

Greek owners still going strong

The Greek shipowning community has always been heavily involved in the tanker sector. Barry Parker provides an overview of the Greek owners and their recent movements

The Greek maritime industry and tanker shipping have been synonymous since the Second World War. Three decades past the Golden Age for the big Greek owners, when double-digit annual growth in tonne miles brought about the dramatic rise of the big tycoons, and the Hellenic-controlled fleet is still the world's largest. According to Lloyds' statistics from late 2001, nearly 65 million dwt of tanker tonnage (800 vessels) were Greek controlled, representing slightly more than 20 percent of the world's tanker fleet in terms of deadweight tonnage. While many vessels are operated under flags of convenience, shipping continues to play an important role in Greece's export earnings. In the new century, the Greek companies represent a dichotomy - still grounded in longstanding traditions while simultaneously playing according to business rules shaped by the new millennium. Importantly, the Greeks have been influenced by the IMO-mandated phase-out schedules for older tonnage, one factor behind the massive Greek ordering boom of 1999 to 2001.

Vetting approvals still important

The world of oil transport requires rigorous vetting and approval, with the Greek community totally focused on running quality tonnage. Indicative of this approach, Stealth Maritime, an up and coming owner in the sector, states that oil major approvals are an essential priority for its management, a sentiment echoed by others in the marketplace. Out of a fleet of 17 tankers, for instance, Minerva Maritime has obtained approval from ChevronTexaco for 14 of its vessels and from Shell Trading for 16. The big companies are still largely family affairs, in spite of recent flirtations with high yield debt, private placements and even public share listings. Tankers have generally been a portfolio mainstay, but have fought for resources in diversified outfits against other sectors such as large bulk carriers, containerships and fast refrigerated liners.

Eletson: traditional and modern

The Eletson Corporation is representative of the dichotomous nature of the Greek shipping industry: traditional - still running vessels under the Greek flag - yet thoroughly modern - now sporting Eletson Direct, a private web-based extranet for its customers. Founded in the 1960s by a family of captains who had been employed by the once mighty Karageorgis empire, Eletson bought its first tanker, of 15,000 dwt, in 1969 and moved into the product trades in the early 1980s with the purchase of seven 29,900 dwt tankers, followed by a newbuilding order for five similarly sized units in 1983 from Japan. In 1986, four 46,000-dwt double-hull tankers were ordered from Korea. Through the late 1980s into the 1990s, modernisation went full bore as Eletson ordered 15 Handy and nine Panamax product carriers. By 1996, after selling older ships, the entire fleet was double-hulled. In 1999, Eletson moved above Panamax sizes, and in 2000 ordered a number of 105,000-dwt tankers and aframax product carriers from Korea.

Greek owners of big tankers

In recent years, the Greek owners of larger crude oil tankers have also firmly embraced newbuildings, no longer content to merely operate older tonnage. In the building boom of 2000 to 2001, even Greek groups previously labeled as 'secondhand only' players were linked to large scale ordering in the Far East. Greek companies are perceived to be high quality operators, enabling many of the very

large crude carrier (VLCC) newbuildings to deliver directly into coveted oil company charters, albeit at multi-year rates lower than the mid-\$30,000 per day range characteristic of the market of two years ago for tankers of 300,000 dwt. Hellespont Corporation, an international company with an operational base in Greece owned by the Papachristidis family, recently took delivery of a Korean-built 440,000-dwt ultra large crude carrier (ULCC) - the largest double-hull vessel ever built. Three sister vessels are slated for delivery later this year. The new vessel, the Hellespont Alhambra, is currently trading on the spot market, and the company indicates that its three sisters will also deliver into spot trades later this year. The new vessels feature enhanced, vented ballast spaces, and white decks and topsides to reduce heat damage to interior coatings, reflecting Hellespont's vocal position on quality standards.

Additionally, Hellespont still operates four 1970s-built high quality ULCCs from the Majestic fleet, mainly under the Greek flag, described by Alex Papachristidis-Bove, managing director, as being "in excellent condition with the capability to continue trading for some time"; a further two ULCCs were recently sold for scrap in Bangladesh. Papachristidis-Bove characterises Hellespont, founded in the late 1940s in Montreal, as an industrial shipping company with the ability to integrate vessels into cargo supply chains by managing vessel speed on the company's new diesel driven deliveries.

