave impacts); a ‘G’ type engine de-rated (saving of 6 per cent); and a slower propeller, 20 per cent larger in diameter. The vessel’s design is so efficient that it is already compliant with the requirements of the so-called 2025 Energy Efficiency Design Index. *Teekay Collection*

Board of directors: Teekay Corporation



Some members of the board of directors of Teekay Corporation. From left to right: Ian Blackburne; Eileen Mercier; Tore Sandvold; Peter Janson; and Bill Berry.

Teekay Corporation draws its board members from around the globe, and board meetings are held quarterly in locations where Teekay has operations. 'Our current board members originally hail from Denmark, Norway, Sweden, China, Australia, Canada, the United States and South Africa,' says board chairman, Sean Day. 'I believe that we gain a competitive advantage by recruiting the best talent wherever we find it, with each board member bringing a unique perspective and experience from his or her background. Travelling together to meet customers and to view our operations around the world, has allowed our board to develop unusual closeness, which contributes to its effectiveness.'

Today there are ten directors serving on the Teekay Corporation board. Axel Karlshøj (see page 96) and Tommy Hsu (see page 78) joined the board before the company went public. With the changes in leadership of the board and company in 1998, Bjorn Moller (see page 150) and Sean Day (see page 162) followed, and Peter Evensen (see page 175) became a member of the board when he assumed his current role as chief executive officer in 2011.

Ian Blackburne and Eileen Mercier were invited to join the board in 2000. Dr Blackburne, a former managing director and chief executive officer of Caltex Australia, brought valuable experience in petroleum refining and marketing in Australasia and Asia as well as strong academic credentials to the table. Given Teekay's focus on the Pacific Basin at the time that he joined, and its subsequent expansion in Australia, Blackburne has been a great contributor over the years. Widely respected in the Australian business community, he is a former chairman of the Australian Nuclear Science and Technology Organisation, among other distinctions.

Eileen Mercier is widely acknowledged as one of the most experienced and respected corporate directors in Canada, where she has been honoured numerous times for her many contributions to corporate governance over the years. Her prior experience in the oil and gas industry, as well as other cyclical industries, her astute insights on strategy and balance sheet matters, and her leadership of the audit committee, make hers a respected voice at the board table. She continues to be a sought-after director for Canadian companies, and currently serves as chairman

of the widely admired Ontario Teachers' Pension Plan, the largest pension plan in Canada, among other activities.

Leif Hoegh, a highly regarded Norwegian shipowner, joined the board after Teekay acquired Bona Shipping (controlled by the Hoegh family). Regrettably, Teekay's entry into the LNG business a few years later in competition with Hoegh, among others, led to Leif having to step down from the Teekay board. With Teekay's entry into the Norwegian offshore sector, there was a need for a replacement who would bring extensive knowledge of the Norwegian energy policy as well as oil and gas production. Teekay was extremely fortunate to find Tore Sandvold, who has served on the board since 2003. He had previously risen to serve as the director general of the Norwegian Ministry of Oil and Energy, capping a distinguished 30-year career in the Norwegian government. Very few individuals can match the depth and breadth of his knowledge of the Norwegian oil industry and his contributions to board deliberations have been invaluable, given Teekay's extensive activities on the Norwegian continental shelf. He continues to serve on the boards of a number of multi-national

energy companies, and on the Energy Policy Foundation of Norway.

As Teekay moved into the offshore shuttle and storage sectors, and then acquired Petrojarl, it became clear that engineering and project management knowledge was required at the board table. And so Teekay was fortunate to attract Peter Janson to the board in 2005. A dual Canadian-Swedish citizen and a former chief executive officer of both the Canadian and United States operations of Asea Brown Boveri, the large multi-national Swedish Engineering and Construction company, he brought the skill set that was needed. With diligence and humour, he has contributed much to discussions over the years as the company has moved into ever larger and more complex offshore projects. He remains active on many North American boards, including the National Advisory Board on Sciences and Technology in Canada.

Bill Berry is Teekay's newest board member, having joined in 2011. He enjoyed a distinguished 30-year career with ConocoPhillips and its predecessors, and lived and worked in many parts of the world during his tenure there, including spells in Norway and China. He has taken a great interest in China, and

continues to have extensive ties in that country. He rose to oversee exploration and production worldwide for ConocoPhillips, giving him unrivalled knowledge and a perspective that is relevant to so much of Teekay's varied activities, and making him an excellent addition to the board.

The Teekay Corporation model has been followed in the development of the daughter companies' boards and each of those companies now has similarly talented and accomplished directors, drawn from around the world, bringing relevant but complementary skills to each company. Sean Day observes: 'Once or twice a year we have a joint meeting of the boards of all four of the Teekay group public companies. I am always very proud to look around the room at the extraordinary array of talent and sheer horsepower gathered together for the benefit of our group. We are indeed fortunate to have attracted so many talented and focused directors over the years, and this has served us well in good markets and bad.' ■

conditions. This necessitates complex installation processes – including the building of large concrete foundations and columns for the turbines – and maintenance programmes that require the use of specialised ships with stowage space for the pillars and blades of the wind turbines as well as heavy lift equipment to install them and conduct in situ refits.

Teekay signed an agreement with the Danish company A2Sea to design a vessel to install offshore wind turbines. Teekay's experience in operating shuttle tankers with dynamic positioning systems stands it in good stead to develop and operate a suitable vessel, and it can identify ships from its own fleet that would be suitable for conversion to installer vessels.

A glance at the wall in an office in Teekay's building in Stavanger shows the result of research into the design of such vessels. Apart from being suitable for the installation and maintenance of wind turbines, they will provide lifting or emergency evacuation or routine crew-change services for oil rigs and other offshore platforms. As activities in the North Sea expand, particularly in the Norwegian sector, and as the Brazilian offshore oil and gas industry becomes a major growth point, such versatile vessels are likely to be in demand. In acquiring these diverse FPSO, LNG and offshore projects, Teekay found profitable additions to their existing business model, as well as forward-looking investment opportunities. For their successful completion of the Sevan and Maersk LNG

transactions, Teekay was awarded *Marine Money's* '2011 Dealmaker of the Year' award.

With the demand for gas and ammonia increasing, Teekay LNG Partners L.P. and the Belgium-based EXMAR NV announced an agreement in principle in December 2012 to create a 50:50 joint venture to operate in the LPG carrier market and to focus on midsize gas carriers.

Following shortly after this announcement came another that Teekay LNG had contracted with the Daewoo shipyard of South Korea to build two 173,400 cubic metre LNG carriers, with options to order up to three additional vessels. Before their delivery in 2016, Teekay will secure long-term charters for the vessels that will be constructed with M-type, electronically controlled gas injection twin engines, which are significantly more fuel-efficient and have lower emission levels than other engines currently being utilised in LNG shipping. 'The delivery of these vessels,' said Peter Evensen, Teekay's chief executive officer, 'is timed to coincide with the next wave of increased demand for LNG carriers, which is expected when a large number of new LNG export projects come on stream from late-2015. These ships will be among the largest LNG carriers that will be able to transit the Panama Canal after its expansion project has been completed, making them ideal to move LNG exports from the United States...'



From Teekay's early days, first in New York and then in Long Beach, to its vibrant activities forty years later, talented and dedicated people have been the key to its success. Torben Karlshøj's relentless and bold pursuit of a dream to operate the largest fleet of tankers was honed, modified and expanded by others so that his goal has been achieved, and an extensive, diversified international operation is now in place.

Wise, long-term responses to the remarkable financial returns during the halcyon days of soaring rates enabled the company to hunker down for the more testing times of the global economic slump in recent years. Buoyed through those difficult days by an experienced board of directors, by a tireless and efficient executive team, and by thousands of dedicated, industrious employees at sea and ashore, Teekay has survived and thrived, inter alia by making strategic investments away from the fluctuating conventional tanker sector. The company remains a world leader in several of its fields of operation.

Yet, while transforming into a multi-faceted public company of international stature, and while setting benchmarks for quality, customer care and professionalism, Teekay in its latter years has retained much of the entrepreneurial flair, the family atmosphere and the attention to detail that characterised its early years under its remarkable founder, Torben Karlshøj, and since his death, under the equally remarkable guidance of his brother, Axel Karlshøj ■



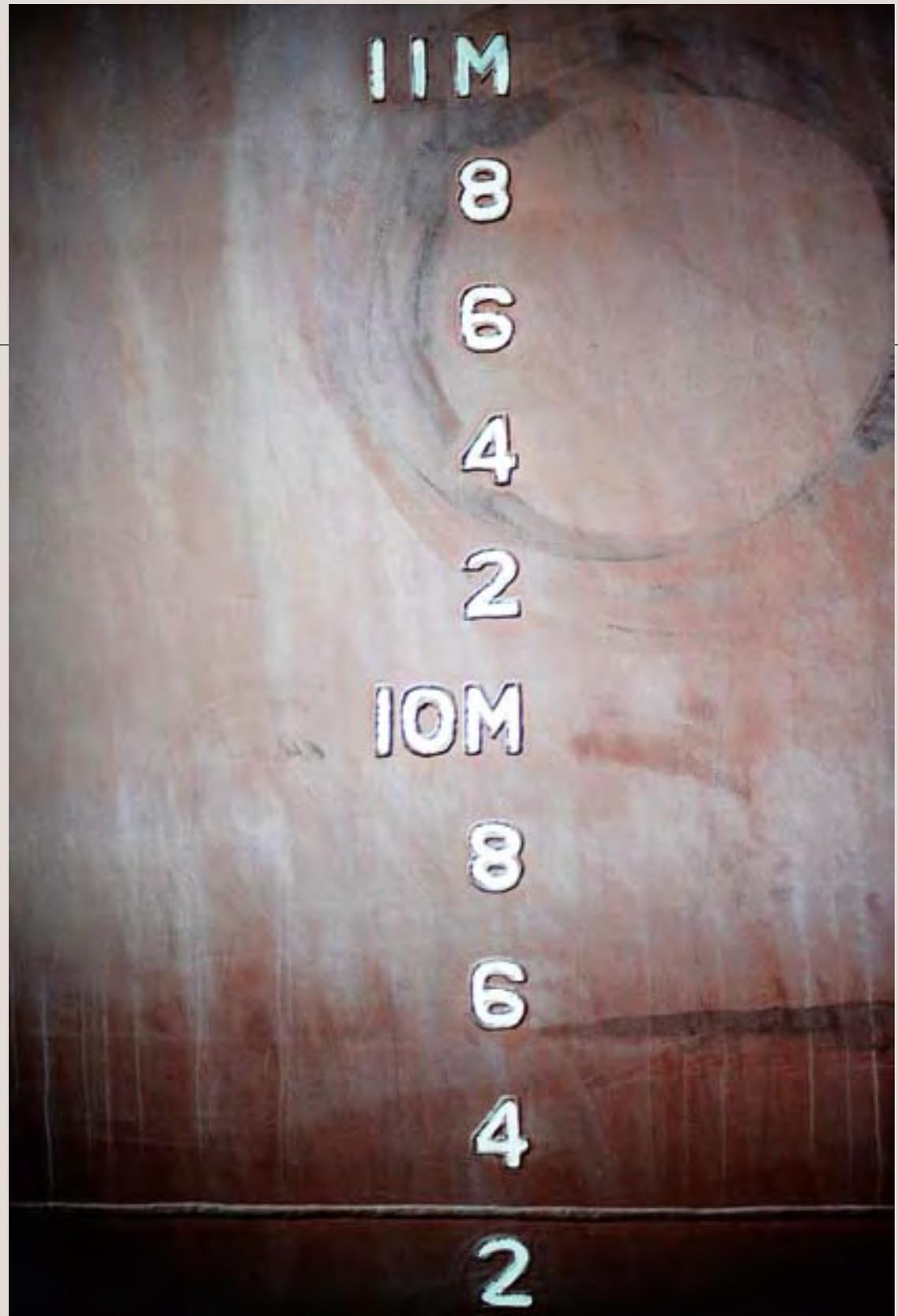
Afterword

From its beginnings as Torben Karlshoej's small chartering operation in 1973, Teekay has grown into a truly worldwide industry leader. Evolving beyond its initial conventional tanker business, Teekay Corporation today stands as a diversified marine energy business, owning and operating vessels ranging from gas carriers and offshore shuttle tankers, to FSOs and billion-dollar-FPSOs. Since weathering financial and economic hardships in the early 1990s, Teekay has grown ten-fold in assets, created four publicly traded companies and established numerous joint ventures – all while holding true to Torben's high standards of operational excellence.

