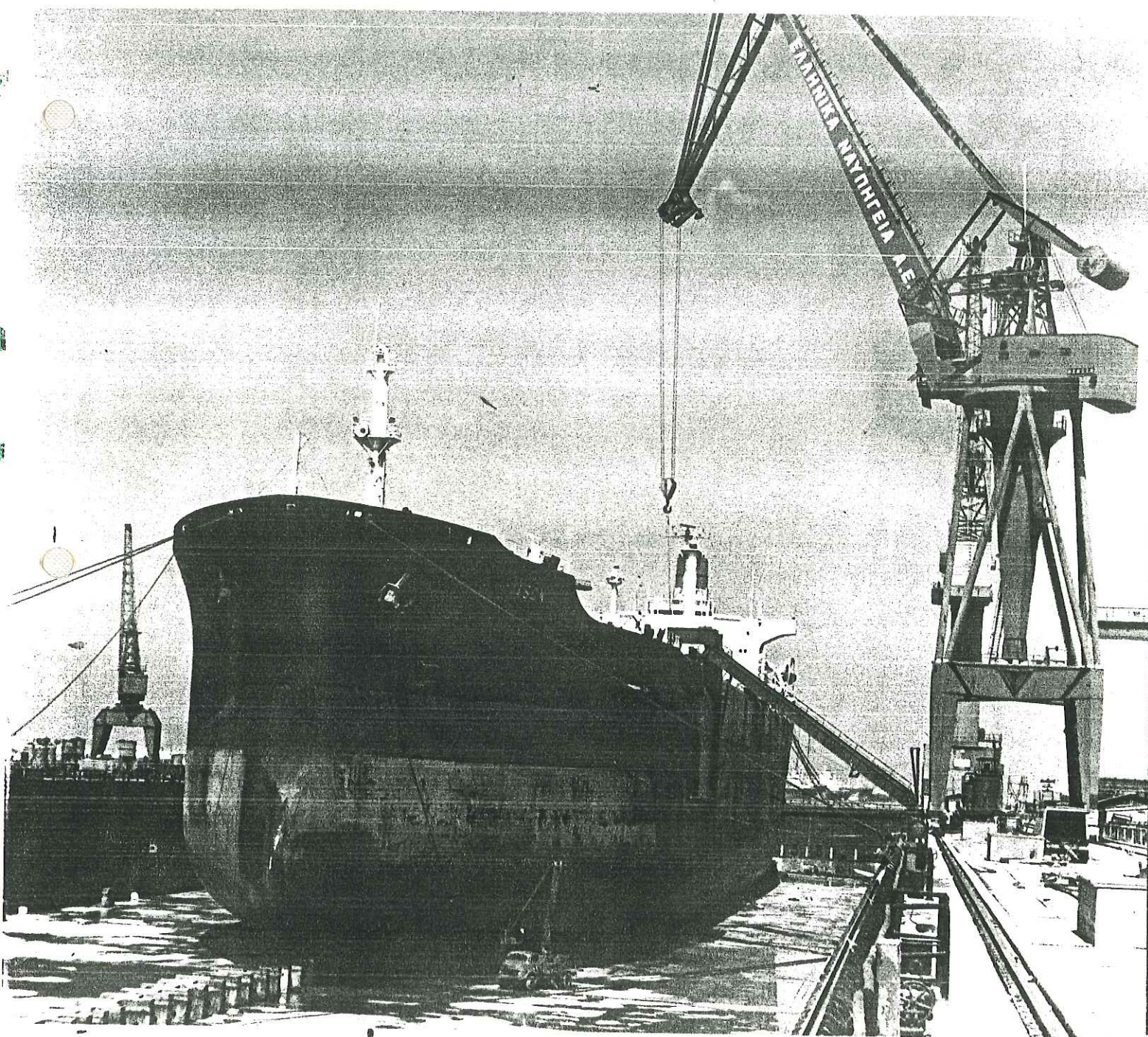
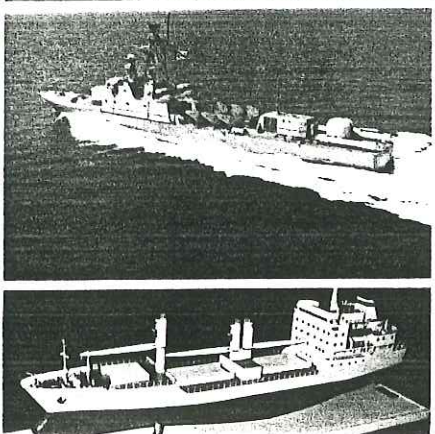
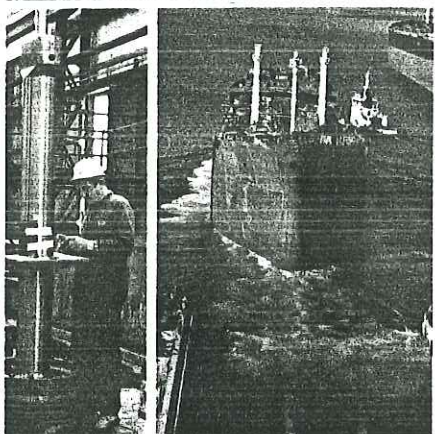
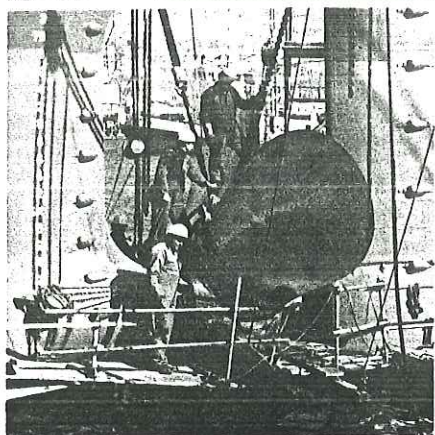
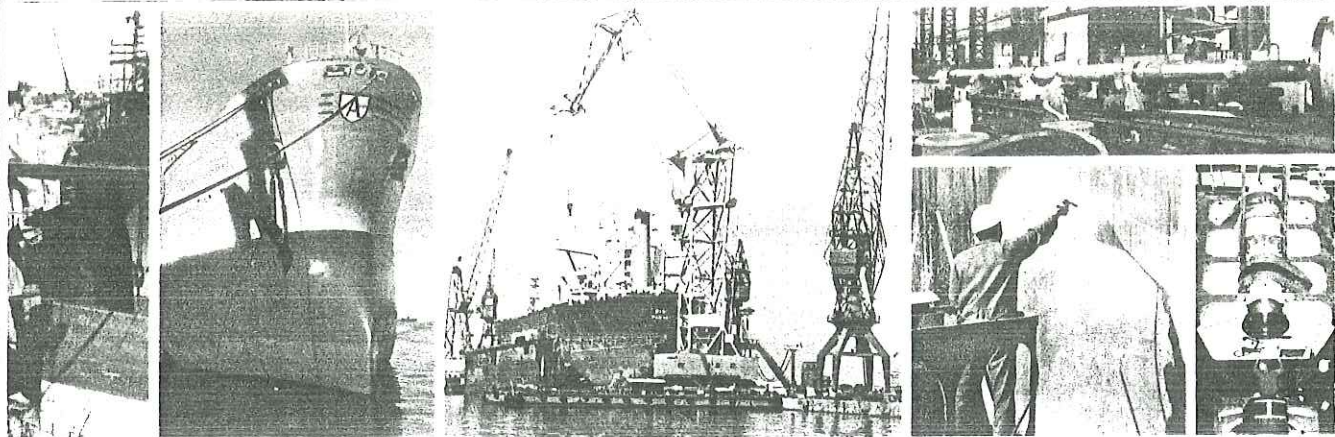


