

THE POTENTIAL OF THE GREEK MARITIME ECONOMY

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A TALE OF TWO FLEETS

- Greek ocean going shipping is efficient, competitive and grows, free from government interventions
- Shipping within Greece is inefficient, uncompetitive and withers, because of misguided government interventions

SHIPPING AN OVERVIEW

- Shipping transports over 90% of World trade. As world trade expands so does transport demand
- When shipping provides low transport cost services to the receivers, it is profitable
- To be successful, all input costs of ship investments must be cost competitive. A cost plus mentality and legislated inefficiencies are therefore inappropriate
- Shipping is a cyclical, self correcting business. Understanding ship value fluctuations is very important

GREEK SHIPPING

- Greeks control probably the biggest fleet in carrying capacity (tdw). The average size of Greek controlled ships is about 63.500 tdw. The world's average ship is about 24.600 tdw. The average size of world ships, excluding Greek ships, is about 22.250 tdw. Therefore Greek ships are on average 2.85 times bigger than the rest. It follows that Greek shipping transports a major share of international trade.

The Greek fleet is considered a reliable strategic partner for the transport requirements of all major trading nations.

- In the 19th century Greeks were mostly merchants who had fleets to service their trade.
- In an attempt to improve efficiency, now we mostly have ships to service other peoples' trades, which are mainly international.
- In this way we eliminated cargo price risks but we remain vulnerable to freight market and ship price fluctuations. This improves our potential to generate greater profits from shipping demand imbalances in a rapidly changing world.

This is both a benefit and a disadvantage

The benefits:

- Lower overheads and capital requirements, as we do not need to have cargo and commodity trading offices to finance and to support their risks.
- We can take advantage of opportunities on good markets. If our ships are charter free we prosper.

The disadvantage:

- On a downturn shipowners are more exposed since they do not control the cargo. The shipping risks are therefore higher.
- Owners, urged by their bankers, make attempts to minimize freight market risks through charters. This limits the owners' upside potential but does not reduce the downside risk. Time charterers in a downturn renegotiate or fold.
- Requires better insight and judgment on ship prices and potential earnings by all involved. Greater cash reserves are usually thought to guarantee survival by people who do not understand the dynamics of the industry.

**Shipping is self correcting. Hence its variously cyclical performance.
Better times will always come.**

Aligning interests

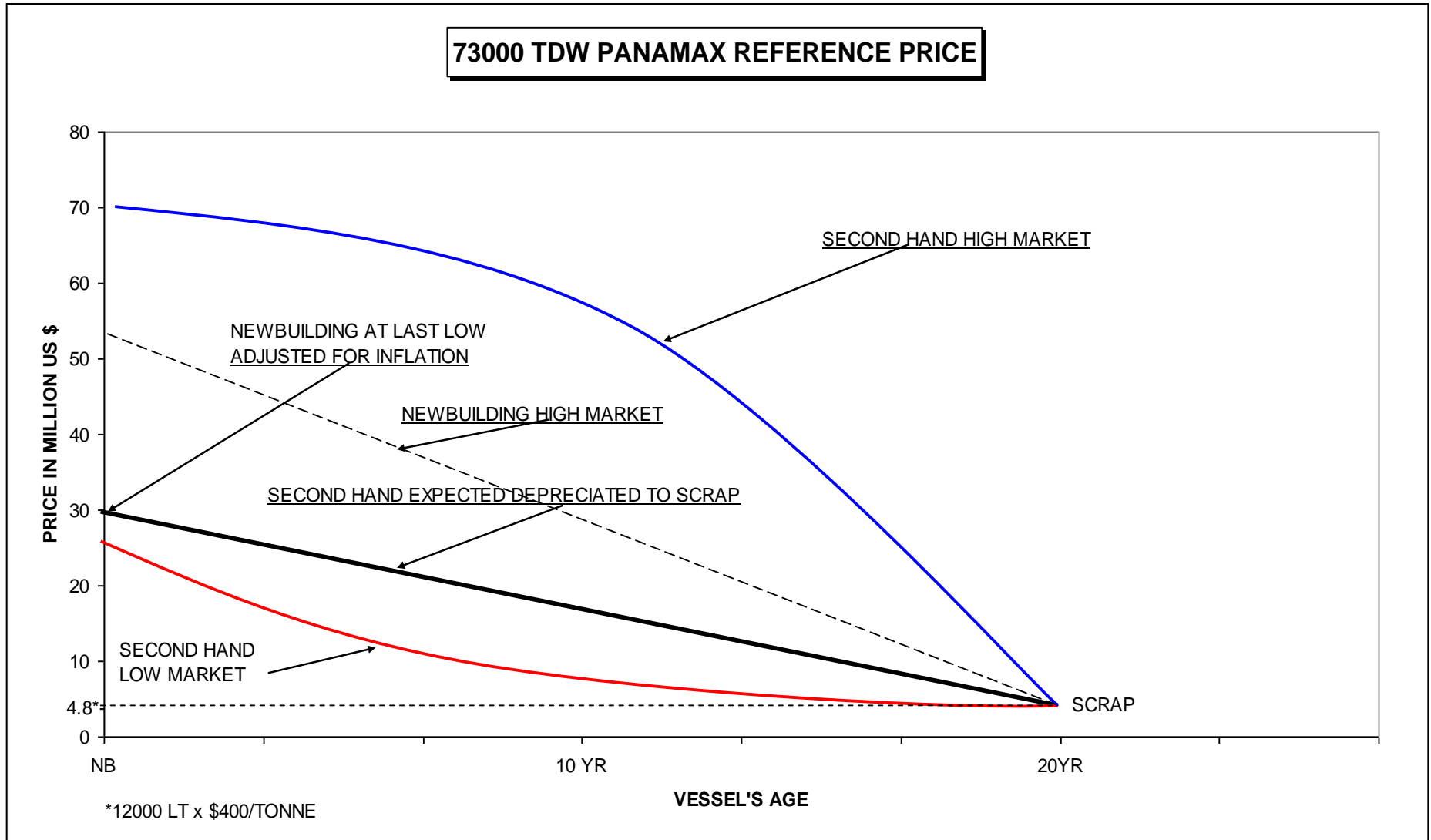
Shipowners invest in expensive, long term assets. For the right ship, cargoes will always be available, at a price. Freight rates are established by the supply of ships and the demand for transport.