Kristen Navigation, the tanker arm of the Angelicoussis clan, operates a dozen vessels, including Aframax, Suezmaxes and VLCCs. Its renewal program includes five 300,000-dwt vessels ordered from Daewoo, to be delivered during 2002 and 2003, complementing two million-barrel orders from the same yard.

Also ordering big tankers that will likely be delivered directly into oil company charters is Olympic Maritime (Onassis) with two 300,000-dwt vessels to be delivered from Samsung in 2003. Embiricos has recently taken delivery of two new VLCCs from the Far East, bringing its fleet up to seven large units, while Niarchos has one on order from Daewoo for late-2002 delivery. Andriaki (Goulandris) is noted with one VLCC on order, as is Chandris. Avra (N Lemos Group) had taken delivery of two VLCCs, with one still on order.

Building and scrapping

Athenian Sea (Kyriakou), Dynacom (G Prokopiou) and Centrofin (D Prokopiou) have all been linked to new ordering, mainly in the Far East. Earlier this year, Athenian ordered two Suezmaxes from Hyundai with two further options for delivery in late 2003 to early 2004, in addition to two 73,000-dwt product tankers from Jiangsu in China, with a further four options. The company previously purchased six similar vessels from Hyundai which were later sold on to Sovcomflot.

Athenian Sea - a big player in the product sector - has also been scrapping older vessels. Nikolaos Hondos, the company's CEO, describes his company as "committed to acquiring further new or nearly new tankers, following an accelerated demolition program of its older tonnage".

Thenamaris (D Martinos) is another company of the new millennium mold. Founded in the 1960s, this sector player is linked with a state of the art web-accessible messaging system, and describes itself as committed to "modern leadership, innovative thinking, and high quality service". It has built up its portfolio of quality tonnage through shrewdly timed secondhand acquisitions and new ordering, enabling it to build a fleet of nearly 40 vessels, spanning sizes from products and Panamax crude, through Aframax, Suezmax (including some on order from Korea for delivery between 2002 and 2003) and older VLCCs. This year, deliveries of chemical and product tankers from a Korean series are still ongoing. Its fleet includes four Aframax delivered in 1998 from Dalian, representing one of the first Greek orders from China and paving the way for Athenian Sea and others.

Selling tonnage

Not all of the owners will hold tonnage for the long term, like Eletson or Hellespont, or become heavily involved in newbuilding design. Minerva, formed in the late 1990s, reflecting a second split among the three Martinos brothers, has recently been a net seller of its older ships, including what were recent late 1990s-built high quality newbuildings acquired just before the market's last boom cycle. Minerva has also exercised another potent fleet renewal strategy, that of buying yard resales or recent deliveries, acquiring a spate of Aframaxs from Korean yards in late 2001.

As recently as early 2002, it was reported to be unloading two Japanese vessels, one Aframax and one Panamax, to Drytank (George Economou), following on from the sale of a number of 1980s-built Panamax tankers to the same buyer last year. Out of Minerva's 17-unit fleet, 11 were delivered in 1999 or later.

Eastern Mediterranean Maritime, formed by T Martinos in the early 1990s, has also upgraded its fleet during market downturns. Its 15-vessel fleet, spanning product carriers (built 1999 to 2000) through VLCCs, is generally 1990s-built, except for three dirty Panamaxs built in the 1970s.

Dynacom, the tanker entity linked above to new orders in the Far East (million-barrel ships from Korea and two Aframaxs from Japan), has also sourced assets from the secondhand arena. Its ongoing process of disposal, mainly of its 1970s-built ships, is nearly completed. The company's oldest tonnage now includes VLCCs dating back to the 1970s, and its secondhand acquisitions include early 1980s and early 1990s built Aframaxs and Suezmaxs. Its Korean Suezmax newbuildings are being delivered into oil company time charters worth just under \$20,000 per day.

