Greek shipping: poised to meet the crisis
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by Ted Petropoulos, MD, Petrofin S.A.

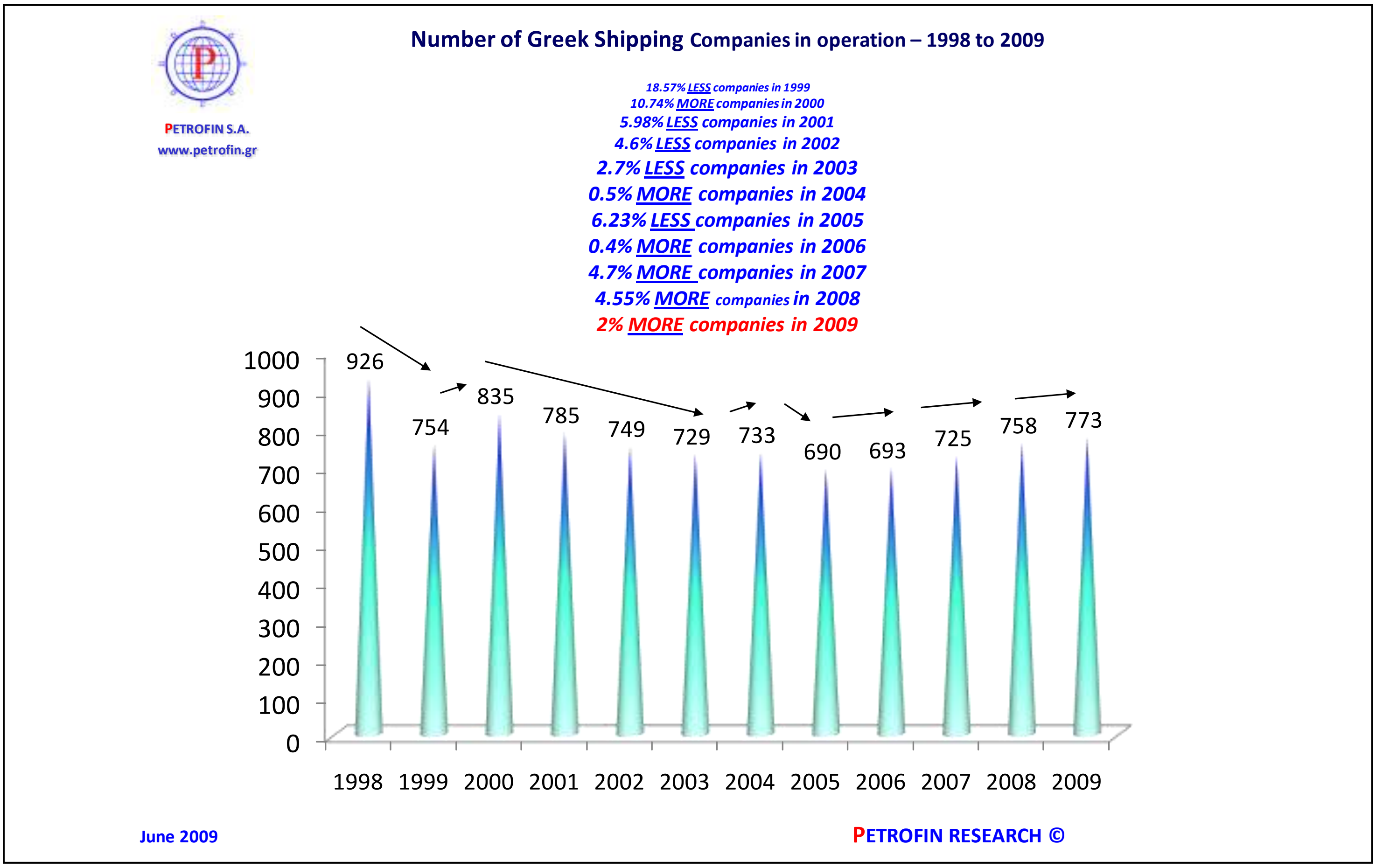
Greek shipping continued its steady development in 2008 having received enormous funds in both capital and loans. We will examine in this article the position of the Greek shipping industry in terms of number of vessels, type of vessels, fleet age profile, carrying capacity and number of shipping companies, as Greek shipping entered into what appears to be its worst crisis ever. This crisis has non-shipping related roots (i.e. financial crisis – economic recession), but also shipping related (i.e. huge order book).

