

Theophanis Theophanous:

Management can overcome problems



The judicious application of management can offset many of the effects of an adverse market, says Theophanis Theophanous, managing director of Bernhard Schulte Shipmanagement Hellas (BSM). Cost-cutting is fine, but not at the expense of vital functions. A modest recovery seems to be on the cards, despite the waves of economic and political uncertainty around the globe. Any possibility of Greece abandoning the euro, however, is fraught with risk for the country.

Despite optimistic forecasts, it does not appear that the market will recover in the near term. How is the ship management sector reacting to such a prospect?

Low market rates which are devastating for both Owners and Operators do not necessarily have the same direct effect on third party ship managers. As it is understood ship managers are required at such times to provide the best available service at the best available rate and thus have to minimise their profit margins whilst selecting their clients through strict risk assessment to eliminate financial liability. However, these challenging

circumstances can also provide business opportunities as ship owners have a growing need for support via optimisation of costs, strict budget control as well as maximising synergies to achieve economies of scale across a range of service provisions.

One of the primary advantages that a manager can offer is the mentioned optimisation of costs. Owners who outsource can access extensive supplier synergies, for lower costs across the range of a ship's OPEX, reduce their in house personnel requirements, as well as achieving flexibility to meet changing market needs. This becomes evident as BSM takes part in the annual Boston Consulting Group study and the results reported for 2016 showed that the OPEX levels achieved for BSM as a third party manager, were on average 11% lower than Owners and Managers in the industry sample, across all vessel segments. This is becoming realised more and more by Owners in the difficult times who slowly but steadily turn to third party ship management.

In times of crisis cost cutting plays an important role however the critical importance of loss prevention must not be overlooked. Focus is always seemingly directed towards reducing costs and all too often it is heard that the first choice for optimisation of costs relates to the human element of the OPEX budget. However, looking at the wider picture it can be seen that it is employees ashore and the crew on board each ship, who are in fact fundamental in both asset and financial loss prevention. Well trained seafarers supported by experienced shore based staff, are the business operatives required to minimise accidents/incidents which can occasionally result in financial devastation. Likewise their proficiency can be utilised to achieve better planning for cost savings, better prices with their experience and subsequently a streamlined and well maintained budget.

Aside from the mentioned focus on cost minimisation, which is in fact a desirable outcome of the economic crisis and must be adopted by all, the ship management sector has had to adjust to the poor market consequences of reduced sales and purchase activity combined with fewer newbuilding orders, which in parallel has limited business expansion opportunities. As the market strengthens moving forward, then the lessons learnt during its extended downturn must definitely be maintained so that future growth can be achieved sustainably.

The difficulties faced by listed companies appear to be continuing. Do you think there are chances of improvement or are you afraid of a further fall in shares?

Presently there seems to be an increased positive impression that the markets will continue on a path of gradual recovery. Should this materialise then the difficulties that have been faced by the larger listed companies and also by the small and medium sized ship owning companies, will hopefully ease up. For most of the owning companies their assets are in negative equity and the poor charter rates achieved keep applying growing pressure to the balance sheet. Thus, most companies are faced with the double threat of low assets value and meagre cash flow. Obviously this jeopardises bigger listed companies, as they have to answer to the many stockholders that are constantly called to invest more money into what seems a bottomless barrel. However, it is all about supply and demand and for example there seems a noticeable interest in the bulk carrier owning market. Purchase and thus asset value is low at the moment and therefore becomes very appealing to investors hoping for a future increase in sale and purchase prices. Greek owners are now investing in bulk carriers and time and time again it has been noted that when the Greeks make such investment moves, then a positive trend follows. Though at this time, decisions should be made cautiously keeping in mind that the market has not regained momentum as of yet and could easily regress which could be devastating.

How do you see the crisis in Greek and Greek-owned shipping evolving? Will the Greek-flagged fleet continue to shrink?

Recent times are more economically unpredictable than ever before however this is doubled by the political instability of recent European changes that have transpired, such as the Brexit, the rise of populist movements and parties in Europe and across the Globe. In this environment the con-

tinuation of Greece as a full EU member and part of the Eurozone is challenged. As difficult as they may be there must be reforms for a troubled Country, such as Greece, to advance and correct mistakes that have occurred in the past, causing economic downturn. It is important for legal and financial alterations to be adopted fully and nationwide, otherwise the development required will never be achieved. All opportunities where restructuring will bring about much needed financial income, as well as providing employment, must be fully exploited to assist in the rectification of extended recession. An example could well be the Greek flagged fleet, as in times of crises opportunity always arises when one is focused. With Government support aiming to minimise difficulties in adoption of the Greek Flag, ease up the paperwork and improve on the service standards, then there is no reason why it could not become more competitive nationally and expand significantly. A strong Greek flag, as in the past, would provide a financial boost to the local maritime industry, the Greek Seafarers and service providers. However, it has been proven that in recent times missed opportunities are predominant and change is slow and clumsy and this minimises any optimism that the Greek Flag will soon be revived.

