

Greek-shipping: A miracle or a recipe?

Associate Professor Dr.Helen A. Thanopoulou
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University of the Aegean
Department of Shipping, Trade and Transport
Chios island, Greece



Introduction: Contents



1. STT on Chios island: a Greek shipping research cluster
2. Chios and its relation related to the “Greek shipping miracle”
3. Greek shipping: A miracle or a recipe? The “ ingredients ”.
4. What are the current challenges to Greek-owned shipping?
5. Constants and changing aspects of Greek shipping policy



1. So where do I work?



University of the Aegean

- ✓ 5 (6) Schools
- ✓ 16 Departments
- ✓ 16.000 students

(Undergraduate, Postgraduate, PhD programs)

The Department of
Shipping, Trade
and Transport (STT)
Chios island,
Greece

*Undergraduate 4
year studies and a 12
month postgraduate
program*

A PhD program in
Greek or English



Πανεπιστήμιο Αιγαίου
Τμήμα Ναυτιλίας και
Επιχειρηματικών Υπηρεσιών

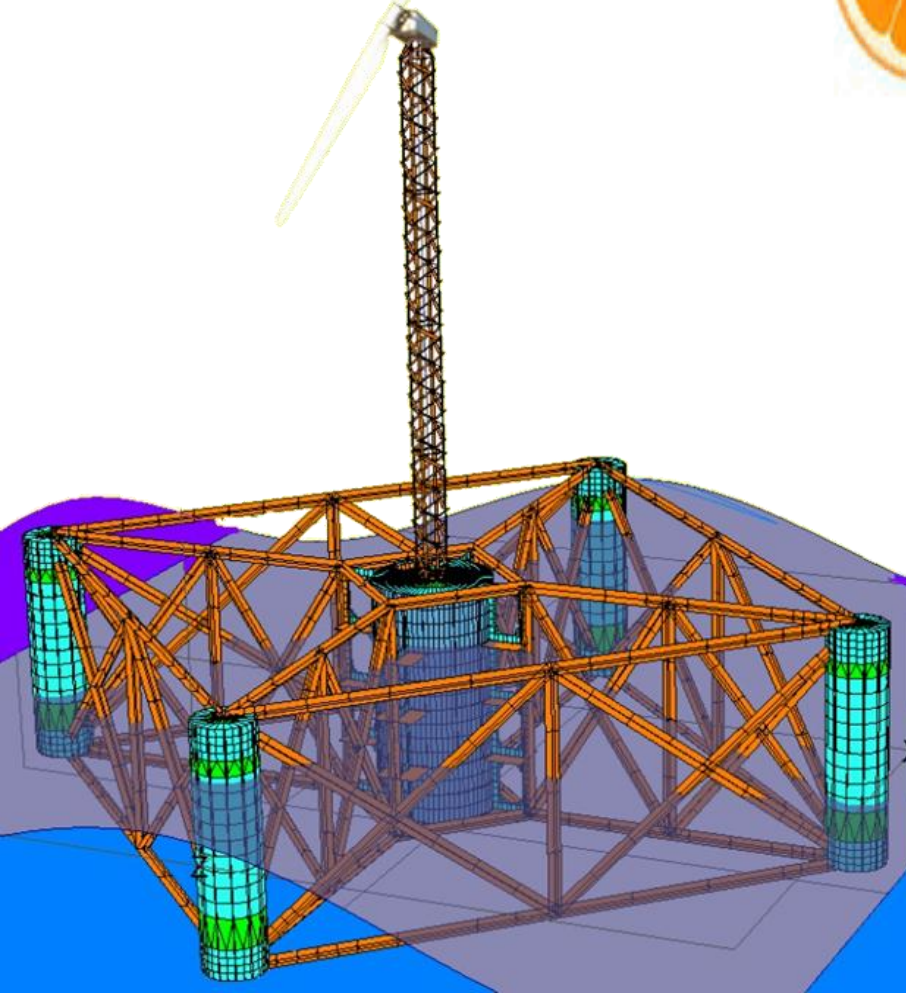
MSc in Shipping, Trade & Transport

Department of Shipping, Trade and Transport
Chios island, Greece

Inspiration - Knowledge - Professionalism

UNIVERSITY OF THE
AEGEAN
BUSINESS SCHOOL

Floating
autonomous,
environmentally
friendly and
efficient
desalination unit



2. Why is it with shipping and Chios island?



**GREECE: KNOWN (also) for A FLEET OF ISLANDS
WITH....
FLEETS ALL AROUND THE WORLD!!!**



**Greece: A country freed in 1821
thanks to the fleet of its islanders also**

The island of Hydra: Some of the old
Greek shipowning tradition



**GREECE: KNOWN (also) for A FLEET OF ISLANDS
and a top
TOTAL FLEET VALUE**

COUNTRY	FLEET VALUE IN 4
GREECE:	114 BILLION
JAPAN:	99 BILLION
CHINA:	79 BILLION

Source: Lloyd’s List At Posidonia p.9/VesselsValue.com data

In the picture: One of the many
traditional shipowning Greek islands of
Cyclades in the Aegean sea

CHIOS ISLAND: HOLDING IN TERMS OF FLEET VALUE THE
1ST, 4TH, 6TH AND 7TH POSITIONS AMONG THE TOP 10
GREEK SHIPOWNERS



Chios is the cradle of the largest regional share of the largest and still growing fleet in the world



DATE:	SHIPS	GT	DWT
MARCH 2014	3.901	170.984.684	290.847.132
MARCH 2013	3.677	155.988.384	265.336.520
MARCH 2012	3.760	155.904.976	264.054.167
MARCH 2011	3.848	153.128.919	261.675.981

Source: nee.gr



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Greek shipping today: A flexible, resilient fleet

