



Minister Mario Demetriades (left) talks with Intership's Dieter Rohdenburg and group chairman Alfred Hartmann

Planning the way ahead

Bob Jaques reports on moves to fashion a revised national shipping policy for Cyprus and strengthen the maritime cluster by attracting more new companies to the island

In the space of just 30 months Cyprus has recovered from its banking and financial upheaval of March 2013 and is set to return to economic growth, albeit modest, by the end 2015, one year ahead of the expectations of the so-called troika of international institutions that allocated it €10bn of bailout funds.

Indeed, the country's financial situation now seems remarkably secure compared to neighbour Greece, especially in terms of the favourable conditions extended to shipping and shipmanagement companies operating there. The country's tonnage tax scheme covering a broad range of activities – from shipowning to ship management, crew management and chartering – were approved by the EU as recently as 2014, meaning there are now rumours of Greek-based companies looking to relocate to the island.

To give fresh impetus to new arrivals to its maritime cluster, the Government of Cyprus in the form of Minister of

Transport, Communications and Works Marios Demetriades last year commissioned a Study on the Future of Shipping in Cyprus from consultants EY (Ernest & Young), the findings of which are due to be made public at the Maritime Cyprus conference and exhibition in mid-September.

'If you take our shipping product in Cyprus it needed some rebranding and refreshment because we haven't invested enough in shipping in recent years,' Minister Demetriades told Seatrade during his visit onboard an Intership vessel calling the wet and dry bulk port of Vasiliko near Limassol in late June.

'The reason I commissioned [the study] was to have a structured report to tell people what to do,' he explained 'But the important thing will be implementation,' to be carried out by a 'more autonomous and flexible' Department of Merchant Shipping, which oversees flag and regulatory matters within his Ministry.

Already some of the report's findings have been included in the Ministry's spending plans for 2015, he added, such as greater personnel in

DMS overseas offices, which are located in New York, Rotterdam, Hamburg, Piraeus and London.

'Another area [of the report] is service for the local shipping community,' he continued, 'so we've set up a committee based within the Cyprus Shipping Chamber (CSC) to see what other incentives are needed for the local community, such as for executives based in Cyprus, like a non-dom tax.

'The Minister has launched a valuable initiative,' comments

Themis Papadopoulos, president of the CSC and Interiorient ceo. 'The study by EW gives the fullest picture of Cyprus today as a shipping hub and compares it to others. It identifies our strengths and weaknesses and where we need to pull our socks up – either by

changing the way we do things or by offering new incentives. This is the first time in my 10 years as Board member of CSC that the Ministry has had such a vision and appetite for national maritime policy, so we are enthusiastically supporting the Minister and government in what they are doing.'



T. Papadopoulos

'I think it is going to lead to something good,' he continues. 'Whatever comes out of it will be a positive step. We are growing as a shipping cluster but very slowly. We've probably been overtaken by some of our competitors so it's time for a push and a co-ordinated one, not in a haphazard way.'

On which note Papadopoulos informs that the CSC is now working closely with the Cyprus Union of Shipowners, a body largely comprising Greek owners of Cyprus-flagged tonnage, the two associations enjoying joint representation at ECSA in Brussels and also on committees dealing with national maritime policy within Cyprus.

'The report will be a very useful tool towards drafting of a new national shipping strategy and how to achieve that in a structured fashion,' adds CSC director general Thomas Kazakos. 'It is not the end of the process just the beginning, the first tool.'

Intership ceo Dieter Rohdenburg serves as vice president – domestic affairs for the CSC and comments that 'what we've been pushing for as an industry is more promotion of the Cyprus flag and Cyprus shipping

cluster.' This needs to be carried out overseas by people in the DMS 'who understand shipping and speak the local language,' he says, but above all what is needed is 'more shape to the local shipping cluster... in order to attract new people to Cyprus.'

Another shipping development underway on the island is the tender for the commercialisation of services at the Port of Limassol currently underway, where Minister Demetriades confirmed there has been 'a lot of interest'.

