

## Greek Shipping Summit 2008



Mr. Ted Petropoulos, managing director of Petrofin S.A. presented a survey of top shipfinance banks

This year's title of the Greek Shipping Summit 2008 which was co-organised by Tradewinds, Seatrade and Naftiliaki - Newsfront, was "Financial Crisis and Shipping Industry".

Welcome and Introduction from the co-organisers was done by Gillian Whittaker of Tradewinds and Christopher Hayman, Chairman, Seatrade. Opening address was performed by the Minister of Mercantile Marine, The Aegean and Island Policy, Mr. Anastasios Papaligouras.

### Results of TOP Shipfinance bank's survey

Mr. **Ted Petropoulos** managing director of Petrofin S.A., examined the crisis from shipping and banking point of view. He presented the results of a survey by top international banks. 34.78% of the banks believe that within 3-6 months the shipfinance activities will recommence, 30% do not want to see shipfinance until spring and beyond.

43.48% of the bankers believe that now is the worst we are going to see in freights. 35% expect the worst to occur until May. According to the survey 34.78% believe that vessels values shall bottom in over 12 months and this is a very reasonable though considering we have not seen any reported sales yet and given that vessel values lay behind movements in freight rates. 56.5% of bankers see a relatively mild drop in China's growth to 6-9%.

**Bankers' views** are quite divided regarding the immediate future of the global ship finance portfolio. They also see their portfolios' remaining the same for the next 12 months. 35% of bankers see lending costs rising by up to 10% where as 26% see them increasing even further. Bankers expect despite restructures, that bad loans shall rise significantly in 2009.



Mr. An. Papaligouras, Minister of Mercantile Marine, Aegean & Island Policy

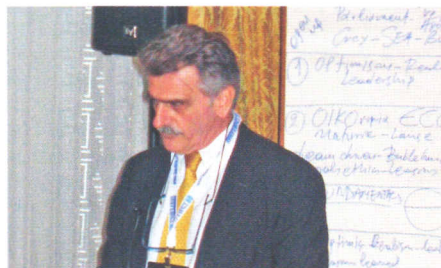
According to the survey it is significant that bankers overwhelmingly went for over 15% of the orderbook likely to be cancelled. 56.5% believe that shipping companies listed in the public markets will reduce by more than 20% as a result of privatizations, mergers and/or bankruptcies. 52.7% of bankers believe that the economic recession is going to last up to 2 years.

Mr. Petropoulos concluded that will be a change, the cheap money era is finished. Dramatic fall in vessel prices and freights are not helping banks' appetite for fresh finance.

**For overexposed sectors** (drybulk & containers) and their finance curtailed are re examined. Loan sectors to be reduced and pre-delivery finance abandoned. Banks may still require period charters but charterers status and performance to date to be thoroughly scrutinised.

Loan percentages will be adjusted and shipping risk sharply revised upwards. In approving new loans owners will need to prove their credibility. Pricing of a loan will be according to cost of funds and not labor.

A new financial and economic world order is in the process of establishing itself consisting of



Mr. Emmanuel Vordonis, chief executive officer of Thnamaris Ships Management

sharp revision, downwards of freights especially in the dry and container markets, lack of credit for a significant although unspecified period of time of fleets movements of cargo and international trade. However, banks will be called to support their clients with restructures and accepting covenant breaches.

Mr. Petropoulos admitted that shipowners may have a lot of money but a great proportion of these money have been committed to new investments in the newbuilding and second hand sales & purchases. "We must help a sense of balance and perspective. For those that wily I survive in the next two years will come better times" said Mr. Petropoulos.

Mr. **Nigel Gardiner** managing director of HP Drewry told that some shipyards were struggling to keep paid with earlier delivery dates. Current and orderbook suggests that completions rate would need to increase by over 13% between 2007 and 2010. Despite the increases it is doubtful that shipyards will be able to boost on put to these levels. As newbuilding prices are in significant pressure, if there is no finance available hopefully this excess of shipbuilding capacity will be reduced.

Mr. **Harry Vafias** president and CEO of Stealth-Gas Inc said that it is best for the banks to stay with the owners until recovery but of course we



Mr. Harry Vafias, President and CEO of Stealth

will see a lot of bankruptcies because of the collapse of the freight market. When the credit market will stabilize we will see the trade start again. Mr. **Hatzigrigoris** from Kristen Navigation referred to newbuilding market developments on the LNG market. Financing for project development of LNG ships is difficult to find. Finding a spot cargo has become a problem. Only 4 ships have been ordered in 2008, but a number of ships will come out of long time charters in the next few years.

Mr. **Anthony Zolotas** managing director of Eurofin told that we cannot do predictions this time. We have to wait for some time and let the dust to be settled and then to see where we stand.

Mr. **Manolis Vordonis** stated that he is very optimistic about shipping market. We must use our creative thinking and find solutions.

I do not believe that it is a collapse of capitalism and banking system. It is very realistic to think that China and India have started to develop and they cannot afford to stop the economy because they shift people from poverty.

The ships that are now built they have a life-span for 30 years. We must re-learn that profit is the result of creative value-added employment and work. Mr. Tsirigakis said that a certain percentage of repairing yards have become newbuilding yards. Therefore, the shipbuilding countries will not stop. Maybe some yards will become again repairing and demolition shipyards. This is a great opportunity for those who were preparing for it but this crisis will stop speculative orders.

When the market is going down the quality is in high demand. This boom occurred because of the over-supplied capacity. Mr. Vordonis concluded "the issue is not if there is over capacity neither it is an issue of ordering. The slump is creating opportunities".



Parliamentary-style debate was chaired by Mr. Nicos Tsaviliris