SHIPPING

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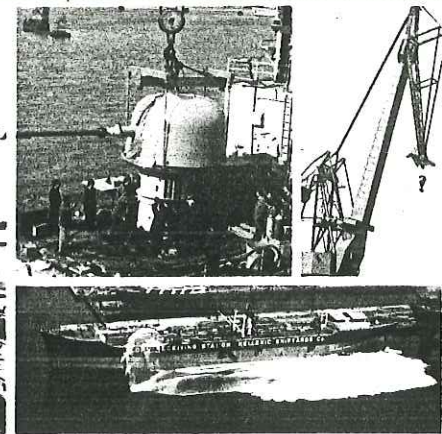
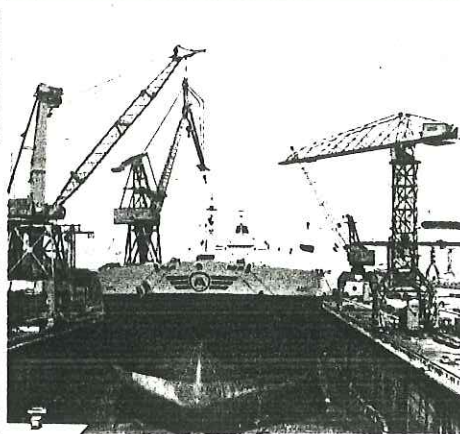
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Modernization with favorable prospects