The annual results of the 2009 Petrofin Research depict the picture of Greek shipping as it evolved in the year 2008. It is obviously a picture that has been taken in a year where for the most part shipping was booming and in its last 3 months began a rapid fall that astounded all. So, fundamentally, this is a picture of an industry when the crisis hit. This enables us to quantify the fundamentals and also have a clear picture of when Greek shipping was at the onset of the crisis.

Greek Shipping Companies and their fleet size

This year's research shows a total of 773 Greek-based ship management companies. As in the 2008 research, this year there is an increase in the number of companies (15 more). We anticipate that the real impact of the crisis will be shown in our results in 2010. For now, we have 773 companies that are Greek-based and Greek-owned and are facing the worst market conditions for many decades.

Graph 1



Shipping is almost synonymous to abrupt economic and industry viability cycles. Everyone who enters it, does so, or should do so, with open eyes, knowing that shipping is susceptible to a multitude of factors that are delicately inter-connected. International trade, international financial and monetary conditions, world good production / demand / supply, all affect transportation and, primarily, its main representative which is shipping.

Greek shipping, the largest worldwide shipping industry at present, has seen its more than fair share of cycles, their ups and downs, including long recessions and, of course, the very happy 4 year super cycle that we had until 10 months ago.

Before 2003, we note a declining number in owners, having to do with a longer term consolidation trend that at the time would have enabled owners to attain economies of scale and go through an average shipping cycle.

With the good markets from 2003 onwards, owners (especially small ones) took advantage of the high vessel prices for their overage vessels and continued selling or left the industry with some of them hoping to return when the market would correct itself, which they expected in 1-2 years at most. 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. In addition, some owners returned to shipping having given up with the ‘wait and see’ theory and lastly a number of companies split up to different ownership positions depending on the varying strategies of each party.

New entrants in the year 2008 are not as many as they were the year before. The total number of Greek owners rose by 15 to 773 in 2009 compared to 33 new companies added the previous year.

Last year we noted that the underlying forces pointing to a longer term decline were in place, waiting for a recession in order to emerge and for scrapping of tonnage to re-emerge. Regretfully, all this has happened and now we observe the market trying to correct itself and absorb the forceful impact of negative banking, economic and shipping conditions. As we write this piece of research, there are some signs that market activity has started to resume.

During the crisis, no doubt some owners will find the going too tough and either as their own decision or forced by banks may well depart the industry. However, there is evidence that there is interest by newcomers to enter the market during a period of low prices and this has already generated the emergence of some new entrants. Lastly, there are some existing owners who foresee investment opportunities in sectors they have not been involved in and who started new separate shipping companies for this purpose.

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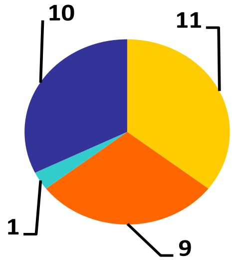
2009

NUMBER OF GREEK SHIPPING COMPANIES IN TERMS OF THEIR FLEET AGE AND SIZE

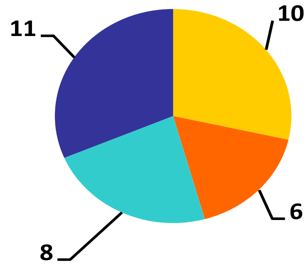
773 Greek shipping companies currently operating



Fleet size : *25+ vessels* - Group A

No of companies : 31 (down from 32 last year)

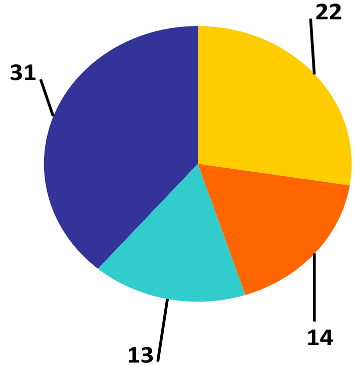
% of total of Greek companies : 4.01%



Fleet size : *16 -24 vessels* - Group B

No of companies : 35 (up from 32 last year)