Metrostar (T Angelopolous) came on the scene in the late 1990s when Swiss-based Metrofin, which had made a foray into Suezmaxs in 1996, was reorganised. Two years ago, the group made a successful bid for 10 Suezmaxs and Aframaxs, all with double hulls, sold by Nordstrom Thulin Argonaut/World-Wide Shipping and financed by a Chase-led syndicated loan, just before the market took off in the third quarter of 2000. The company is also reportedly moving quickly into Suezmax newbuildings, with two Korean yard deliveries expected in the fourth quarter of 2002, and the probable announcement that it has optioned two additional vessels for delivery in 2004 from the same yard.

Public and private

Stealth Maritime, the tanker arm of the Vafias Group, concentrates on the Aframax sizes, generally in the Pacific Basin including the West Coast of the USA. In late 2001, Stealth took delivery of an Aframax newbuilding from Sumitomo which was delivered into a bareboat charter to Norden and from there on to a five-year time charter to TotalFinaElf. The vessel joins Stealth's roster of three 1980s-built Aframaxs, one Panamax and one 238,000 ton VLCC. Stealth's CEO Harry Vafias points out that his entire fleet is approved by Shell, which controls the majority of the terminals in the trading region east of Suez.

Like Stealth, Avin International strives to provide "a high level of service to major petroleum companies" and attributes its success to "a high record of vetting inspection success", says the company. Working in parallel with Varnima in London, Avin operates vessels that it has owned since their deliveries, specialising in products transportation. A company with an innovative streak, many of the product carriers were built in Japan, the Ukraine and Yugoslavia. In addition, Avin owns a trio of older Suezmax crude carriers dating from the 1970s but still trading with reduced cargo intake.

The Tsakos interests spearhead both public and a private companies, Tsakos Energy Navigation (TENN) and Tsakos Shipping and Trading, respectively. The companies are closely intertwined, with the private company providing technical management to the public company. TENN (N Tsakos), listed in Oslo since 1993 and recently floated in New York, operates a young fleet of 18 vessels ranging from

Handymax and Panamax product tankers to three-year old double-hull VLCCs, and has a portfolio of newbuildings on order. During 2002, TENN will be taking delivery of a Japanese-built Aframax (which will go on time charter) and three Korean-built million-barrel vessels, bringing its fleet up to 22 ships, 16 of which will be covered. TENN expects to take delivery of four Panamaxs in 2003.

The private company, Tsakos Shipping and Trading (P Tsakos) concentrates mainly on older Panamaxs and Aframaxs, with a fleet of some 13 vessels with an average year of build in the mid-1980s. Nevertheless, this player has also been linked to newbuilding orders in the Far East. This group, which has historically managed newbuilding programmes but then flipped the vessels to other buyers (such as the recent sale of 3 Imabari-built Panamax tankers to Latvians), has continued its secondhand buying in 2002, picking up the Diamond Echo, a single-hull VLCC built in 1992.

Another quoted company is Stelmar, unique along with TENN among Greek companies by virtue of a listing on the New York Stock Exchange (NYSE). It has carved out a big chunk of the Panamax and product niches and, with a conservative management strategy, operates the majority of its fleet on period time charters. After raising \$135m in 2001, this star in the Stelios Hajioannou firmament recently announced plans for a \$60m secondary issue, i.e. more stock funding, to be allocated towards deposits on newbuilding Handymaxes and Panamaxs. The company was founded in 1992 when Hajioannou broke away from his family's business, Troodos, a specialist in older vessels, and started Stelmar with the aim of operating a more modern fleet. Ten years later, after building its fleet through early secondhand purchases of oil company tonnage and then newbuildings, Stelmar is up to 27 ships, predominantly Handymax and Panamax sizes put away on time charters. World Tankers, the Hajioannou family company, now run by S Hajioannou's older brother Polys, has shifted out of Greece to London and Singapore. During the last few years World Tankers has bought up single-hull tonnage built up to the early 1990s, i.e. with the lengthiest OPA lives until retirement. Earlier this year, the company purchased two early 1990s-built Aframaxs and is reported to be looking at some late 1980s single-hull VLCCs.

For some Greek dynasties, shipping runs through the blood. For one important Akti Miaouli family, tanker shipping is now perceived as a better investment than the media. The Alafouzis clan was well known in shipping and in the newspaper businesses, with its media arm Kathimerini (controlled by A. Alafouzis) taking a position in two Greek-flag double-hull Aframax tankers built in 1997 for delivery into charters with ExxonMobil.

