

In the Baltic's driver seat

A shipbroker by profession, but an aesthete by nature, the new chairman of the Baltic Exchange is quite different from his predecessor. Michael Drayton is a shipping professional, not a numbers-cruncher



By Andrew Lansdale
Markets Editor

Michael K Drayton, a director of Galbraith's, has been elected to head the Baltic Exchange, where he had been deputy chairman.

Besides being a director at one of the top broking houses in the world, Drayton is chairman of Arlington Tankers, the quoted tanker arm of Stena.

Based in Bermuda, the company has eight tankers, all fixed on long-term time-charters. "Bermuda is a wonderful place, but the drawback is that you are only allowed one car," Drayton tells *Fairplay*.

Cars play a great part in his life. At last count, his collection numbered 19.

His perfect Sunday, in fact, would involve not ships but changing the oil in the differential of his 1959 Mulliner Bentley Continental, while listening to his favourite radio programme, the BBC's Desert Island Discs (see box, p45).

Drayton is a Cornishman, born in Redruth 57 years ago. He was educated at Shaftsbury School before it was absorbed by Sherborn.

His father was a music teacher who retired as headmaster. It was a very musical family, which is where Drayton inherited his love of the arts.

"But of all the art forms, music is the most supreme," Drayton declares. "Only music has the ability to change one's mood almost in an instant."

He is really a frustrated regentarian who wishes he had been born in the 1770s.

Drayton's tastes in the arts revolve around geniuses from that period: architecture by Robert Adams, gardens by Capability Brown, poetry by Keats, Shelley and Wordsworth, music by Beethoven and Mozart, paintings by Turner and Gainsborough.

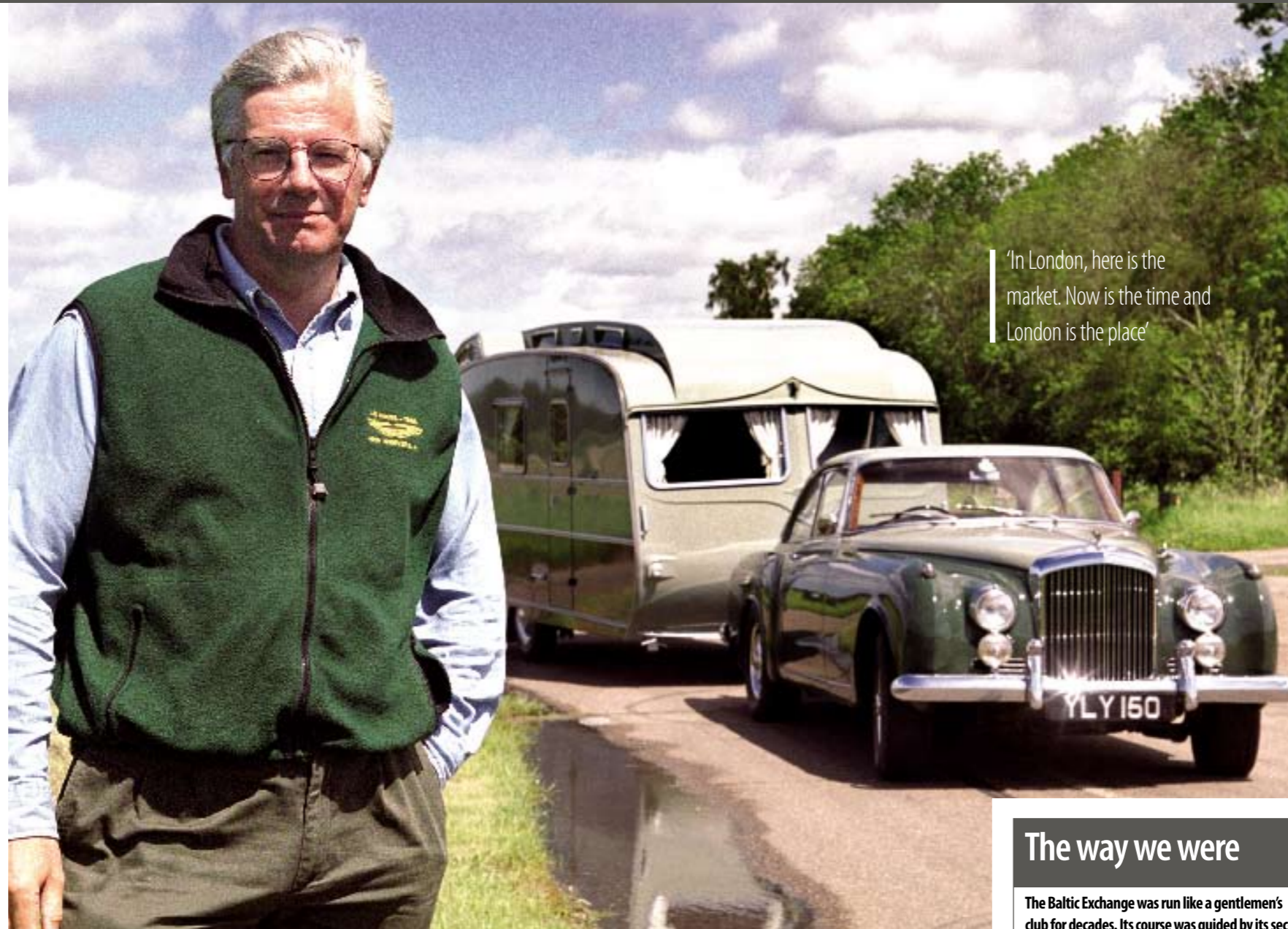
But motor cars had not been invented then, so wishing to have been born 237 years ago is, perhaps, only a passing thought.