To be successful, shipowners must be good judges of the type of ship the market will require going forward and its price. Newbuilding ship prices over the years have had an inflation adjusted low below which they are unlikely to drop. Scrap price fluctuates around 65% of the new steel price. **These two parameters define a base line.**

Financiers who insist in employment “security” (charters) boycott the shipping investments they finance. They should rely primarily on the abilities and judgment of their client, the shipowner.

Understanding the needs of the cargo receiver is important. He is the shipowner’s long term counterpart, not the charterer.

TIMING OF PURCHASES IS IMPORTANT

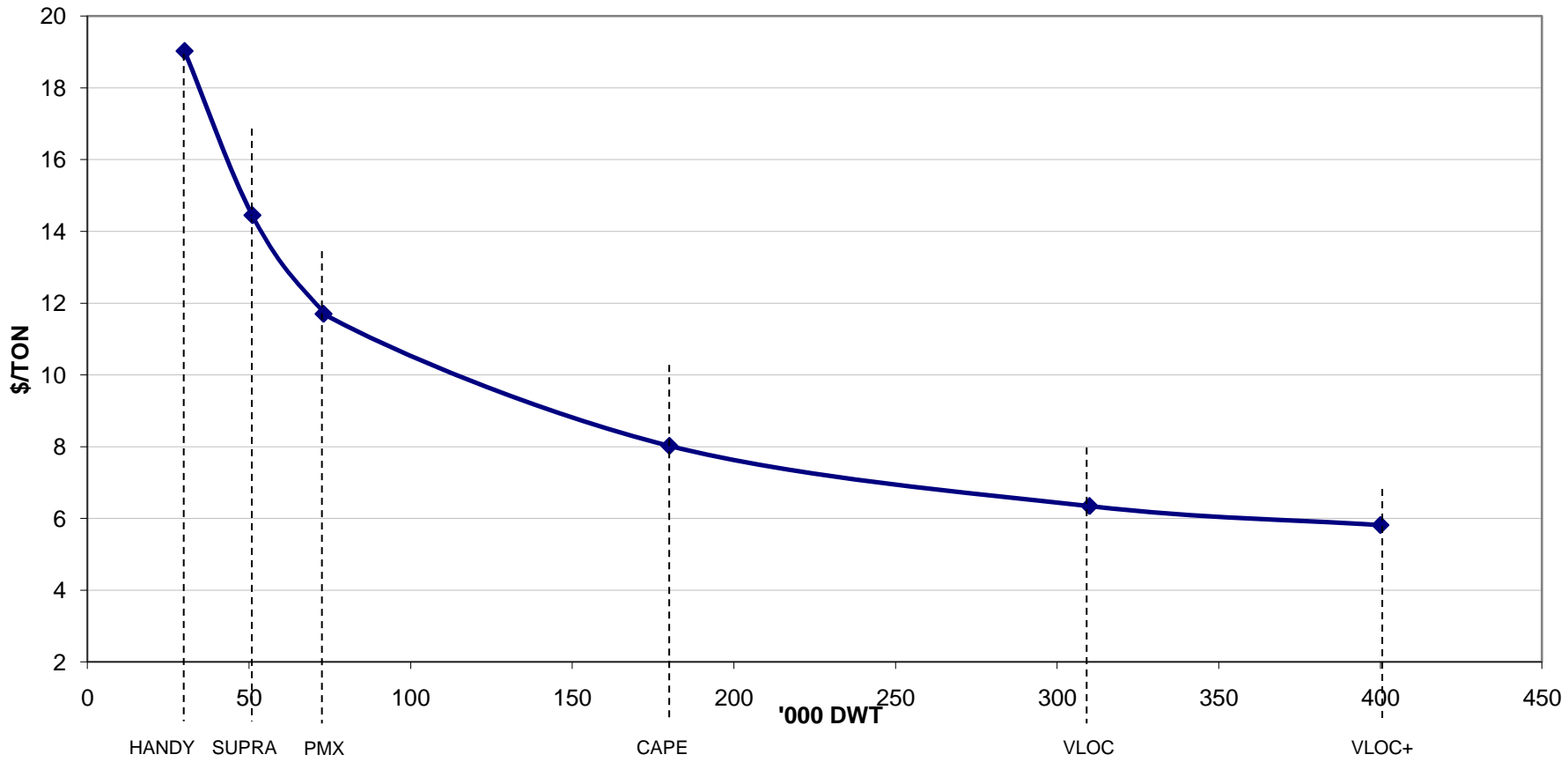


Shipping serves an integrated transport system

- Ultimate client: The receiver (end user or distribution system).
- Client requirements: Stable prices, cost efficient and timely cargo throughput. The receiver will choose the lowest CIF cost at his door for equivalent domestic or imported goods. The freight cost has historically been a percentage of the delivered cost.
- Shipping added value: Cost efficient seaborne leg
- System evolution driver: Lower overall transport cost, trade-offs.