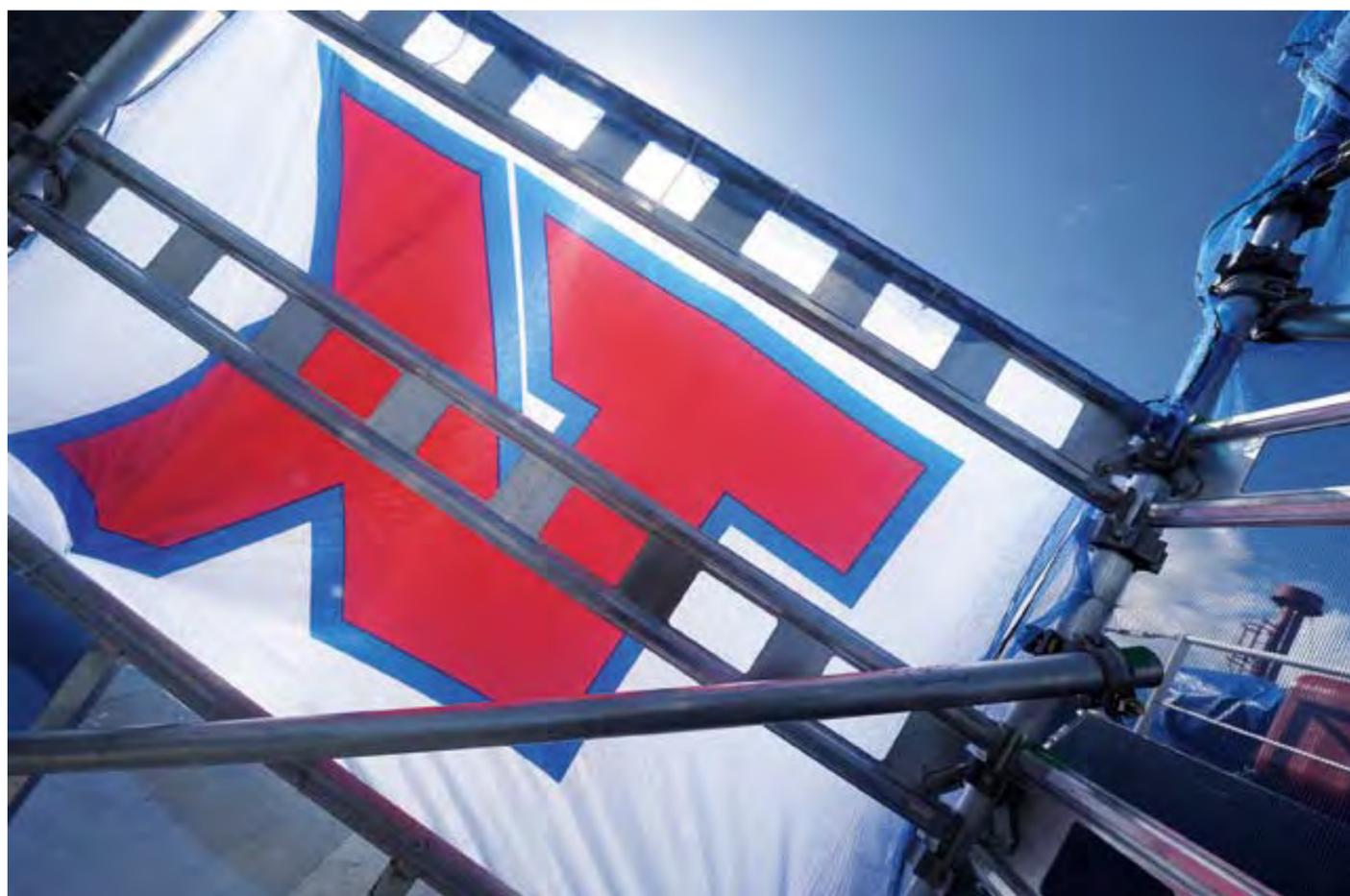
Though the future of the shipping and marine energy industries remains uncertain, Teekay is ready to move forward. Having survived the recent global recession, Teekay Corporation has emerged stronger than ever. With a varied portfolio of assets, dynamic leadership and experienced staff, the company is prepared to succeed in the short-term and adeptly meet the challenges ahead.

PETER EVENSEN

President and chief executive officer



Teekay's Departmental Structure



Legal and Tax Department

Floating production, storage and offtake projects are complex, multi-jurisdictional, multi-million dollar efforts. Fortunately, Teekay's experienced legal, tax and insurance team had the necessary acumen to successfully negotiate and integrate these business ventures. Led by Arthur Bensler, executive vice-president and general counsel, Teekay's team of experts successfully managed the complex international regulations and significant legal risks of these transactions.

In addition, the legal team worked to supply Teekay with the means to acquire these large assets by financing and re-financing existing assets and conducting a steady stream of public offerings. These offerings funded 'drop-downs' of Teekay Corporation assets to Teekay's daughter companies, substantially growing the portfolio of each subsidiary. Teekay employs a unique financial structure, with a parent company (Teekay Corporation) acting as a portfolio manager that allocates capital to three daughters: Teekay Tankers Ltd, Teekay LNG Partners L.P., and Teekay Offshore Partners L.P. In this structure, each company is set up and empowered to act as a project developer in its respective business segment.

Strategy Innovation Projects

Strategic Development Growth opportunities around the world are constantly chang-

ing. Teekay's business development teams work hard to find new business opportunities and overcome barriers to entry into new and emerging markets, but Teekay first has to find these opportunities.

Led by Kenneth Hvid, as its executive vice-president and chief strategy officer, Teekay's Strategy Innovation Projects Department does just that. By analysing market trends, keeping abreast of industry news and exploring potential revenue streams, this department ensures that Teekay is prepared to respond to emerging challenges and prospects in the marine energy sector. Currently, Teekay is pursuing new business development opportunities in China, India and Brazil – emerging markets ready to further commercialise their individual energy industries.

Innovation However, in order to be a truly successful project developer, Teekay must also deliver innovative technological and commercial solutions for its customers, avoiding the 'commodity trap' where differentiation is solely price driven. With this end in mind, Teekay created its innovation team in 2011.

Through its innovation team, Teekay develops new solutions that deliver significantly higher value than existing technologies, thus generating a real competitive advantage in customer relationships.

In 2012 the innovation team went public for the first time, announcing the *One Spirit*, a revolutionary vessel with the potential to change the future of shipping. With an eco-design that reduces fuel consumption by 30 per cent, *One Spirit* would have a dramatic effect on voyage costs and provide a more environmentally efficient solution to transportation.

With the continued expansion of the world's energy infrastructure, as well as investments in marine technology companies like Sevan Marine ASA and Remora AS, the innovation team is situated to continue developing value-added projects that will keep Teekay's competitive advantage strong into the future.

Newbuilding Projects: Building a World Class Asset Base

Teekay's newbuilding projects team is responsible for delivering new vessels from concept to execution, liaises with shipyards, and manages construction costs to ensure the hardware is delivered on time and on budget.

Led by Derek Walford, vice-president, New Build and Technology, the team has successfully delivered 94 newbuildings into the Teekay fleet since 1988, with more than half of those vessels coming online after 2004.

Dedicated to achieving excellence without harm to people, property or the

environment, the newbuilding projects team provides Teekay and its customers with the new vessels needed to succeed in the world energy shipping market. With the co-ordinated efforts of the Strategy Innovation Projects team driving the company forward into exciting new areas, Teekay is set up to expand its competitive position in the industry.

Teekay Tanker Services

Since 1973 Teekay has proudly operated in the conventional tanker market. Although it has expanded into other areas, its conventional tanker business remains at the heart of Teekay's worldwide success.

Headed by President Bruce Chan, Teekay Tanker Services is an integral part of Teekay's marine midstream services, primarily managing the global transportation of crude oil. Able to offer customers solutions ranging from spot market voyages to fixed and variable rate contracts, Teekay Tanker Services uses one of the world's largest conventional tanker fleets to meet customer needs around the globe.

With global chartering teams located in London, Singapore, Houston, Tokyo, Vancouver, Connecticut and Stavanger, the Teekay Tanker Services team works around the clock to optimise Teekay's fleet, control costs and connect customers with the right ships at the right time and place.

Teekay Gas Services

In 2004 Teekay entered the developing liquefied natural gas (LNG) shipping market and established the Teekay Gas Services Department. Within eight years Teekay would become the third-largest independent owner and operator of LNG vessels in the world. With operations managed by David Glendinning, president, Teekay Gas Services, TGS provides LNG transportation services under long-term, fixed-rate contracts to major energy and utility companies worldwide.

While natural gas is an energy source in abundant supply, many of the world's reserves are located far from major consumer markets. Drawing on expertise acquired during decades of handling the industry's most challenging shipping assignments, Teekay Gas Services is able to

transport LNG, liquefied petroleum gas (LPG) and compressed natural gas (CNG) around the globe. In 2011 Teekay LNG Partners (in a joint venture with Marubeni) acquired six vessels from the A.P. Moller-Maersk LNG fleet, further establishing Teekay as a market leader in gas services.

Teekay Shuttle and Offshore Services

Teekay is the world's largest owner and operator of shuttle tankers, with over 50 per cent of the worldwide fleet under Teekay management. Teekay Shuttle and Offshore Services (TSO), based in Norway, manages this shuttle tanker fleet, providing offshore oil loading and transport solutions. Led by Ingvild Sæther, president, Teekay Shuttle and Offshore Services, the team is highly respected for its operation of the technologically complex vessels, with each utilising a specialised loading and dynamic positioning system to oper-

ate in the extreme weather conditions found in locations like the North Sea.

TSO also manages Teekay's fleet of floating storage and offtake (FSO) units, used to take oil or gas from a nearby platform and store it until it can be offloaded onto waiting tankers. In 2012 TSO initiated a business review that led to the department becoming more cost effective, setting Teekay Shuttle and Offshore Services up for future success as managers of their reliable 'floating pipeline'.

Fleet Operations

Teekay's Fleet Operations team is responsible for the ongoing cost efficiency and profitability of vessel operations. Operating on the basis of innovative practices and systems – many of which were developed under Captain Graham Westgarth during his tenure with Teekay from 1999 to 2012 – the Fleet Operations Department manages a number

of successful operations, most importantly health, safety, the environment and quality (HSEQ). From 1973 to the present day, customers have recognised the company's commitment to safety as a key characteristic of Teekay's worldwide business.

Teekay Petrojarl

A leader in floating production, storage and offtake (FPSO) operations in harsh and ultra-harsh environments, Teekay Petrojarl (TKP) handles Teekay's capital-intensive FPSO projects. The largest operator of FPSO vessels in the North Sea, Petrojarl successfully develops profitable offshore opportunities, including two on the Norwegian shelf, three on the UK continental shelf, and two off the coast of Brazil. Led by Peter Lytzen, president and CEO of Teekay Petrojarl, TKP is also the latest addition to the Teekay family. FPSO units have production systems on the deck to

receive and process the oil, gas and water obtained directly from the well. FPSOs can vary enormously depending on the complexity of the oil field, the oil, gas and water composition of the reservoir itself, and production rates.

Corporate Resources

Human Resources Teekay's strength lies in the more than 6,000 dedicated employees who showcase the company's core SPIRIT values – safety and sustainability, passion, innovation, reliability, integrity, and teamwork. Establishing the clear Teekay vision and values across a worldwide staff is made possible by Teekay's Human Resources Department, led by Lois Nahirney, executive vice-president of Corporate Resources, which also includes Information Technology.

Responsible for the recruitment, development and leadership training given to staff, Teekay's HR team provides the organisation with the talent it needs to operate as a world leader in the marine shipping industry.

Information Technology Teekay's diverse marine energy business is supported by an equally diverse corporate resources team, consisting of information technology, corporate communications, office services and human resources staff.

Teekay's IT Department provides the varied business segments with access to the software and programmes needed to effectively manage the 'round the world, round the clock' operations at the heart of Teekay's business. However, IT support at Teekay extends past their shore staff, reaching seafarers as well. With a global community of over 5,000 working on Teekay vessels, often away from families and friends for months at a time, there's nothing more valuable than the ability to stay in touch.

In the latter half of the 2000s, a technology called VSAT became available – a broadband internet solution available to vessels. Eager to provide greater quality of life to seafarers, Teekay IT began the hard work of getting their vessels a permanent online connection. Beginning in 2008 the project was slow, since vessels had to be in drydock to complete the installation, and an on-shore crane was

needed to handle the weight of the VSAT antenna. Dry dock occurs once every five years per vessel, leading to an average of ten vessel installations a year. Thankfully in 2011 a vendor was able to provide an in-service solution. This enabled the installation of VSAT on the majority of the fleet without interrupting regular business. Today a total of 97 vessels (about two-thirds of the fleet) feature VSAT internet.

Jennifer Zaluski, the manager of IT Vessel Support, commented on the positive impact of VSAT: 'I often get comments from the seafarers about how positive this change has been for their life at sea, [and] some are even extending their contracts because they can so easily communicate with their families.'

It's no exaggeration to say that VSAT revolutionised IT support for the vessels. IT today still provides a degree of remote vessel support; however, VSAT has created a mostly hands-off solution for the captain and crew, leaving them free to focus on their primary shipboard responsibilities.

Finance and Accounting Teekay's Finance and Accounting Departments, led by Vince Lok, executive vice-president and chief financial officer, have long been an integral part of the company's success. Through their dedicated efforts, the two teams ensure Teekay has the capital needed to compete in the complex international shipping market.