Drayton earned a degree in economics and geography at London University,

then a post-graduate diploma in business management at Glasgow University. That university has a reputation for subjects such as naval architecture – and the Clyde then still built huge numbers of merchant ships. All this led to Drayton's interest in a shipbroking career.

He joined Galbraith's and worked his way up the ladder in sale and purchase.

Drayton was chosen to go out to Hong Kong to represent the company in its joint venture with Peter Nash at Anglo Eastern. He pictures Nash as inspirational and describes him as his mentor. At Nash's memorial service in a Hong Kong Hotel six years ago, even such hard-nosed shipping tycoons as George Chao of Wah Kwong were moved to tears. In



'In London, here is the market. Now is the time and London is the place'



Photo: Baltic Exchange



Photo: Andrew Lansdale



Photo: Andrew Lansdale

The way we were

The Baltic Exchange was run like a gentlemen's club for decades. Its course was guided by its secretary and staff. One secretary then elevated his position to CEO. He took great strides in turning the Baltic Exchange into a business, with decisions being approved by the chairman and the board 'on the nod'.

Before his election as chairman, Peter Kerr-Dineen of Howe Robinson circulated a manifesto supporting his candidacy. He worked hard in his two years in office to reinstate the primacy of the

board of directors. Thus, the executive branch reported to, but was not part of, the board.

Anthony Cooke succeeded Kerr-Dineen as chairman two years ago and made important changes, such as the shareholding setup and better use being made of the space. There are also serious discussions on the makeup of the board and who is brought onto it, how and for how long.

There is now a groundswell to bring executives onto the board – as well as a highly active voice against such a move.

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Hong Kong after a busy day in the office, Drayton felt that life held nothing better than sitting on the balcony of the company's house – perched like Count Dracula's castle on Mount Kellett. There he would enjoy life with seven servants, his wife, two of his four children and Mozart's 23rd piano concerto playing on the hi-fi, as music systems were then called.

After his Hong Kong idyll, it was back to London to prepare for the management buyout from Midland Montague, which then owned Galbraith's. With aid from 3i and Thomas Miller, which still owns 22% of Galbraith's, the buyout succeeded. Galbraith's has flourished since, enjoying its 150th anniversary in 1998.

Dry cargo loses direction

Even so, the company is a bit like the venerable curate's egg: good in parts. The tanker side has nearly always been a success, but dry cargo lost its direction.

Before the Baltic Exchange was bombed by the Irish Republican Army in April 1992, Galbraith's was one of the major dry-cargo brokers. It had large, world-class clients, which helped the company attract other business in all sizes from 'tweendeckers to Capesize.

After the bombing, dry cargo brokers were forced to adopt the working practices that had worked a peach for tanker brokers for many years. Telephone discourse replaced a great deal of face-to-face dealings on the trading floor.

But the dry cargo business slowly started to decline. Galbraith's dry cargo unit is today but a shadow of its former self.

Its sale and purchase department sits somewhere in the middle: if the tanker department is perceived to be the booming and arrogant *nouveau riche* and the dry cargo department the grafting subalterns, the S&P sector is the comfortable middle class.

Drayton's strengths have been those of any good broker: the ability to forge long-lasting relationships with a small group of clients, building and growing with them.

