

THE MARINE SECTOR IN GREECE

A MARKET SUMMARY



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**Trade Development Section
May 2009**

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1. GENERAL OVERVIEW – FIGURES

- 1.1. Greece is a maritime nation by tradition and the only country in the EU whose government includes an autonomous Ministry to handle matters of merchant marine and maritime transportation. Maritime transportation is of key significance to the EU in view of the fact that more than 90% of its external trade and 41% of its internal trade is conducted by sea. Shipping is the healthiest and most dynamic sector of the Greek Economy, representing almost 8% of GDP. Greece, as a world leader in shipping, participates actively in International Organisations competent for shipping and international trade, such as OECD, IMO, ILO and supports measures and decisions aiming at the safety and development of sea borne trade.
- 1.2. Greek shipowners control the world's largest merchant fleet, involved internationally in the cargo and passenger trades. According to the latest figures of the London-based Greek Shipping Cooperation Committee, Greek shipowners control a fleet of 4,161 vessels over 1.000gt, representing 8.2% of the world's total number of vessels in service and on order, 15.2% of the world fleet carrying capacity, or 13.22% in gross tonnage. Moreover, the Greek Merchant Fleet, totalling about 40% of the EU's fleet, ranks first among European Union Member States. Its presence is particularly considerable in the four types of ships carrying the majority of the world's bulk cargo, i.e. oil, chemical, combis and ore and bulk carriers.
- 1.3. As regards newbuildings, after an impressive performance in 2006 and 2007 where orders by Greek shipowners, represented 11% of the total number of ships under construction, several orders have been cancelled due to the current economic crisis or re-negotiated and orders in February 2009 amounted to 1,072 vessels.
- 1.4. The global financial crisis has had a substantial impact on global shipping which is apparent in the dramatic decline in freight rates especially in dry bulk and container shipping (Baltic Dry Index stood at 1,415 in April 2009, from 11,793 in May 2008), in the severe reduction of ship financing and in cancellations or delays in delivery of newbuildings.
- 1.5. The Greek shipping industry is facing the possibility of a shift, with some of the sector's largest players considering a move away from London, in response to plans from British authorities to introduce a new tax for foreigners. Plans by Britain's Treasury to charge non-domiciled foreign residents with a £30,000 tax for the privilege of keeping their offshore wealth untaxed, has prompted a number of Greek shipping families to examine their options involving a move away from London. According to industry sources, about 30 companies have moved to Athens since 2000, because of concerns they would become liable for income tax on foreign earnings. The Greek government on the other hand, is seeking to lure more shipowners back to Greece, in support of their effort to turn Piraeus into a global maritime centre.

2. THE GREEK SHIPPING INDUSTRY—A MAJOR INTERNATIONAL PLAYER

- 2.1. Greek controlled tonnage remained in first place globally despite the current economic downturn. It is worthwhile noting that Greek owners control 24% of the world tanker fleet (chemical, crude oil and product carriers) and 23% of the world bulk carrier fleet in terms of dwt (excluding ships currently on order). Greek shipowners are also emerging in the transportation of liquified natural gas (LNG) through both ownership and management. The vast majority of Greek ships is engaged in cross-trade activities between third countries and thus affected by global economy and international shipping conditions.
- 2.2. Moreover, Greek-owned vessels flying EU member states flags amount to 48.2% of EU shipping (dwt). Greek shipping companies have been listing their shares on international stock markets (NYSE, NASDAQ and London), in a sign of their growing role in the global economy.
- 2.3. Through an impressive new building program they have added to their collective fleet significantly over the last ten years, now controlling one in every four oil tankers and about the same share of international dry bulk capacity. It is worth noting that the Greek owned fleet has been getting progressively younger, with their average age having decreased sharply in 2009 reaching 11.9 years as against 12.5 years in 2008, while there is a tendency overall to invest in fewer but larger vessels. Also, the average age of vessels belonging to the Greek Registry has impressively decreased. This downward trend regarding age, is most marked in oil tankers, where the age of Greek-flag tankers is well below the world's average, standing at 6.1 years in terms of ships or at 5.4 in terms of tonnage. It is estimated that the average age of the fleet will continue to decline, as over the next year a significant number of vessels will be withdrawn, due to rules imposing the withdrawal of single-hull vessels by 2010, regardless of their age. The number of companies is also estimated to decrease, as current trends in shipping dictate concentration, leading to mergers among smaller companies.
- 2.4. The Greek flag lying in the white zone according to the Paris MOU, although favoured by the top owners in tonnage, represents a part of the Greek-controlled fleet. Total number of ships under Greek flag is now 1,121, with 356 of newbuildings on order. Owners however, also use many different Registries for their vessels, which best serve their financial interests. The most commonly used flags are the Panamanian, the Maltese, the Liberian and the Cypriot. Other flags favoured by Greek shipping companies are those of Bahamas, Marshall Islands, Isle of Man and St Vincent and the Grenadines.

