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2001

### IMPORTANT CHANGES IN THE PROFILE OF GREEK SHIPPING

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We are pleased to publish the results of the 4<sup>th</sup> annual Petrofin research © on the number and composition of Greek Shipping Companies in operation and comparisons to the research of previous years.

#### A) CHANGES IN THE OVERALL NUMBER OF GREEK SHIPPING COMPANIES AND THEIR SIGNIFICANCE

Chart I shows that the 2001 research identifies **785** Greek Companies actively involved in shipping which represents **a fall of 50** companies from last year, or 6% of the total.

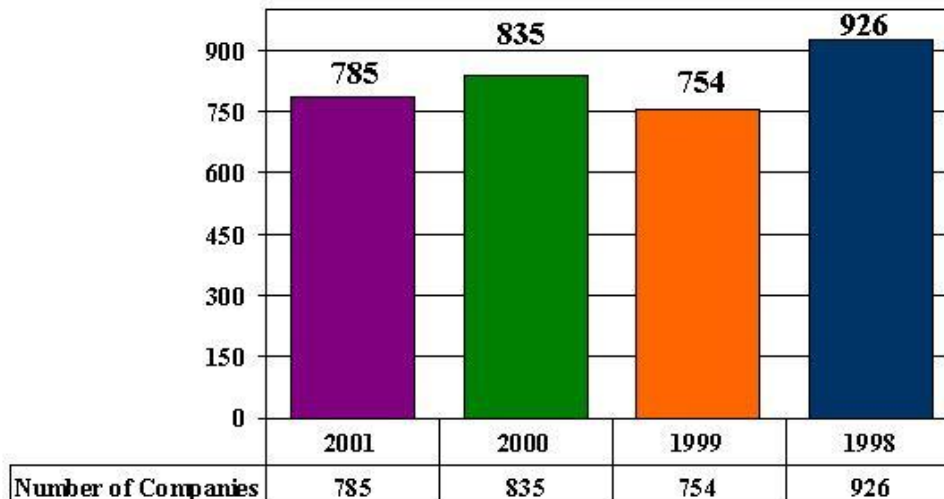


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#### Number of Greek Shipping Companies in operation Comparison between 2001, 2000, 1999 and 1998

Chart I

*18.57% LESS companies in 1999*  
*10.74% MORE companies in 2000*  
*5.98% LESS companies in 2001*



SPRING 2001

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The fall underlines a long-term trend towards consolidation in Greek shipping. This consolidation trend is the direct result of the unfriendly attitude by Banks, insurers, regulators, classification societies, flag states, port control officials, suppliers, shipyards etc. towards small owners. In addition, small owners operate under conditions of diseconomies of scale, whereas large fleets enjoy all the cost and flexibility benefits of economies of scale. Furthermore, large owners enjoy enhanced opportunities to develop and keep quality personnel ashore and on board. Lastly the barriers to entry have risen substantially for shipping due to the requirements for higher capital, better organization and staff and the hostile attitude by lenders towards new entrants.

This consolidation trend works as a permanent factor year in year out, leading to a continuous reduction in the numbers of Greek shipping companies.

There is a second force at play though, which is the cyclical nature of the shipping business itself. Thus, when vessel prices are low and the recovery prospects appear bright, new entrants are attracted and / or existing companies are split with each partner developing his own strategy for expansion. When the market prospects begin to falter, a number of market participants decide to “throw in the towel” either via opportune selling or via scrapping or being forced to do so by the banks or their suppliers.

Over the last 4 years of research, (1998-2001), the actual number of companies in operation declined from 926 to 785, i.e. a net reduction of 141 companies or over 15% of the total.

This fact represents a major trend and is in line with the long-term consolidation trend of the Greek Shipping Industry in terms of the number of participants.

Within the above 4 years, though, we can observe an initial fall in 1999 due additionally to the adverse conditions of 1998-1999 forcing a number of owners to leave the industry.

During 2000, the market's fortunes having revived, we saw a move contrary to the trend, involving a large increase in numbers, primarily through the acquisition of older vessels often without finance by new entrants, taking advantage of the low prices that persisted in 1999.