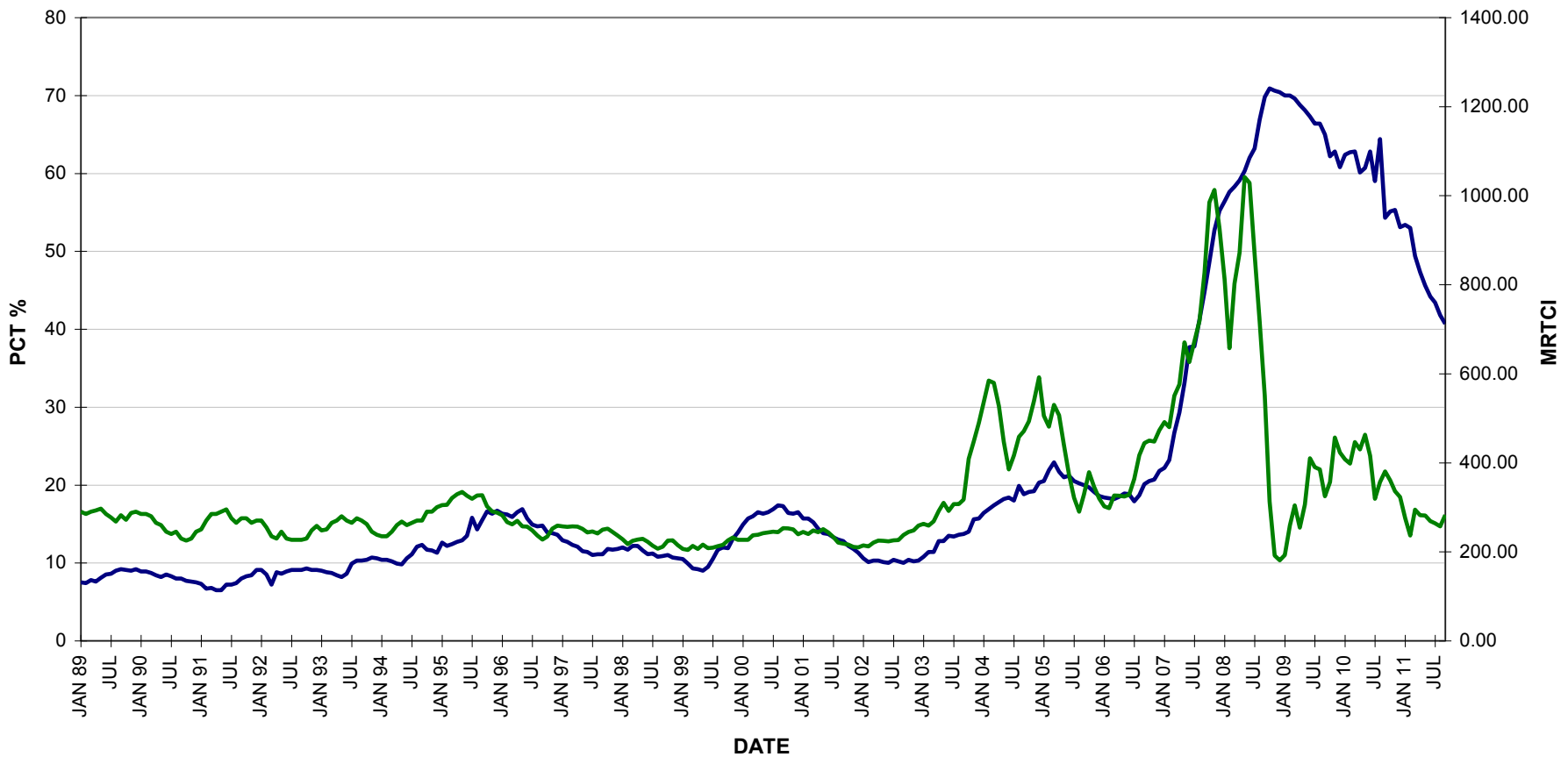
COST EFFECTIVENESS OF DIFFERENT SIZE BULK CARRIERS CARRYING ORE FROM AUSTRALIA TO CHINA