Meanwhile, a few of the well known names have reduced their tanker holdings. Elka (Karnessis) has scaled down its fleet, now composed of two older ULCCs, but its European Navigation has been linked to some new ordering. Ancora is known as an operator of smaller tankers. Its modernisation program includes the acquisition of a mid-1980s Panamax acquired recently from Minerva.

Some Akti Miaouli veterans in the large ship sizes have headed for the gangway. Hadjipateras, still operating several older units, did scrap its 1975-built ULCC Wyoming, worth roughly \$6m at the scrap prices of early 2002. Latsis, once a bellwether of the larger vessels, has also scaled back. Polembros, traditionally tied to older tonnage, has moved its headquarters back to Greece from London and has moved up to more modern tonnage.

Ceres here to stay

While some familiar names have slimmed down their tanker holdings, others are staying the course. One big name remaining in the business, a reflection of Greek community's industrial shipping capabilities, is Ceres Hellenic (Peter Livanos interests). It made news earlier this year with its sale of the 1976-built ULCC Captain Georgios (with a heavy LDT netting nearly \$7m, even at a scrap price near \$130),

but still holds five exceptionally well maintained 1970s vintage ULCCs in addition to four late-1990s Suezmaxes and more than two dozen chemical tankers. New chemical carriers presently being delivered from a Polish yard are able to segregate 40 grades of cargo. Ceres has been a staunch proponent of pooling, earlier in the Ceres-managed Seachem pool and, since its tie up in 2000, in the Ceres-Odfjell pool, a leader in the chemical parcel sector. While vessels are marketed through the new pool, Ceres Hellenic still conducts its technical management from Piraeus. On the subject of pooling, the Greek owners are not immune to cooperating with pools if there are perceived benefits. Pleaides, along with Centrofin, Liquimar, Minerva, and Tsakos Shipping and Trading have placed Panamax vessels with Heidenreich Marine's Star Pool.

Financing Greek tankers

On the financial front, some companies have broken out of their traditional mold, experimented with new funding techniques and returned to time-honoured private structures funded by equity and bank debt. Most of the Greeks prefer relationship-based conventional bank finance, which offers all important confidentiality and flexibility. As banks have consolidated, some large loan syndications have featured lately. The Metrotanker company of Metrostar, mentioned above, was tied to a \$375m facility last year structured by J P Morgan, which in turn refinanced the facility behind the 10 ship purchase. Experimentation with overseas equity sources has also been evident, at a time when the Athens Exchange has failed to deliver a workable template for tanker listings. Tsakos Energy has been listed in Oslo since the mid-1990s and was listed in New York during the first quarter of 2002. Stelmar was listed in New York in 2001 and has recently announced plans for a \$75m secondary equity offering. In the early 1990s, Eletson was the first Greek shipping company to issue a high yield bond in the US market (a \$140m 'Yankee' bond), and paid back its investors in late 2001- two years early!

Another trend gaining currency is that of selling homegrown expertise on the market. A number of companies describe themselves as shipmanagers selling finely honed IT-based operating packages to oil companies and to other shipowners. Some, such as Danaos and the Lyras organisation, Paralos Maritime Corp, have made management software available to the market. Hellespont, for instance, has made great strides in the realm of tank venting, and offers its VENT2D computer models - developed because builders of ULCCs did not have them - for the optimisation of double-hull ballast tank designs.

Beyond shipping

Success and internationalism runs in the blood of the Greek owners, many of whom have diversified beyond shipping and beyond Greece. Stelmar's Stelios Hajioannou has made a name for himself with his EasyJet airline and EasyEverything internet cafes, now with outlets in New York's Times Square. Media investments are a popular diversification for the big owners; the Alafouzis family is known for its involvement with publisher Kathimerini SA, while international broadcaster Antenna TV was founded by and is controlled by the same Kyriakou family behind Athenian Sea Carriers. Avin is an arm of the Vardinoyannis family, also active in the oil business, hotels and tourism. Thanasas Martinos (Eastern Med Maritime) has endowed high tech biomedical imaging research in the US with more than \$20m of donations. Perhaps these examples reveal yet another face of that Greek duality - mixing the old traditions with very new ways.