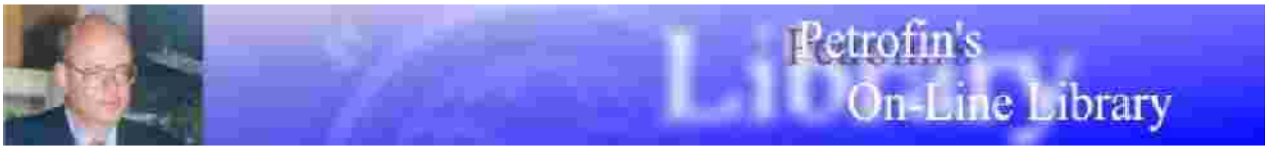

Greek Owners must swallow their pride and accept innovations

from Outlook, November 1985

Greek shipowners must learn to “swallow their pride” and accept the participation of “outsiders” in their, usually, family-owned vessels, via leasing, equity sharing, joint ownership etc, and at the same time accept novel features such as extension options and market link equity sharing programmes, in order to succeed in an ever-changing, problem-fraught market.

Many nods of assent, but an equal number of perplexed ooks, greeted this observation of the present shipping scene, at the 2nd nternational meeting on “World Economy and Ship Finance”, sponsored by the Piraeus Marine Club 31 October to 1 November.

According to Basil Papachristides, Chairman of Papachristides (UK) Ltd. of London, the Greek shipping community, which evolved from operators of old ships to buyers of newbuildings, is synonymous with dry bulk shipping.

However, with 43% of the Greek fleet engaged in dry cargo, the present 22% surplus in the total world fleet, and the drop in rain movements in 1985-1086, pose a serious threat to the Greek bulk carrier fleet, while the steps being taken to counter the situation are too lit le, too late.

Bulk markets, competitive until recently, are sufferin from the effects of political intervention.

Another problem is the overincreasing productivity of Japanese and, to a lesser extent, Korean shipbuilders, who are dumping new ships on the market at a fast rate.

Are the Greek shipowners equipped to handle this threa Although Greek vessels benefit from freedom of movement, they are undercapitalized, while the shipowners do not want others to have a piec the family “pie”, tend to act on instinct and buy ships with blind faith in the sea, and are not adventurous with novel contractual arrangements.

In short, the problems faced by Greek bulk cargo shipping are an oversupply of almost one-fourth of the existing world fleet, slow growth in commodity demand, excessive newbuilding, and discrimin ory practices.

What must be done?

First of all, a change in philosophy is necessary. What does this entail?

The search for cargoes must be put ahead of the search or ships.

Perhaps Greek shipowners should look beyond the conven ional market means for work for their vessels.

Another idea is for Greek shipowners to develop their own specialization and product, and cultivate an image in that particular field.

Perhaps long-term relationships would more profitable in the long run.

Along a different tack, the shipowners should try to f e the transport needs before the customers themselves.

There is also the prospect of linking fortunes with other groups, especially those who control the cargoes, through joint ventures, equity sharing schemes and joint vessel sharing.

Greek shipowners could also consider the plausibility of operating different kinds of ships from those they traditionally perate, and accept novel features in contractual engagements, such as ext sion options, and market link equity sharing programmes.

And finally, they might consider the feasibility, and efficacy of allowing others to participate in their vessels via leasing, equity sharing and joint ownership, among others.

Ethics and Internationalism

In a brief introduction to the seminar, Union of Greek Shipowenrs (UGS) President Stathis Gourdomihalis said that shipping tra ionally functioned on the concept of “my word is my bond”.

However, he noted, in recent years, the standards “are not what they should be on both sides”. At the same time, the demise of big names in shipping will undoubtedly leave terrible scars on the profession.

There is also a developing trend of what is currently called “operators”, who for a certain period of time become important elem nts in international shipping as “time-charterers”, and disappear suddenly leaving their financiers and the shipowners to suffer tremendous losses.

Mr. Gourdomihalis expressed the belief that the intern ional world of finance could do much to halt the frequency of such “catastrophes”.

Turning to internationalism in shipping, the UGS President said it was well known that the outlook of shipowners and ocean-going shipping of each nation is international, and that for years, the natio al organizations of shipowners have been co-operating on international problems.

“However, up to now”, he said, “the groupings have remained in essence “national””.

Perhaps, though, he added, it was time to see and Anglo-Greek of Greek-Hong Kong shipping company.

“The world of finance can put their know-how and connections to good use in this respect, quite possibly adding into the recipe other interested parties, such as International commodities traders, exporters or importers”, Mr. Gourdomihalis suggested.

He further expressed the belief that banks could also negatively influence trade agreements containing “cargo sharing” clauses, which “accentuate the disequilibrium of supply and demand of sea transport means or shipping”, as international trade is to a great extent financed b banks.

Joint Ventures

Michael Peraticos, Vice President of the London-based Greek Co-operation Committee, feels that a bank is also necessary in marching businessmen from developed and developing countries. H er, he added, geography also played an important role, and th nternational Chamber of Commerce (ICC), which has been established in London to handle joint ventures and advise both parties, was sui ed to this purpose.

According to Ted Petropoulos, General Manager of OMNIBANK AG, London, there has been progress in the past year, and a few joint ventures, as opposed to agreements on a planned or long-term basis, were not only a good way to begin co-operation with developing countries, but at the same time they afforded the ability of not taking long strides before “testing the waters”.