- ✓ a different fleet from the past
- ✓ a very young fleet
- ✓ a fleet younger than the average
- ✓ a fleet with LNG and container
- ✓ About 30 companies listed in international stock exchanges





This is a top world fleet:

- ◆ of a country of just 10 million people
- ◆ having gone through war destruction many times over
- ◆ through a devastating civil war
- ◆ a number of quasi bankruptcies

Somebody must be doing something right!



3. Miracle or recipe

- ◆ So what is the secret of this success story i.e. Greek owners topping the world fleet for over 40 years?
- ◆ Is it a miracle, the result of a business recipe or of policy?

There is some history behind this growth which has set it on this path
(Haralafitis, Theotokas and Thanopoulou, 2010)



Greek shipping was there before the modern Greek state...
It was not Greek shipping then; it was the shipping of the Greeks
under every flag the ships could bear, so Greek-owned shipping (under
many flags) was then and now the figure to follow

*“Yes, we can...” under any flag, any
century...*

But how did the Greek shipowners achieve
this?

Was it chance? A miracle happening out of nowhere?

Was it a traceable recipe applied since the 19th century
to today through the interwar period?

The rise of Greece followed the progressive decline of Great Britain as the leading maritime power since the period before WW1

- But Great Britain was not to be challenged by another Great Powers of the time. Despite the rise of Japan in the world fleet, Britain lost quickly some of its captive trades (and more) to Norwegian and Greek shipping
- That was the case as well after WW2 – with Japan then rising again fast – within the Greek competitiveness paradigm which was quite distinct at the time of the Norwegian one.

Greek shipping success explained express!

- 1. Lack of other successful outlets for bright, hard-working people in Greece at the time (Thanopoulou 2007) - Social mobility outlet.*
- 2. "Their wealth was in their poverty" i.e. the lack of capital meant they had to invest when ship prices were low and succeeded by "timing and luck" (Thanopoulou, 2008).*
- 3. They were "leading by following" i.e. they were not the innovator but were silently adapting in-time (Thanopoulou et al. 2010)*

A fluctuating market is the best creator of opportunities...



