



Not a sunset industry: vessel layup is on the increase, but some Greek owners have proven especially adept in managing the downturn

Owners optimistic that crisis creates opportunity

Captain Panagiotis Tsakos, founder of the Tsakos Group, thought he had seen it all during a career stretching over six decades, yet like so many others, he admits to being taken aback by the shipping crisis through which he is now navigating.

"We should not have been caught by surprise but we were," he says. "After five to six years of affluence, which exceeded anything we had seen over all the years in our line of work, we should have expected it. We did, but not the intensity and the speed with which it hit, and the pain it caused."

Indeed, rumblings about clouds gathering on the horizon had been growing louder along Piraeus' waterfront and beyond since the beginning of 2008; however, the focus was more on developments in the dry bulk sector, although tankermen recognised that the deluge of newbuildings was going to be a problem. The good market was keeping tonnage working long after it should have been retired and replaced.

As the current summer progresses and companies quoted on the various stock markets report their results for the first half of the year, it is clear just how cash flows and ship values have declined. Of course, the listed tanker companies comprise just a

The speed and extent of the downturn may have caught Greek owners by surprise but the community is resilient and in some cases even upbeat

by David Glass

fraction of the tanker industry but their woes reflect the overall picture.

If anything, their ability to raise cash is superior to that of the average owner, who has had the bank door slammed in his face for the past 12 months. However, many of these players did put money in the bank during the good times and will survive, unlike some of their counterparts operating dry bulk tonnage.

Greek shipowners are recognised as being dynamic operators and business entrepreneurs, and while publicly wearing a frown, tanker owners are generally bullish, even as the flow of newbuilding deliveries gains momentum.

There are some 60 Greek operations now running fleets of over 1 million dwt each. Seventeen or this group are either exclusively or almost exclusively operators of tankers of other

energy ships. Underlining the diversification of the Greek fleet, in this batch there are some 38 ownerships which have tankers in their fleet. Nine of the 35 Greek companies listed on a stock exchange in Athens, London and New York are tanker operations.

Twelve months ago, with bankers in full retreat, some 400 tankers were on order to Greek account. Since then the number has fallen to under 280, and until Nicos Tsakos, son of Panagiotis Tsakos and head of Tsakos Energy Navigation (TEN), confirmed an order in early August for two Suezmaxes in South Korea for a reported US\$70 million each, no orders had been placed by Greeks for close to a year.

On the other hand, newbuilding projects seem to be going ahead with few cancellations, although a number of ships have been sold off the berth or very shortly after being delivered, and some delivery delays have been negotiated. In July, the perpetual deal maker, Theodore Angelopoulos of Metrostar Management, sold four Suezmax newbuildings for around US\$70 million each, some US\$10 million less than the price at which the ships were ordered at Hyundai Heavy Industries in South Korea in 2007.

Greeks proved the largest buyers of tankers

Cyclical experience sees Greeks buy low and sell high

Greek owners are positioned to weather present financial storms better than most, says **Basil M Karatzas***

Several private Greek shipowners, who resisted the lure of expanding their fleets at the top of the market, have accumulated war chests of several hundred millions of dollars, which should allow them to ride a prolonged market slump. They are now taking the opportunity to cherry-pick assets, be it single units or even entire fleets.

As of the end of June 2009, there were approximately 9,150 outstanding contracts for newbuildings worldwide, around 1,000 of which are controlled by Greek interests (some 11 per cent of world ship contracts). Of the total orderbook controlled by Greek interests, only 340 vessels are tankers (34 per cent of the Greek fleet or 3.72 per cent of the world fleet by vessel), and these contracts are controlled by 65 owners (approximately five vessel orders for each owner); half of these owners have only tankers on order. Although the magnitude of the present orderbook is clear, it is also apparent that the exposure of Greek owners to newbuildings is fairly limited when compared to owners based elsewhere or compared to owners of other classes of tonnage.

In terms of activity in the sale and purchase



Basil M Karatzas: "Exposure to newbuildings is fairly limited"

market for secondhand tankers, in the first half of 2009, around 160 tanker vessels of all types were transacted for a cumulative nominal value of approximately US\$3.5 billion. Of these tanker transactions, some 18 sales and 25 purchases of tankers were controlled by Greek interests. Nominally, the Greek market was active in 50 per cent of the sale and purchase transactions of tankers, and there have been a couple of instances of transactions where both buyers and sellers were managed from Greece.