The resourceful Finance Department has proved to be a true competitive advantage in recent years, demonstrating the ability to raise capital in difficult, recession-affected markets. When many investors and banks became unwilling to lend, Teekay's finance team maintained their ability to raise capital, including more than \$2.4 billion in 2011.

The finance and accounting teams also support the transactions necessary to make Teekay's daughter company structure a true success. During 2010 alone, the hard work of Teekay's financial minds allowed the Teekay Corporation to sell over \$900 million of fixed assets to its daughter companies, which in turn enabled the daughters to raise \$680 million of new, lower-cost equity through seven public offerings. ■



Recent Changes to Teekay's Structures and Procedures

Conventional Profitability Review

Though Peter Evensen's strategy of focusing on Teekay as an asset manager and project developer considerably brightened the company's future amidst continuing global economic gloom, these adjustments alone were not enough to return the company to profitability. Teekay had built a reputation of quality and excellence that unfortunately carried with it a number of high overheads that were inhibiting the company's ability to succeed. 'The business fundamentals demand change,' Evensen told Teekay employees. 'Driving operational efficiencies is critical to get us back to profitability.' Evensen synthesised this need for change into an acronym – SAFE – that described the kind of business Teekay needed to become: Simple, Aligned, Flexible, Efficient.

With this in mind, Teekay began a period of critical self-examination early in 2012. This initial review of existing tanker operations, referred to as the conventional profitability review (CPR), unearthed two critical business issues. Firstly, it was no longer cost-effective for Teekay's existing conventional fleet operations to be managed by internal operations alone; and secondly, the management structure of each of Teekay's business units was inefficiently aligned.

On May 14, 2012 Teekay made a major internal announcement, informing staff of the steps that would be taken to correct these

problems. To address the profitability of Teekay's conventional fleet operations, a joint venture was created with the Hong Kong-based Anglo-Eastern Ship Management. Under the newly formed company, Teekay Marine Limited, all of Teekay's existing seafarers remain on Teekay contracts and serve in Teekay-owned vessels, but with operational management conducted by Anglo-Eastern staff.

After hard work from Teekay staff around the world to prepare for the transition, Teekay Marine Ltd officially began business on September 1, 2012. The creation of Teekay Marine was an inspired solution, enabling the company to make a drastic and necessary change without losing its identity as a world-leading tanker operator.

Also announced was a major internal re-alignment, which replaced the older, counter-intuitive corporate structure with a clear line of sight from each fleet operations team (asset operator) through its business unit (asset manager) to the publicly listed daughter company (asset owner). This realignment served not only to increase accountability across Teekay's business unit operations, but also to make each business far nimbler, empowering both leaders and staff members to drive success and profitability.

The 'Steam' Project

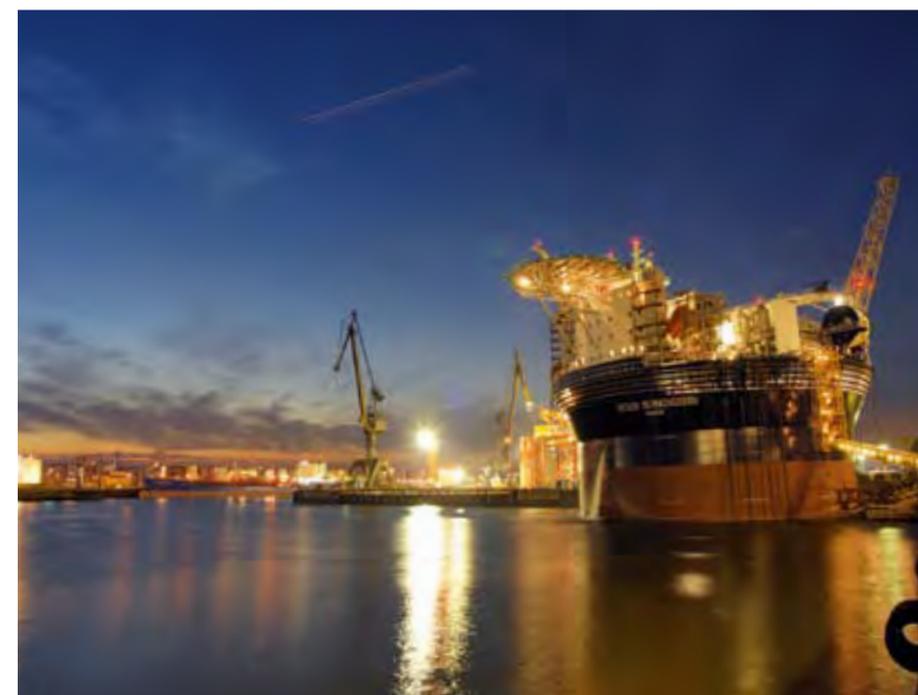
While changes stemming from the CPR began to be felt across the company, a similar

examination of Teekay's shuttle tanker operations was concurrently underway. Led by Ingvild Saether, president, Teekay Shuttle and Offshore Services, the so-called 'STEAM' project was created to ascertain which alterations would be necessary to transform Teekay's shuttle operations into a more viable, cost effective business.

The STEAM project review was completed in the late summer of 2012, and brought with it more impending changes for Teekay. The shuttle and offshore service team would be flattened into a structure that allowed for flexible project work, allowing the organisation to run more efficiently while also giving all employees the chance to bring their individual talents to bear on high-value projects.

'I am convinced,' reported Saether, 'that this is what we have to do to become more cost efficient and sustainable; to be here in the long run.'

Sadly, both CPR and STEAM resulted in a number of lay-offs, which Teekay's leadership team did not take lightly. 'While it is sad to see good colleagues go,' Saether commented while reflecting candidly on the realities of business, 'it is important to remember that we need to make these changes to make our business sustainable. We are in the process of creating an agile, efficient, and effective project organisation that will enable us to win new business and be successful in the long run.'



Yammer

While focusing on profitability and cost efficiency had become a top priority for the company, Teekay's leaders affirmed an important aspect that Torben had recognised years earlier: Teekay's real power lies not in its vessels and its contracts, but in its people. Since the company's inception, Teekay employees had received news and announcements in a

strictly top-down, controlled manner. While this traditional corporate procedure had served their needs in the past, Teekay recognised that, facing a global recession and declining profits, the need to improve company communication, collaboration and innovation would require a revision of procedures if the company was to move forward.

With social media having effected a cultural change in the way businesses and individuals communicate, Jonathan Anthony's team introduced Yammer – an enterprise social networking tool – into the organisation. Functioning like 'Facebook for business', Yammer instantly changed the way that Teekay's worldwide network of employees interacted. Rather than a static site of controlled information, Yammer provides each employee with an individual profile, allowing him to customise his Teekay experience around subjects such as gas or human resources. More importantly, Yammer also enabled each employee to ask questions, share ideas and contribute to business discussions online in his own voice. Teekay staff members were free to start a conversation around any piece of news, start open discussions and even offer public congratulations for a job well done. Where once there was corporate control, Yammer offered real empowerment to employees.

'The network was already there,' commented Jonathan Anthony. 'Yammer is just a tool to allow this network to flourish.' This new, social media-based approach to internal news and conversations showcases how Peter Evensen's modern Teekay would not only be satisfied to turn a critical eye to its operations with customers, but also to recognise the need to look inward and constantly strive for internal improvement. ■

Fleet List

Compiled in April 2013

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Aegean Spirit</i>		Aframax tanker	Hyundai Samho	112,668	2002	2002	2006	Managed by Teekay for Greek owners; sold to General International Maritime Transport, Libya; renamed <i>Intisar</i>
<i>African Spirit</i>		Suezmax tanker	Hyundai	151,736	2003	2003		
<i>Al Areesh</i>		LNG carrier	Daewoo	148,786*	2007	2007		
<i>Al Daayen</i>		LNG carrier	Daewoo	148,853*	2007	2007		
<i>Al Huwaila</i>		LNG carrier	Samsung	214,176*	2008	2008		
<i>Al Kharsaah</i>		LNG carrier	Samsung	214,198*	2008	2008		
<i>Al Khuwair</i>		LNG carrier	Samsung	213,101*	2008	2008		
<i>Al Marrouna</i>		LNG carrier	Daewoo	149,539*	2006	2006		
<i>Al Shamal</i>		LNG carrier	Samsung	213,536*	2008	2009		
<i>Albahaa B</i>	<i>Libra; Kiku Maru; Eastern Eagle; Cordoba; Balder King; Gull</i>	VLCC	Howaldtswerke Kiel	239,410	1971	1979		Lost in Indian Ocean in 1980
<i>Alexander Spirit</i>	<i>Miss Marina</i>	Product tanker	SLS	40,083	2007	2009		
<i>Algeciras Spirit</i>	<i>Nuria Tapias</i>	Suezmax tanker	Daewoo	149,999	2000	2004		
<i>Alliance Spirit</i>		Aframax tanker	Koyo	97,087	1989	1989		Wrecked in severe storm at Skikda, Algeria, in 2003; total loss
<i>Americas Spirit</i>		Aframax tanker	Hyundai	111,920	2003	2003		
<i>Amundsen Spirit</i>		Shuttle tanker	Samsung	106,000	2010	2010		
<i>Apache Spirit</i>		Aframax tanker	3-MAJ	106,684	1991	1991	1994	Sold to Metrofin; renamed <i>Gammata</i> ; subsequent name <i>Promise</i>
<i>Apollo Spirit</i>	<i>El Paso Cove Point; Jade Phoenix; Nordic Apollo; Jade Phoenix; Coast Jade; Coastal Jade</i>	FSO	Avondale	129,019	1978	1991		
<i>Arcadia Spirit</i>	<i>Nachi Maru</i>	Aframax tanker	Namura	81,634	1980	1987	2000	Renamed <i>Bayani Spirit</i> in 1989
<i>Arctic Spirit</i>	<i>Arctic Sun</i>	LNG carrier	Ihi	87,305*	1993	2007		
<i>Arwa Spirit</i>	<i>Maersk Arwa</i>	LNG carrier	Samsung	165,500*	2008	2012		
<i>Ashkini Spirit</i>	<i>Aegean Lady; Ingeborg</i>	Suezmax tanker	Hyundai Samho	165,209	2003	2007		
<i>Asian Spirit</i>		Suezmax tanker	Hyundai	151,693	2004	2004		
<i>Asiatic Spirit</i>	<i>Geiko Maru; Sanko Hope</i>	Aframax tanker	Onomichi	87,607	1977	1987	1995	Sold to Galaxy Maritime Enterprises, Cyprus; renamed <i>Abdaun Discovery</i>
<i>Atlantic Spirit</i>	<i>CYS Olympia; Atlantic Peace</i>	Aframax tanker	Stocznia Im Komuny Paryskiej	84,631	1983	1988	1990	Sold; subsequent names <i>Kosmos Spirit; Skaudrott; Skaubay; Arianne Laura; Kalymnos</i>
<i>Australian Spirit</i>		Aframax tanker	Hyundai	111,905	2004	2004		
<i>Avalon Spirit</i>	<i>Nassau Spirit</i>	Aframax tanker	Imabari	107,181	1998	2002	2013	Reverted to <i>Nassau Spirit</i> in 2005 after Canadian charter completed
<i>Axel Spirit</i>		Aframax tanker	Samsung	115,392	2004	2004		
<i>Bahamas Spirit</i>	<i>Sanko Trader</i>	Aframax tanker	Koyo	107,261	1998	2001		
<i>Barrington</i>	<i>Australia Sky</i>	Product tanker	Samsung	33,239	1989	1996	2009	Sold; renamed <i>Galaxy</i>
<i>Basker Spirit</i>	<i>Wilomi Yukon; Wilma Yukon; Nordic Yukon; Navion Basker</i>	Shuttle tanker	Dalian	97,068	1992	2005	2013	Sold