For centuries, in every single decade there were freight rate fluctuations, some more and some less sudden, while the cycles never had a predictable duration

While the Great Depression following 1929 dissolved entire empires, Greek owners started building the foundations of their post-war maritime course to the top

- Many Greek shipping families of today can trace the origin of their success in the interwar period when freight markets - but also vessel values - were very low. This became a self-perpetuating recipe for success fitting the theory of *path dependence* (Harlaftis, Thanopoulou and Theotokas 2010)
- Greeks bought but also massively laid-up vessel, a story that was to be repeated in the 1970s (Thanopoulou, 1996).

Tonnage laid-up 1932

Japan	6%
UK	17%
Norway	20%
Italy	26%
France	26%
The Netherlands	29%
Germany	30%
Greece	35%

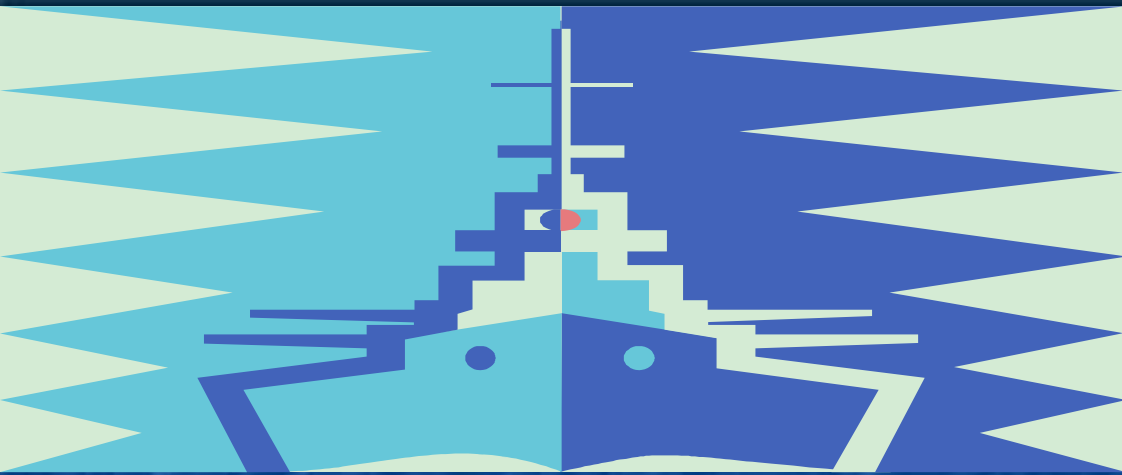
Source: Sturmev (1962)

1939 main fleets and their % in the world grt

UK	17.891.134	26.1
USA	11.361.533	16.6
Japan	5.629.845	8.2
Norway	4.833.813	7.1
Germany	4.482.662	6.5
Italy	3.424.804	5.0
The Netherlands	2.969.578	4.3
France	2.933.933	4.3
Greece	1.780.666	2.6
Sweeden	1.577.120	2.3

Source: L.R.S data in Thanopoulou (1992)

So from 13th in 1914, Greek shipping rose, in 1938, to 9th
before WW2 getting into the top ten of the world fleet



2nd World War or another cycle of
destruction and rebirth for Greek shipping



So we can trace a pattern of growth which could have been created out of “timing and luck” (Thanopoulou, 2007) through the major upheavals and opportunities of the 20th century and hopefully beyond...

**Crisis- another major shipping one -
struck in 1973 but disaster did not!**

- * The Greek-owned fleet under the Greek flag rose to its highest share again until the start of the 1980s**
- * Then Greece managed to fare better amidst the crisis**

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- * Then Greece managed to fare better amidst the crisis**
- * Guess how!**

Greek Shipping Entrepreneurship: the pattern

- A family affair
- A low fixed-cost pattern of growth
- An individualistic - yet well networked - effort

The flag (the Greek registry) had a fluctuating course

Is still recently around 25% of the total Greek-owned fleet as once in the past

But in the early 1980s it was about 75%

There had been many factors favouring flagging-in since the late 1950s

And there have been many favouring flagging-out since the early 1980s

Greek-owned fleet under the national flag

1939-1973 (in grt)

1939	1,780,666
1946	502,000
1947	1,157,000
1948	1,286,161
1953	1,222,209
1958	1,611,119
1963	7,093,974
1968	7,415,984
1973	19,295,143

Data: LRS, Tzamtzis.