'The reality is we haven't exploited our ports as we should have done,' he said. 'I believe the government is not the best entrepreneur – the best solution is the new landlord structure using [its] infrastructure but bringing in professional managers.'

Two concessions are believed to be on



PHOTO: MARLOW NAVIGATION

Government and industry pulling together

offer for Limassol: one of 25-30 years for the container/multipurpose terminal, and one of 10-20 years for marine services; separately a new cruise terminal is also being built.

'Ports are part of a shipping cluster,' the Minister commented, 'which in Cyprus at the moment is mainly ship management but would benefit if we were to attract good [port] operators to Limassol. Shipping at the moment is the Number One industry we need to promote in Cyprus, and I think we will see a lot of [new] people come.'

Flag administration eyes more proactive role

Acting director of the government's Department of Merchant Shipping (DMS), Andreas Chrysostomou describes the fact that tonnage under the Cyprus flag is roughly the same as it was back in the 1990s – some 1750 vessels of 22m gt – as both a positive and a negative.

On the one hand this show that 'we're doing something right,' he says, with Cyprus the third largest flag in the EU and 10th largest in the world.

'But at the same time we haven't increased our market share as the world fleet has grown,' which he says is one of the reasons for the government's latest policy review (see previous article).



A. Chrysostomou

'The Department has to be forward looking,' continues the acting director, the job of a flag administration having changed even from the time that the last permanent director, Serghios Serghiou, left in 2012. After having narrowly missed election to the top job at the IMO in June, Chrysostomou is now in the running for the permanent

DMS director, likely to be awarded in late 2015.

The work of the DMS covers 'not just flagging but also port and security issues, and the integration of maritime policy for the island including spatial planning,'

he says. 'The new director has to consider all these elements and put them together in a co-ordinated way.'

Employment of more exclusive surveyors is on the agenda for the DMS, as well as adopting a 'more electronically friendly eco-system' with more information on the web and the introduction of apps for mobile phones, even possibly a new headquarters building.

Also greater involvement in the offshore sector looms, should drilling for gas begin in Cyprus water, with DMS required to issue safety licenses for ships wishing to enter the safety zone of drilling platforms.

Chrysostomou points out that the DMS already has some knowledge in the field with offshore service vessels registered under the flag that are active in other regions.

Cyprus-flagged Interiorient
product/chemicals carrier



From managers to owners and back again

A common trend among many Cyprus-based shipmanagers a few years back, when shipping markets were on high, was for them to shift emphasis to owning and operating vessels themselves or on behalf of their principals. But with operating margins now very slender, the emphasis has shifted back to third party management, as well as diversification into ancillary value-added services.

'At a time when business is not very lucrative for owners, that's a trigger to look at management again,' says Norbert Aschmann, who took over as ceo Bernhard Schulte Shipmanagement (BSM) at the beginning of the year.

BSM has some 340 ships under full management (as well as 250 under crew management) and that number has grown of late, he points out, but so has the number of shipowning companies offering management services as well.

What differentiates BSM from others in the market is its training activities, he continues. 'Training is not a cost, it's an investment. It's not our vision to be

the leader in size but we want to be the leader in quality management.'

In this respect BSM runs wholly owned Maritime Training Centres in five locations around the world, including one in Limassol, that are an integral part of the group's activity.

BSM was formed by the merger of different Schulte management companies back in 2008 and has undergone a protracted process of integration ever since, but now is eyeing growth again, either organic or through M&A. 'New business development is back at the top of our agenda,' says Aschmann, quite possibly involving 'the scope of our services as a maritime solution provider.'



N. Aschmann

The group already offers ancillary businesses such as Seachef, which is run out of India, offering onboard catering as a value-add to its crew management services, and newbuilding design and supervision unit Schulte Marine Concept, based in Shanghai and Hong Kong/China.