One example is that of UNDR, now called Un RoRo. A group of truck owners in Turkey realised that their valuable vehicles faced terrible wear and tear on eastern European roads as they battled to markets to the north.

They caught hold of the idea of load-



Photo: Baltic Exchange

'Bermuda is a wonderful place, but the drawback is that you are only allowed one car'



Photo: Andrew Lansdale

ing their trucks onto a ro-ro in Istanbul and offloading in Trieste. It was an immediate success.

The company now runs nine Flensburg-constructed ro-ros of about 3,735 lane metres each. And it has the capacity to double in size, such is the demand. The owners are investigating selling the company for €950M, with aid

Baltic board's makeup

The current board members of the Baltic Exchange are:

- Anthony RCB Cooke, chairman, to be succeeded by Michael K Drayton*
- Drayton, vice-chairman, to be succeeded by board member MR Jackson of AM Nomikos & Son*
- SC Baldey, OP Secretan
- QB Soanes, Braemar Seascope
- ME McClure, Navios
- FB Wilkinson, Agelef Tanker Chartering
- D Ilou, to be replaced by Richard Goodall, Droman Maritime
- PC Over, Pacific Basin Shipping
- HF Fafalios, Fafalios Ltd
- Ballot director A Westbrook, Maersk*
- SJ Evans, Killick Martin Chartering
- ID Lauder, Sanko Kisen
- GG Parisis, Pearl Carriers
- MTR Brown, Simpson Spence & Young

(* Replacements to take place on 7 July)

from Citibank. Drayton has grown with the project and thinks the owners are daft.

"It would make more sense to float the company on the stock exchange," he tells *Fairplay*. "In London, here is the market. Now is the time and London is the place."

Slinging slogans at the Russians

Another achievement that makes him happy was establishing some softening for the company that became SovComFlot. It was a name of which the Russians were proud, and they would not budge on changing it to something more acceptable to the West.

"What if we define what the company does and turn it into a slogan?" Drayton thought.

Approaching the blackboard, he wrote: 'SovComFlot – Delivering, Russian, Energy'. Since it encapsulated what the company did and did well, the wording was adopted straight away.

So what of his future within the Baltic Exchange? "There are still some thorny issues with which we have to deal," admitted the incoming Baltic chairman.

But most of the hard work has been done by a holy trinity of the larger Baltic shareholders: Peter Kerr-Dineen of Howe Robinson, Anthony

Cooke of Andrew Weir and Drayton of Galbraith's. No coincidence that they have succeeded each other as chairmen, then. And with a two-year Baltic stint taking Drayton to the age of 59, he refuses to be drawn as to what life might hold after the Baltic.

Drive the Bentley to Italy

When he eventually leaves the City, his plate will still be full. Ideally, he would like to be able to jump into the Bentley, drive to northern Italy and soak up the artistic atmosphere.

Desert Island Discs

The BBC radio show recently celebrated its diamond jubilee. It was a child of the gramophone and vinyl era. A person in the public eye is invited to name eight records he would take to live on a desert island.

The guest is interviewed and his records are played.

The guest is also asked what of practical value he would take. Michael Drayton's object would be an oboe, together with *Oboes for Dummies* and sheet music.

The book he would take would be a compendium of romantic poets.

Drayton's record choices are:

- 'Here comes the Sun' from the Beatles
- 'Then', a composition made up of the exhaust notes of all his cars
- A Beethoven violin concerto
- Mozart's 23rd piano concerto
- David Wilcox's arrangement of the carol 'Joy of Mary', sung by the choir of King's College Cambridge
- 'The Nelson Mass' by Haydn
- 'Be Thee My Vision' by John Rutter
- 'Codebreakers' by Gary Wilkinson, a tribute to Alan Turing, Bletchley Park's tragic father of computers

Among Michael Drayton's favourite cars:

- Aston Martin DBS V8 Vantage
- Ferrari 550 Maranello
- Bentley Mulliner S3 Continental 1959
- Porsche Carrera 993
- Jaguar XK 150 Roadster 1959
- Morris Minor convertible
- Rover P5B
- BMW 525 Touring

But he is heavily engaged on the music scene in the UK. He sings bass in a choral group. Also at home, as his children play the trumpet, the trombone and the French horn, he plays the cello.

One cannot help thinking that he will be the same as other retirees all over the world when the time comes. "I don't know how I found the time to work!" he will exclaim. ■