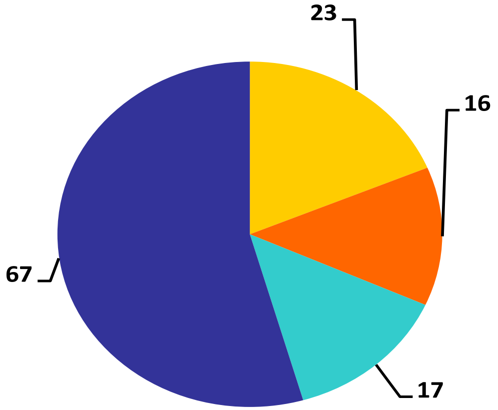
% of total of Greek companies : 4.53%



Fleet size : *9 - 15 vessels* - Group C

No of companies : 80 (up from 70 last year)

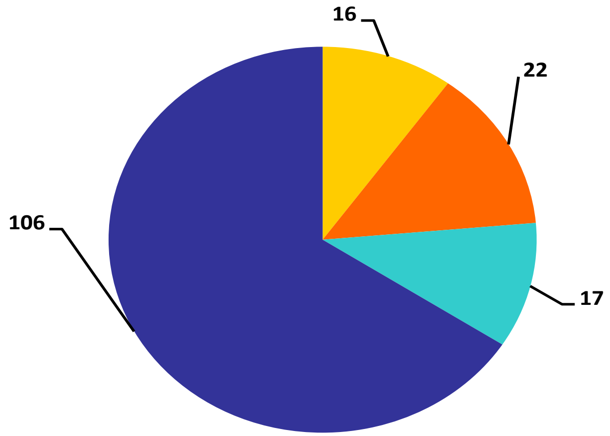
% of total of Greek companies : 10.35%



Fleet size : *5 - 8 vessels* - Group D

No of companies : 123 (down from 125 last year)

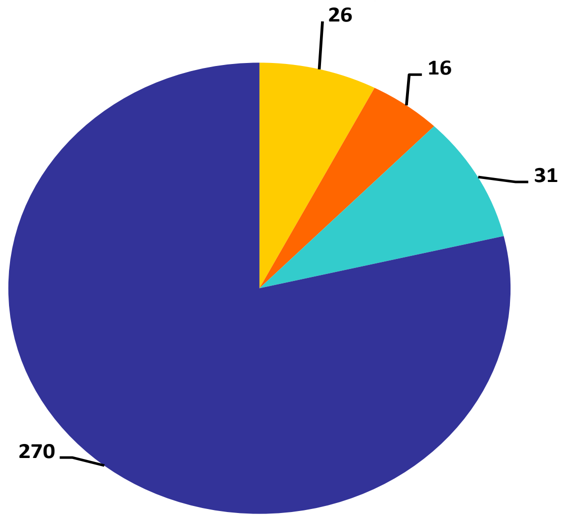
% of total of Greek companies : 15.91%



Fleet size : *3 - 4 vessels* - Group E

No of companies : 161 (up from 159 last year)

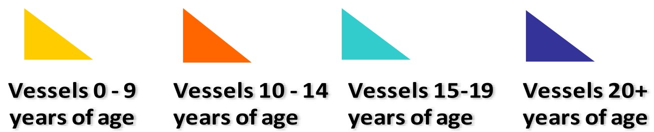
% of total of Greek companies : 20.83%



Fleet size : *1 -2 vessels* - Group F

No of companies : 343 (up from 340 last year)

% of total of Greek companies : 44.37%



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Initially based on the Greek Shipping Directory cross referenced with market reports

In Graph 2 above, we can observe the composition of the Greek shipping companies, according to two key criteria: age and size of company fleet. As such, the six pie charts represent the 6 fleet sizes into which Greek companies have been broken down and the pie segments represent the age of the vessels. As you will observe, larger owners have the most modern fleets. However, there exist a total (and growing) of 108 companies with very modern fleets of between 0-9 years of age. This band of owners represents those who believe that modern fleets are best fared to meet the challenges of the future. Still, it should be mentioned that as displayed by the size of the pie charts, the small owners still represent the numerical majority of all owners, with 1-4 vessel fleets accounting for 504 out of 773 total, i.e. 65%.