Limassol-based crew communications business Telaccount Overseas was sold

off to World-Link Communications earlier this year, however, as being non-core.



A. Hadjipetrou

Ship management is 'back in vogue,' agrees Columbia Shipmanagement (CSM) md Andreas Hadjipetrou, because of the welter of technical, environmental and other issues involved in vessel operations today. He points to areas such as ballast water management, low sulphur regulations, piracy concerns, the Arctic code, ship recycling and the humanitarian crisis of illegal immigration, all adding to the complexity of operating ships.

'There are so many ongoing challenges that you need a sizeable operation in order to comply with regulations, and also to exert influence through trade bodies and the like. We always said that as an owner you needed at least 6 or 7 vessels to make it cost-effective, but now I think it's nearer 10-12 - the 'breakeven' number has definitely increased.'

'At the same time for owners today the low returns mean they have to try and economize,' he continues. 'We keep a

frequent exchange of information with the client so he knows where to invest in the ship and is kept updated on a quarterly basis on costs. So it's more of a partnership, and experience has shown that by having your ship with a quality third party manager you increase the tradability of the ship with a charterer or oil major and so on.'

In total CSM has about 380 ships under management, of which 100 are crew management. About half (150) are tankers, and the crew roster is around 14,500 seafarers. Passenger ship activities were hived off into a separate division earlier this year aiming to expand.

Interorient currently has about 120 vessels under management, mostly product tankers and bulk carriers, of which a large number are owned outright and most of the remainder belong to fellow members of the three Norient pools manages. The largest pool is the original one set up jointly with Norden for some 90 MR1/MR2 product tankers, while there are two smaller bulker pools, for handysize and post-panamax carriers.

A small number of managed vessels are pure third party and the company expects to grow that side of the business significantly in coming months.

'We're seeing a lot of activity on the management side, opportunities to grow' comments ceo Themis Papadopoulos. 'We're pursuing those, something we haven't done for a number of years. We were on a fairly aggressive path on the owning side, with about 20% to 30% owned and the rest third party, some members of the pools we run. We offer commercial management for about half the fleet, including our own vessels.

One potential growth sector is OSVs since the company already has a joint ownership stake in 10 AHTS vessels in Nigeria and is now exploring the possibility of taking over other offshore marine vessels – which would position it nicely were oil and gas activities to start taking place off Cyprus. 'There are quantities of hydrocarbons for exploration, we need to see where prices settle and politically how things develop, not just here but in the region' says Papadopoulos. 'But there are reasons

for optimism, and while it's certainly not a slam dunk, that would open up a wealth of opportunities.'

Intership Navigation, part of the Hartmann Group, manages 84 ships of which about 55 are owned with some of the remaining vessels managed on behalf of business affiliates and others pure third party, informs ceo Dieter Rohdenburg.

The company currently has three bulk carrier newbuildings on order that will go on long-term time charter to Fednav of Canada, for whom Intership already manages 10 vessels. The Hartmann Group's own bulker operation, UBC (United Bulk Carriers) is currently 'outperforming the market,' Rohdenburg adds.

Technical innovation has always been one of Intership's strong suits and the company also operates a number of innovative pneumatic cement 'tankers', as it calls them. It is also looking to convert two of its 5,000dwt mini-bulkers to a cement carrier with dual-fuel LNG propulsion, and to convert one if its existing cement tankers to dual-fuel as well with the charterer's agreement. Intership's cement carrier fleet is one of the industry's youngest and more orders for the pneumatic-type cement carriers are expected soon.

On the internal front, Intership moved into a brand new purpose-built office block in 2013, a move that has helped regeneration of the surrounding area of Limassol, and the company has a very active CSR programme.

Unicom Management Services (Cyprus) is the management arm of the Russian SCF group and has some 91 vessels under full management from its offices in Limassol as well as St Petersburg and Singapore.

Currently some 10 of the managed vessels are not fully or partly owned by principal Sovcomflot, and md Sergey Popravko says the company would 'very much' like to increase that number.