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Bastogne</i>	<i>Lancashire; Berge Hugin; BW Hugin</i>	LPG carrier	Hyundai	35,229	2002	2013		
<i>Bayani Spirit</i>	<i>Arcadia Spirit; Nachi Maru</i>	Aframax tanker	Namua Imari	81,657	1980	1989	2000	Renamed <i>Mendana Spirit</i> in 1990
<i>Bermuda Spirit</i>		Suezmax tanker	Hyundai Samho	159,000	2009	2009		
<i>Brillianty</i>		Aframax tanker	Kasado	90,986	1976	1985	1995	Sold to Danica; renamed <i>Brilliant Sea</i> ; subsequent names <i>Brilliant Sea II; Vena; Prudent</i>
<i>Broadwater</i>	<i>Australia Star</i>	Aframax tanker	Samsung	94,560	1986	1997	2005	Sold to Westmont Maritime A.S.; renamed <i>Trust Friendship</i>
<i>Brugge Venture</i>		LPG carrier	MHI Nagasaki	35,418	1997	2013		
<i>Brussels</i>	<i>Oxfordshire</i>	LPG carrier	MHI Nagasaki	35,454	1997	2013		
<i>Catalunya Spirit</i>	<i>Inigo Tapias</i>	LNG carrier	Izar	135,423*	2003	2004		
<i>Cathay Spirit</i>	<i>White Gardenia</i>	Aframax tanker	Hayashikane	85,453	1976	1987	1995	Sold to Dorothea Shipping; renamed <i>Captain Mitsos I</i>
<i>Chiba Spirit</i>	<i>Sea Silkload</i>	Aframax tanker	Mitsui Chiba	60,835	1980	1991	1998	Sold to Roseanne Enterprises, Liberia; renamed <i>Ladon</i>
<i>China Express</i>		Container ship (480 teu)	Zongha	8,727	1985	1985	1987	Sold to Dongnama Shipping; renamed <i>Singapore Glory</i>
<i>Chios Spirit</i>		Aframax tanker	Hyundai Samho	112,668	2002	2002	2006	Managed by Teekay for Greek owners; sold to Flower Shipping, Panama; renamed <i>Kyriakos</i>
<i>Clare Spirit</i>	<i>Launched as Colorado; Beryl; Feliz; Venliza; Bona Ranger</i>	Shuttle tanker	Stocznia Im Komuny Paryskiej	99,259	1986	1999	2003	Sold to V Ships, Norway; renamed <i>Hawaiian Leader</i>
<i>Cloudsdale</i>	<i>Manhattan Baron</i>	Aframax tanker	Sanoyu	87,076	1975	1986	1995	Sold; renamed <i>Darius</i> ; subsequent names <i>Atlantas; Tefton</i>
<i>Clyde Spirit</i>	<i>Golden Fleece; Pretty Lady; Bona Sparrow</i>	Aframax tanker	Hyundai	94,706	1985	1999	2003	Sold to Mercator Lines, India; renamed <i>Devsi</i>
<i>Columbia Spirit</i>	<i>Ocean Express; Bona Skipper</i>	Aframax tanker	Mitsubishi	81,274	1988	1999	2005	Sold to Tanker Pacific; renamed <i>Yellow Sea</i>
<i>Constitution Spirit</i>	<i>Constitution</i>	Aframax tanker	Samsung	104,622	1999	2008		
<i>Cook Spirit</i>	<i>Blue Sky River</i>	Aframax tanker	Hashihama	91,538	1987	1996	2003	Sold to Cetrofin; renamed <i>Merbabu</i> ; since converted to semi-submersible heavylift vessel <i>Zhen Hua 29</i>
<i>Courcheville</i>	<i>Nyhall</i>	LPG carrier	Boelwerf Vlaanderen Emse	28,006	1989	2013		
<i>Cubal</i>		LNG carrier	Samsung	160,400*	2012	2012		
<i>Dampier Spirit</i>	<i>Frontier Spirit</i>	FSO	Hyundai	106,668	1988	1998		Converted to FSO 1998
<i>Dania Spirit</i>	<i>Navion Dania</i>	LPG carrier	Hyundai	8,669	2000	2004	2010	Sold to Veder Chartering, Rotterdam; renamed <i>Coral Parensis</i>
<i>Dilong Spirit</i>		Suezmax tanker	Bohai	159,000	2009	2009		
<i>Donau</i>	<i>Gaz Nordsee</i>	LPG carrier	Mayer Neptun Papenburg	30,207	1985	2013	2013	
<i>Donegal Spirit</i>		Product tanker	Hyundai	105,200	2006	2006		
<i>Eeklo</i>		LPG carrier	Kawasaki Sakaida	37,450	1995	2013		
<i>Erik Spirit</i>		Aframax tanker	Samsung	115,526	2005	2005		
<i>Esther Spirit</i>		Aframax tanker	Samsung	115,444	2004	2004		
<i>Eupen</i>		LPG carrier	MHI Nagasaki	38,961	1999	2013		
<i>European Spirit</i>		Suezmax tanker	Hyundai	151,849	2003	2003		
<i>Everest Spirit</i>		Aframax tanker	Daewoo	115,048	2004	2004		
<i>Excalibur</i>		LNG carrier	Daewoo	138,000*	2002	2010		
<i>Excelsior</i>		LNG carrier	Daewoo	138,087*	2005	2010		
<i>Falcon Spirit</i>	<i>Sarita; Nordic Sarita; Rita Knutsen; Rita</i>	FSO	Daewoo	124,472	1986	2009		
<i>Falster Spirit</i>	<i>Vendonna; Bona Rover</i>	Aframax tanker	Hyundai Heavy Industries, Ulsan	95,400	1995	1999	2010	Sold to Egyptian interests; renamed <i>Sharifa 4</i>
<i>Favour Spirit</i>	<i>Hoegh Favour; Bona Favour; Teekay Favour</i>	OBO	Howaldtswerke Kiel	82,462	1981	1999	2003	Sold to Norbulk, Liberia; renamed <i>Swift Favour</i> ; scrapped 2008
<i>Flanders Harmony</i>		LPG carrier	Boelwerf Vlaanderen Emse	85,826	1993	2013		
<i>Flanders Tenacity</i>		LPG carrier	Kawasaki Sakaida	84,270	1996	2013		
<i>Flying Clipper</i>	<i>CYS Dignity; Atlantic Dignity</i>	Aframax tanker	Tsuneishi	89,939	1975	1988	1993	Sold to Petrostar, Saudi Arabia; renamed <i>Nejmat el Petrol XXIV</i>
<i>Flying Cloud</i>	<i>Anita Monti</i>	VLCC	Fincantieri	228,541	1970	1979	1980	Sold
<i>Flying Cloud</i>	<i>CYS Excellence</i>	Aframax tanker	Isuneishi	89,947	1975	1988	1996	Sold to Shield Shipping; renamed <i>Cloud</i>
<i>Foam Spirit</i>	<i>Hoegh Foam; Bona Foam; Teekay Foam</i>	OBO	Hyundai	78,532	1981	1999	2004	Sold to Norbulk, Liberia; renamed <i>Nobel Foam</i> ; later names <i>Britanny Mae; H.A. Sklerar</i>
<i>Fortuna Spirit</i>	<i>Hoegh Fortuna; Ambia Fortuna; Hoegh Fortuna; Bona Fortuna; Teekay Fortuna</i>	OBO	Hyundai	78,532	1982	1999	2004	Sold to Norwegian interests; renamed <i>Nobel Fortuna</i> ; subsequent names <i>August Oldendorff; Augusta</i>
<i>Forum Spirit</i>	<i>Hoegh Forum; Bona Forum; Teekay Forum</i>	OBO	Hyundai	78,395	1983	1999	2004	Sold to Norwegian interests; renamed <i>Nobel Forum</i> ; later <i>Antoine D</i> ; scrapped

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Fountain Spirit</i>	<i>Hoegh Fountain; Bona Fountain; Teekay Fountain</i>	OBO	Hyundai	78,532	1982	1999	2004	Sold to Norwegian interests; renamed <i>Nobel Fountain</i> ; later named <i>E. Oldendorff</i>
<i>Freighter Spirit</i>	<i>Siboseven; Hoegh Freighter; Bona Freighter; Teekay Freighter</i>	OBO	Bremer Vulkan	75,395	1982	1999	2004	Sold to V Ships, Norway; renamed <i>Seahawk Freighter</i> ; later renamed <i>Hong Harvest</i>
<i>Frontier Spirit</i>		Aframax tanker	Hyundai	106,668	1988	1988		Converted to FSO; renamed <i>Dampier Spirit</i> in 1998
<i>Fuji Spirit</i>		Aframax tanker	Tsuneishi	106,360	2003	2003		
<i>Galicia Spirit</i>		LNG carrier	Daewoo	137,814*	2004	2004		
<i>Galway Spirit</i>		Product tanker	Hyundai	105,200	2007	2007		
<i>Ganges Spirit</i>	<i>Delaware</i>	Suezmax tanker	Hyundai	159,453	2002	2007		
<i>Godavari Spirit</i>	<i>Athenian Glory; Angelica</i>	Suezmax tanker	Hyundai	159,106	2004	2007		
<i>Golden Gate Sun</i>		Aframax tanker	Onomichi	82,543	1975	1985	1995	Sold to Polembros; renamed <i>Golden Gate</i>
<i>Golden Sunray</i>		Aframax tanker	Sumitomo	89,665	1976	1987	1992	Sold to Ocean Peace Shipping, Malta; renamed <i>Prime Unity</i>
<i>Gotland Spirit</i>	<i>Venessa; Bona Rider</i>	Aframax tanker	Hyundai	95,371	1995	1999		
<i>Granada Spirit</i>	<i>Aquitaine; Tito Tapias</i>	Suezmax tanker	Astileros	140,000	1990	2004	2005	Sold to Trand E & Transport; renamed <i>Hebei Genius</i>
<i>Grand Wisdom</i>		Aframax tanker	Koyo	103,584	1976	1985	1995	Renamed <i>Mihara Spirit</i> in 1988
<i>Hamane Spirit</i>		Aframax tanker	Onomichi	105,203	1997	1997	2012	Sold to Sierra Leonian interests; renamed <i>Hamane Spiri</i> , and then <i>Lion Spirit</i>
<i>Hamilton Spirit</i>		Suezmax tanker	Hyundai Samho	159,000	2009	2009		
<i>Helga Spirit</i>		Aframax tanker	Samsung	115,515	2005	2005		
<i>Hispania Spirit</i>	<i>Fernando Tapias</i>	LNG carrier	Daewoo	137,814*	2002	2004		
<i>Honshu Spirit</i>	<i>Tango Maru</i>	Aframax tanker	Tsuneishi	81,281	1979	1989	1998	Sold to Nassau Shipping, Bahamas; renamed <i>Naga</i>
<i>Hudson Spirit</i>	<i>Bona Spinner</i>	Aframax tanker	Mitsubishi	84,841	1988	1999	2005	Sold to Tanker Pacific
<i>Huelva Spirit</i>	<i>Huelva Tapias</i>	Suezmax tanker	Daewoo	149,999	2001	2004		
<i>Hugli Spirit</i>	<i>Athenian Splendour; Brazos</i>	Product tanker	Hyundai	46,889	2005	2007		
<i>Hummingbird Spirit</i>	<i>Hummingbird</i>	FPSO	Yantai Raffles	30,000	2007	2011		First circular FPSO to operate in the North Sea
<i>Ida Helene</i>	<i>Ardmore</i>	Product tanker	As Horten	31,600	1975	1987	1988	Sold; renamed <i>Livingstone</i> ; subsequent names <i>Livi</i> ; <i>Asean Promoter</i>
<i>Ionian Spirit</i>		Aframax tanker	Hyundai Samho	112,664	2002	2002	2006	Managed by Teekay for Greek owners; sold to General National Maritime Transport, Libya; renamed <i>El Gurdabia</i>
<i>Iskmati Spirit</i>	<i>Arlene; Aegean Eagle</i>	Suezmax tanker	Hyundai Samho	165,209	2003	2007		
<i>Jiaolong Spirit</i>		Suezmax tanker	Bohai	159,000	2009	2009		
<i>Kanata Spirit</i>		Aframax tanker	Samsung	113,022	1999	1999		
<i>Kareela Spirit</i>		Aframax tanker	Samsung	113,144	1999	1999		
<i>Karratha Spirit</i>	<i>Pioneer Spirit</i>	FSO	Hyundai	106,672	1988	2002	2011	Sold to Sarost, Tunisia; renamed <i>Thapsus</i>
<i>Kaveri Spirit</i>	<i>Athenian Olympic; Janet</i>	Suezmax tanker	Hyundai	149,985	2004	2007		
<i>Kemira Gas</i>		LPG carrier	Boelwerf Vlaanderen Emse	12,030	1995	2013		
<i>Kilimanjaro Spirit</i>		Aframax tanker	Daewoo	115,048	2004	2004		
<i>Kimberly</i>	<i>Texaco North America; Olympic Sky</i>	VLCC	Howaldtswerke Kiel	209,407	1969	1979	1982	
<i>Kiowa Spirit</i>	<i>Bona Valiant</i>	Aframax tanker	Samsung	113,395	1999	1999		
<i>Kisuca (2)</i>	<i>Albacore Crustamar Amazon Express</i>	Motor yacht	Cantieri, Venice	1004 grt	1966	1984	1992	Sold to Italian buyer; renamed <i>Amazon Express</i>
<i>Koa Spirit</i>	<i>Bona Verity</i>	Aframax tanker	Samsung	113,333	1999	1999		
<i>Kobe Spirit</i>		Product tanker	Onomichi	39,520	1989	1989	1993	Sold to Aerial Shipping, Cyprus; renamed <i>Fulmar</i>
<i>Koyagi Spirit</i>		Aframax tanker	Mitsubishi	95,987	1989	1989	2005	Sold to Centrofin; renamed <i>Cerigo</i> ; subsequently converted to semi-submersible heavylift vessel <i>Zhen Hua 15</i>
<i>Koyo Spirit</i>	<i>All Star; Panstar 1</i>	Aframax tanker	Koyo	102,855	1976	1988	1995	Sold to Giant Shipping, Malta; renamed <i>Posidon</i>
<i>Kyeema Spirit</i>	<i>Bona Vigour</i>	Aframax tanker	Samsung	113,357	1999	1999		
<i>Kyushu Spirit</i>		Aframax tanker	Mitsubishi Nagasaki	95,562	1991	1991	2004	Sold to Fairdeal Group; renamed <i>Fair Spirit</i>
<i>Leon Spirit</i>	<i>Jahre Trader; Borja Tapias</i>	Aframax tanker	Split	142,031	1989	2004	2004	Sold; renamed <i>Ancora</i> ; subsequent names <i>Songa Ancora</i> ; <i>Ancora</i> ; <i>Osprey</i> . Now heavylift vessel
<i>Leyte Spirit</i>		Aframax tanker	Onomichi	98,744	1992	1992	2013	Sold
<i>Libramont</i>		LPG carrier	Daewoo	38,455	2006	2013		
<i>Limerick Spirit</i>		Large product tanker	Hyundai	105,200	2007	2007		
<i>Lobito</i>		LNG carrier	Samsung	160,400*	2011	2011		
<i>Luzon Spirit</i>		Aframax tanker	Onomichi	98,629	1992	1992	2012	Sold