In Table 1 below, we note the percentage of the Greek fleet held by each company **size** category since 1998.

Table 1

	Percentage of the Greek fleet held by companies according to their size						
Year	Group F 1-2 vessel companies	Group E 3-4 vessel companies	Group D 5-8 vessel companies	Group C 9-15 vessel companies	Group B 16-24 vessel companies	Group A 25+ vessel companies	Totals
1998	52.16%	21.17%	16.09%	7.34%	1.19%	2.05%	100%
1999	43.1%	22%	18.9%	10.1%	3.4%	2.5%	
2000	45%	22.6%	16.8%	10.2%	2.6%	2.8%	
2001	44.45%	22%	17%	10.45%	3.7%	2.4%	
2002	42.45%	22.69%	17.08%	11.21%	3.37%	3.2%	
2003	42.24%	21.66%	18.92%	9.45%	4.25%	3.48%	
2004	42.43%	21.14%	19.24%	8.06%	4.9%	4.23%	
2005	41.73%	22.75%	18.99%	7.54%	5.22%	3.77%	
2006	41.55%	21.07%	19.77%	9.24%	4.33%	4.04%	
2007	42.34%	22.76%	17.38%	8.69%	4.83%	4%	
2008	44.85%	20.98%	16.49%	9.23%	4.22%	4.22%	
2009	**44.37%**	**20.83%**	**15.91%**	**10.35%**	**4.53%**	**4.01%**	**100%**

We note that 1-2 companies have again begun to decline in numbers. These companies had always been the backbone of Greek shipping with its special characteristics, merits and of course, disadvantages. Groups of fleets retain their trend overall, showing that that the very good years of shipping did little to change the overall picture of Greek shipping from what it has been for the last years.

In Table 2 below we show the breakdown over the last 12 years in the number of each group participants. The trend towards larger flees is quite prominent.