'We need to keep in touch with the market and to learn and benchmark quality from a variety of owners not just one,' he says. 'With one owner you can be restricted in scope.'

PHOTO: SEATRADE





Sovcomflot LNG carrier Pskov

He cites as example 'When Sovcomflot enquires about opex values, if I have only one client then I am the market, but if I offer my services to others and they accept it, that's the market.'

A greater number of clients would also serve to optimise expenses, he adds, as well as providing useful extra cashflow. And were Sovcomflot's long-promised IPO were to take place, 'they could tell potential investors that management of their fleet is 'up to internationally recognised standards.'

Technical innovation is very much on Unicom's radar at present, Sovcomflot having recently taken delivery of four 170,000cu mtr dual fuel LNG carriers of membrane design built by STX in Korea, and ordered our ice-class OSVs for use in the Sakhalin II project from Aker Arctic in Finland.

The Russian shipowner also has three 47,000dwt ice-breaking Arctic shuttle tankers on order at Samsung, as well as the first of what promises to be an important number of ice-breaking 170,000cu mtr LNG carriers, both for different projects in the Yamal peninsular in Russia's Far North.

'What we can do better than others is management of ice-class vessels, specifically oil tankers, bulkers, LNG carriers and OSVs,' says Popravko. 'Also we can offer project design from outline

specifications and yard negotiations through to construction supervision.'

Capt. Eugen Adami, founder and ceo of Mastermind Shipmanagement, is immediate past president of the CSC, in which role he instigated the Limassol Declaration, signed during Cyprus' presidency of the EU in 2012.

The Declaration stemmed from the 2004 vision of Jacques Baroso, then president of the EU Commission, to create a Europe-wide Integrated Maritime Policy (IMP) – including areas such as ports, offshore development, fisheries, oceanography, cartography and marine police as well as shipping and leisure boating – in order to foster 'Blue Growth', he explains. By signing it, EU member states reaffirmed their willingness to adopt an IMP in their own countries.



Capt. E. Adami

'I wanted to wake up the people in government here to do something really innovative in shipping by a complete restructuring of our maritime administration,' Adami recalls. One of the main drivers was 'to create further employment opportunities for the Cypriot-European workforce,' he says, being a passionate believer in the need for greater maritime education and training in Cyprus in order to enrich its maritime cluster

Adami's own company MasterMind manages 16 vessels, 12 of which are

100% owned, two part-owned and two pure third-party. All are multipurpose vessels sharing certain common features – geared, shallow draught ships with twin engines and twin decks – allowing them to operate in niche markets such as river trades in developing countries. A new round of order to replace the older of these vessels is expected shortly.

The Uniqa Group of companies offering ship and crew management has progressively taken shape over the last couple of years headed by Andreas Droussiotis, former ceo of Bernhard Schulte Shipmanagement (BSM) and ex president of the CSC. After announcing his retirement at end 2010, Droussiotis was lured back into the business by the request to take over management of ships belonging to Reederei Thomas Schulte, run by family member Alex Schulte, which had separated from BSM back in 1989 and gradually built up its own fleet.

Uniqa currently provides the full gamut of management services - including post-fixture operations, quality and safety, technical and crewing – for some 19 vessels belonging to Thomas Schulte, plus crewing for another 33. Its employs some 24 staff, including the former deputy md at BSM Christos Tofas who joined in July.



A. Droussiotis

'For a newcomer in the market... what's important is how much effort you put in, what you can deliver by way of service and the quality of that service,' opines Droussiotis. 'We are extremely systematic and detailed on this,' he adds, with the company set to branch out into third party management shortly, targeting the Greek market amongst others.

The above is by no means an exhaustive list of shipmanagers based in Cyprus. Largest group in the sector V.Ships now has some 70 ships fully managed from the island, while Mediterranean Shipping Co is believed to run as many as 150 of its vessels from Cyprus, reinforcing the island's claims to be the world's ship management capital. ●