*By the late 1980s, the Greek fleet was mostly
flagged-out again but by the late 1990 that was the
case also for many important fleets*



Greek shipping: A dynamic growth during the very last crisis

- ✓ Has topped world shipping orders
- ✓ Placed 25% of the world orderbook in 2013
- ✓ Has regained market share within the crisis!
- ✓ Has grown about 10% y/y (3/2013-3/2014)
- ✓ LNG value tops... the top company in value
- ✓ Containers are 100% of the 8th firm in value

The recipe of Greek shipping in the past decades: The main ingredients

- ✓ One -very large-measure of good timing
- ✓ Lots of caution when projecting you cash-flow position
- ✓ Making chartering & investment “art” out of “luck”
- ✓ Adding some extended economic life of the vessel



Αιέν αριστεύειν (Ever excelling) at sea... made simple!

Resilience (Thanopoulou, 1996) through...

flexibility (Theotokas, 1997) ...

to exploit opportunities throughout history (Harlaftis, 1993 & 1996)...

as the successful past and path (Harlaftis, Thanopoulou and Theotokas 2010) kept recreating success through a pattern of destruction and rebirth (Thanopoulou, 2008)

and the Greek shipowners continued turning challenges on their head and making them an advantage (Thanopoulou, 2007)!

The end of an era and the entry into the 21st century

- For the first time shipping investment acquired a massive scrap-by-date (in SH tankers) which it did not choose
- Environmental regulation was accelerated without warning after one and then another tanker accident
 - We witnessed the higher freight indices ever
 - And the sharpest decline of the markets as well

The recipe of Greek shipping: Is it still relevant today?

- ✓ One -very large-measure of good timing
- ✓ Lots of caution when projecting you cash-flow position
- ✓ Making chartering & investment “art” out of luck
- ✓ Adding some extended economic life of the vessel



*Challenges ahead for a fleet lower in OPEX by 23%
on average (BCG, 2013)*

- Regionalisation of policy*
- Maintaining free markets*
- Countering Piracy (again, always, alas...)*

And the things “we do not know we don’t know”

D.Rumsfeld

*5. How has the Greek state responded?
Had it a part in this?*

The importance of shipping for the Greek economy

Greek shipping in the Greek economy!

GDP share about 7% (BCG 2013)

Tens/hundreds of thousands of direct/indirect employment

Closing the perennial balance of payments deficits for decades

In ten years in the past, the influx of revenue from shipping = 1/2 of our debt then

But things could have been a lot better...

How has the Greek state responded?

Had it a part in the “miracle”?

- Traditionally there is no direct nationally induced subsidy to Greek cargo shipping*
- The coastal passenger “thin” lines are an exception and they follow the EU provisions; Greek coastal shipping, however, is a failure story for centuries*
- The successful Greek tax system has been adopted by various EU and non- EU countries*
 - Flexible foreign sea-labour rules*
- have followed a similar path with other TMC*

The Athens EU declaration of May 2014

“NOTING that the EU's blue economy currently represents 5,4 million jobs and a gross added value of almost €500 billion per year...”
(p.1)

“further action is needed to maintain and further develop attractive, safe and sustainable quality shipping and to ensure open maritime markets and access to cargoes without restraints; UNDERLINING in particular that European shipping faces significant challenges in relation to strengthened environmental requirements;”
(p.1)

Can we link the Greek-owned fleet to the Greek economy more strongly?



Greek officers	Other officers	Total officers	Grand total on all Pension Fund related vessels* 17.022
7.592	1.148	8.740	
Greek ratings	Other ratings	Total ratings	*essentially Greek flag Source: IOBE 2014, p.19
2.006	6.277	8.283	



Επίλογος



Epilogue of a long presentation through pointing to a long term relation...





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*The sea that
unites!*

You know better
than all of us in
Greece the type
and number of
Greek orders in
South Korean
shipyards



MIRACLE OR RECIPE ...
S.KOREA, 1st in world shipbuilding,
HAS its onw PART IN Greece's world no 1!

So we can celebrate our successes together!!

