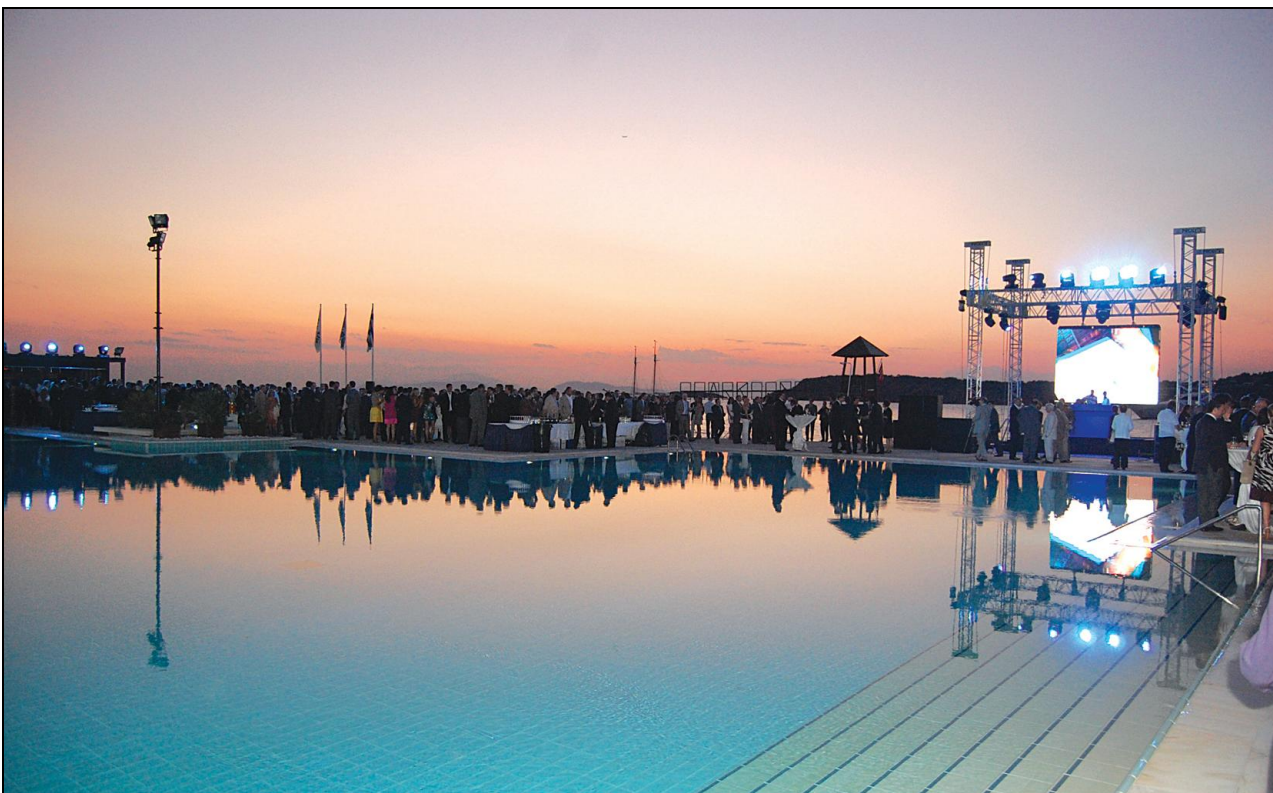


Slater's Posidonia preview



The Posidonia party arrives in Greece against a backdrop of austerity, facing the effects of maritime piracy and political pressure over Greek shipping's tax status.

Bloomberg/French Ministry of Defence/Eletson

There will be plenty to talk about in Athens this year, but Greece itself may need its maritime community to come to its rescue



PAUL SLATER

THE gathering in Greece is upon us again. Posidonia is more of a party than a commercial convention. Little or no business is conducted during the week-long gathering and most people go to have a good time.

Greek shipowners, most of whom do not live in Greece, are reluctant to hold lavish parties. Not because of the terrible state of the shipping markets, but more in fear of upsetting the local Greek population, who face the worst economic crisis since the end of the Second World War.

In 1967, a military coup ousted the king and turned the country into a republic. At that time the leading Greek shipowners combined to persuade the new rulers to pass a law the like of which had never been seen before or since in any of the countries of the so-called developed world.