In the first half of the year, Greek interests

invested US\$440 million in acquiring tankers and divested US\$310 million against an original net investment of US\$110 million. Upon further examination, with the exception of the sale of one modern crude oil tanker, two product tankers and four small products tankers, the balance of the sales were single-hulled designs for scrapping – hardly a vote of no-confidence to the market.

True to the traditional Greek style of 'buy low, sell high', two of the acquisitions by Greek interests in 2009 of modern tonnage were used as benchmark transactions as they set new (lower) levels of 'last done' business in the Aframax tanker sector.

For those in the industry for more than a cycle, the Greek 'spirit of shipping' has instilled the belief that maritime business is perfect in good times and painful in downturns. For a significant body of owners in Greece, the present tanker market is part of a time honoured continuum, where those with the requisite experience and expertise will ride the wave and prevail.

***Basil M Karatzas is managing director for projects and finance with Compass Maritime Services, a ship brokerage and shipping finance house in New York**

in 2009, having invested US\$627 million on 28 ships at the beginning of August, ahead of the US\$547 million spent by US owners on 13 vessels. Norwegians have picked up a dozen units worth US\$555 million.

As at the beginning of August, 71 tankers had been delivered to Greek owners this year, many with the Greek flag. As a result of this stream of newbuildings, the average age of the Greek-controlled oil tanker fleet has dropped to 7.5 years, and the chemical/product tanker fleet is now under eight years old.

Nevertheless, as the words of the song – more or less – go, 'breaking up is proving hard to do' and just eight Greek-controlled tankers ended their careers in the first seven months of 2009, including two VLCCs which attracted firm prices. In May, European Navigation raised US\$12.34 million when selling a 1984-built 255,000-tonner to Bangladesh at a rate of US\$355/lwt. At the end of July, Polys Haji-Ioannou's Polyar Tankers sold a 21-year-old 248,000-tonner to Bangladesh at US\$370/lwt, raising US\$12.2 million.

Stavros Hatzigrigoris, managing director of Maran Tankers Management, Greece's largest ship operator, is concerned about the oversupply of tonnage although the company has some 1.5 million dwt of Aframax, Suezmax and VLCC tonnage set to join its

fleet of 38 tankers of various sizes, as well as five LNG and two LPG carriers, by 2012. He does not think Chinese shipyards will agree to cancel many projects, but instead will secure help from the government "because closure of shipbuilding capacity will cause a big social problem for China".



A year ago, 400 tankers were on order to the Greek account. There are presently around 280

Genmar, Jeff Pribor, "the most important thing to watch is the progress we are making in working down the crude-oil inventories." With the global fleet due to grow a third by capacity, or 894 ships, through to 2012, Mr Pribor says he expected a worldwide ban on single-hull ships will be enforced by the end of next year, helping to mitigate fleet growth.

Ships due for delivery late 2010 will be delayed or cancelled "because financing is not available or because owners placed orders at the top of the market and now would rather negotiate a cancellation fee than pay an inflated sum. When we approach the second half of 2010 and 2011, lack of funding should lead to outright cancellations." Genmar is interested in buying ships from distressed sellers and while prices have fallen up to 40 per cent, Mr Pribor says the company is "patient" and "waiting".

Chief executive officer of the Evangelos Marinakis-backed Nasdaq-listed Capital Product Partners (CPP), Ioannis Lazaridis, sees difficult conditions hindering the way forward. "The global economic and credit environment has seen little change over the last quarter, and there are no visible prospects for a recovery. We continue to face a severe deterioration in the banking and credit world as well as a major global economic slowdown, whose duration is very difficult to forecast.

"The continuing poor state of the spot tanker market, the potential vessel deliveries for 2009 and the outlook for global oil demand in 2009, which remains weak, are all factors likely to have a further adverse effect on tanker prices and period rates." In common with many in the sector, the significant deterioration in the tanker market has forced amendment of the terms of two loans, in CCP's case, until June 2012.