Mr Vas. Sevdalis

SHIPPING paid a visit to Greece's largest shipyard, Hellenic Shipyards at Skaramanga, and discussed with Managing Director Vassilis Sevdalis the problems and prospects for the Greek shipbuilding and repairing industry, and more especially for Hellenic. Among the subjects discussed were the general outlook for 1987, the level of competitiveness of the Greek industry, prospects concerning large orders and whether the State can do anything to assist the industry. Mr. Sevdalis put forward the following ideas.

It is certain that there is a worldwide crisis not only in shipping, but also in the shipbuilding and repairing industry which depends on its client, in other words the shipping industry. This crisis was felt first of all in West Europe, in 1975-76, while it became evident in Greece a little later, 1981-82. The crisis has hit the shipyards of the EEC countries particularly hard. Their share of new-building orders fell from 18-19% of the world market which it was in 1976-77 to 11% in 1983 and today is approximately 15% of the world market for new-buildings.

Today European yards hold orders for about half their capacity only, around 1.5 million tons, while their total capacity is estimated at 3.3 million tons. There is obviously a serious problem. As far as Greece is concerned, if we look at things from the client's point of view there have been readjustments in the Greek shipping industry in recent years and it has somewhat stabilized at a level of maturity.

Here in Greece we have a noteworthy client to serve. Since there is a large fleet, there must be an equivalent shipbuilding and repairing infrastructure to serve it. Besides that, Greece's geographical position allows it access to other fleets passing from Suez or the Black Sea. In other words, we have the opportunity to find clients from those fleets too. We can see this statistically from the time that the shipyard started to operate again. Our repair clients are made up of 40% non-Greek vessels, so we can expect a share of the market.

We should also note that because of the network of islands the Greek shipyards also serve national defence

aims and consequently it is vital that there is a shipbuilding infrastructure. We believe that 1987 will be a difficult year, but that there will be a stabilization of our clients. And if our clients are heading towards stabilization, our path leads in the same direction.

The Greek yards do have a problem with competitiveness and, naturally, this is due to the fact that our productivity is not at the desired level. Of course, low productivity is not the only reason, there are others such as the low labour cost in the Far East, the drop in production and the high productivity of the Far East and West Europe as well as the subsidies which are given both in the Far East and Europe.

Besides this, in recent years there has been a restructuring of the West European yards. Their potential for production has been cut by 40% and consequently they have adapted their costs and labour forces to the new state of the market. In Greece, as a shipyard — and I am speaking of our yard — we have started this type of restructuring over the past 18 months, since the time the yard resumed operation after being bought out by ETBA.

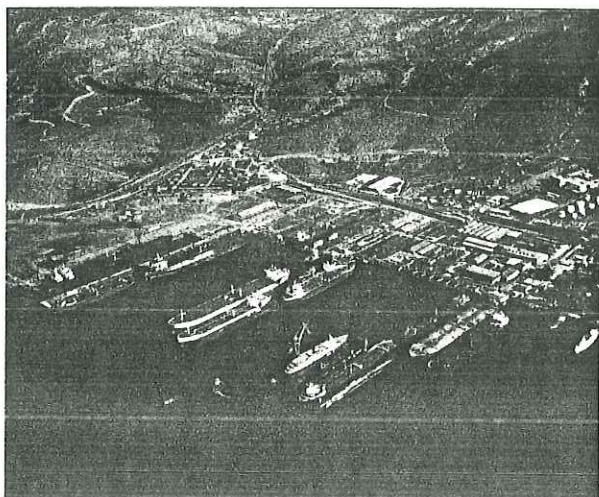
We evaluated what our market was, what we could expect to get out of the international market, and based on this we adjusted our production potential. We believed that in the long term we could have a workforce of around 3,700 people (in comparison with 4,496 when we opened) and through a scheme of voluntary retirement, we have managed to cut down the staff without any dismissals. At the moment we have a total workforce of 3,774 people. We have also turned to

Survey

other activities, such as industrial construction, trains, etc. We have undertaken the modernisation of the Greek rail system which will last for several years, naturally in cooperation with foreign firms. But this is a long term activity which will stabilise the jobs available and will lead to technology import and also the avoidance of out-flow of currency, since we gradually have a very high added value. In the long term about 400 jobs will be assured.

