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Greek owners return to the fray to enjoy buoyant market

Tuesday 08 July 2008 by Nigel Lowry Athens

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Increases in both 2007 and 2008 — this year alone has seen a net addition of 33 companies — have partly offset a distinct erosion in the ranks of Greek owners between 1998 and 2005. This was attributed to a decline in competitiveness of smaller owners who were usually running very small, aged fleets.

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Back in 1998, according to Petrofin Research, there were 926 Greek shipmanagement companies.

Even with the recent recovery trend, the number still stands at only 758.

Petrofin, a shipping consultancy that also undertakes annual research into the Greek-owned fleet and bank lending to owners, said the increase "shows that despite a worldwide consolidation trend, the temptation of shipping is too much for ex-owners or liquid-business people to stay out of this extraordinary market."

The consultancy found that gains in the number of the smallest-sized companies were responsible for the net increase.

The number of firms with one or two ships went up by 33 to 340 vessels, or 44.8% of the total, the highest proportion since 2000. In 1998, one- and two-ship companies accounted for more than half of the total.

"With the good markets from 2003 onwards, owners took advantage of the high vessel prices for their over-age vessels and continued selling, or left the industry with some of them hoping to return when the market would correct itself," said Petrofin.

"However, as the market continued to boom, interest in shipping exploded from shipping-related and non-shipping-related sources, including the rapid development of interest by the public markets and private equity providers.

"Some owners returned to shipping having given up with the 'wait and see' theory and a number of companies split up into different ownership positions.

"Last of all, there have been some new entrants to the market from non-shipping related areas wishing to enjoy the potential profits of shipping."

According to the consultancy, "underlying forces pointing to a longer-term decline are still in play [but] these will only manifest themselves when the shipping industry shall enter into a recession and scrapping of older tonnage shall re-emerge".

The study also noted a reduction in the average age of the Greek fleet from 18.7 years in 2007, to 18.4 years in 2008.

A total of 19 companies have been added since last year to the list of operators with "very young fleets", defined as having an average age of between nought and nine years.

This reflected an influx of newbuildings, as well as a "rigorous replacement" of older vessels with younger tonnage. But at the same time, the number of the oldest fleets — of more than 20 years on average — also rose.

"Old tonnage has regained its allure in view of the huge demand for sea transport," said the survey.

In a separate study, Petrofin found that purely taking into account vessels of more than 10,000 dwt, the average age dropped dramatically to 14.8 years.

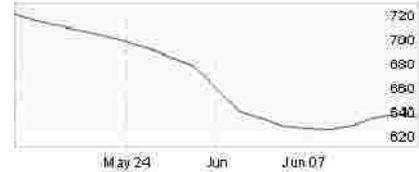
The research noted that vessels of more than 10,000 dwt represented a total tonnage of 218.3m, or 98.2% of all Greek-owned capacity.

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