3. LIST OF LARGEST SHIPPING COMPANIES

	COMPANY	SHIPOWNERS	DEADWEIGHT	SHIPS
1	KRISTEN NAVIGATION INC	JOHN ANGELICOUSSIS	8,937,386	36
2	CARDIFF MARINE	GEORGE ECONOMOU	8,546,602	74
3	TSAKOS SHIPPING TRADING – T.E.N.	PANAGIOTIS & NICOLAOS TSAKOS	7,183,384	72
4	DYNACOM TANKERS	ECONOMOU	4,847,248	34
5	GULF MARINE MANAGEMENT SA		4,138,436	
6	THENAMARIS INC	DINOS MARTINOS	4,090,538	40
7	POLYAR SHIPPING CO. LTD	POLYS HADJIOANNOU	3,980,832	35
8	EXCEL MARITIME		3,897,077	
9	ENTERPRISES SHIPPING & TRADING	STAMATIS & VICTOR RESTIS	3,889,933	49
10	CHANDRIS HELLAS	MICHAEL & JOHN CHANDRIS	3,426,977	23
11	MINERVA MARINE	ANDREAS MARTINOS	3,269,796	32
12	EASTERN MEDITERRANEAN MARITIME LTD	THANASIS MARTINOS	3,142,024	28
13	MARMARAS NAVIGATION	DIAMANTIS DIAMANTIDIS	3,022,618	38
14	POLEMPROS SHIPPING	SPYROS & ADAM POLEMIS	3,014,662	21
15	NEDA MARITIME AGENCY CO. LTD	NICOLAS & MICHALIS LYKIARDOPOULOS	2,992,845	20
16	ANANGEL MARITIME SERVICES INC.	JOHN ANGELICOUSSIS	2,952,676	19
17	GENCO SHIPPING AND TRADING		2,921,125	23
18	SPRINGFIELD SHIPPING CO PANAMA SA		2,569,497	17
19	ALPHA TANKERS & FREIGHTERS INTERNATIONAL LTD	ANNA & CHRISTOS KANELLAKIS	2,523,859	20
20	COSTAMARE SHIPPING	VASILIS CONSTANTACOPOULOS	2,400,141	34
21	CARRAS (HELLAS) S.A.	JOHN CARRAS	2,353,553	18
22	DANAOS SHIPPING	JOHN COUSTAS	1,970,947	39
23	DIANA SHIPPING AGENCIES		1,854,119	19
24	ARCADIA SHIPMANAGEMENT		1,789,186	
25	SUN ENTERPRISES	GEORGE S. LIVANOS	1,772,060	16
26	AVIN INTERNATIONAL S.A.	VARDIS VARDINOYIANNIS	1,761,053	22
27	OSG SHIPMANAGEMENT (GR)		1,757,716	34
28	ELETSON CORPORATION	GREGORY HAJIELEFTHERIADIS	1,729,246	26
29	AEOLOS MANAGEMENT SA		1,723,757	
30	CHARTWORLD SHIPPING	LOU KOLAKIS	1,668,094	45
31	CAPITAL SHIPMANAGEMENT CORP	EVANGELOS MARINAKIS	1,596,370	32
32	NEREUS SHIPPING SA		1,590,107	
33	NAVIOS SHIPMANAGEMENT INC.	ANGELIKI FRANGOU	1,581,067	23
34	EUROPEAN NAVIGATION	SPYROS & PROKOPIS KARNESSIS	1,570,188	16
35	METROSTAR MANAGEMENT		1,402,249	
36	CYPRUS MARITIME CO. LTD	ANDREAS HAJIYANNIS	1,400,055	21
37	HELLESPONT STEAMSHIP CORPORATION		1,354,796	19
38	ALLOCEANS SHIPPING CO. LTD / PARAGON		1,335,638	27
39	MOUNDREAS NICHOLAS G. SHIPPING S.A.		1,283,877	19
40	STEALTH MARITIME CORP / BRAVE MARITIME CORP. INC	NICOLAOS & HARRY VAFIAS	1,218,186	54
41	TOP SHIPS MANAGEMENT INC	EVANGELOS PISTIOLIS	1,177,112	23
42	ENESEL SA		1,173,979	
43	GOLDEN UNION SHIPPING CO SA		1,117,606	
44	PRIME MARINE MANAGEMENT		1,107,711	
45	ATLANTIC BULK CARRIERS MANAGEMENT LTD		1,086,656	22
46	GOLDENPORT HOLDINGS INC		1,059,904	25
47	CENTROFIN MANAGEMENT / MARINE TRUST LTD	DIMITRIS PROKOPIOU	1,011,008	19
48	ANDRIAKI SHIPPING CO. LTD		896,701	
49	TECHNOMAR SHIPPING	G. GIOUROUKOS & A. STENGOS	870,254	25
50	LIQUIMAR TANKERS MANAGEMENT INC		841,270	