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Madrid Spirit</i>	<i>Ivan Tapias</i>	LNG carrier	Izar	135,423*	2004	2004		
<i>Magellan Spirit</i>	<i>Niko Maru</i>	Aframax tanker	Hitachi	95,007	1985	1995	2003	Sold to Great Eastern Shipping, India; renamed <i>Jag Leena</i>
<i>Magellan Spirit</i>	<i>Maersk Magellan</i>	LNG carrier	Samsung	165,500*	2009	2012		
<i>Mahanadi Spirit</i>	<i>Alam Bakti; Guadalupe</i>	Product tanker	Onomichi	47,037	2000	2007		
<i>Malanje</i>		LNG carrier	Samsung	160,400*	2011	2011		
<i>Marib Spirit</i>	<i>Maersk Marib</i>	LNG carrier	Samsung	165,500*	2008	2012		
<i>Matterhorn Spirit</i>		Aframax tanker	Daewoo	114,834	2005	2005		
<i>Mayon Spirit</i>		Aframax tanker	Onomichi	98,507	1992	1992	2011	
<i>Mendana Spirit</i>	<i>Bayani Spirit; Arcadia Spirit; Nachi Maru.B133</i>	Aframax tanker	Namua Imari	81,657	1980	1990	2000	Sold to Polembros; renamed <i>Everton</i>
<i>Meridian Spirit</i>	<i>Maersk Meridian</i>	LNG carrier	Samsung	165,500*	2010	2012		
<i>Mersey Spirit</i>	<i>Fortune; Bona Spring</i>	Aframax tanker	Hyundai	94,752	1986	1999	2003	Sold to Mercator; renamed <i>Sadanand</i> ; scrapped 2009
<i>Methane Spirit</i>	<i>Maersk Methane</i>	LNG carrier	Samsung	165,500*	2008	2012		
<i>Mihara Spirit</i>	<i>Grand Wisdom</i>	Aframax tanker	Koyo	103,584	1976	1988	1995	Sold to Care Shipping, Malta; renamed <i>Spirit</i>
<i>Musashi Spirit</i>	<i>Licorne Atlantique</i>	OBO	Mitsubishi	262,411	1973	1987	1988	Sold to Arne Naess; renamed <i>Mountain Spirit</i>
<i>Musashi Spirit</i>		VLCC	Sasebo	280,654	1993	1993	2004	Sold to Mercator Line, Singapore; renamed <i>Sri Prem Putli</i> ; subsequent name <i>Prem Putli</i>
<i>Nagasaki Spirit</i>		Aframax tanker	Mitsubishi Nagasaki	95,997	1989	1989		Collision, caught fire; constructive total loss in 1992; hulk sold to NOL; renamed <i>Neptune Leo</i> ; scrapped as <i>Ross Sea</i>
<i>Nakata Spirit</i>		Product tanker	Onomichi	39,557	1988	1988	1988	Chartered to BP; renamed <i>BP Architect</i> ; sold to OSG; renamed <i>Overseas Primar</i>
<i>Namsan Spirit</i>		Aframax tanker	Hyundai	106,671	1988	1988		Converted to FSO; renamed <i>Pattani Spirit</i> in 2004
<i>Nansen Spirit</i>		Shuttle tanker	Samsung	106,000	2011	2011		
<i>Narmada Spirit</i>	<i>Athenian Victory; Adair</i>	Suezmax tanker	Hyundai	159,199	2003	2007		
<i>Nassau Spirit</i>		Aframax tanker	Imabari	107,181	1998	1998	2013	Renamed <i>Avalon Spirit</i> 2002; reverted to <i>Nassau Spirit</i> 2005; sold
<i>Navajo Spirit</i>		Aframax tanker	3-MAJ	106,684	1991	1991	1992	Sold to Eparka Shipping, Liberia; renamed <i>Alphatank</i> ; subsequent name <i>Promise</i>
<i>Navion Akarita</i>	<i>Akarita; Stena Akarita; Nordic Akarita</i>	Shuttle tanker	Tsuneishi	107,223	1991	2002	2012	
<i>Navion Anglia</i>		Shuttle tanker	a.e.s.a.	126,360	1999	2002		
<i>Navion Bergen</i>		Shuttle tanker	Sumitomo H.I.	105,641	2000	2002		
<i>Navion Britannia</i>		Shuttle tanker	a.e.s.a.	124,238	1998	2002		
<i>Navion Clipper</i>	<i>Polyclipper</i>	Shuttle tanker	Mitsui S.B.	78,228	1993	2002		Laid up 2013 for possible conversion to FSO
<i>Navion Europa</i>	<i>Jorunn Knutsen</i>	Shuttle tanker	A.E.S.A.	130,319	1995	2002		
<i>Navion Fennia</i>	<i>Future</i>	Shuttle tanker	Kvaerner Masa	95,195	1992	2003	2012	Sold; renamed <i>Avion</i>
<i>Navion Gothenburg</i>	<i>Roviken</i>	Shuttle tanker	Samsung	152,244	2006	2007		
<i>Navion Hispania</i>		Shuttle tanker	A.E.S.A.	126,183	1999	2002		
<i>Navion Marita</i>	<i>Nordic Marita; Navion</i>	Shuttle tanker	Samsung	103,895	1999	2001		
<i>Navion Norvegia</i>	<i>Hanne Knutsen</i>	Shuttle tanker	A.E.S.A.	130,596	1995	2002		
<i>Navion Oceania</i>		Shuttle tanker	A.E.S.A.	126,355	1999	2002		
<i>Navion Oslo</i>	<i>Bertora</i>	Shuttle tanker	Samsung	100,257	2001	2007		
<i>Navion Saga</i>	<i>Polysaga</i>	FSO	Mitsui S.B.	149,000	1991	2002		Converted to FSO
<i>Navion Savonita</i>	<i>Savonita; Stena Savonita; Nordic Savonita</i>	Shuttle tanker	Tsuneishi	108,153	1992	2001	2012	
<i>Navion Scandia</i>		Shuttle tanker	A.E.S.A.	126,749	1998	2002		
<i>Navion Scotia</i>	<i>Vinga</i>	Aframax tanker	Sanoyas Hishino	95,029	1993	2002	2011	Renamed <i>Scotia Spirit</i> in 2006
<i>Navion Stavanger</i>	<i>Nordic Stavanger</i>	Shuttle tanker	Samsung	148,729	2003	2003		
<i>Navion Svenita</i>	<i>Svenner; Nordic Svenita</i>	Shuttle tanker	Koyo Dockyard	106,506	1997	2001	2006	
<i>Navion Torinita</i>	<i>Torinit; Nordic Torinita</i>	Shuttle tanker	Tsuneishi	106,852	1992	2001	2012	
<i>Nordic Akarita</i>	<i>Akarita; Stena Akarita</i>	Shuttle tanker	Tsuneishi	107,223	1991	2001	2012	Renamed <i>Navion Akarita</i> in 2005
<i>Nordic Apollo</i>	<i>Euro Spirit; Glyfada Spirit</i>	Suezmax tanker	Samsung	159,988	2003	2006		Renamed <i>Apollo Spirit</i>
<i>Nordic Brasilia</i>	<i>Roviken</i>	Shuttle tanker	Samsung	151,294	2004	2004		
<i>Nordic Laurita</i>	<i>Houston Accord; Nordic Challenger</i>	Shuttle tanker	Tsuneishi	68,139	1981	2001	2006	Sold to FPSOcean; renamed <i>Laurita</i> ; converted to FPSO; renamed <i>Deep Producer 1</i>
<i>Nordic Marita</i>		Shuttle tanker	Samsung	103,894	1999	2001		Renamed <i>Navion Marita</i> in 2007
<i>Nordic Rio</i>		Shuttle tanker	Samsung	151,294	2004	2004		
<i>Nordic Sarita</i>	<i>Sarita</i>	Shuttle tanker	Daewoo	124,472	1986	2001		Renamed <i>Rita Knutsen</i> in 2005; later <i>Rita</i> ; converted to FPSO; renamed <i>Falcon Spirit</i>
<i>Nordic Savonita</i>	<i>Savonita; Stena Savonita</i>	Shuttle tanker	Tsuneishi	108,153	1992	2001		Renamed <i>Navion Savonita</i> in 2007
<i>Nordic Spirit</i>	<i>Storviken</i>	Shuttle tanker	Samsung	151,294	2001	2002		