Why, one may ask, do Greek shipowners own most of their ships outside Greece and employ mostly non-Greek officers and crew, if the local laws give them complete tax exemption?

Law 89 in effect excuses all Greek shipping companies, their owners and their subsidiaries, not necessarily in shipping, from all taxation of any

type in Greece. Why this should be, or what quid pro quo was involved, is unknown but the effect on the Greek economy has been enormous.

Greek-controlled shipping today represents the largest bloc of ships in most cargo sectors with the notable exception of containers. When Law 89 was enacted a majority of Greek-owned ships were operated from Greece and the Greek flag flew on most of them.

Today, only 20% of Greece-owned ships sail under the country's flag and most of those are involved in local and inter-island trade. Yet the Greek government still claims that shipping is second only to tourism as the largest contributor to the economy and represents some 6% of GDP. The foreign earnings from shipping came to \$15.4bn in 2010 and Greek shipping is reported to have contributed \$140bn to the Greek economy between 2000 and 2010, which is half of the Greek public debt in 2009.

Most of this money is untaxed and does not stay in Greece.

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Against this background the other members of the European Union are working towards rescuing Greece from bankruptcy and possibly exiting the eurozone. Whatever the austerity measures that Germany wishes to impose, shipping is unlikely to be affected. Meanwhile, we hear from Spyros Polemis, the retiring head of the International Chamber of Shipping. Mr Polemis says governments "should treat shipowners as equals".

First, shipowners are not a body corporate but made up of thousands of individual, mostly private companies that do not act in consort but compete vigorously with each other all around the world.

They have formed many bodies, from shipowner associations to special sector groups, to attempt to collectively represent their interests with the world's governments.

Their membership is sparse and many owners are scared of anti-trust issues if their economic concerns are discussed in the meetings. Technical, operational and legal issues are the main points of focus by these associations and

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they have little influence on governments, particularly in the developed world.

This is probably because in the 1960s and early 1970s the industry was dominated by large national shipping companies such as P&O, Hapag-Lloyd, Nedlloyd, US Lines and Maersk as well as the large Japanese companies, Mitsui, NYK and K Line, all of them with very close relationships with their respective governments.

All this changed in the 1970s as these traditional liner companies were overtaken by new shipowners

operating under flags of convenience that were not only tax exempt, but also avoided labour laws and other operating restrictions that existed in the old maritime nations.

So today the vast majority of deep ocean ships are owned in these now renamed "open registries" whose governments are primarily interested in the fees they earn from their very efficient corporate and legal documentary services, which some even operate from within the US.

Ironically, with the introduction of port state controls and laws covering toxic emissions and ballast water discharges, the old maritime nations are exercising governmental controls over shipping.

Governments listen to the citizens that live in their countries and to businesses that employ those citizens and pay taxes to the government. They will not adjust their laws to suit non-resident foreigners or their non-resident ships. They will work together with other similar governments who are deeply involved in the transport of their imports and exports by sea and convene within the International Maritime Organization to achieve laws that have universal application.

Non-residents and non-taxpayers have no seat at the table even of the governments of the flags of convenience with which their ships are registered and who themselves have little or no clout on the international government stage.

The navies in the Indian Ocean are protecting ships that fly their flag or are carrying nationals of their country. By agreement they are responding to ships of other similar nations but are reluctant to broaden

this to all ships as their resources are limited.

Security operatives need to be examined and licensed and operate under an agreed set of rules and guidelines written by people with maritime and security experience

The costs of this naval security are borne by the taxpayers of the countries with the navies and once again the tax exempt open registry crowd has no standing on the issue.

Much has been said about private security guards being on ships and what they should or should not do.

Private security firms on shore are only there to prevent and protect their clients and not to take enforcement actions. Their use at sea in the current circumstances is different, in that they can take lethal action if attacked and there have been many successful examples where they have prevented a hijacking.

The security operatives need to be examined and licensed and operate under an agreed set of rules and guidelines written by people with maritime and security experience. The costs should be included in charterparties and thereby paid by the cargo owners who otherwise can choose a different route for their goods to travel.

The Posidonia attendees will have plenty to talk about this year but Greece itself may need its maritime community to come to its rescue. ■

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