Table 2

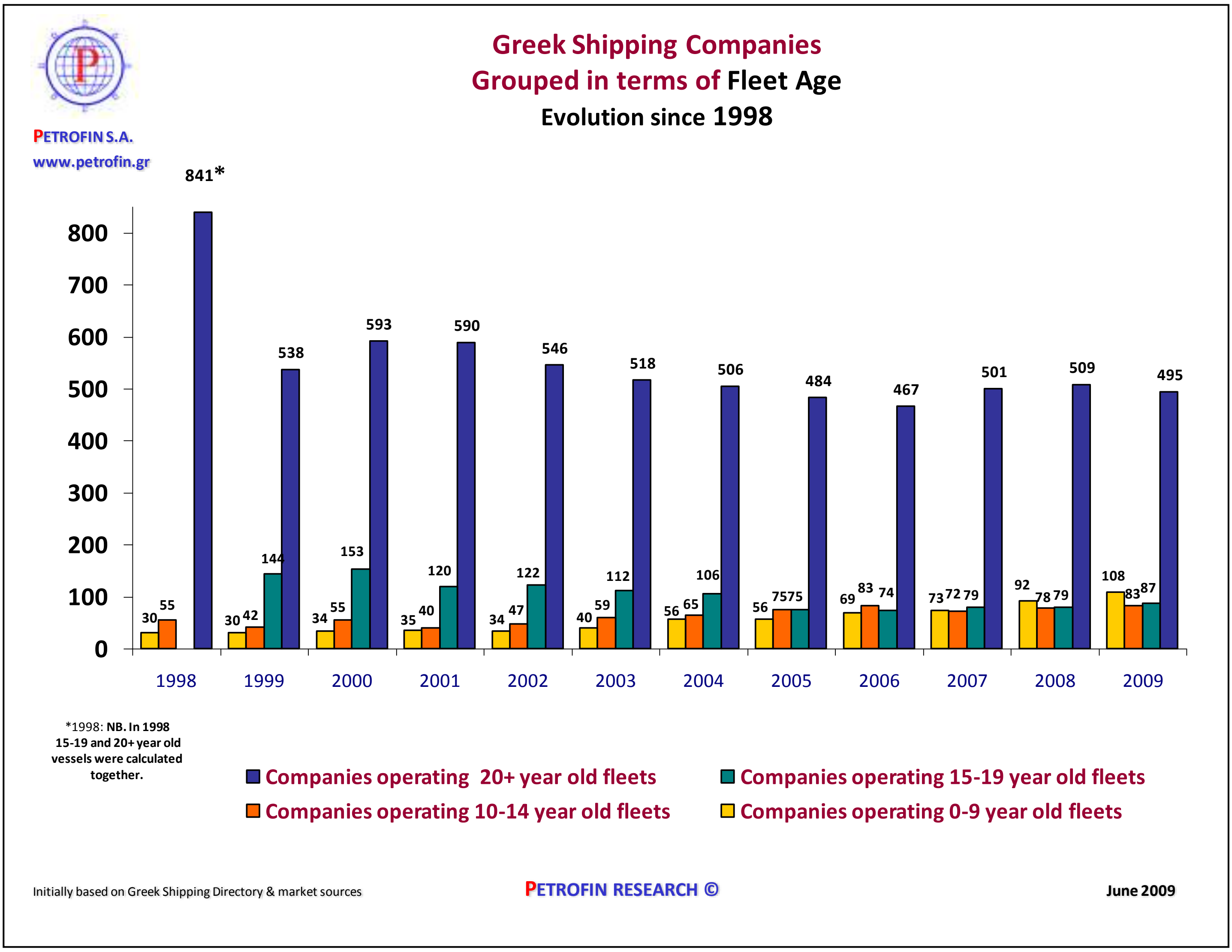
GROUP	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
A (25+ vsls)	19	19	23	19	24	25	31	26	28	29	32	31
B (16-24 vsls)	11	25	22	29	25	31	36	36	30	35	32	35
C (9-15 vsls)	68	76	85	82	84	69	59	52	64	63	70	80
D (5-8 vsls)	149	143	140	134	128	138	141	131	137	126	125	123
E (3-4 vsls)	196	166	189	172	170	158	155	157	146	165	159	161
F (1-2 vsls)	483	325	376	349	318	308	311	288	288	307	340	343
Total number of companies	926	754	835	785	749	729	733	690	693	725	758	773

There is always a group of companies that is lagging behind and this year these are the top fleets (25+ vessels) and 5-8 vessel fleets. There is evidence that with the influx of newbuildings, many owners divested some older tonnage keeping their overall fleet numbers unchanged.

Greek shipping companies and their fleet age

The most important development this year occurs in the area of fleet age, whereby the average age of the ENTIRE Greek fleet irrespective of type, tonnage or flag is reduced to **17.6** years of age, down from **18.4 last year**, down from **18.71** years in 2007, **19.14** years of age in 2006 and **23** years in 2005. The steady downward age trend reflects the influx of newbuildings, as well as the results of the rigorous replacement of older vessels with younger tonnage over the last years.

Graph 3



For the first time in the last 3 years, companies running the oldest fleet type (operating vessels 20+ years of age) are down by 14.

Also, companies running the youngest fleets are up by 16. This is the result of new deliveries entering the fleet. The drive towards modern fleets continues. Although it is usually most pronounced for the bigger sized owners, the trend is also prominent among smaller owners.

The excellent shipping market has prolonged the survival of approx 500 owners with overage vessels. However, the current crisis will no doubt witness a significant reduction in their number via scrapping and sales.

Interestingly enough, it is the Chinese that have been acquiring overage vessels recently, with Greeks opting for younger vessels. Thus, the Greek continue to focus on modern vessels, as these have a longer life span and can better cope with shipping cycles.