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Nordic Svenita</i>	<i>Svenner</i>	Shuttle tanker	Koyo	106,506	1997	2001	2006	Renamed <i>Navion Svenita</i>
<i>Nordic Torinita</i>	<i>Torinita</i>	Shuttle tanker	Tsuneishi	106,597	1992	2001		Renamed <i>Navion Torinita</i> in 2005
<i>Nordic Troll</i>	<i>Jaguar; Skaustream; Petroroll</i>	Shuttle tanker	Tsuneishi	67,436	1987	2001	2005	Sold to Rubicon Offshore International, Singapore; renamed <i>Rubicon Intrepid</i>
<i>Nordic Trym</i>	<i>Osco Beduin; Primo; Petrotrym</i>	Shuttle tanker	Dalian	80,745	1987	2001	2007	Sold to Rubicon Offshore International, Singapore; renamed <i>Rubicon Vantage</i>
<i>Nordic Yukon</i>	<i>Wilomi Yukon; Wilma Yukon</i>	Shuttle tanker	Dalian	98,001	1992	2001		Renamed <i>Basker Spirit</i> in 2005
<i>Norgas Camilla</i>		LPG carrier	Taizhou Wuzhou	10,000*	2011	2011		
<i>Norgas Cathinka</i>		LPG carrier	Taizhou Wuzhou	10,000*	2009	2009		
<i>Norgas Pan</i>		LPG carrier	Taizhou Wuzhou	10,000*	2009	2009		
<i>Norgas Unikum</i>		LPG carrier	Dingheng Jiangsu	12,000*	2011	2011		
<i>Norgas Vision</i>		LPG carrier	Dingheng Jiangsu	12,000*	2011	2011	2011	
<i>Oinouissan Spirit</i>	<i>Golden Sea</i>	Aframax tanker	Samho	112,661	2002	2002	2006	Managed by Teekay Greek owners; sold to Libyan owners; renamed <i>Dubai Legend</i> ; later <i>Seafalcon</i>
<i>Onomichi Spirit</i>		Product tanker	Onomichi	39,538	1988	1988	1989	Chartered to BP; renamed <i>BP Advocate</i> ; subsequent name <i>Primar</i>
<i>Onozo Spirit</i>		Aframax tanker	Onomichi	100,020	1990	1990	2005	Sold to Dynacom; renamed <i>Onozo</i>
<i>Oppama Spirit</i>	<i>Atlantic Maru</i>	Aframax tanker	Sumitomo	90,313	1980	1989	1997	Sold to Lancaster Shipping, Greece; renamed <i>Legaspi</i>
<i>Orkney Spirit</i>	<i>Bona Spirit</i>	Aframax tanker	Mitsui	106,266	1993	1999	2013	
<i>Oshima Spirit</i>	<i>Diana Prosperity</i>	Aframax tanker	Oshima	89,735	1976	1987	1995	Sold to Cypriot buyers; renamed <i>Erissos</i> ; later <i>Erissos XL</i> , and <i>Skamneli</i>
<i>Pacific Spirit</i>		Aframax tanker	Hyundai	100,020	1988	1988	2004	Sold to Mariene Trust, Liberia; renamed <i>Ce-Pacific</i>
<i>Palm Monarch</i>	<i>Universal Monarch</i>	Aframax tanker	Mitsui Chiba	89,922	1981	1989	1998	Sold to Stingray Enterprises, Greece; renamed <i>Missouri</i>
<i>Palmerston</i>	<i>Ampol Tva</i>	Product tanker	Inchon	37,700	1990	1997	2010	Sold to Bahraini interests; renamed <i>Bramco 1</i>
<i>Palmstar Cherry</i>		Aframax tanker	Onomichi	100,024	1990	1990	2005	Sold to Dynacom; renamed <i>Star Cherry</i> ; later names <i>Cherry</i> ; <i>Arrow</i>
<i>Palmstar Lotus</i>		Aframax tanker	Onomichi	100,314	1991	1991	2005	Sold to Dynacom; renamed <i>Lotus</i> ; later sold and converted to bulk carrier; renamed <i>Tien Sheng 7</i> ; then <i>Tien Sheng 17</i>
<i>Palmstar Orchid</i>		Aframax tanker	Onomichi	100,047	1989	1989	2005	Sold to Dynacom; renamed <i>Star Orchid</i> ; later name <i>Orchid</i>
<i>Palmstar Poppy</i>		Aframax tanker	Onomichi	100,031	1990	1990	2005	Sold to Dynacom; renamed <i>Poppy</i> ; later sold and converted to ore carrier; renamed <i>Iron Monger 3</i>
<i>Palmstar Rose</i>		Aframax tanker	Onomichi	100,202	1990	1990	2005	Sold to Dynacom; renamed <i>Rose</i> ; later sold and converted to ore carrier; renamed <i>Iron Monger 6</i>
<i>Palmstar Thistle</i>		Aframax tanker	Onomichi	100,289	1991	1991	2005	Sold to Dynacom; renamed <i>Thistle</i> ; later sold and converted to ore carrier; renamed <i>Iron Monger 5</i>
<i>Pattani Spirit</i>	<i>Namsan Spirit</i>	FSO	Hyundai	113,805	1988	2004		Converted to FSO 2004
<i>Peary Spirit</i>		Shuttle tanker	Samsung	106,000	2011	2011		
<i>Petroatlantic</i>		Shuttle tanker	Samsung	92,968	2003	2003		
<i>Petrojarl Banff</i>		FPSO	Hyundai	95,000	1998	2007		
<i>Petrojarl Cidade de Itajai</i>	<i>Archon</i>	FPSO	Jurong	80,000	1985	2010		Began operating 2013
<i>Petrojarl Cidade de Rio das Ostras</i>	<i>St Michaelis; Che Guevara</i>	FPSO	Remontowa	25,000	1981	2007		Began operating 2008
<i>Petrojarl Foinaven</i>	<i>Anadyr</i>	FPSO	Turku	140,000	1998	2006		
<i>Petrojarl 1</i>		FPSO	Nippon Kokan	46,000	1986	2006		
<i>Petrojarl Varg</i>	<i>Varg; 15/12B Varg</i>	FPSO	Fels	57,000	1998	2006		
<i>Petronordic</i>		Shuttle tanker	Samsung	92,995	2002	2002		
<i>Petroskald</i>	<i>Oktella</i>	Shuttle tanker	Uddevallava Rvet	39,750	1982	2001	2004	Sold to Dukkar Engineering, Russia; renamed <i>Severomorsk</i> ; scrapped later
<i>Pinewell Spirit</i>	<i>Methoni; Merida</i>	Aframax tanker	Oshima	63,797	1981	1989	1993	Sold to Meandros Shipping, Cyprus; renamed <i>Vergina</i> ; subsequent name <i>San Sebastian</i>
<i>Pinnacle Spirit</i>		Suezmax tanker	Samsung	160,389	2008	2008		
<i>Pioneer Spirit (1)</i>		Panamax bulk	Koyo	61,931	1981	1981	1982	Sold; subsequent names <i>Nichigo Maru</i> ; <i>Esperanza Marina</i> ; <i>Kimisis</i> ; <i>Evangelistra</i> ; <i>Electra</i> ; <i>Panamax Otter</i>
<i>Pioneer Spirit (2)</i>		Aframax tanker	Hyundai	115,351	1988	1988		Converted to FSO; renamed <i>Karratha Spirit</i> in 2002
<i>Piranema Spirit</i>	<i>Sevan Piranema</i>	FPSO	Yantai Raffles	30,000	2007	2011		
<i>Polar Spirit</i>	<i>Polar Eagle</i>	LNG carrier	Ihi	87,305*	1993	2007		
<i>Poul Spirit</i>		Aframax tanker	Onomichi	105,351	1995	1995	2013	
<i>Rainier Spirit</i>		Product tanker	Daewoo	114,880	2005	2005	2009	Sold to Almi Tankers, Greece; renamed <i>Almi Star</i>
<i>Randgrid</i>	<i>Heidrun</i>	Shuttle tanker	Samsung	124,502	1995	2010		Co-owned vessel that became part of a three-ship joint venture with Teekay.
<i>Rita</i>	<i>Sarita; Nordic Sarita; Rita Knutsen</i>	Shuttle tanker	Daewoo	124,472	1986	2010		Converted to FSO; renamed <i>Falcon Spirit</i> in 2009

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m³	Built	Joined fleet	Sold	Remarks
<i>Sabine Spirit</i>	<i>Ocean Leader; Bona Shimmer</i>	Shuttle tanker	Mitsubishi	84,841	1989	1999	2005	Sold to Tanker Pacific, Singapore; renamed <i>Red Sea</i>
<i>Samar Spirit</i>		Aframax tanker	Onomichi	98,640	1992	1992	2011	
<i>Samba Spirit</i>		Suezmax shuttle tanker	Samsung	154,000	2013	2013		
<i>Santiago Spirit</i>		Suezmax tanker	Daewoo	159,500	2005	2005	2005	Sold to Nordic American before delivery to Teekay; renamed <i>Nordic Freedom</i>
<i>Scotia Spirit</i>	<i>Vinga; Navion Scotia</i>	Aframax tanker	Sanoyas Hishino	95,029	1993	2006	2011	
<i>Scotland</i>	<i>Vewassa; Philmac Venturer</i>	Product tanker	MHI nagasaki	40,794	1982	1990	2000	Sold to Dry Tank/Cardiff Marine; renamed <i>Conquistador</i>
<i>Scott Spirit</i>		Shuttle tanker	Samsung	106,000	2011	2011		
<i>Sebarok Spirit</i>		Aframax tanker	Imabari	95,649	1993	1993	2011	
<i>Seletar Spirit</i>	<i>Pacific Mercury</i>	Aframax tanker	Koyo	94,998	1988	1998	2004	Sold to Phoenix Energy Navigation; renamed <i>Aonoble</i> ; scrapped 2011 in India
<i>Semakou Spirit</i>	<i>Seto Breeze; Nssas Amargos</i>	Aframax tanker	Koyo	98,731	1988	1998	2007	Sold to FPSOcean; converted to FPSO; renamed <i>Deep Producer 2</i>
<i>Senang Spirit</i>		Aframax tanker	Imabari	95,649	1994	1994	2012	
<i>Sentinel Spirit</i>	<i>Sentinel</i>	Aframax tanker	Samsung	104,623	1999	2008		
<i>Sentosa Spirit</i>		Aframax tanker	Imabari	97,163	1989	1989	2004	Sold to Phoenix Energy Navigation; renamed <i>Welsky</i> ; subsequent names <i>Pacific Bangoo</i> ; <i>PB Phoenix</i> ; <i>Erisos</i> ; converted to bulk carrier
<i>Seraya Spirit</i>		Aframax tanker	Imabari	97,119	1992	1992	2004	Sold to Phoenix Energy Navigation; renamed <i>PB Eagle</i> ; converted to bulk carrier
<i>Sevilla Spirit</i>	<i>Front Melody; Sandra Tapias</i>	Suezmax tanker	Astilleros Espana	147,253	1991	2004	2004	Sold to Trijata Maritime, Singapore; renamed <i>Trijata</i>
<i>Shannon Spirit</i>	<i>Eliana; Antares; Ventares; Bona Ray</i>	Aframax tanker	Stocznia Im Komuny Paryskiej	99,335	1987	1999	2003	Sold to V Ships, Norway; renamed <i>Hawaiian Star</i>
<i>Shenlong Spirit</i>		Suezmax tanker	Bohai	159,000	2009	2009		
<i>Shetland Spirit</i>	<i>Bona Sailor</i>	Aframax tanker	Mitsui	106,263	1994	1999	2008	Sold to Elmira Tankers, Greece; renamed <i>Ocean Elegance</i>
<i>Shilla Spirit</i>		Aframax tanker	Hyundai	106,677	1990	1990	2004	Sold to Centrafin, Liberia; renamed <i>Ce-Shilla</i>
<i>Shoshone Spirit</i>		Aframax tanker	3-MAJ	106,684	1989	1989	1992	Sold to Metrofin; renamed <i>Betatank</i>
<i>Singapore Spirit</i>	<i>Galaxy River</i>	Aframax tanker	Imabari	97,300	1987	1996	2003	Sold to Great Eastern Shipping, India; renamed <i>Jag Laila</i>
<i>Sombeke</i>	<i>BW Sombeke</i>	LPG carrier	Daewoo	38,447	2006	2013		
<i>Sotra Spirit</i>	<i>Ventina; Bona Robin</i>	Aframax tanker	Hyundai	95,371	1995	1999	2010	Sold to E.N.E. Kassos I; renamed <i>Kassos</i>
<i>Soyo</i>		LNG carrier	Samsung	160,400	2011	2011		
<i>SPT Explorer</i>		Aframax tanker	Tsuneishi	106,000	2008	2008		
<i>SPT Navigator</i>		Aframax tanker	Tsuneishi	106,000	2008	2008		
<i>Stena Alexita</i>		Shuttle tanker	Tsuneishi	126,955	1998	2001		
<i>Stena Natalita</i>		Shuttle tanker	Tsuneishi	108,073	2001	2001		
<i>Stena Siirita</i>		Shuttle tanker	Hashihama	126,873	1999	2001		
<i>Stena Spirit</i>		Shuttle tanker	Samsung	151,293	2001	2001		
<i>Sudong Spirit</i>	<i>Full Moon River</i>	Aframax tanker	Koyo	98,214	1987	1997	2003	Sold to Great Eastern Shipping; renamed <i>Jag Lamha</i>
<i>Summit Spirit</i>		Suezmax tanker	Samsung	160,451	2008	2008		
<i>Sun Aronia</i>	<i>Penelope of York</i>	Aframax tanker	Kanasashi	87,801	1976	1989	1995	Sold; renamed <i>Victoria I</i> ; later renamed <i>Victo</i> ; scrapped
<i>Sunrise</i>	<i>Sunrise; Sunrise Trader</i>	Aframax tanker	Koyo	110,488	1975	1986	1994	Sold to Tsakos Shipping, Cyprus; renamed <i>Cerro</i>
<i>Tandara Spirit</i>	<i>Helcion</i>	Product tanker	SPP	50,760	2008	2011		
<i>Tangguh Hiri</i>		LNG carrier	Hyundai	151,885*	2008	2008		
<i>Tangguh Sago</i>		LNG carrier	Hyundai Samho	155,000*	2009	2009		
<i>Tasman Spirit</i>	<i>Mabini; Kenko Maru+B227</i>	Aframax tanker	Onomichi	87,588	1979	1990	2002	Sold to Polembros; wrecked at Karachi under new owners, July 27, 2003
<i>Teekay Arawak</i>	<i>Petro Bordeaux</i>	Water barge	Cant. Naviera	5,012	1971	1982	1987	Sold to Unitrans, Paraguay; renamed <i>Yelena</i>
<i>Teekay Fair</i>	<i>August Thyssen; El Lobo; Ballenita; Bona Fair</i>	OBO	Bremer Vulkan	75,000	1981	1999	2003	Sold to Norbulk, Liberia; renamed <i>Swift Fair</i>
<i>Teekay Favour</i>	<i>Hoegh Favour; Bona Favour</i>	OBO	Howaldtswerke Kiel	82,462	1981	1999		Renamed <i>Favour Spirit</i> in 2003
<i>Teekay Foam</i>	<i>Hoegh Foam; Bona Foam</i>	OBO	Hyundai	78,532	1981	1999		Renamed <i>Foam Spirit</i> in 2003
<i>Teekay Fortuna</i>	<i>Hoegh Fortuna; Ambia Fortuna; Hoegh Fortuna</i>	OBO	Hyundai	78,532	1982	1999		Renamed <i>Fortuna Spirit</i> in 2003
<i>Teekay Forum</i>	<i>Hoegh Forum; Bona Forum</i>	OBO	Hyundai	78,395	1983	1999		Renamed <i>Forum Spirit</i> in 2003
<i>Teekay Fountain</i>	<i>Hoegh Fountain; Bona Fountain</i>	OBO	Hyundai	78,532	1982	1999		Renamed <i>Fountain Spirit</i> in 2003
<i>Teekay Freighter</i>	<i>Siboseven; Hoegh Freighter; Bona Freighter</i>	OBO	Bremer Vulkan	75,395	1982	1999		Renamed <i>Freighter Spirit</i> in 2003
<i>Teekay Fulmar</i>	<i>Hoegh Fulmar; Bona Fulmar</i>	OBO	Hyundai	75,395	1983	1999	2003	Sold to TMT Company, Panama; renamed <i>Mommy Duckling</i>
<i>Teekay Hunter</i>		Containership (480 teu)	Zongha	8,727	1986	1986	1987	Sold to Dongnama Shipping; renamed <i>Busan Glory</i>

