

Cyprus Shipping



As fragile optimism begins to regain ground in the shipping industry Cyprus is well placed to take advantage says **George Christou**

Seeking growth in stormy waters

THE 15th Maritime Cyprus conference gets underway against the backdrop of another challenging year for the island's shipmanagement community. Despite the global shipping crisis continuing into its eighth year, Cyprus remains an attractive shipmanagement centre, offering an EU approved tonnage tax system, relatively low operating costs and a skilled and reliable workforce. Cyprus has held its position as the largest third-party management centre in Europe – around one in five vessels under third party management are controlled from the island – and the Cypriot merchant fleet ranks a respectable 11th place worldwide. This translates to a robust seven per cent contribution to Cyprus GDP, a figure that is expected to rise further in coming years.

Nonetheless, serious challenges remain. The size of the world fleet has doubled in the last 20 years yet Cyprus tonnage has remained stable. This means that the Cyprus flag as a percentage of the world's fleet has shrunk by around 20 per cent in real terms. Modest growth in the last year gives grounds for optimism, but the Turkish embargo remains the biggest obstacle as Cyprus flagged vessels are not permitted to sail into Turkish ports. This deters many owners from register-

ing as their ships would be denied access to the world's 17th largest economy. The recent collapse of reunification talks at Crans Montana means this critical issue is unlikely to be resolved any time soon.

On the global level, the massive oversupply of vessels persists, especially in the dry cargo sector, and yet shipyards are still building and delivering. With order books showing output dipping only next year, owners have resigned themselves to the fact that this crisis is structural in nature and not cyclical. Moreover, the collapse of Asian giant Hanjin Shipping in early 2016 further rattled an already bruised industry and underpinned sentiment that the massive boom of 2004-08 still has some way to unwind. Banks burdened by bad shipping debts have begun to call in their mark-ers, seizing vessels and parcelling them out to third party managers in the hope they can recoup some of their losses. These repossessed vessels, freed from loans, have lower operating expenses than those owned by companies struggling to service mortgages on their tonnage. This has added

further pressure to the already embattled traditional shipowner. Captain Andrei Hudsazvili, managing director of Cymare Shipmanagement best articulated these concerns during the 2017 Shipmanagement International roundtable debate:



ENI drilling in Zohr: the island is well placed to take advantage of nearby fields

“The time has never been so unfavourable – if not hostile – to ship owners and small owners in particular. I think we have now to admit that apart from the low freight markets, shipping is in a serious crisis”. Ilias Tsakiris, CEO of American Hellenic

Hull Insurance Company, put it even more bluntly: “I don't see any optimism in the markets,” he said, echoing the bleak sentiments of other leading industry figures.

Crisis often leads to consolidation, and the recent

will be responsible for an estimated 1,500 vessels and around 24,000 crewmembers, making it one of the biggest shipmanagers in the world. Columbia's expertise in the technical and commercial spheres and Marlow's formidable experience in the crew management sector are a natural fit and may create a roadmap for more such mergers as the push towards cost savings intensifies. “The argument behind consolidation and growth of the larger shipmanagement companies is compelling, and we are on that path,” says Mark O'Neill, future CEO of Columbia-Marlow. Captain Norbert Aschmann, CEO of Bernard Schulte Shipmanagement, also believes this trend will continue, with bigger companies benefitting the most. “Size does matter. The owners out there managing fleets of five, 10 or 15 vessels represent an opportunity for our industry because that sector is, by definition, quite inefficient.”

Another major disadvantage facing smaller shipowners that lack the economies of scale to drive down costs and improve efficiency is that they are still subject to the same complex and ex-

pensive regulatory requirements. Many have focused on serving overlooked niche markets and adding value to their clients to survive. The Mastermind Group is typical of the German 'Mittelstand', or traditional family-run shipping company on the island. “With regards to how my company has fared through these dreadful years, I can only say that we are trying to do what everybody else is doing, and that is to offer more for less cost... Smaller owners are heavily penalised by the banks, and have the regulatory workload concerns as well, so it all becomes rather cumbersome for the smaller guys to pull through,” says Captain Eugen Adami, Mastermind's managing director and former head of the Cyprus Shipping Chamber.

