

E-Interview with Prof. Orestis Schinas about: "Ship Financing - Investment Opportunities and Strategies for New Market Segments"



Title of Interview:	Ship Finance
Name:	Orestis Schinas
Functional Area:	Professor of Shipping and Ship Finance
Organisation:	Hamburg School of Business Administration

Short professional CV:

Schinas was involved in large corporate projects (such as IPOs and privatization of Port of Piraeus) as well as in many R&D projects focused on maritime and marine issues.

He has experiences in claims and surveys, newbuildings, repairs, marine training, project development and has also offered his services as external expert to the European Commission and IMO.

Schinas has served as CEO and Member of the Board of large public entities in Greece. He holds a doctoral degree in ship finance, a degree in Naval Architecture & Marine Engineering (Dipl-Ing), and an MSc in Shipping Management.

Investment Opportunities and Strategies for New Market Segments

In the context of the Conference on Ship Finance at SMM 2008, Hamburg

While international financial crisis still increases in size and reach some major national economies face severe recession risks. The international ship financing community – being the pacemaker of international trade and growth – now has to deal with those issues as well.

Hence, the ship finance industry has to give some answers to how maritime markets and players are affected by the credit crisis. Do we have to invent new and innovative financing schemes? Will there even be new opportunities for ship financing arising from the crisis? How are investments in ship funds affected by the new market environment? What does this mean for the private investor in ship funds?

This virtual roundtable wants to shed some light on these issues related to ship financing. We invite experts from companies, banks and institutions to present their views on current and future market perspectives.

Dear Prof. Schinas,

Question 1:

Which of the players in the ship financing sector are affected most by the credit crisis? Why is this so, are there substantial differences by country / on the global level?

Answer:



All the players involved directly or indirectly in shipping are affected by the financial crisis; some players are directly affected from the collapse of financial institutions (banks, credit-seeking owners, etc.) while others will be affected from the slowdown of the global economy. Energy-related projects will probably resist and offer attractive returns.

Definitely the financial crisis per se will affect mature economies and money markets, and its effects will variably harm other economies. Evidently this crisis comes after a long "party" of the shipping markets, and euphoria has been dramatically replaced by pessimism, and fortunately in some cases by "reality check" and "back to normal" sentiments.

Question 2:

Is bank money for new ships getting to expensive to obtain? Will the business model stay as attractive as in the last years, especially with the german investors playing a leading role in the sector?

Answer:



As long as money is expensive for financial institutions, then shipping is also faced with high capital costs. Attractiveness rests with the project per se, its focus, the specific market need and the management team.

Generalizations are frivolous and misleading. However, if global economy experiences a stiff slowdown then box-rates will also slump, making some German investors think better of new shipping ventures.

Question 3:

Is there a need to invent completely new and innovative financing schemes? Will there even be new opportunities for ship financing arising from the crisis?

Answer:



Every crisis creates innovation; innovation bears inherent risks. Innovative financial schemes will emerge, primarily linking traditional methods with advanced modern financial tools, such as derivatives, as well as schemes not commonly used for shipping needs will serve specific project needs. Ship finance has been proven innovative throughout crises in the past, although "plain vanilla mortgage-based loans" dominate the market due to relatively lower cost. In conclusion, established financial schemes will not be replaced by innovative ones, although some new ones will apparently attract the interest and the comments of the market.

Question for a brief delphi-survey :

Please name – from your personal expertise – the three most significant challenges shipowners will have to face in the near future (2-5 years).

Answer:



- 1) Shortage of quality crews
- 2) extreme freight and bunker price fluctuations
- 3) limited bank lending

Prof. Schinas, thank you very much for this interview!