



## DO WE MANAGE SHIPS OR DO WE MANAGE REGULATIONS?

Keynote presentation by **John Platsidakis**  
at the 2019 Marine Money Conference  
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Ladies and Gentlemen, good afternoon.

I would like to thank the organizers of this conference for their kind invitation to be the keynote speaker. I appreciate it and am honoured to have the privilege to share with you my thoughts regarding the regulations that have affected — are affecting, and will continue to affect — the future of our shipping industry.

With respect to all sectors of the shipping industry, when I refer to the shipping industry, I will mean the tramp sector of it. This sector possibly being the best example of what the university economic books refer as the “free of interventions competitive market” where the curves of demand and supply determine the market rates.

The flood of regulations, which affect our shipping industry, is the reason I have named this presentation “Are we managing ships or are we managing regulations?”

90% of world trade is estimated to be transported by ships in a hugely efficient and cost-effective way with respect to the safety of crews, cargoes, and the environment. Just take an objective look at the performance of other sectors of the world economy and you can tell how well the shipping industry does.

You may wonder: If this is the case, why has shipping been deemed detrimental to the environment?

My opinion is that tramp shipping does not have the political weight as other industries such as automobile, airline, mining, energy, etc.

I am honored to be part of the Greek shipping industry which has an almost 20% share of the world fleet, with strong emphasis in dry cargo vessels (22 %), tankers (25 %), LNG vessels (third largest) and container ships, but the political weight of the country is minimal, and its voice and vote are lost in the unanimity of voting in the IMO by the European Union.

Therefore, I am delighted to have the opportunity to address today the German ship-owning community with vast shipping interests and the huge weight and appreciation it has as a country in the world affairs.

I would like to share with yourselves the following example:

Two persons rent two cars from a car rental company for one week. The first one, upon delivery of the car, changes his mind and leaves the car idle for one week, while the second one makes full use of the car driving continuously and at full speed.

Obviously, the first car produces zero air emissions, while the second car produces a very significant volume of air emissions. The question is: Is the car rental company at fault or are the persons (especially the second one) who used the cars? The users of the cars, of course. If you name the car rental company as the shipowner, the car as the ship, and the persons as the charterers, you can see the disparity that exists today in the shipping industry.

The regulators, driven by environmental NGOs and the media that have very little practical understanding of the shipping industry, blame the ships as being the responsible party.

Part of the blame, though is on us, as the shipping companies and their respective organizations have adopted a defensive position, apologizing for the performance of the ships and exhibiting guilt.

I am shocked to read statements from well-respected personalities in our industry saying that we will comply with the regulations at a time when they do not have a clue of how they can do so. It is unfair to the shipping industry and unfair to the general public that has a very shallow view of how ships and the shipping industry operate.

We have to stand up and tell them that we, certainly, want to comply with regulations but have serious reservations about them, as the needed means to do so do not exist. We must stand up and tell them that, because we operate in a fiercely competitive environment, we do not have another option but to buy what is the best available in the market, and that those are our limits.

We do not build ships, we do not manufacture engines, and we do not produce bunkers. We simply buy what the various industries and technology have to offer us.

We do the same when we buy a car. We buy what is available in the market. Why not to have the same understanding when we buy a ship?

It is regrettable that regulators first vote regulations and, after they do so, try to figure out how the regulations can be met. It should have been the other way around if we want to really make a difference.

The Ballast Water Management Convention was approved in April 2004 and ratified in 2017, some 13 years later. Even today in 2019, the technology has not properly addressed the practical problems, and its implementation is poor. We all should wonder which technology was the convention voted in 2004.

A recent — and, I am afraid, not the last — example of poor judgement is the 0.5 % sulphur regulation coming into force on January 1, 2020.

Shipping has been thrown into the unknown. We have been asked to burn something which will not be easily, if at all, available at places where our vessels trade.

Even today at IMO there are meetings held about how the practical problems can be addressed, only ten months before the implementation of the regulation, and companies are already implementing policies of how to address this uncertainty. This is very unfair for a hugely capital intensive industry which has to ensure that it continues serving the world trade for the benefit of society, consumers, and individuals — i.e. all of us.