Chronology

Ship's name	Former name/s	Type of ship	Yard	Dwt/*m ³	Built	Joined fleet	Sold	Remarks
<i>Teekay Spirit</i>		Aframax tanker	Onomichi	100,336	1991	1991	2005	Sold to Dynacom, Liberia; renamed <i>Spirit II</i>
<i>Teekay Vigour</i>	<i>Prosperity Queen; BP Vigour</i>	Aframax tanker	Koyo	87,275	1975	1988	1996	Sold to Glasgow Shipping, Malta; renamed <i>Vigour</i>
<i>Teekay Vision</i>	<i>Hellespont Glory; BP Vision</i>	Aframax tanker	Oshima	89,735	1975	1988	1998	Sold to Maritime Wanderer, Cyprus; renamed <i>Arab Wanderer</i>
<i>Teesta Spirit</i>	<i>Athenian Harmony; Janette</i>	Product tanker	Hyundai	46,921	2004	2007		
<i>Teide Spirit</i>		Suezmax tanker	Daewoo	149,999	2004	2004		
<i>Temse</i>	<i>Helga; BW Helga</i>	LPG carrier	Kawasaki Sakaida	35,058	1994	2013		
<i>Tenerife Spirit</i>	<i>Bosco Tapias</i>	Suezmax tanker	Daewoo	149,999	2000	2004		
<i>Tianlong Spirit</i>		Suezmax tanker	Bohai	159,000	2009	2009		
<i>Tokyo Spirit</i>		Product tanker	Onomichi	39,545	1989	1989	1991	Sold to Leacraft Shipping, Gibraltar; renamed <i>Capetan Costis</i> ; sold to Tomasos Brothers; renamed <i>Capitan Costis</i>
<i>Toledo Spirit</i>		Suezmax tanker	Daewoo	159,342	2005	2005		
<i>Torben Spirit</i>		Aframax tanker	Onomichi	98,622	1994	1994	2012	Sold; renamed <i>Piri</i>
<i>Torres Spirit</i>	<i>Sanko Pioneer</i>	Aframax tanker	Namura	96,144	1990	1997	2005	Sold to Zhen Hua 15 Shipping, St Vincent; converted to semi-submersible heavylift ship; renamed <i>Zhen Hua 15</i> ; sold; renamed <i>Lan Jing</i>
<i>Touraine</i>	<i>Antwerpen Venture</i>	LPG carrier	Nagasaki Hitachi, Shubishi	39,270	1996	2013		
<i>Ulsan Spirit</i>		Aframax tanker	Hyundai	106,679	1990	1990	2004	Sold to Centrafin; renamed <i>Ce-Ulsan</i>
<i>Vancouver Spirit</i>		OBO	Hyundai	102,100	1992	1992	2004	Sold to Barclay Shipping; renamed <i>Allegro II</i> ; sold and renamed <i>Bic Clare</i> ; scrapped in India 2012
<i>Victoria Spirit</i>		OBO	Hyundai	103,200	1993	1993	2004	Sold to Barclay Shipping; renamed <i>Amore Moi</i> ; sold and renamed <i>Bic Irini</i> ; scrapped in India 2012
<i>Voyageur Spirit</i>	<i>Sevan Voyageur</i>	FPSO	Yangtau Raffels Keppel Verolme	30,000	2007	2011		Began operating 2012
<i>Woodside Donaldson</i>		LNG carrier	Samsung	165,500 ^a	2010	2012		
<i>Yamato Spirit</i>	<i>Sanko Prestige</i>	Aframax tanker	Kanasashi	86,969	1976	1985	1994	Sold to Faith Maritime, Malta; renamed <i>Daphne I</i>
<i>Yamuna Spirit</i>	<i>Dakota</i>	Suezmax tanker	Hyundai	159,435	2002	2007		
<i>Zenith Spirit</i>		Suezmax tanker	Samsung	160,510	2009	2009		

Sources: www.shipspotting.com / www.fleetmon.com / www.marinetraffic.com / Lloyd's Register / www.teekay.com / unpublished Teekay documents.

Newbuildings

Ship's Name	Type Of Ship	Yard	Dwt/*M ³	Built
<i>H1250 – VLCC</i>	VLCC	Waigaoqiao	319,000	2013
<i>HHIC Hull P0100</i>	LPG carrier	Hyundai	38,000	2015
<i>HHIC Hull P0101</i>	LPG carrier	Hyundai	38,000	2015
<i>HHIC Hull P0102</i>	LPG carrier	Hyundai	38,000	2016
<i>HHIC Hull P0103</i>	LPG carrier	Hyundai	38,000	2016
<i>HMD Hull 8121</i>	LPG carrier	Hyundai	38,000	2014
<i>HMD Hull 8122</i>	LPG carrier	Hyundai	38,000	2014
<i>HMD Hull 8123</i>	LPG carrier	Hyundai	38,000	2014
<i>HMD Hull 8124</i>	LPG carrier	Hyundai	38,000	2015
<i>Hull 2038</i>	Suezmax shuttle tanker	Samsung	154,000	2013
<i>Hull 2039</i>	Suezmax shuttle tanker	Samsung	154,000	2013
<i>Hull 2040</i>	Suezmax shuttle tanker	Samsung	154,000	2013
<i>Knarr Spirit</i>	FPSO	Samsung	63,000	2014
<i>LNG carrier</i>	LNG carrier	Daewoo	173,400 ^a	2016
<i>LNG carrier</i>	LNG carrier	Daewoo	173,400	2016
<i>S-1672</i>	LR2	STX	113,000	2015
<i>S-1673</i>	LR2	STX	113,000	2015
<i>S-1674</i>	LR2	STX	113,000	2016
<i>S-1675</i>	LR2	STX	113,000	2016

- 1911** January 6: Helga Hansen is born.
- 1913** August 20: Poul Gunnar Karlshøj is born.
- 1938** October 30: Poul Karlshøj marries Helga Hansen.
- 1939** September 3: Second World War begins.
- 1940** April 9: German forces invade Denmark.
- 1940** July 12: Axel Mogens is born to Poul and Helga Karlshøj.
- 1941** November 23: Jens Torben is born to Poul and Helga Karlshøj.
- 1944** July 8: Helga Karlshøj, wife of Poul and mother of Axel and Torben, dies.
- 1945** May 4: German forces occupying Denmark surrender.
- 1947** August 6: Poul marries Esther Larsen; from this marriage, six children are born: Lis Johanne, Tom Rasmus, Ruth Asta, Knud Age, Inger Margarethe, and Laila.
- 1962** Torben leaves Denmark to begin a new life in the United States; the spelling of his surname changes to Karlshoej.
- 1963** Torben begins work at Sun Coast Petroleum Company, under Gerry Plato.
- 1963** August: Torben meets Shigeru Matsui and forms a lasting friendship that will assist Torben when he starts his own shipping company.
- 1964** July 10: Torben marries Gail Downing.

- 1965** July 12: Kimberly is born to Torben and Gail Karlshoej.
- 1967** June 6: Six-Day War between Israel and Arab states begins, closing the Suez Canal, a factor that led to radical changes in tanker design and operations.
- 1968** Daniel Ludwig's *Universe Kuwait* (332,092 deadweight) is the first tanker with a cargo capacity of over 300,000 tons.
- 1968** May 11: Susan is born to Torben and Gail Karlshoej.
- 1970** Torben and Gail are divorced.
- 1971** The first Norwegian North Sea oilfield, Ekofisk, begins production.
- 1972** Torben resigns from Stolt-Nielsen.
- 1973** May: Torben begins his shipping operation in New York by founding the Teekay Shipping Group, incorporated in Liberia.
- 1973** October 6: The Yom Kippur War breaks out between Israel and the Arab states, raising tanker rates and delaying the reopening of the Suez Canal.
- 1975** Torben establishes Palm Shipping Inc. to charter tankers for the trans-Pacific movement of crude oil parcels.
- 1975** The Suez Canal reopens to traffic; as it has been deepened and widened, larger tankers are able to transit the canal, influencing tanker design and changing global tanker trade routes.

- 1976** January: Torben charts *White Peony*, the first tanker on charter for his company.
- 1977** August 1: Jim Hood joins Teekay as operations manager in the Long Beach office.
- 1977** Torben marries Cathy Stuck.
- 1978** Torben and Cathy are divorced.
- 1979** The 564,763-deadweight, 460-metre tanker *Seawise Giant* (later *Jahre Viking*), enters service to become the largest moving object ever built.
- 1979** Torben takes delivery of his first VLCC, *Kimberly* (ex-*Olympic Sky*) in a short-lived venture into the VLCC market.
- 1979** Torben forms Viking Star Shipping Inc. as a shipowning company.
- 1979** Captain James (Jim) Hood joins Teekay as the head of operations as the chartered fleet expands to 18 tankers.
- 1979** Torben moves his office to the Bahamas.
- 1984** Torben buys *Amazon Express*, and sends her to Norway to be refitted as his private yacht, *Kisuca* (2).
- 1985** Torben buys *Golden Gate Sun* and retains her name. She is the first ship to be owned and managed by Teekay with her crew recruited and employed directly by Teekay.
- 1985** May 1: Bjorn Moller is employed by Teekay as chartering manager, and begins work in a shared office in Vedbaek, north of Copenhagen.

1986 February: Torben's good friend Arne Naess introduces him to Den norske Bank, which would later finance many of Teekay's ships.

1988 *Frontier Spirit*, Teekay's first newbuilding, is completed.

1989 March 24: The VLCC *Exxon Valdez* grounds in Prince William Sound, Alaska, resulting in a major oil spill that has very serious implications for the United States tanker sector, leading Torben to reduce his company's involvement in the United States oil trade.

1989 The Aframax tanker *Palmstar Orchid* is the first of 30 vessels to be delivered over the following six years. The group's revenues total \$200 million.

1990 June: *Oshima Spirit* collides with another ship off Sri Lanka.

1990 August 2: Iraq invades Kuwait, sparking a surge in tanker rates, and ultimately leading to the UN-led invasion of Iraq in 1991.

1990 The draconian Oil Pollution Act, which stemmed from the *Exxon Valdez* accident, is introduced by the United States. It is the extension of existing strict US liability laws pertaining to oil pollution incidents, and allows for the criminalisation of seafarers or others responsible for pollution, even in the case of a genuine accident. This causes Torben Karlshoej to decide that his tankers would not trade to the United States. He later rescinds that decision.

1991 January: First Gulf War begins.

1991 February 10: *Mendana Spirit* collides with the Turkish ore carrier *C. Eregli* off Yemen, and the ore carrier sinks.

1991 November 15: Torben moves the company's head office to Vancouver, Canada.

1991 December: Torben enlists the help of Art Coady to structure his finances into trusts.

1992 April 11: Torben marries Jung-ja 'Aiko' Ko in Vancouver.

1992 July: Teekay's financial crisis deepens as instalments become due on twelve tankers ordered from shipyards.

1992 September 19: *Nagasaki Spirit* collides with the containership *Ocean Blessing* in the Straits of Malacca. Both ships catch fire and 22 Teekay crew members, including the master, are lost.

1992 October 3: Torben dies unexpectedly at his house in Palm Springs, California.

1992 Axel Karlshoej takes over the company as chairman of the board that Torben had formed to assist him prior to his death.

1992 Captain Jim Hood becomes chief executive officer of Teekay.

1994 Teekay withdraws its first attempt to offer shares after the New York Stock Exchange experiences a slump.

1995 July 19: Teekay Shipping Corporation is admitted to the New York Stock Exchange, an event that raises much-needed capital (about \$139 million) to expand at a time when tanker markets are strengthening.

1997 The onset of the Asian economic crisis cripples the growth of several of the Asian "Tiger" economies, inhibiting growth in global shipping, including the tanker markets.

1998 March 31: Captain Jim Hood retires as president and chief executive of Teekay.

1998 April 1: Bjorn Moller becomes president and chief executive officer of Teekay.

1998 Sean Day joins the Teekay board.

1998 Bjorn Moller unveils his BHAG, which sets out goals for the company to meet.

1999 Teekay buys Caltex's four-ship product tanker fleet, operating in Australia, and charters the ships back on long-term contract to Caltex.

1999 Teekay bids successfully for the operation of an FSO vessel for Apache Energy on the Stag oilfield off Australia's north-western coast. As part of this project, *Frontier Spirit* is converted to become Teekay's first FPSO, and is renamed *Dampier Spirit*.

1999 Faced with surplus oil on the global markets, OPEC reduces production and the tanker market falls sharply.

1999 Axel Karlshoej retires as chairman of Teekay and is replaced by Sean Day.

1999 October: Teekay takes over Bona Shipping, Norway, and in the process adds ten Panamax OBO ships and 15 relatively modern Aframax tankers to its fleet.

1999 December 12: The tanker *Erika* belonging to an Italian owner breaks in half and sinks off the French coast. The subsequent oil pollution along the coast – and the accident involving the tanker *Prestige* in November 2001 – brings into force measures to phase out all single-hull tankers.