Two leading owners who have always expressed confidence in tankers are Dynacom's George Procopiou and TEN's Nicos Tsakos. Mr Procopiou was among the first major tanker leaders to realise that the future lay in a modern fleet. Over recent years he has scrapped and replaced some 5 million dwt and has taken delivery of eight Panamaxs, a Suezmax and two VLCCs this year – and has a fleet of some 30 vessels (some 5 million dwt) with a further dozen still to come. He has even diversified into LNG carriers.

There is every reason to be positive about tankers, asserts Mr Procopiou. "The price of oil is now very competitive and governments will take advantage of this to re-stock as the economies of the world recover," he says. He also believes single-hull VLCCs will be withdrawn, and this will balance ships set to deliver.

Nicos Tsakos' faith is such that he broke from the pack in July and placed an order for two Suezmaxes, and boasted, when reporting a first

half 2009 profit of US\$70 million, that TEN has "significant firepower" for further newbuilding and secondhand buys as cash reserve swelled to US\$309 million. That said, TEN's older vessels are candidates for sale, and the company has passed up the opportunity to buy more tankers, believing the "bid offer spread too wide". Nevertheless, some months back TEN had said that with banks reducing the availability of credit, opportunities in the secondhand and newbuilding market could present themselves.

Perhaps contrasting a chief executive officer's role and that of a board chairman, TEN's chairman, John Stavropoulos, believes "the rebound from financial panic and the ensuing collapse of economies around the world has been and will be tedious. The

impact on oil demand has been a severe drag on the tanker industry."

Greek operators have been looking at different approaches to the market's challenges. Product tanker operator, Omega Navigation Enterprises, has struck a deal with trading house Glencore to help it to press ahead with its newbuilding programme in tough times. The Nasdaq-listed Omega and the Switzerland-based charterer and shipping group are to enter a 50/50 joint venture to own *Omega Duke*, the first of two 47,000 dwt double coated resales at Hyundai Mipo in South Korea.

The venture previously secured bank financing, and equity has been injected by both partners. Omega has also suspended dividends to save cash for its newbuilding

Significant tanker resale contracts between August 2008 and August 2009.

ship name	year built	dwt	shipbuilder	date sold	sale price (US\$ million)
<i>N/B RESALE HULL 1102</i>	2009	316,000	Waigaoqiao	August-09	\$185
<i>N/B RESALE HULL 1100</i>	2009	316,000	Waigaoqiao	August-08	\$185
<i>Apex Spirit</i>	2008	160,390	Samsung	November-08	\$97
<i>Matilda</i>	2007	159,233	Hyundai Samho	November-08	\$95
<i>N/B RESALE HULL 1408</i>	2009	107,500	Tsuneishi Zosen	August-08	\$85
<i>Show</i>	2007	113,500	Samsung	December-08	\$79
<i>Spike</i>	2006	114,858	Samsung	December-08	\$79
<i>Peak</i>	2008	115,917	Samsung	December-08	\$79
<i>Wind</i>	2008	116,039	Samsung	December-08	\$79
<i>N/B RESALE HULL S390</i>	2009	164,925	Hyundai Samho	July-09	\$70
<i>N/B RESALE HULL S391</i>	2010	164,925	Hyundai Samho	July-09	\$70
<i>Pacific Delight</i>	2007	115,567	Sasebo	January-09	\$62
<i>Pacific Fantasy</i>	2008	115,567	Sasebo	January-09	\$62
<i>Seagrace</i>	2002	149,921	Hyundai Samho	May-09	\$57
<i>High Consensus</i>	2005	45,896	Shin Kurushima	August-08	\$56
<i>High Harmony</i>	2005	45,913	Shin Kurushima	August-08	\$56
<i>Gagamayang</i>	2004	40,354	Hyundai Mipo	September-08	\$52
<i>Camden</i>	1995	298,306	Daewoo	May-09	\$52
<i>Primorye</i>	2000	105,177	Hyundai	November-08	\$51
<i>Pacific Genesis</i>	2009	104,900	Sumitomo	June-09	\$50
<i>Pacific Harvest</i>	2009	104,900	Sumitomo	June-09	\$50
<i>Pro Diamond</i>	2003	46,757	Hyundai Mipo	October-08	\$47.5
<i>Ninae</i>	2005	38,554	Guangzhou	September-08	\$45.8
<i>Mikom Brave</i>	2000	45,869	Shin Kurushima	August-08	\$45
<i>Trident Hope</i>	2003	105,998	Namura Zosensho	February-09	\$42.5
<i>N/B RESALE HULL 321</i>	2010	46,026	Brod Trogir	April-09	\$42
<i>N/B RESALE HULL 322</i>	2010	46,026	Brod Trogir	April-09	\$42
<i>N/B RESALE HULL 320</i>	2009	46,026	Brod Trogir	April-09	\$42
<i>Ocean Compass</i>	2009	46,600	Hyundai Mipo	June-09	\$40
<i>Ocean Command</i>	2009	46,600	Hyundai Mipo	June-09	\$40
<i>Tigani</i>	1991	97,114	Koyo Dock	October-08	\$40
<i>Ocean Opal</i>	1993	147,273	Unknown Yard	August-08	\$40
<i>Tamara</i>	1990	97,793	Koyo Dock	August-08	\$39
<i>Leonis</i>	1994	94,225	Fincantieri	October-08	\$38
<i>Titan Aries</i>	1988	265,243	Hyundai	August-08	\$37.5
<i>Wildebeest</i>	2009	40,000	SLS Shipbuilding	February-09	\$37
<i>Vinashin Energy</i>	1999	34,743	Daewoo SB	August-08	\$36
<i>Four Schooner</i>	2000	73,083	Samsung	July-09	\$36
<i>Freja Regulus</i>	2009	40,037	SLS Shipbuilding	April-09	\$34