In the newbuilding sector, long term there will be jobs for about 1,000 people, while the industrial construction gives work for a further 500 approximately and the repair sector employs the rest.

The reductions we have made have meant an adjustment to the present-day requirements of the market. It should be seen in conjunction with an increase of productivity which can be achieved through the importation of new technology — we are making a conscious effort to bring in new technology — this year we are importing a Computer Aided Design System (CAD), we have a three-year information programme to increase our productivity. Productivity can also be increased through a reorganisation of the company, which is being carried out at the moment through training — we have invested 253 million drachmas in training schemes in the past year — both the training of the staff in extra skill and management training.

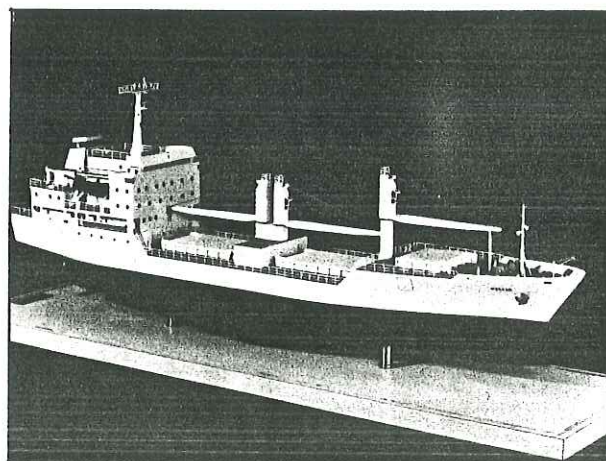


Aerial photograph of Hellenic Shipyards

The combination of all these factors can lead to better competitiveness. Another aim which could help competitiveness is selective modernisation. At the moment when a sector is in the middle of a crisis it cannot be expected that a full scale modernisation programme can be carried out, but we can invest selectively in those areas which will increase productivity. Our medium-term five year programme provides for investment at an annual rate of around nine million dollars for modernisation. A

large part of these investments be funded not only from loans but from our own earnings as well.

In the past there was a different conception of the future of the shipping industry, and orders for 10 or 15 vessels were often placed. This doesn't happen today. The Soviet order for reefers was a large order for us, amounting to some 65.6 million dollars.



Model of a Soviet reefer.

Our cooperation with the Soviets is excellent, despite the fact that they are very demanding clients, and so far they are very satisfied with our work.

We are seeking a series of orders from Greek and foreign clients. We are also looking for some big jobs in newbuildings while we made a series of studies and are hoping for some project conversions. Last year we repaired 144 vessels and 30 smaller ones. Our financing terms play an important role in gaining orders.

The efforts of the shipyards, however, are not sufficient. If nothing else, we must have from the State at least equal terms of competition as others. If they receive large subsidies no matter how good our productivity levels are, we can't compete. Another possibility would be to use offsets. Some jobs could be linked with offsets, for example, when a state purchase is being made. Instead of selling lemons, a ship could be built giving a very high added value. Let's say that a ship has around 50% added value, that is very high. We are selling manhours.

If such work is linked with repairs we have an added value of 80%. In other words we are directly selling manhours. On some specific projects there could be a linking with offsets and work could be brought into the country.

Also, using the EEC Sixth Directive, which through a certain procedure allows support of up to 28%, the State could support the restructuring which we are making, subsidizing the necessary investments either in the framework of development laws which already exist or

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though other channels such as those supported by the EEC. Incentives could be given for other types of activity such as metal constructions, etc. without the shipyard losing its character.

- Support for training and upgrading of staff.
- Perhaps a minimum employment level could be achieved through inter-state agreements. Inter-state agreements, as we all know, do not offer a large

profit, but provide minimum employment. When you make a deal for 10 million dollars worth of repairs it is something. You may not make profits, but you have employment.

- Credit. Financing packages could be introduced which would finance the client and that, of course, would have to be done on competitive terms. When our competitors can get loans and can offer the client long-term loans with very good terms, then they will win the clients.

Of course, this would require cooperation with the banks who would ensure quick and competitive financing for our clients.