30 51 73 180 310 400



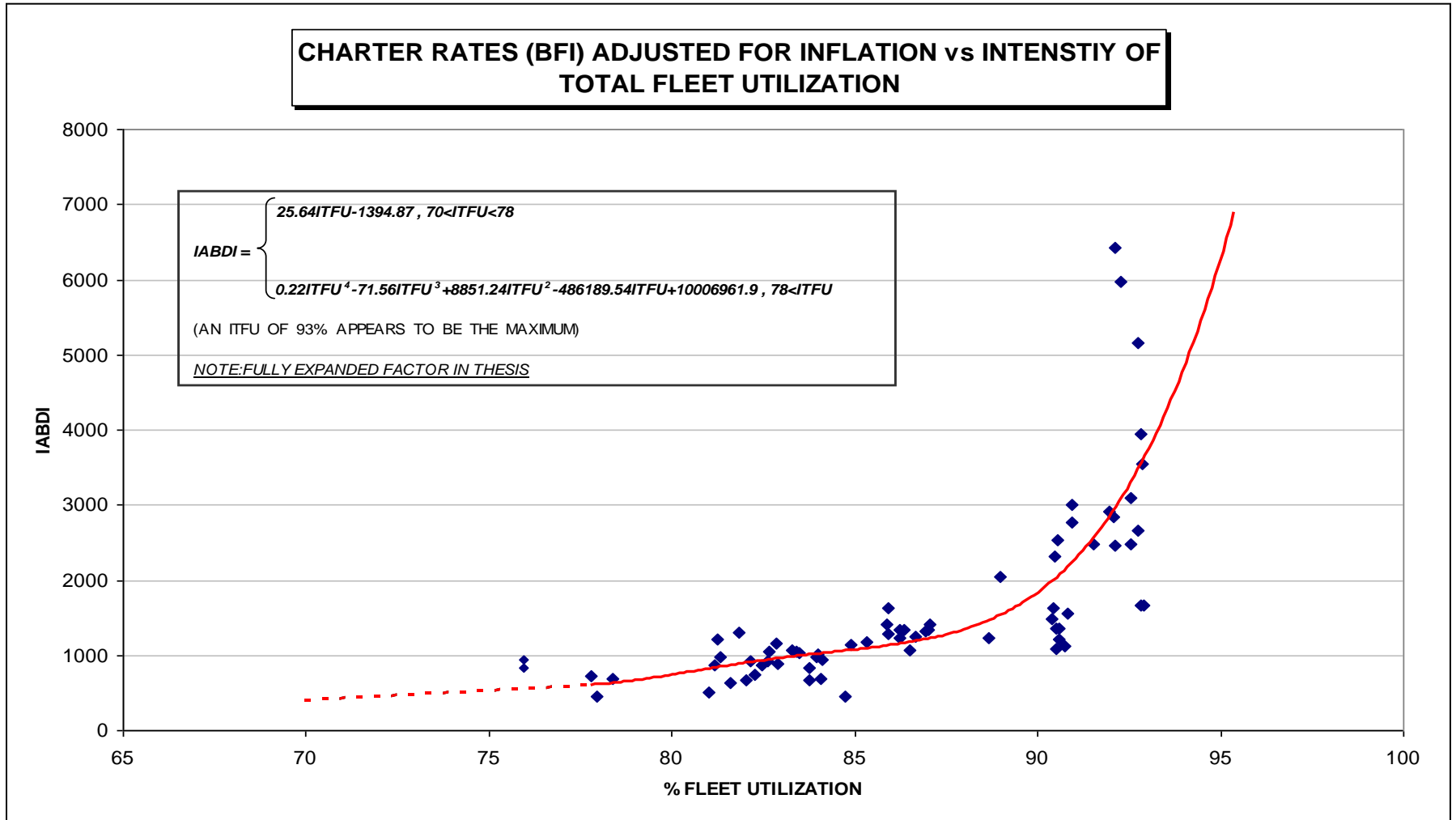
DW TONNAGE ON ORDER VS TIME CHARTER RATES