entries in red have a Greek interest in the deal

The top ten Greek tanker owners as of August 2009

rank	owner	ship numbers	total dwt	average ship size (dwt)
1	Angelicooussis Group	33	8,041,863	243,692
2	Tsakos Group	53	5,932,367	111,931
3	Dynacom Tankers Mgmt	37	5,314,651	143,639
4	Thenamaris (Mgmt)	32	3,607,911	112,747
5	Minerva Marine Inc	34	3,524,961	103,675
6	Eletson Corp	21	1,427,983	67,999
7	Capital Ship Mgmt	24	1,328,369	33,993
8	Prime Ship Mgmt	15	1,192,341	79,489
9	Enterprises Shipping	16	964,069	60,254
10	Vardinoyannis Group	15	640,979	42,731
	Total	280	31,975,494	

Source: Compass Maritime Services

programme but says it is fully compliant with loan covenants.

Basil Papachristidis-backed Hellespont has launched a pool for modern IMO II chemical/product tankers. The Seatramp Intermediate Tanker Pool will initially consist of three KG-financed and Hellespont-operated 13,000 dwt vessels, and Hellespont has committed a further eight 17,000 dwt newbuildings due between now and 2011 to the pool. The venture says that talks with other owners are at an advanced stage and the aim is to bring the pool to around 30 vessels by the end of 2010.

