

THE 3RD GLOBAL SHIPBROKERS FORUM

The Metamorphosis of Shipping

I have been asked to give you a Lawyer's perspective on the future of Greek shipping in the first part of the 21st Century, with particular reference to the question whether there will still be a place for the traditional small Owner with a mature fleet.

I guess the organisers invited me because I have a beard which is gray and they thought I looked like a prophet!

So, Here goes:

Thirty six years ago, when I came to Greece, almost all the Greek ship owners would have qualified as "small", and as having "mature" ships. Many of today's large companies, publicly quoted on the stock exchanges, then qualified for this description. To the extent that there was a "tradition", it was perceived to be that the Greek Owners were good at operating second hand ships profitably.

Law 89 was still new and it was still possible for the butcher, the baker and the candlestick maker to get together with an ex Captain and ex Chief Engineer to buy a ship with a loan from the bank and to get started as ship-owners.

Today things have changed and I do not see the same opportunities for new entrants into the business of ship owning. To set up a new venture in 2007, much more capital is required and the banks are no longer so free with loans for what is still perceived as a risky business. Like any other business men, bankers are motivated by the urge to maximize profit. They have invented ingenious new methods of investing their available funds to do this. They are no longer interested in lending to new entrants into the shipping business. In short, while still ready to lend to established owners, they are nowadays reluctant to lend to people who need the money to start up as shipowners.

I forecast that this trend will continue. Banks and financial institutions will adopt an ever more sophisticated approach to ship finance. The traditional loan secured by first preferred mortgage may even become a rarity. In their search for ever greater profits these institutions may push companies to go public who would not otherwise have considered the possibility.

There is also the deterrent of ever increasing regulation. For example, it is only a few years ago that there was no ISM Code. An Owner was permitted, indeed expected, to manage his ships in a personalized manner with individual flair. Compliance with the requirements of the various codes and regulations is an additional deterrent to persons considering setting up a new ship management company. I foresee an increase rather than decrease in the regulation of shipping, both internationally and domestically within the European Union.

I suggest that the difficulties which face a new entrant contemplating setting up a new ship owning and managing venture, may be one of the reasons for the increase in the

number of time chartered operators in the market. This is one way of getting into the business without the need for huge capital investment, large bank loans, and with minimal regulation. It is no surprise when a successful time chartered operator moves on to becoming a ship owner.

Nevertheless I do not foresee the demise of the more traditional family owned business. Those that exist are likely to continue. They may run bigger, better, and newer ships. They may no longer entirely qualify for the appellation “small” and their ships may not be regarded as “mature”. But they will continue to be privately owned and will successfully carry on the noble traditions of their fathers and grandfathers.

On board ship I believe that digital recording will increase, not only of bridge commands, and course changes. I foresee sensors being fitted which will measure all kinds of things, stresses and strains on the hull, performance of engines and auxiliaries, influence of sea conditions and wind. The increase in available data may make charter party speed and performance disputes a thing of the past, and largely do away with disputes between insurer and insured.

The price of P & I insurance is likely to continue to increase. The price of hull and machinery insurance may probably remain at more or less its present percentage level of operating cost.

Disputes will still arise between Owners and Charterers. And those disputes will continue to go to arbitration. I predict that regional centres of arbitration such as Piraeus will follow the examples of Hamburg, Singapore or Hong Kong in that a growing number of cases involving local or regional interests will be referred to them. However, I believe that the majority of disputes at the international level will continue to be referred to arbitration in London. I foresee an increase in the number of disputes which will be submitted to mediation rather than to arbitration.

Finally, as I appear before this illustrious assembly of brokers from around the world, I believe I should say something about how I foresee their business changing. I hope the audience will be reassured when I say that apart from having to cope with an increased volume of information and data, I do not foresee very much of a change in the way the ship broker, be he sale and purchase or chartering, will do his business. He will have to compete with a growing number of internet based “exchanges” through which Owners and charterers will have the possibility of being able to fix ships and cargoes without the intervention of a broker at all.

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June 2007