PCT OF TOTAL DB FLEET ON ORDER MRTCI



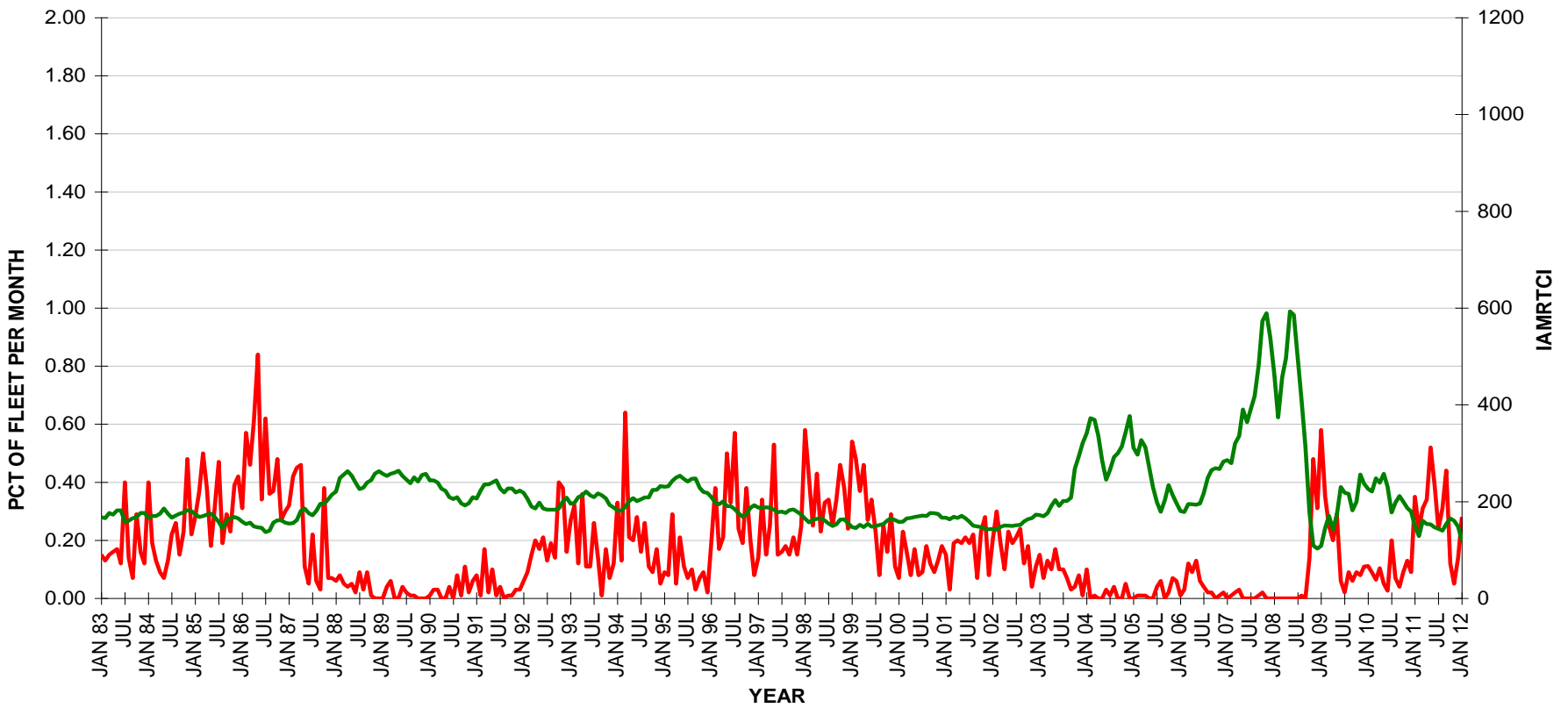
SOURCE: DREWRY SHIPPING STATISTICS