4. SHIPPING RELATED SERVICES

Financial Services London enjoy a predominant position in all shipping related Services such as marine insurance, chartering, ship classification, chartering, shipping finance, legal services, accounting and dispute resolution.

4.1. Legal services

Greece is the 4th largest market for London legal services in the world almost exclusively from shipping. Eight major British law firms operate offices in Piraeus, whose combined turnover is in the order of over £20 million. Namely, these are Hill Taylor Dickinson, Norton Rose, Hollman Fenwick & Willan, Watson Farley, Ince & Co, Stephenson Harwood, Clyde, Richards Butler. Their London offices dealing with Greek shipowners would derive between 2 and 3 times that amount in turnover which stems from Greece, so the overall amount spent either by Greek shipowners or on their behalf by their P&I clubs and insurers on English solicitors is estimated at approximately US\$100 million per year.

4.2. Classification

It is also worth noting that 88% of the Greek-owned vessels are monitored by classification societies belonging to IACS, with Lloyd's Register enjoying a leading position in the market.

Lloyd's Register classes 28% of the Greek-controlled fleet, comprising some 880 ships (totalling 25 million gt) and is the market leader for Greek-flagged vessels with a market share of 33%. Direct competitors are the American and Norwegian classification societies (ABS and DNV). Apart from their well established presence in the market as Ships RSO (Recognised Security Organisation), Lloyd's has been appointed as Advisor to the Ministry of Merchant Marine as RSO for carrying out risk assessment in Greek ports. Other UK companies participating in joint ventures with Greek firms which were approved as RSOs for ports are MUSC and Control Risks.

4.3. Insurance

The biggest single seller of underwriting insurance services to Greek shipping interests remains Lloyds London mainly in the hull & machinery sector.

P & I clubs

UK P & I clubs are market leaders in Greek shipping as owners rely heavily on their clubs for legal and professional support and advice.

London P & I (A. Bilbrough & Co): Their Greek membership has increased substantially in recent years and now represents almost half the club's directly entered tonnage (43%). Other clubs with offices in Piraeus are West of England and UK. Direct competitors are the two Norwegian clubs Skuld and Gard.

Marine insurance pulled in \$4.7bn in premiums for the London market last year besides \$1.6bn in gross P&I club premiums and shipbroking, which produced net exports of more than \$700m.

Insurance brokers

Lambert Fenchurch, Marsh (through Greek agent), Willis (through Greek agent) are key players and are enjoying substantial market shares in marine insurance.

Chartering – S&P brokers

The performance of the big London chartering and sale and purchase brokers such as Clarksons has been strong.

4.4. Banking- Shipfinance

As a result of the current recession, which has had a significant impact on global shipping, ship finance volumes have recorded a considerable reduction in the last six months.

Royal Bank of Scotland and HSBC are the two UK banks mainly involved in Greek shipping. RBS continues to hold the top position, having accelerated its growth. This means that almost one in four loans is provided by RBS.

The top ten banks ranked by portfolio size (in US\$m)

Rank	Bank	US \$000ml
1	Royal Bank of Scotland (Piraeus & London)	13,980
2	HSH Nordbank	5,671
3	Deutsche Schiffsbank	5,650
4	Credit Suisse*	4,900
5	National Bank of Greece	3,545
6	DNB	3,042
7	Commercial Bank of Greece	2,970
8	Calyon	2,750
9	Alpha Bank	2,650
10	Marfin-Laiki Bank	2,435

(Source : Petrofin - 2008 Figures)

4.5. Maritime Safety

Measures set by ISPS code (IMO) which have set out security standards for governments, port authorities and shipping, have created new requirements for the shipping community as regards infrastructure, equipment, training and certification. Lloyd's Register has already been actively involved in the implementation of ISPS code in Greek-controlled vessels and ports, whereas other UK companies (MUSC, Control Risks) participating in joint ventures with Greek companies have been recognised by the Ministry of Merchant Marine as RSOs (recognised security organisations) in order to conduct risk assessment and security plans for Greek ports. Responding to the application of the ISM code and increasing regulatory demands related to navigational safety and protection of the marine environment, Greek owners are investing in cutting-edge technology for quality assurance and regulatory compliance.