Due to primarily the high rate of deliveries of newbuildings, the practically non-existent scrapping at the time, together with the vigorous S&P activity throughout most of 2008, the actual number of vessels of the Greek fleet has gone up to a record high **4763,** i.e. up by 218, vessels of all types and sizes or up by 4.8% in the last year (growth the previous year was 4.58%, i.e. 199 vessels). This figure represents vessels of any type, any tonnage and any flag under Greek ownership / management.

Table 5

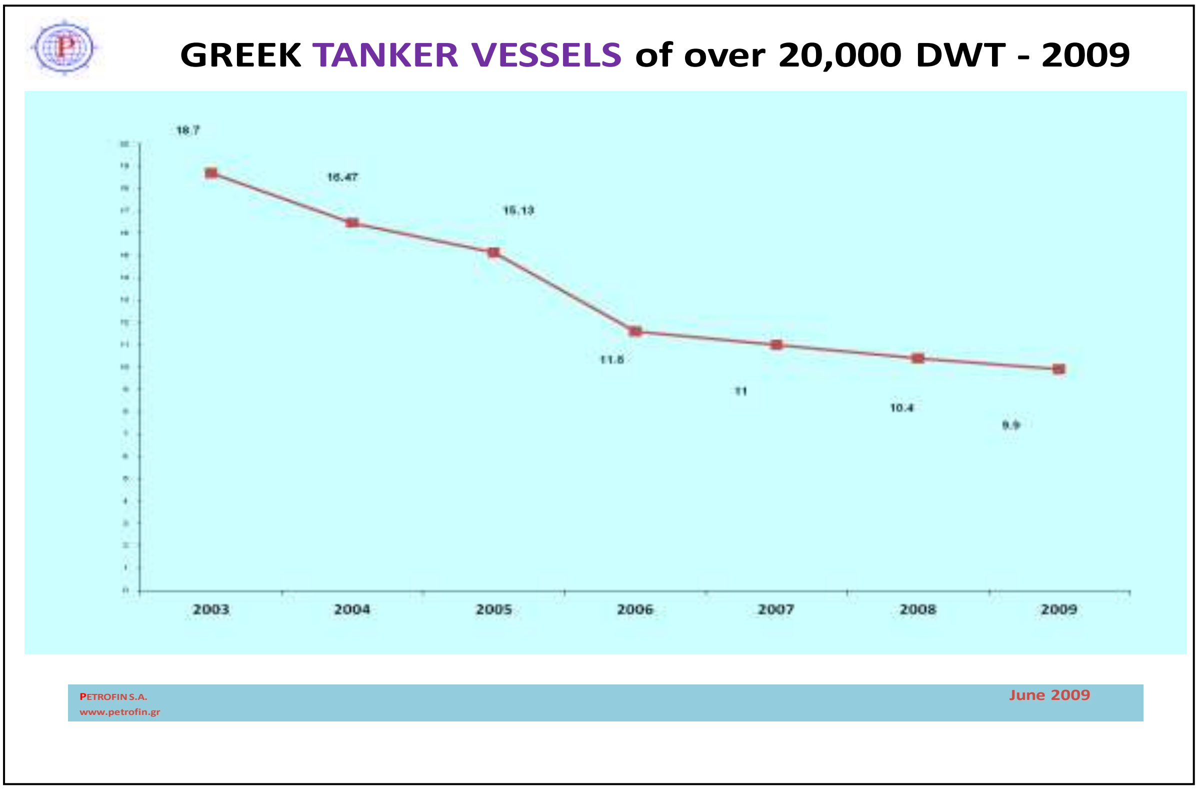
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of vessels in the Greek-based, Greek-owned fleet	4110	4142	4085	4184	3970	4164	4346	4545	4763
Change from previous year		32	-57	99	-214	194	182	199	218

The number of vessels has continued to rise substantially for the 4th year running.