Nevertheless, a rising tide lifts all boats, and the Baltic Dry Index – the global indicator measuring the cost of moving commodities like coal and iron ore by sea – has recently surged to over 1,500 points, giving the industry a much-needed confidence boost. While nowhere near the historic high of 12,000 points seen in 2008, this is the highest level in over three years and a significant improvement on last year's historic low of 290 points that shattered confidence and left the dry cargo markets reeling. The

Promoting all sectors of the Blue Economy

THE Maritime Institute of Eastern Mediterranean (Mar.In.E.M.) is a Cyprus based non-profit organisation founded in 2010 with the objective of promoting research, technology, innovation, sustainability and environmental protection as well as education and training within and for the maritime industry.

Mar.In.E.M. is located in Limassol but its activities are not restricted to Cyprus as it cooperates with stakeholders in the Eastern Mediterranean region including the Black Sea, fostering dialogue and synergies on maritime and sea affairs.

In particular, it undertakes strategic actions and initiatives in coherence with relevant EU and national strategies and policies such as the Blue Growth Strategy and the Integrated Maritime Policy of the EU as well as the Smart Specialisation Strategy of Cyprus. Through these actions the institute aims to promote the exchange of knowledge and best practices, the development, transfer and application of advanced technologies, the development

of infrastructure as well as the creation of clusters in the maritime sector.

The institute was involved in the creation of academic and training institutions and programmes on the island such as the first maritime academy in Cyprus and the maritime hospitality academy which are both based in Larnaca, the MSc programme in Maritime Technology of the University of Cyprus which will start in September 2018 and the new faculty of Marine Science and Technology of the University of Cyprus to be established in Larnaca.

Moreover, Mar.In.E.M. has been participating in a series of EU programmes which fall within its fields of activity. The most important ones are the Lynceus, MEDNET, CoRINThos, BlueNet, PELAGOS, PROteuS, MENTOR and MaRITeC-X projects.

The Lynceus (www.lynceus-project.eu/) project's goal is to revolutionise current emergency and ship evacuation practices through the development of innovative real-time systems such as

localisable life jackets and smart smoke detectors which incorporate sensors which will contribute to the early localisation and rescue of people in danger located on a ship or at sea. Due to its success, the project continued and evolved into Lynceus2market (L2M) aiming to improve and optimise the technologies and prototypes that have been already developed in the first phase.

MEDNET (www.med-observatory.ntua.gr/) aims to simplify the custom and clearance procedures through the establishment and operation of a network of port authorities and transport experts in the Mediterranean which will facilitate the exchange of knowledge and expertise.

The CoRINThos (www.medmaritimeprojects.eu/section/corinthos) project tackles research and development gaps and encourages maritime clusters at national and transnational level. It will also provide recommendations to policy makers and contribute to the development of future pilot projects that foster



Blue Economy as a whole.

BlueNet's (bluenet-project.eu/) objective is the setting up of a database which will provide information on cooperation, networking and synergy opportunities for centres and industrial clusters in the Mediterranean and Black Sea regions.

PELAGOS (pelagos.interreg-med.eu/) seeks to enhance the innovation capacities and encourage cooperation between actors in marine renewable energy sectors in Mediterranean coasts and islands.

PROteuS aims at the establishment of a Mediterranean maritime surveillance cluster which will enhance innovation and research and development

capacities among maritime surveillance actors involved in the project. At the same time, it will also encourage knowledge and technology transfer as well as cooperation with regards to the development and improvement of security and safety mechanisms.

Via the MENTOR (mentor.cubiclemon.net/) project a career centre in the region will be created. This Centre fosters dialogue between various stakeholders and encourages the joint development and implementation of measures to close the skills gap, tackle unemployment and introduce blue professions to young people.