FREIGHT MARKET RESPONSE CURVE



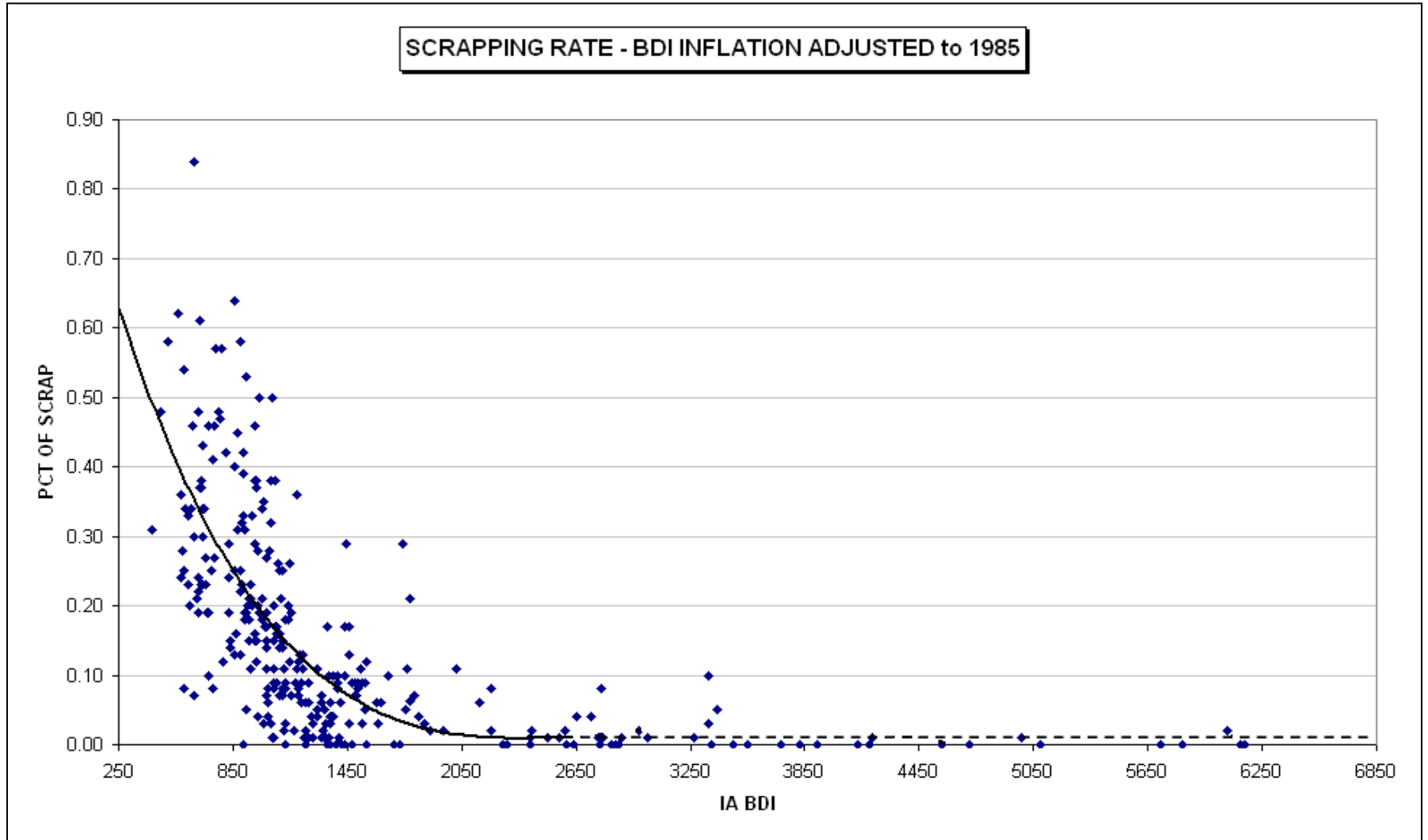
DRY BULK TIME CHARTER RATES vs SCRAPPING RATES PCTA