5. COASTAL SHIPPING

5.1 Greece is a country rich in islands and with a lengthy coastline. It has 16,000 kilometres of coast and 3,000 islands and islets, of which 450 are inhabited.

5.2 The large number of islands belonging to the Greek territory creates a special need for sufficient and quality sea transport services. Merchant shipping with its passenger ships transports about 30 million passengers and 7 million vehicles every year. Domestic sea transport services are provided by 400 passenger/car ferries or purely passenger ferries covering the entire region, namely 100 islands and 150 ports. The number of routes amounts to approximately 120 but the network of direct connections between two ports at a frequency of at least once a week is particularly dense with about 1,200 such connections. Another important sea route is that of the Adriatic Sea, mainly serving the country's rich trading relations with Italy and other EU counterparts.

5.3 During the last few years, big shipping companies have undertaken business initiatives and newly built vessels have entered the domestic maritime transport. These are high-speed ships that have rendered sea transport even more competitive. As market demand for ferry services continues to grow faster in the local market than in the Adriatic Sea, the Greek coastal ferry industry has entered an upgrading orbit mainly attributed to the introduction of the market's gradual liberalisation.

5.4 In 2008-9, investors' activity has led to significant changes in ferry companies shareholding structures. Following a number of mergers & acquisitions the main players in coastal shipping are ATTICA GROUP, controlled by MARFIN INVESTMENT GROUP, ANEK LINES, controlled by I.Vardinoyiannis and MINOAN LINES, controlled by the GRIMALDI GROUP.

Company	Market Share - Passengers	Market Share - Vehicles
ATTICA	20%	10%
ANEK LINES	23%	45%
MINOAN LINES	57%	45%

6. SEAFARER'S TRAINING

6.1 Greece as a traditional maritime country has developed a training system ensuring a high level of vocational training for Greek seafarers so that they can fully meet ever-increasing requirements dictated both by technological development as well as by international conventions. Courses are provided by Marine Academies operating all over the mainland as well as on the islands.

6.2. There are nine Merchant Marine Academies for Ship's Masters and four for engineers. Furthermore, there are two Merchant Marine staff post-training centres for masters and engineers and one post training centre for radio-electronic & radio-communications means, two schools for life saving and fire fighting systems and a post training school for stewards.

7. PORTS

7.1. The privatisation of Greek ports on its final route

The privatisation of the container port of Piraeus has been successfully concluded and (Chinese) COSCO has taken over its management. The deal between Thessaloniki port and Hutchinson was finally annulled and the government is currently considering alternative options for the privatisation of its container terminal.

The total figures for privatisation and further port expansion come up to 6 billion Euro (not including private ports). To this end Lansdowne partners, which is a London based fund, acquired 10% of Piraeus – expecting capital gains from the forthcoming privatisation.

Significant opportunities are expected to emerge in the face of these privatisations, mostly concerning services (financial advisors and law firms, shipping agents and transportation firms) and the potential for partnerships. In addition, significant new real estate development opportunities are likely to emerge in the neighbouring local communities, driven by the uplifting of the ports' profile and the need for offering more consumer-centric services, compared to those delivered so far under state ownership.

Following the two ports of Piraeus and Thessaloniki, the next wave of 10 regional Greek ports will be tendered under phase two of the privatisation process.

7.2. Port security advisory tender

Implementation of the Ministry's plan to upgrade security in the 12 largest Greek ports, including Piraeus and Thessaloniki, according to ISPS requirements has been seriously delayed. The project, budgeted at €340 million will include security equipment, supply of access control systems (costing €150 million), whereas training of the relevant port authorities, maintenance of the security equipment, provision of security services and supply of know-how will amount to a further €190 million.

The advisory phase has been awarded to Lloyd's Register-Grant Thornton led consortium. According to latest information, the advisory phase will be concluded by the end of June and the implementation phase will follow in July 2009.

8. OPPORTUNITIES FOR UK COMPANIES

Based on current market conditions it is believed that opportunities for UK companies exist in the following fields:

- Marine equipment (communication systems, deck & engine room machinery, electronic equipment, management systems, monitoring equipment, marine paints, navigation aids, pollution control equipment, propulsion systems generating sets, protective systems, safety equipment).
- Security related services and equipment
- Leisure boats and equipment
- Law and insurance services
- Equipment and education programs for Marine Training Schools

9. USEFUL CONTACTS

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