

The Maritime Executive Interview

PHRIXOS PAPACHRISTIDIS

Managing Director & CEO, Hellenic Shipping

By Wendy Laursen

Phrixos Papachristidis, grandson and namesake of Hellenic Shipping's founder, became CEO at the age of 28. That was six years ago now, and this year the company celebrates 70 years of shipowning and management. *MarEx* spoke to Papachristidis about the harsh realities of a shipping industry struggling through a prolonged economic downturn.





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What have you achieved in your time as CEO?

It's been just over six years, so I can't really boast about too many contributions. But I have been involved in some significant sale-and-purchase transactions for the group. Additionally, I led the incorporation of third-party management into our business model. That was something that we never really did much before I became CEO. I've also been very much involved in the chartering strategy of the fleet since the bankruptcy of Sanko Steamship in 2012. We had quite a few ships on charter to Sanko prior to their bankruptcy, and I was heavily involved in forming the strategy afterwards.

You became CEO in 2009, at the height of the market crash. How did you survive that?

Yes, it was quite an initiation, but with the support of my colleagues we were able to settle all of our outstanding obligations with banks that came out of the 2008-2009 market crash. For us, these obligations were largely due to our participation in Germany's KG financing system to gain ownership interests in a number of tankers. We took a very conservative approach to the KG system, putting the majority of our fleet on long-term charters. But even the market for tankers went through difficult times, and we exploited our experience and resources to come through after that difficult period.

There isn't much to boast about in the current shipping or offshore markets. How is Hellenpont faring?

In the offshore market the main driver is the price of oil. Frankly, no one could have predicted the drop in oil prices, but it happened. I've read estimates of about 240 rigs stacked and 1,300 OSVs idle, so given that and given that we've got four PSVs under ownership, it's taking up a lot of our time. PSV activity is at roughly 50 percent utilization at present where once upon a time it was significantly higher. There is still production going on, so there is still a need for supply vessels, but there is very little exploration.

Those are the issues we are facing, and we're affected just as any other owner is. The advantage we have is that our four Hellenpont-branded PSVs have been in West Africa for quite some time, and being an established entity in the region gives us some advantage. We are also waiting for the right time to take advantage of the situation in the offshore sector. We don't have any doubts about the long-term prospects of the sector.

What about the tanker side of the business?

Most of what we do in commercial management is time charter-driven for our four LR1 tankers. The time charter market in tankers cooled off slightly at the beginning of the year, but the general consensus seems to be that it will pick up again. Today, the tanker business is benefitting from strong earnings, but it is also affected by the price of oil, and we are looking at opportunities very selectively. They're there, but we are focusing more on dry and offshore.

On the dry side, the real problem, as we all know, is too many ships. From a value perspective, however, when you look at dry on a price-to-scrap value basis, dry is probably the most attractive of the three sectors. The only problem is that earnings, or the lack thereof, are undermining values.

Manila Shipmanagement & Manning (ManShip) is Hellenpont's exclusive manning agent. Tell us about its crewing and safety record.

When it comes to crewing, securing and training seafaring personnel is the most challenging responsibility of any shipping company today, and that's the reason we set up our manning agency in Manila over 25 years ago. We've invested heavily in new training facilities over that time because the safety of our crews, the ships and their cargoes, and respect for the environment and the communities we serve are very much ingrained in our code of conduct, our day-to-day way of doing business and in how we think about our business.

In our 70-year history we've had only one total loss, which was the grounding of a cargo ship in 1947. We had one constructive total loss of a VLCC that was hit by a missile during the Gulf War in 1986. In both cases we had no loss of life. We take the responsibility of crew safety very seriously.

Despite the Greek heritage of both the company and your family, Hellenpont has not been significantly affected by the Greek economic crisis. Do you sympathize with the plight of Greek shipowners?

We have Greek roots, and we sympathize with what Greece has been through. Greek shipping has been a huge contributor of tax and foreign exchange earnings to the country, and it's never had state commercial or financial aid as an industry. Without benefitting from any domestic trade or special tax benefits (its tonnage system exists in several other maritime nations),



Papachristidis alongside a picture of his grandfather.

Greek shipping has stepped up and increased tax contributions quite significantly since the crisis.

What technical challenges are you dealing with at present?

We've usually got at least one ship in an Emission Control Area at any one time, and I see issues with fuel. It's not really clear how the combustion properties of new fuels such as ultra-low viscosity heavy fuel oil affect engines. Time will tell. And on the same subject of bunkering, "cat fines" – small abrasive particles in fuel that can damage ship engines – are also a concern that we take very seriously. Standards for bunkers are getting questionable, and it's something we have to be very careful of as ship managers.

Ballast water management is another issue as the IMO moves ahead with its requirements. We are waiting for a system that is approved for permanent use by the IMO and the U.S. Coast Guard, one that, over time, several manufacturers will be producing. We are not there yet.

Another issue that comes to mind is ECDIS. I often ask myself: "Why isn't ECDIS like a SatNav in a car?" I know they are two different transport mediums, but why can't the design of shipboard systems be more robust? Why can't there be similar methods of using the system across different suppliers? These are issues that make using the systems more problematic.

More generally, newer ships are increasingly dependent on electronics in critical machinery. It's hard to gauge the real efficiency of some of these technologies in dollar terms for shipowners.

If you could choose anything, what would you change about the industry?

We always invest very heavily in site supervision at shipyards during newbuilding projects because a ship's performance depends very much on how rigorous the construction supervisory team is. I'd like to see classification societies more on top of this. Ideally, classification societies should be paid by underwriters. What would come out of that is a raising of standards in

ship design, construction, operation and maintenance. I'm thinking really about conflicts of interest between shipyards and classification societies in the construction process.

Another change I would like to see in an ideal world is shipyards giving real warranties. My toaster comes with a better warranty than what shipyards give to shipowners. When warranty claims come up, shipyards are all too quick to abdicate responsibility for something that was clearly the shipyard's fault.

Getting back to the real world again, what has been occupying your mind recently?

The decisions I have been making over the last two years have been focused on two things: making sure that the organization is operating in line with its mission and strategies and also that it has the resources to run effectively. What occupies my mind now is making sure we are continuously improving the safety of our

seafarers and the quality of our services for end-users, charterers and third-party shipowners alike. We are lucky to have like-minded shipowner partners. We are service providers to them in the end, but we think of them more as partners in our business.

The industry is very relationship-driven, so I spend a lot of time developing relationships, being out there on the road, talking to people and identifying what they need and how best we can deliver value.

What plans are you making for the year to come?

We are looking for opportunities for growth as third-party managers and owners, either through outright ownership or participations in ships. So we are considering various opportunities. Shipping has more lives than a cat. At some point in time, markets will recover. We don't have any doubt about the long-term prospects of the industry, and we think that this year we'll be able to move on one or more opportunities. **MarEx**

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