How did the shipping sector view the change in the US? What does the election of Trump mean for a shipping manager?

It is too early to comment about the outcome for shipping of the new president of the USA, but certainly there will be considerable effects. There could be benefits to be gained if for example the deliberated USA trade reforms, such as NAFTA, are finally actioned. Maritime trade could perhaps provide the solution for continuation of economically sound trade with the USA and hence provide some strengthening of the shipping sector the upcoming year ahead. On the other hand, the new president is choosing a seclusion path for the nation that would suggest less demand for import of foreign goods and thus slowing of trade to the USA. The



States could be involved in a kind of trade war with other big export countries such as China that would definitely worsen chartering and free shipping activities. The world is changing with USA as the usual forerunner and the stepping down from the extreme growth brought upon by globalisation and capitalism is challenging and daunting even for shipping. The Enactments of the new US Government must be closely monitored and the proven instinct of the experience ship Owner should be used, to take advantage of any potential opportunities or minimise risks and perils.

Do you think there will be positive developments in Syria and if so, how will these affect maritime transport?

There should be a combined effort by the EU, USA and Russia to find a solution to the devastating problems faced in Syria but this is something yet to materialise. Aside from the political stability that first has to be achieved, restructuring of the Country needs sustained financial resources with longstanding political support. There is a paradox that the ever increasing terrorist attacks worldwide have aided all other nations to identify a common enemy that they now want to focus on. It seems that situation has matured enough for a solution to be reached and a permanent or even a temporary peace agreement to be achieved. After that should follow restructuring and maritime transport could undeniably have a considerable role to play; not only in the reformation phase but also for import and export needs and the much required human aid.

As a great deal has been said and heard about the country returning to the drachma, what is your view on this issue?

Taking steps backwards rather than forwards seldom is the best idea and as such for Greece to leave Eurozone, returning to a national currency, surely cannot be considered favourable. The only benefit from the new Drachma would be the country's theoretical competitive advantage due to cheap labour and services derived from a weakened and devaluated coin. Constant devaluation and thus inflation would almost instantly take place cancelling out any advan-

tage since the country is not self-sufficient requiring imports of necessary commodities such as fuel and medicines. Eventually the country and citizens would have to buy foreign currency in order to obtain expensive items and services using a cheap and almost worthless coin. Being outside the strength and protection of the Eurozone would leave the country helpless to the appetites of capitalistic vultures, since nobody would accept to loan on good terms and that would cause the economic status of Greece into a further downward spiral. Apart from the Country's debt and financial position, citizen status would also worsen as most housing debts and loans would remain in Euro but their income would be in a depreciated currency. In this situation the only hope would be for the national tourism trade to strengthen, based on the lower valued Drachma, as well as investment from businesses looking to take advantage of an operationally inexpensive European location. However, lack of basic goods that are currently a norm would make service provision very difficult. For real life instances of such repercussions one could look into the examples of previously rich Southern American countries such as Venezuela and Argentina but this outlook if so, is certainly disheartening.

What are your Company's targets for 2017?

Despite the shipping industry's ambiguous future, there are an abundance of methods Owners can implement to achieve operational and cost optimisation, one such instance is outsourcing to a third party ship manager. BSM shall never implement cuts in areas that can, as a result, have a considerable negative business impact. Instead we make the most of the economies of scale achieved through our Global synergies, draw on the experience of our vast range of human resources and drive initiatives to achieve optimum service provision for clients.

After more than ten years of operation in Greece, BSM Hellas currently has a well-established name and we are very proud of the collaborations we have formed with a range of first class Greek companies. We are confident that further expansion can be achieved using tailor made solutions to meet the individual needs of each Owner, which we consider is the key to achieving lasting partnerships. Adaptability is essential for any business to prosper, developing ever more dynamic service provisions via collaborations and adoption of new technological job enhancing initiatives, must take precedence during strategic planning to ensure a healthy growth plan, both in the near and long term future.