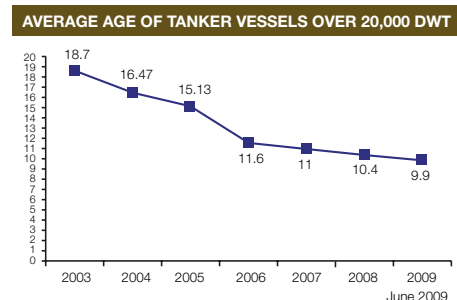
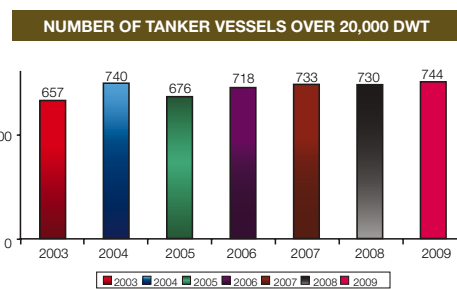
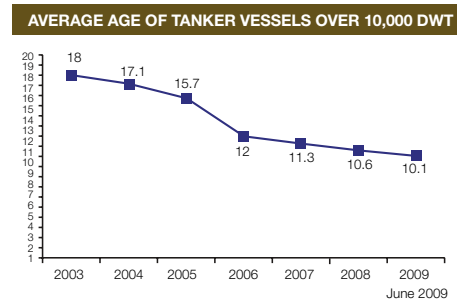
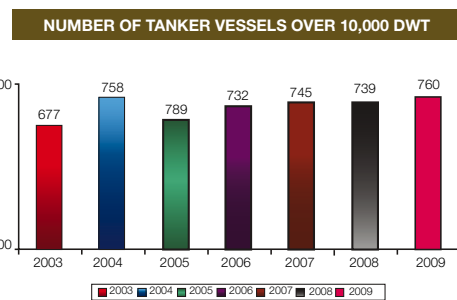
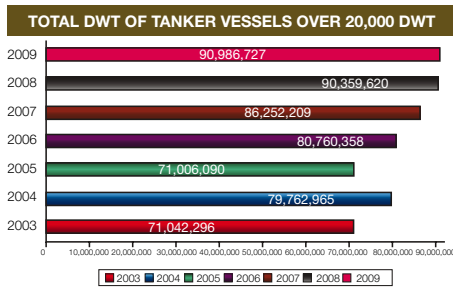
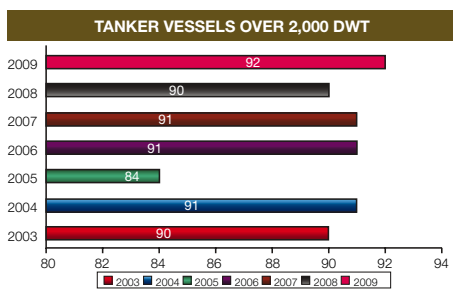
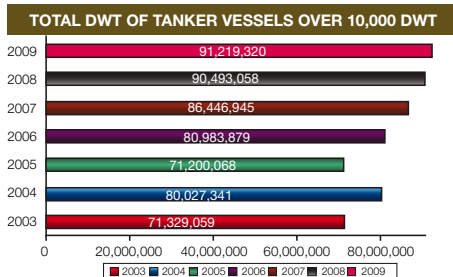
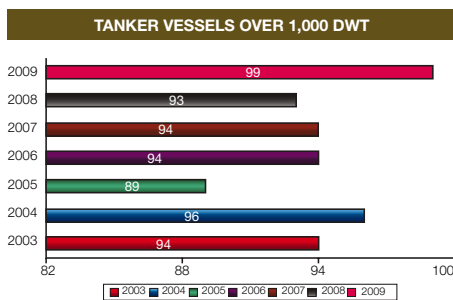
Ever-active Victor Restis teamed up with Abu Dhabi's International Petroleum Investment Co (IPIC) to invest jointly in shipping, energy and transport. The Restis Group and IPIC are to create a joint venture with an initial investment of US\$1.5 billion, which will develop cooperation in a number of areas, including storage, shipbuilding, pipelines and ports. "The consortium we created may open the way to other entrepreneurial opportunities which today face difficulties because of the lack of finance and know-how," says Mr Restis.

Making money is not the only concern of Greek tanker owners. Captain Tsakos has long expressed fears about the shortage of young people entering the business, and there is genuine concern that the financial crisis coincides with an era in which young people were again beginning to show an interest in the sea.

This damper on its attractiveness is not helped by incidents such as the arrest of a master and chief officer of the Angelicoussis-controlled 2003-built Aframax tanker, *Astro Saturn*. In what seems to be a spat between the US and Venezuela, the two Greek seafarers have been held in jail since the beginning of October 2008, after 100kg of cocaine were found on the tanker.

Initially, local court officials freed the two and gave permission for *Astro Saturn* to sail but the two seafarers were re-arrested by a higher authority and have been held in a police jail since, despite Greece applying political pressure on Venezuela to recognise the earlier court's decision.

However, Greece's Marine, Aegean and Island Policy minister, Anastasis Papaligouras, is forever optimistic. Crisis creates opportunities and Greek shipping can take advantage of the present period of crisis, he says, because "of its modern fleet, proven adaptability and the capabilities of its human resources. We are in a period where the world is tested by the financial crisis... (but) we must not forget that every financial crisis does not last forever; sooner or later the trust is restored, and the market returns to normal and this brings progress and development". **TST**



Source: Petrofin

An overview of the Greek tanker fleet



Ships due for delivery late 2010 will be delayed or cancelled which could spell opportunity for Greek owners with cash reserves