In the year 2001, as shipping prospects begin to waver, scrap prices remain high and the regulatory pressures increase, we observe a re-commencement of the downward trend.

Unless we shall witness a dramatic turn for the better in the fortunes of shipping this year, which seems at present highly unlikely, it is expected that the consolidation trend shall continue strongly for the current year and beyond.

### ***B) CHANGES IN THE COMPOSITION OF GREEK SHIPPING CLASSIFIED BY FLEET SIZE OF EACH PARTICIPANT AND BY AVERAGE AGE OF THEIR FLEETS***

In Chart 2, we have split Greek shipping companies by the size of their fleets into 6 major category Groups, namely:

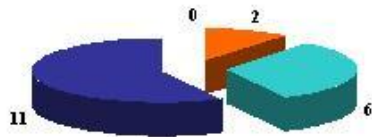
**Group A with 25 vessels plus,  
Group B with 16-24 vessels,  
Group C with 9-15 vessels,  
Group D with 5-8 vessels,  
Group E with 3-4 vessels and  
Group F with 1-2 vessels.**

From the above research, it has emerged that Greek shipping remains highly fragmented, since small owners Groups E and F represent 66.45% of the total number of Greek shipping companies.

**2001** Chart 2

**NUMBER OF GREEK MANAGEMENT COMPANIES IN TERMS OF  
MANAGED FLEET SIZE AND AGE**

785 Companies currently operating



**Fleetsize : 25+ vessels - Group A**

**No of companies : 19**

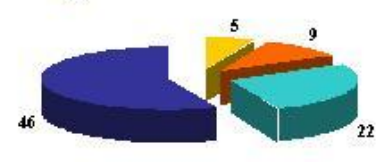
**% of total of Greek companies : 2.4%**



**Fleetsize : 16-24 vessels - Group B**

**No of companies : 29**

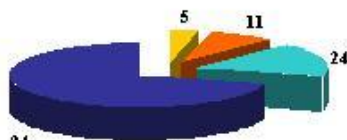
**% of total of Greek companies : 3.7%**



**Fleetsize : 9 - 15 vessels - Group C**

**No of companies : 82**

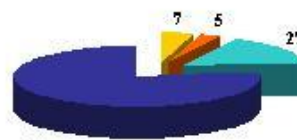
**% of total of Greek companies : 10.45%**



**Fleetsize : 5 - 8 vessels - Group D**

**No of companies : 134**

**% of total of Greek companies : 17%**



**Fleetsize : 3 - 4 vessels - Group E**

**No of companies : 172**

**% of total of Greek companies : 22%**



**Fleetsize : 1 - 2 vessels - Group F**

**No of companies : 349**

**% of total of Greek companies : 44.45%**



Initial Data Source: Greek Shipping Directory 2001

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Another significant observation is that the smaller the size of shipping company the older the age of their fleets. Clearly, small owners operating under heavier capital and loan restrictions can only afford older vessels.

Interestingly enough, the largest Group A also possesses a substantial number of older fleets and not a single company with a fleet of vessels 0-9 years old. It is evident that large size is not directly linked to the lowest of fleet ages. However, the recent newbuilding shopping spree by Greek owners may change the age profile of group A participants.

