

# Lloyd's List

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## Greek owners go commercial

- Thursday 03 June 2010
- by

WHAT could be a more glamorous title, particularly in a Greek context, than that of shipowner? But some feel it is time to move on from simply being what is also known, rather less glamorously, as a pure 'tonnage provider' or 'taxi driver of the oceans'.

Led by some of today's biggest Greek shipowners, the trend is gathering momentum and could be a key development over the next decade, particularly for the country's widespread dry bulk community.

"This is the way to go and it is something that has been lacking." Who says so? No less a personality than George Economou, who is hardly light in the traditional ownership and management stakes. Counting the fleet of publicly listed DryShips, his own Cardiff Marine empire spans about 100 bulkers and tankers totalling close to 12m dwt.

"Greeks have only been excellent technical managers and over a long period of time maybe the best shipping investors in the world," says Mr Economou. "But they have lacked being able to commercially maximise the returns other than through trading the asset."

It is estimated that there are 170-180 specialised commercial operating companies working the dry bulk sector worldwide, mainly based in Scandinavia and the Far East. Only a few are Greek-backed, a presence that lags behind Greeks' actual fleet ownership.

Another of Greece's largest half-dozen shipowners, the Restis Group, only this year paid \$65m to take over Maritime Capital Shipping in Hong Kong, a handysize owner with a wealth of operating experience among a commercial team that is being kept together under the new ownership.

"I do see companies in Greece moving from typical, plain vanilla shipping to what I would call shipping of today," says group chief financial officer Kostas Koutsoubelis. "There is a trend for people to look at doing something more than just owning the vessel. But there is a time lag from receiving an idea to implementing it, and there is a long way to go," he adds.

MCS, co-owned with affiliate Seanergy Maritime, fits into a stable of several commercially minded ventures in which Restis has an interest.

The group laid the foundations of its presence in the dry bulk market when it acquired the bulk business of South African Marine in 1999. Included was commercial broker and charterer Safbulk which, under the Restis family, expanded to peak at a commercial operation of more than 50 bulkers transporting over 35m tons of cargo annually.

Since the group beefed up its own bulk fleet, it is understood that chartering in has been scaled down. But Restis is involved in other commercial operations, including being a significant shareholder in capesize operator SwissMarine and a 50% partner in handymax and handysize operation Safmur Logistics.

Other prominent Greek shipping groups with their own commercial operation include Navios, AM Nomikos, Goulandris and, recently, Nicolas Pateras, who launched P&A Trading for handysize and handymax chartering.

Mr Economou, who was among the losing bidders for Navios when it was up for sale in 2005, went straight out afterwards

and acquired Swedish panamax chartering company Transbulk. Since then, he has also been “the initiator” – his own expression – of Classic Maritime in Monaco for capesizes and of K2 Shipping in Norway for handysizes and panamaxes.

Since starting in 2008, Classic's chartered fleet has risen to “80 and growing” – illustrating the fast expansion potential for a commercial operation. Meanwhile, Transbulk operates a dozen or so panamaxes and K2, the youngest of the three ventures, has grown to charter about 20 vessels.

According to Mr Economou, scale is required for an owner to start commercial operations. “But it also takes expertise, connections and a lot of work and travel.” Benefits can include access to a wealth of commercial information and “you can service clients in a more industrial way”, he says. “But I am not sure that the community here is prepared to do what it takes.”

The Greek market is perceived to suffer from a shortage of commercial operating knowhow and the modest size of most owners, with more than 80% of companies controlling no more than eight vessels.

Given the barriers, Mr Economou feels that participation in pools would be a first, easy step forward for many Greeks. “In effect you pay a relatively small management fee to take advantage of someone's ability to maximise returns,” he says.

He started pooling in 1998 and today all Cardiff's tankers trade in the Heidmar group of pools, which numbers about 135 tankers. Mr Economou, who now co-owns Heidmar with Morgan Stanley, says other Greeks have followed suit, but there has been much less pooling in dry bulk.

Petros Pappas' Oceanbulk Maritime, seen as a forerunner in commercial operations, has lately spawned a couple of independent commercial operations. Of particular interest is Maxima Shipping, launched by former Oceanbulk executives Nikos Nikiforos and Christina Karalaki, who are also at the helm of Ariston Commercial Services, offering owners a variety of services in this field.

Maxima, which is expected to start operations this autumn in the handysize, supramax and panamax markets, has been conceived not just as another commercial operating company but as a strategic portal, primarily for smaller Greek owners to have a slice of the action.

Mr Nikiforos envisages the company starting with a limited number of owner-shareholders, simply because otherwise it would be an inefficient use of funds. “Even if we had \$300m tomorrow we could not put that money to work,” he says. “Use of funds in an operating company is very incremental, so the idea will be to increase steadily.”

He says: “When it comes to commercial, the majority of Greek owners effectively sublet their asset to operators. They and their bankers like visibility in vessel earnings and they get this from having their ships fixed on periods – but they are being deprived of a percentage of the market earnings generated by their own vessels.”

Beyond profitability, advocates of being more involved in commercial trading say it is a matter of strategic and competitive importance for Greek shipping to develop this growing aspect of the business since, despite the strength of their fleets, owners are otherwise being kept from directly establishing relations with industrial producers.

“It is something we are really missing here,” says Mr Nikiforos. He is also keen to dispel perceptions among Greek owners that operating is a risky business, with greater potential for ruin than riches. Despite a handful of well-publicised failures among operators that succumbed to the recent dry bulk crash, he says the majority of prudently managed companies were highly resilient.

“Commercial operations are a much more flexible tool,” he says. “The operator can make money from the upside as well as the downside. It can be very profitable. At the same time I strongly believe the risk profile is much lower.”

A large portfolio of ships and charterers can be developed relatively quickly as an operator, diversifying the risk, while to amass a similar sized owned fleet “can take generations, if at all”.

Mr Nikiforos sees the commercial track as the obvious course for Greek shipping to take over the next decade. “This part of the market is rising and we Greeks are entitled to claim part of it for the future,” he says.

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Article from Lloyd's List

<http://www.lloydslist.com/ll/sector/ship-operations/article170297.ece>

Published: Thursday 03 June 2010

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