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# Owners caught in an orders dilemma

**A Greek broker and analyst are 'diametrically opposed' on whether now is the right time to sign up for newbuildings.**

Greek owners control the biggest fleet in the world, second only to China in the newbuilding league, but some fear that such a high orderbook may trigger a greater tonnage oversupply.

Figures concerning the newbuilding orderbook are generally uncertain and inconsistent, whether taken from online databases or using the evaluations of experienced newbuilding brokers, but a consensus puts the total number of ships currently on order by Greeks at somewhere between 550 and 650.

Indicatively, figures prepared in the early part of the year by Lloyd's Register-Fairplay and published by the Greek Shipping Cooperation Committee showed a total of 621 vessels over 1,000 gt on order, of which 381 were bulkers and 103 tankers.

While the threat of tonnage oversupply is never far from the minds of owners weighing up the existing fleet size in relation to forecasted demand and newbuilding prices versus secondhand purchases, opinions, in time-honoured Greek fashion, differ.

George Banos, shipbuilding consultant to Piraeus-based broker George Moundreas & Co, has kept an eagle eye on domestic orders for many years but he admits it has become difficult to compile reliable statistics as owners postpone deliveries, cancel orders or switch vessel types and, moreover, do not reveal their moves.

But as a broker, Banos believes the time is right for owners who have cash or good financing to buy or book newbuildings, provided they have cash reserves — around 30% of a ship's value — to support the investment in case of difficulty.

"I stress the 'right now' because now is the opportunity. The Chinese [shipyards] are under pressure and they have brought prices down almost to cost. The Koreans, especially the small yards, are suffering and don't know what to do. Japan has disappeared because of the yen parity," he said.

His observations are almost diametrically opposed to those of Athens-based analyst and shipowner Ted Petropoulos, who bemoans the fact that the surplus of tonnage is getting bigger. "We are still building more ships than we need," he said, admitting that one of the triggers for him to go ahead with new acquisitions would be a reduction in the orderbook.

Petropoulos says overordering is depressing both values and freight rates and there is a feeling that some are speculative contracts. But as an analyst, he points out that few orders have been booked with financing in place "in the expectation and hope that finance will be available".

"This is not, in my opinion, an orderly way of doing things and I believe shipyards should accept orders when there is a commitment to finance by a first-class bank so that they know the order has finance in place. This will have the effect of limiting orders and should assist in reducing the order flow," he said.

Petropoulos notes that in the past shipyards would often ask for a letter of commitment before they would agree to build a vessel. He believes that a return to such a practice would be useful in the current market.

But with the pressure on yards to gain orders right now, it seems an unlikely development.

Petropoulos adds that another element pushing owners to order is the lack of available finance for secondhand purchases.

Whereas a secondhand buy means the bank has to cough up the money immediately, the financing of a newbuilding is stretched over a number of years.

"Buying secondhand does not increase the supply but placing orders does and it also leads to orders being placed that would not have been otherwise," Petropoulos said.

These views are shared within the Greek market but could equally apply to the fleets of other cross-trading shipping nations.

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