2001 September 11: Hijacked aircraft crash into the World Trade Centre in New York, the Pentagon in Washington, and a field in Pennsylvania, sparking uncertainty and leading to the UN-led invasion of Afghanistan, the US-led invasion of Iraq, and also the introduction of the International Ship and Port Security Code in 2004.

2001 Teekay celebrates a decade in Vancouver by sponsoring the J. Torben Karlshoej Gallery in the local Maritime Museum.

2002 Teekay takes over Ugland Nordic Shipping, Norway, adding to its fleet the Ugland Shuttle as well as conventional tankers.

2002 Teekay takes over Navion Shipping, the shipping arm of the Norwegian state-owned oil logistics organisation, and thereby acquires a fleet of tankers and significant long-term contracts for the movement of much of Norway's crude oil and oil products.

2002 The TK Foundation is established to assist deserving maritime-related projects.

2003 February 1: *Alliance Spirit* is blown ashore during a gale-force wind at Skikda, Algeria, and becomes a constructive total loss.

2003 March: The United States-led invasion of Iraq begins.

2003 May 1: Peter Evensen joins Teekay; he later becomes president and chief executive officer of the company.

2003 Teekay tenders for and wins the contract to manage and crew four LNG



African Spirit and *Australian Spirit* trans-loading cargo. Teekay Collection

carriers for BHP Australia, increasing Teekay's Australian profile. As part of the deal, Teekay begins to operate tugs at Hay Point and Port Hedland, Australia.

2004 Teekay acquires the Spanish gas tanker company Naviera F. Tapias SA, providing the Teekay fleet with an additional nine Suezmax tankers and four gas carriers, a move giving Teekay a firm foothold in the LNG carrier market.

2005 First daughter company, Teekay LNG Partners L.P., is established and listed on the New York Stock Exchange.

2005 Sean Day elected as commodore of the Connecticut Maritime Association.

2006 Teekay takes over Petrojarl to enter the FPSO sector.

2006 *Al Marrouma*, the first of three 149,539-cubic-metre LNG carriers, is commissioned in a joint venture with Qatar Gas.

2007 Teekay takes up an offer to purchase a 70 per cent share in two large LNG

carriers, *Tangguh Hiri* and *Tangguh Sago*, to transport Indonesian gas.

2007 Teekay enters into a second joint venture involving the shipment of Qatari gas, leading to the construction of four 214,000-cubic-metre, 315-metre LNG ships, *Al Huwaila*, *Al Kharsaah*, *Al Shamal*, and *Al Khuwair*. The ships total over \$1 billion in value when delivered in 2008.

2007 Teekay and the Danish product tanker operator Torm make a combined offer for the OMI fleet. OMI accepts the offer, and Teekay adds the OMI Suezmax tankers to its fleet and Torm takes the product fleet. In one stroke, Teekay becomes the largest operator of Suezmax tankers.

2007 Daughter companies Teekay Tankers and Teekay Offshore are established and listed on the New York Stock Exchange.

2008 April: Teekay's first FPSO, *Cidade de Rio das Ostras*, begins operating off the Brazilian coast.

2008 The so-called credit crunch causes the collapse of several major banks and depresses the shipping markets.

2009 To counteract the effects of the collapse of the shipping markets, Teekay launches a three-year strategic plan with the slogan 'Survive and Thrive'.

2011 March 11: An earthquake and an unprecedented tsunami hit Japan, causing extensive flooding, and indirectly causing a nuclear power plant disaster.

2011 March 31: Bjorn Moller retires as president and CEO of Teekay.

2011 April 1: Peter Evensen becomes president and CEO of Teekay.

2011 May: *Soyo*, the first of four large LNG carriers, is commissioned in a joint venture operation for the Angolan gas export market.

2011 The Libyan civil war causes a short-term spike in tanker rates.

2011 October: Teekay buys three FPSOs with their respective contracts from Sevan Marine, Norway; Teekay also acquires a share in the recapitalised company, and finances the completion of one of the FPSOs.

2011 October 5: Simultaneous naming ceremonies of three shuttle tankers in Stavanger, Norway, draw international attention.

2011 November: Teekay's largest single project, the construction of the FPSO *Knarr*, commences.

2011 Teekay acquires six LNG carriers from the A.P. Moller Group.

2012 May: Teekay's *Woodside Donaldson* loads the first export cargo from Western Australia's newly opened Pluto LNG Terminal.

2012 Teekay and Hong Kong's Anglo-Eastern Ship Management form a strategic partnership to create a joint ship management company.

2012 Teekay Shipping Australia Pty Ltd and the Dutch company KOTUG International announce the formation of a new joint venture company, KT Maritime Services Australia Pty Ltd, to pursue new business opportunities in the Australian towage market. ■

Ship Types and Glossary

The notes and profiles below are representative of types of ships in the Teekay fleet. Each profile is simplified and may not necessarily resemble a vessel of the particular type in the Teekay fleet. Figures showing the approximate dimensions have been rounded off. Some vessels of the type may have larger or smaller dimensions.

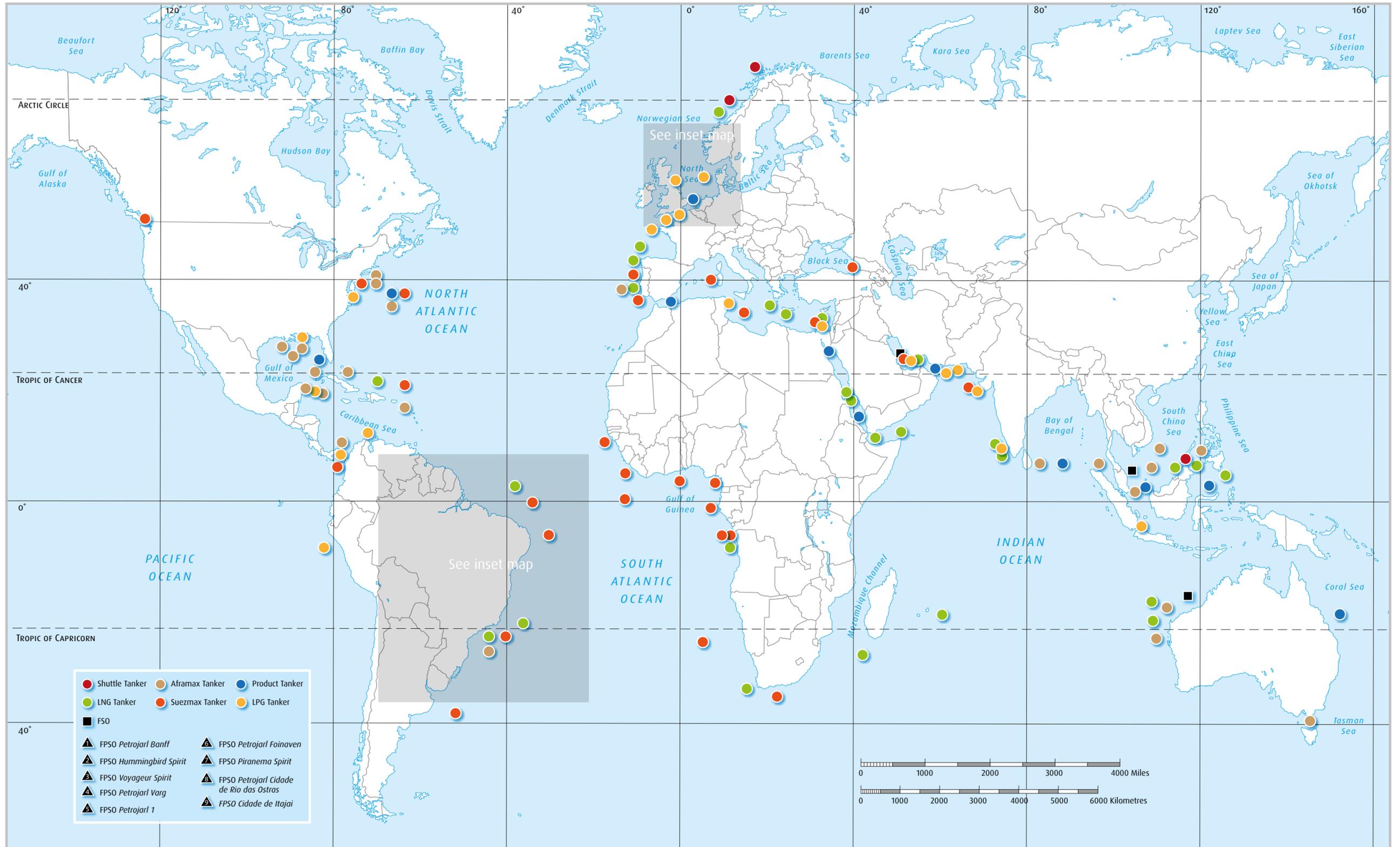
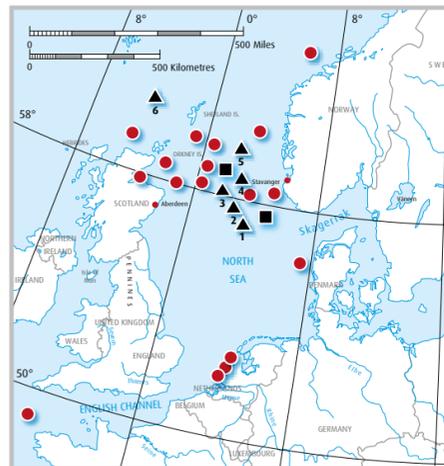
Vessel Type	Description	Dwt/*M³	Length	Beam	Draught	Profile
AFRAMAX TANKER	A tanker that is usually used on shorter trades to move crude oil. Even when fully laden, these tankers can pass through the Panama and Suez Canals. A typical Aframax tanker carries about 700,000 barrels of oil.	98,622	245m	41m	14m	
FPSO (conventional)	Floating, Production, Storage and Offtake vessel. A vessel that is directly connected (via a coupling in the bow) to a vertical pipe through which crude oil is drawn from below the seabed. Mud, water and some other impurities are removed from the oil, which is then trans-shipped to a shuttle tanker for shipment to a shoreside oil terminal for refining. The vessel 'vaned' around the bow connection according to changes in the weather and/or current.	80,000	225m	32m	14m	
FPSO (cylindrical)	A cylindrical vessel that is directly connected to a vertical pipe through which crude oil is drawn from below the seabed. Mud, water and some other impurities are removed from the oil, which is then trans-shipped to a shuttle tanker for shipment to a shoreside oil terminal for refining. The cylindrical design nullifies the 'vaning effect' that occurs in conventional FPSOs according to changes in weather and/or current.	55,000t displacement at 18m draught	66m	60m diameter	>18m	
FSO	Floating, Storage and Offtake vessel. A vessel (usually a converted tanker) that is used as a floating storage facility for crude oil. The Teekay FSOs are based at various offshore oilfields, and store the oil until it is trans-shipped to a tanker that will take it to an oil refinery ashore for refining.	106,668	245m	43m	15m	

Vessel Type	Description	Dwt/*M³	Length	Beam	Draught	Profile
LNG CARRIER	A vessel that is designed to carry liquefied natural gas at a temperature of about -163 degrees Celsius.	214,198m³	315m	50m	12m	
LPG CARRIER	A vessel that is designed to carry liquefied petroleum gas at a temperature of about -55 degrees Celsius.	10,000 m³	110m	21m	8m	
OBO*	Oil/Bulk Ore Carrier. A vessel designed to carry crude oil or iron ore.	103,203	244m	42m	15m	
PRODUCT TANKER	A tanker designed to carry refined oil products such as gasoline, kerosene, diesel, and liquid chemicals.	105,200	243m	42m	9m	
SHUTTLE TANKER	A tanker that loads crude oil from an offshore storage facility (via specialised equipment on the fore'sle) and carries the oil to an oil terminal ashore for refining. Because of the areas in which many of these vessels operate, they are specially designed for harsh weather operations.	106,000	249m	44m	14m	
SUEZMAX TANKER	A crude oil tanker that can pass through the Suez Canal fully laden, but not through the original locks in the Panama Canal. A typical Suezmax tanker carries about 1,000,000 barrels of oil or more, depending on the actual size of the ship.	159,000	274m	48m	14m	
VLCC	Very Large Crude Carrier. A crude oil tanker that is too large to pass through either the Panama or Suez Canals when fully laden. A typical VLCC carries about 2,000,000 barrels of oil or more, depending on the actual size of the ship.	319,000 approx.	300m approx.	55m approx.	20m approx.	
ULCC*	Ultra Large Crude Carrier. A large crude oil tanker that is too large to pass through the Panama or Suez Canals fully laden, and is larger than a VLCC. A typical ULCC carries more than 3,000,000 barrels of oil.	>320,000	>320m	60m	>20m	

*No vessel of this class in the current Teekay fleet. The OBO design is now obsolete.

Typical Areas of Operation

The map and its inserts show the position of each Teekay-operated vessel on one day. In some cases, there may be a time lapse between the position shown and the ship's actual position. Therefore, although the ships' positions are based on those shown on the *Fleet at Work* map on www.teekay.com and, for ships not shown on that map, on the positions given in www.marinetraffic.com, all positions should be regarded as approximate.



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