— PCT OF TOTAL BC+CC DB FLEET SCRAP
 — MRTCI INFLATION ADJUSTED



SOURCE: DREWRY SHIPPING STATISTICS

SCRAPPING RESPONSE CURVE



Contribution of ocean shipping to the Greek economy

Historically Greek shipping offices were established abroad, in cities where bankers and trading partners were located. An office abroad is still an advantage.

The shipping offices in Greece and the cluster they have created contribute greatly to the balance of payments, wealth and job creation of the Greek economy.

Funding inflows to Greece:

€ 14 billion to € 19 billion depending on the market. Since 10/2008 shipping markets are poor. So are inflows.

Employment:

Seafarers about	10.000	Greeks
Staff in shipping offices about	12.000	in Greece
Indirectly employed through shipping about	255.000	in Greece
(2005 University of Piraeus study)		
Total about	280.000	in Greece

CRUISE SHIPS/HOMEPORTING

In the '70s the largest cruise ship fleet in the Mediterranean was the Greek flag fleet. Now we have no Greek flag cruise ships because of unfriendly legislation.

After years of trying, Greek cruise ship legislation is now compatible with European standards.

Greece, because of its rich history, culture and the unique Greek islands, is a prime tourist destination.

When home-porting of cruise ships in Greece will be fully developed this industry will create about 11.000 new jobs and over € 1 billion additional annual revenue to the Greek economy.

Legislating job protection is the clearest admission of uncompetitive jobs. It increases costs and eventually destroys both businesses and jobs.

GREEK RO-PAX FERRIES

Serve 1.340.000 islanders (except Evoia, or 11.8% of the population) and 61.5% of the tourists visiting our country

Greek ferries are the most modern and higher speed passenger fleet in Europe.

Greek ferries:

- Execute 2.9 billion PKM (passenger kilometers) per annum
- Transport 570.000 busses/trucks and 1.600.000 cars every year (excluding short sea hauls)
- Are a valuable asset in civil emergencies i.e. evacuation of civilians from Libya

Greek ferries have a high cost per passenger-mile. This is because we have outdated manning requirements and associated legislation.

A high speed ferry which in Europe had 17 crew in Greece has 31.

A conventional ferry which in Europe had 32 crew in Greece has 52.

COST ANALYSIS OF TICKETS FOR CONVENTIONAL SHIPS (2012)

VAT and other charges	21.98%	(can be reduced by the State)
Bunkers	37.03%	(international price-reduction of quantity used by reducing speed)
Manning cost	13.83%	(will reduce when aligned with SOLAS/STCW, EU 3577/92 requirements)
Financial	13.54%	(cannot be reduced)
Various	11.77%	(difficult to reduce)
Port dues	1.84%	(decided by local authorities)
Total	100.00%	

From a ticket of EURO 100 only EURO 78 go to the shipping company to pay for the ship's operation. The major cost elements are the State and bunkers.

The financial costs of shipping companies are but a small part of the total cost.

Vision: To make coastal passenger services cost effective

Implementation of EU directive 3577/92 with no additional restrictions and the alignment of Greek regulations with the requirements of IMO SOLAS/STCW regulations. Duration of employment should be adjusted to operational needs.

Application of the uniform 6.5% VAT rate applicable to tourism on both passenger and cargo services in view of the fact that the island economies are mostly tourist driven.