The regulation would have been much more in touch with reality if the governments had forced their refineries to produce certified 0.5% sulphur bunkers. They did not want to engage them though, because the refineries in their countries have political weight while shipping does not. They could have done the same for the ship-builders and the engine manufacturers as they did with the automobile industry. The regulators set limits on car emissions, and they expect the automobile industry to meet them. In the shipping industry, it is the reverse. They expect ships to do it on their own. To understand the inconsistency, imagine yourselves as car owners to be instructed to comply with such a regulation while the car manufacturers are not obliged to offer cars that meet the requirements of the regulation.

We can also very easily miss the point. On a daily basis, we are bombarded with news about scrubbers and a flood of announcements and analysis of the potential damage, if any, to the marine environment. The subject, though, is not the scrubber; the subject is the regulation itself that was voted without any understanding of how it can be met.

Ship-owners today are in agony about 2020 and how they can find proper bunkers for their ships, as well as about the quality of the bunkers to be provided by their charterers.

Scrubbers are a commercial decision, like the usage of LNG. Another option is to take the availability risk and be prepared to be short of quality-compliant bunkers when your ship needs them. If accidents happen due to bad quality bunkers, remember not to blame the ships.

Just to show how shallow is the understanding by the regulators of the practical issues of the shipping industry, I want to refer to a paper submitted this month by the European Commission to the IMO, where it mentions the Reception Facilities which can take the sulphur residuals. They are unaware that, although IMO has voted them, they barely exist today!

Of course, we should not blame only the regulators but parts of our own industry too!

Recently, there is a proposal circulating among shipping organizations advocating the creation of a research fund that will collect \$1 or \$2 per ton of bunkers used by each ship, with the target of collecting \$250-500 million per year on an ongoing basis. The fund, it is said, will be run by the industry with a Board of Directors elected by the industry. The reference to this vague entity, the industry, is more than enough to scare me off...

The fund organizers will then seek the stamp of approval by the IMO and use the collected money for research for the reduction of air emissions! In other words, the ships will be asked to contribute money to research and specifically, to how ship-builders, engine manufacturers, refineries, and bunker suppliers will produce more advanced products to sell to us!!!

Are all of us, as car owners, contributing money to any fund for research of how BMW, Fiat, etc. will produce more emission-efficient cars to sell to us? Of course not!

Then, why are some shipping associations discussing it?

If we are honest with ourselves, we have to promote a levy for the bunkers and let the market forces work it out. The price of bunkers is the decisive factor. It will make the users of ships more alert as to how bunker-efficiently they use the ships and, therefore, less emissions will be produced while the world trade is facilitated. The result will be immediate. The levy system will also force the shipyards, engine manufacturers, etc. to come up with more enhanced products.

You are also aware of various discussions to impose speed limit on ocean going ships. — Another initiative that misses the point. We try to dictate the market and not let the market balance our objectives.

Be alert for this kind of initiative. Let's try to read beyond the face of such proposals. What looks like gold is not necessarily gold.

A very recent poor decision, with a complete lack of understanding of reality, is the European Recycling regulation. The approved demolition yards are located in the USA (1), the European Union (23!), and Turkey (2). Between 2015 and 2018, 1,087 dry cargo vessels above 10,000 dwt each were demolished. Virtually all of them in Bangladesh, Pakistan, China, India and only 26 in Turkey — in which the average size was 36,000 dwt (1 of 177,000 dwt and all the others below 70,000 dwt).

If this is not ignorance of reality then what is it?

Ladies and Gentlemen, we serve a great industry in the most successful way, and we are proud of it. We have to stand up and say so. We have to tell the consumers that we are valuable contributors to their standards of living, and that we bring societies and civilizations closer.

We welcome regulations that are practical and enforceable.

We do applaud regulations that will ensure a better environment.

We resist, though, regulations that are impractical.

Long gone are the glorious days of the ancient Greek ships facilitating trade in the Mediterranean and the Black Sea when they were using rows and sails.

Today, this is where we engage our ships. We face rough seas — at least let's aim at better ones ashore.

Concluding, I have brought with me a book titled "The Sea Unites, Greek ship – building activity in post – war Germany" which I would like to hand over to the German Ship-Owners' Association.

It underlines the close connection of our countries' shipping industries.

Ladies and Gentlemen, it has been a great pleasure and honour to present to you my thoughts.

Thank you for your kind attention.

*By courtesy of John Platsidakis*