J, F. Dymock, Director of Hambros Banks, London, added hat the most successful joint ventures had not been signed up.

He explained that a joint venture should be a continuing series of ad hoc arrangements, which could eventually lead to long runn ng-success. “Too much formality is not good”. Mr. Dymock said.

According to Mr. Petropoulos, it has been the nature of banks to have little knowledge of the development side (developing countries), and much knowledge on the commercial side (shipowners).

Taking the thought one step further, Bill Lawes, Transport Finance Director of Grindlays Bank, London, said it was a comm n belief that if a band recommended an introduction between two partners for a joint venture, this constituted a guarantee that the joint v ture would work. However, he noted, things are not exactly like that.

In Mr. Lawe’s opinion the two partners should learn to work with e other slowly, and thus gain the confidence which ahs b lacking for so long.

A drawback, however, in bulk trade joint ventures with hird Wrld Countries, as pointed out by Basil Koutsis, President and Director of the Piraeus based Trade and Transport company, is that the Third World partner, usually an inexperienced state-owned company, has sensitive ideas on the goods it disposes, and on the politics surround ng them.

Therefore, Mr. Koutsis added, caution is necessary, as their knowledge is on the policies of that country on the specific goods.

But, Professor Grammenos, Director of the London City University Business School’s international Centre for Shipping and Shipping Finan e, interjected, banks have the ability to go through financial statements and have such information at their disposal, thus enabling hem to make an introduction and let it take its own course from there.

The most successful joint venture of his own company, according to Mr. Papachristides was one for which no agreement was ever signed, while the least successful was that undertaken following introdu ion from a bank.

However, he consented, banks were well placed to bring the carrier and shipper together, but were not geared to do this.

J. Graham Day, Chairman of British Shipbuilders of Lon n, said that the awareness of banks on genuine risks should be advanced oting that although developing country operators might pay back well, the country itself might constantly renegotiate sovereign agreemen s, thus becoming a bad risk country.

According to Roy Farndon, Editor of Lloyd's List of London, it is impossible to imagine that a government will not becom involved in a joint venture with a developing country.

There is rigidity in shipping finance, he said, and bank investments in shipping are marketable assets.

If a shipping company closes down, he said, the bank can sell the ship to get its money back.

However, he noted, successful joint ventures can also be between two Third World countries, if there is a reasonable level technical expertise, because there is a common level of maritime expertise.

Martin Mc.Neil, Director of Hill Samuel and Co. of Lon on, however, was skeptical about the enthusiasm of banks in putting tog her joint ventures.

He said brokers had a bigger role to play in putting joint ventures together. Most investments in shipping made or joint ventures set up are for strategic and not financial reasons. Someone who really wants to be in a certain business will find a partner in that business, he said.

Eric Shrwyer, Managing Director of P.F. Gibson of London, who flew in unexpectedly from London to join the panel, interjected that brokers were not the salvation. Knowledge, he said, of the people involved, must be shared. He noted that the wealth of existing knowledge was not used.

Mr. Petropoulos predicted that, although the incentive was very small it would recover in the future.

He said the best time to make agreements was now, at t e present low cost (for cargo owners), because in the long-term, when prices will have gone up, profits will already have begun being generated.

Finance

Over the past 1-2 years, a number of banks have withdrawn from ship lending, Professor Grammenos observed. He questioned, though, if this was temporary, and if new institutions would enter the arket. Another concern, he said, was how the banks with small or no G k portfolios see Greek shipping.

According to Mr. Dymock, Greek shipping is important to international shipping.

After a decade of enthusiastic ship lending, he said, the banks' coffers were exhausted. Now, however, after a rest, sensible cases would be examined.

The banks that are here, he said, intend to do business here. Of course, Mr. Dymock added, this did not necessarily mean immediatel , but the banks were here to get to know the conditions.

Bank logic, Mr. Day interjected, fails in looking at a shipping loan not as in differentiation to another loan, but in all aspects of each particular case.

He said that quality of operation should be focused on and loans should not be granted only against assets.

Mr. Petropoulos remarked that many banks have left the field, unknown permanently. Of the remaining banks, he said, nationalized lending has one up.

He explained the shipping industry in Greece faces the withdrawal of many of its traditional lenders.

But, Mr. McNeil interjected, the remaining banks, or committed banks, display faith in the industry despite the crisis, and this is a positive actor.

He said there is recently more specialization in lending banks, and syndicated loans have virtually disappeared.

A borrower, he said, is better off with a bank that kn ws what is doing and is committed. The withdrawal of the committed banks, h ded, was temporary.

Greek owners are staying afloat because they've started to see their businesses as a whole, Mr. McNeil pointed out, and this will induce a more corporate style of banking.

Minister

Merchant Marine Minister Stathis Alexandris pledged government support for the shipping sector at the opening of the two-day conference.

The Minister told the participants that shipping, whic has a long tradition in Greece, would always find the government "an honest partner".

"At this crucial time when shipping is going through a ficult phase, Greece will stand by the shipowners' side", he promised, adding: "The times today are critical, but also at this time the links are being forged between shipping and the government".

Shipowner Jacob Tsounis, of the Panama-based Compania Puma Naviera S.A., presented the Piraeus Marine Club with $100,000 as a first instalment to begin construction of a new building to house the club, and offered a plot of land in Paleon Faliron for this purpose.

Mr. Tsounis said his offer did not solve the problem, and called for others to follow his example.

Greek shipowners, he said, are a glory for Greece, and have impressive genius.

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