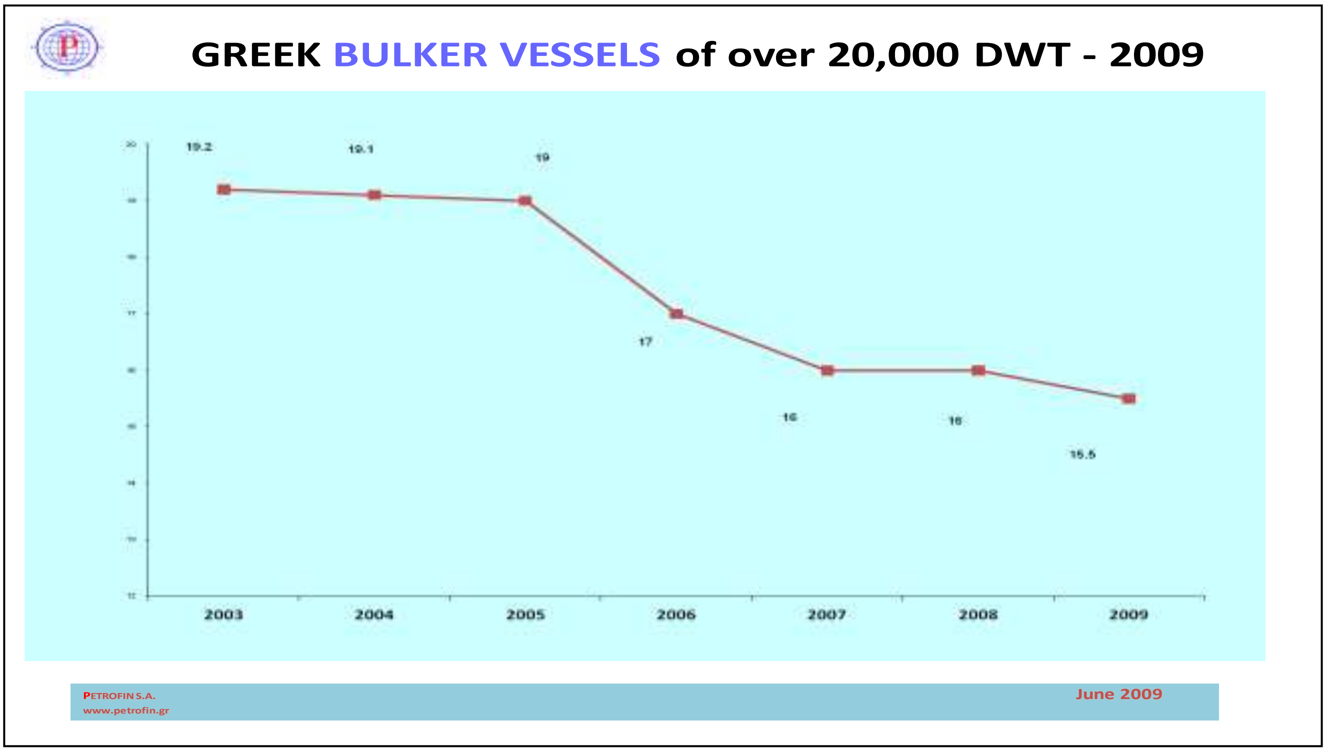
The favourite types of vessels have always been, in order of priority, bulkers, tankers and containers. Greek shipping, in its efforts to renew its fleet, is marking a very impressive reduction in age in the bulkers and tankers.

Tankers, especially, over 20,000 tons DWT, are leaders in the renewal trend down in average age from 10.4 years to 9.9 years (see Graph 4 below).

Graph 4: Tankers over 20,000 DWT



Graph 5: Bulkers over 20,000 DWT



Bulkers also show a substantial renewal effort with an age reduction from 16 to 15.5 years on average (see Graph 5 above).

Large containers were not in the same path of renewal during 2008. Their age remains the same for the last 3 years (about 17 years). There is evidence that the difference in the container sector has been the acquisition by Greeks of older vessels backed by long-term sellers' time charters.

The current crisis will undoubtedly alter the above figures regarding size and, possibly, age of the fleet, as well as number of Greek shipping companies.

Finance has become practically non-existing, especially for the forthcoming deliveries, but it is important to observe that other parameters, such as scrapping are expected to have an impact as well.

We also expect that plummeted vessel prices will attract liquid owners.

It is with great interest, therefore, to expect the results of next year's research, to see all these forces at play, at a time that is going to go down in shipping history as one of the most turbulent and unique in its complexity and unpredictability.