Adoption of flexible company cooperation arrangements to meet island transport needs, different for the high and low season, instead of obligatory ship scheduling.

Ships must be able to adjust speeds and schedules with pre-advice to conserve fuel. Example: Main engine reduction in consumption from 22 kn to 18 kn is 50%.

HCS estimates that, should these measures be applied they will:

- reduce transport cost by about 38%
- generate additional turnover at the islands corresponding to greater total VAT receipts
- create about 100.000 new jobs
- ensure the viability of the coastal passenger ferry services sector which has been counting losses of over €300.000 PA for a number of years, with the danger of some firms reducing services or even ceasing operations

EUROPEAN RECREATIONAL BOATING

6% steady average annual growth rate

36 million people practice boating

6.3 million boats kept in Europe

4.500 marinas, 1.75 m berths in European waters of which:

-2.000 marinas in North Europe

- 800 marinas on the Atlantic coast

-1.200 marinas in the Mediterranean

Source: website of European Boating Industry

A COMPARISON

Cote d'Azur-Greek isles

	<u>France</u>	<u>Greece</u>	<u>Ratio</u>
Population	65.5 million	11.3 million	
Coastline (km Atl+Med)	3.427/5.2cm PC	16.300/145 cm PC	1 to 28
Active fleet	500.000/0.8% PC	11.700*/0.1% PC	8 to 1
Boats over 6 m LOA	200.000/0.3% PC	6.200*/0.05% PC	6 to 1
Marinas (Atl+Med)	370	55	
Berths (Atl+Med)	160.000	8.283	
Other berths & anchorages (Atl+Med)	60.000	1.732	
Total estimated berths & Anchorages (Atl+Med)	220.000/1.1 PB	10.015/1.6 PB	

PC= Per Capita, PB=Per Boat

(*) Greek flag. About 1.500 more boats if foreign flags were counted. These are larger and therefore the PB would be less.

ECONOMIC PARAMETERS OF PLEASURE BOATS

Greeks love boats. Greece, having the largest coastline and the unique Greek islands is the preferred international cruising area.

Unfortunately Greece has the least yachts and infrastructure by far. This is due to unfriendly legislation.

Tax legislation enacted in 2009 had as a result the flight from Greek marinas of about 25% of the yachts in marinas, mostly belonging to foreigners, and the destruction of over 6.000 related jobs.

According to a study by the University of Piraeus on sea tourism, now being completed, 13.000 pleasure yachts create about 59.000 direct and indirect jobs. On this basis if Greece attracts 100.000 more yachts to berth year round in Greek marinas we would create at least a further 300.000 Greek jobs.

GREECE AS CENTRAL EUROPE'S HUB

An efficient railway system linking the Greek ports with other European rail systems could provide faster service for the container trade.

Example: 1 x 20 ' container (1 teu) from **Shanghai** to **Budapest** via Suez. For destinations further East the advantages will be greater.

	sea distance <u>from Shanghai</u>	rail distance <u>in km</u>	total <u>in km</u>	transit <u>time</u>
via Hamburg	10,778 nm	1,221	21,203	32-59 days
via Trieste	8,545 nm	640	16,624	28 days
via Piraeus	7,844 nm	1,545	16,066	23 days

notes : 1. transit times as per major carriers announced schedules

2. time at ports of loading and discharge, have not been taken consideration

With improved rail links, Greek ports could become the gateways for cargoes to/from Central-Eastern European locations as well as transshipment hubs for the Black sea region and Eastern Mediterranean.

The benefits for the Greek economy would be very large. We could become the “Rotterdam” of the Eastern Mediterranean.

Greece has always prospered when it embraced the sea

In the 21st century Greece can once again prosper if it develops into:

- The maritime and financial center of the Eastern Mediterranean, attracting international business
- The recreational and boating playground of the European Union, the Ukraine and Russia
- The cruise ship home-porting hub of the Eastern Mediterranean
- The transport hub of Central and Eastern Europe

All this is possible with vision and well thought out, modern, efficient and stable , business friendly legislation which will eliminate all present disincentives.

In this way hundreds of thousand of competitive jobs would be crated and Greece could prosper.

Our economy reflects the quality of our thinking.

With vision we can transform Greece into a modern, vibrant, growing economy if only we discarded the disproved, destructive “ideologies” and practices that are holding us back.

YES WE CAN!

Thank you

G.A.Gratsos