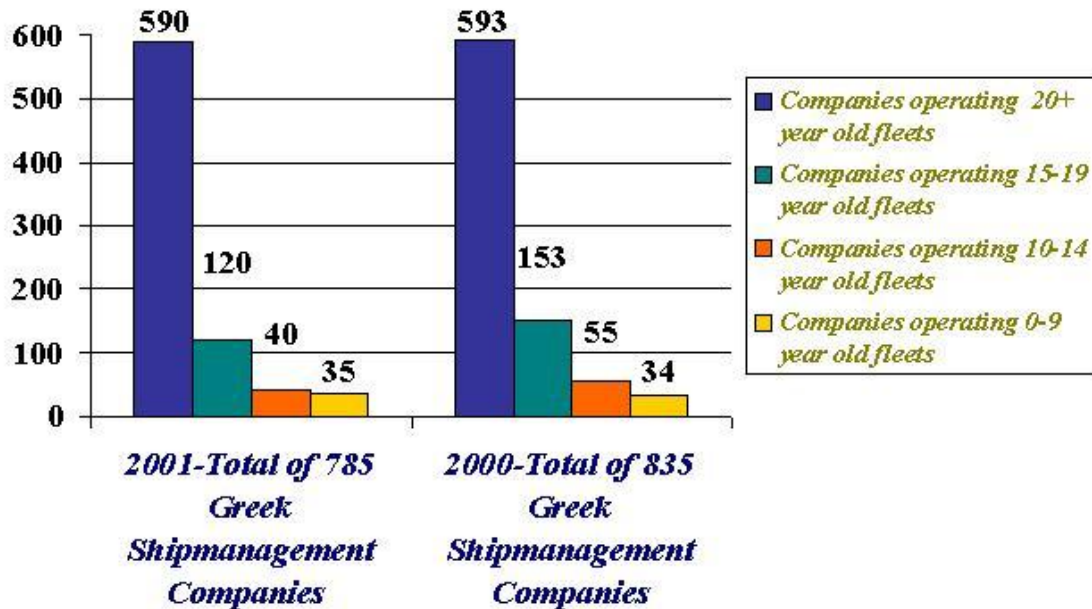
Another significant observation is that in each of Groups B to F, there is a number of companies with very young fleets representing the “quality” end of each Group often operating in “niche” markets.

**C) CHANGES IN THE NUMBER OF GREEK SHIPPING COMPANIES CLASSIFIED BY AGE ONLY**

In Chart 3, you can see the changes that have taken place when comparing year 2001 research to year 2000.



## Greek Shipmanagement Companies- Comparison between 2001-2000 in terms of *Fleet Age*



Initial Data Source: Greek Shipping Directory 2001

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Surprisingly, the number of companies operating older fleets show a very small decline from 593 to 590. Obviously, good trading conditions in year 2000-2001 have enabled these small owners to remain in the field. Furthermore, these older vessels are most likely to have paid off their loans and as such can continue to operate as long as they make positive earnings and are not forced out by regulations, etc.

The biggest fall has occurred in the 15-19 year old fleets from 153 to 120 participants. The most likely explanation lies with Bank pressure to repay loans, as these owners' fleet age profile is higher than that preferred by the Banks.

The fall in the 10-14 year category can be attributed to the decision of smaller owners operating such aged vessels to leave the industry, whilst going is good and they can obtain decent sale prices for their vessels.

Quite understandably, the younger category 0-9 year old fleets representing the quality end of Greek shipping, have no incentive to leave and their number has risen.

### **D) MAJOR CHANGES IN THE NUMBER OF GREEK SHIPPING COMPANIES CLASSIFIED BY SIZE ALONE, BETWEEN THE YEARS 2000 & 2001**

The number of Group A participants has fallen from 23 to 19 over the year, whereas in Group B the number has risen from 22 to 29. Clearly, a number of Group A participants fell into the lower category, as their fleets were reduced through sales or scrapping. However, a more positive explanation lies in the decision to sell older units in anticipation of newbuilding deliveries in 2001 and 2002.

Group C showed no significant change, whereas group D (5-8 vessels) showed a fall from 140 to 134 participants as part of the overall consolidation trend.

Groups E and F showed the largest fall in the number of participants from 189 to 172 for Group E and 377 to 349 for Group F. this is hardly surprising, since the biggest pressures to leave the industry are borne by the smaller owners who clearly voted with their fleet.

## **MAIN SUMMARY AND CONCLUSIONS**

The process of consolidation by Greek shipping in terms of numbers is continuing at a relatively fast pace. This consolidation is expected to intensify at periods of shipping recession.

The smaller owners have been hardest hit as their presence is not supported by the market and in most cases they remain by force of will and commitment to the industry.

There are quality changes underway, whereby vessel quality and age are becoming the focus of Greek shipping companies in addition to the fleet sizes they operate. This "flight to quality" has already begun and is expected to gather pace over the next few years.

**Petrofin Research** shall publish later in the year 2001 a further analysis of Greek shipping, taking into account the type of vessel owned in order to detect changes underway in the number and average size of Greek shipping companies for each type of vessel.