The fundamental objective

of the MaRITeC-X (www.maritec-x.eu/) project is the creation of a marine and maritime research, innovation and technology centre of excellence in Cyprus. In other words, this centre will foster scientific and business excellence in Blue Economy sectors with comparative advantages for the Cypriot economy such as the ones of maritime transport, coastal and marine tourism and aquaculture, including emerging ones with great growth potential such as the energy sector. In particular, the centre will promote partnerships and synergies between top institutions and businesses in the Eastern Mediterranean region.

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Training officers for onboard and onshore shipping needs

By Annette Chrysostomou

THE Cyprus Maritime Academy was launched by Intercollege under the umbrella of the University of Nicosia in 2016 to encourage more people into the booming shipping industry both onboard and on land as so far few of the 4,500 employees in the Cyprus onshore shipping industry and 55,000 seafarers who are employed by ship management companies based in Cyprus are Cypriots.

It is unique in its approach, making the most of the input from the industry, while offering not only a Bachelor degree but also a secure and well-paid job at the end of the four-year course.

"The major players of the Cyprus maritime industry are members of the academy's board of governors," Executive Director of Intercollege Stelios Mavroumoustakos explained, "and though we are not bound to do what they say we follow their advice."

One piece of advice so far taken on board is that students should not wait until late in their studies to spend time working on a ship as is the case in many other academies.

The experience on board is for many the hardest part



of the course and a reason why many drop out of their maritime studies, so the Larnaca-based institute has the first two-month stint on board after the first year as a filtering process.

Together with their academic performance, this ensures that only those who are up to it go on to the second

year. The attrition rate in most tertiary institution programmes is high, about 30 to 40 per cent, and the same is expected at the academy.

Because of this, industries are not willing to invest before the cadets start their second year. From then on, however, students can apply

to receive 65 per cent of their tuition, around €18,000.

As the ships where students are trained are usually not docked in Limassol but may be anywhere in the world, the student's fare to the vessel is also paid for. Last but not least, they also have a job after the successful completion of their studies. The cadets are required to work onboard one of the 'adopting' company's ships for a period of three years.

During this time, a small

of any young person with high rewards, with the possibility to visit many places and meet different cultures and people, but they are for people with a strong will and character to manage the challenges of this unique industry," the director concluded.

The academy offers three maritime programmes, all of which last for four years, including one year training on board a ship. After the initial two-month internship an-

study in Marine Engineering, the second course offered, graduates can get jobs as engine officers. These officers, under the orders of the chief engineer, are responsible for the proper running, maintenance and repair, where needed, of the mechanical and electrical installations of the ship.

Graduates of the third programme, Marine Electrotechnology, can work as electro-technical officers. Most modern ships are controlled or monitored by electronic systems, automation and computers, therefore experienced and highly skilled technicians are needed for their operation and proper maintenance.

The electro-technical officer is responsible for the maintenance and repair of all electrical and electronic equipment, installations and machinery. This also includes radiocommunications and electronic navigation aids.

In addition to these programmes, the hospitality students who study at Intercollege Larnaca can complete their internship on a ship instead of at a hotel. For this they receive a €1,200 to €1,400 as compensation and after their studies are qualified to work in hospitality-related jobs on cruise ships as well as in hotels.

The academy offers three maritime programmes, all of which last for four years, including one year training on board a ship

amount will be deducted from their pay on a monthly basis, which will go towards the repayment of the financial support provided to them during their studies.

Jobs are well paid, Mavroumoustakos said. "After a few years an officer can expect to get \$10,000 to \$14,000 per month without having to pay tax."

This can be a dream job, but is not for everyone.

"These are professions than can assure the future

other two, each five months long, follow in years 2 and 4.

The first course on offer is the Nautical Science programme aimed at training officers on merchant ships. The deck's department officers are responsible for the navigation, maneuvering and safe handling of the ship, communications between ship and shore, the handling and delivery of cargo, and the operation of lifesaving devices.

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RPT Group has diversified and integrated over the years

WITH its roots firmly based in the maritime industry, the evolution of the Limassol-based RPT Group has been based on a constant diversification and integration of the range of services offered, building solid collaborations based on trust, and exploiting synergies for the maximum benefits of its clients.

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The licensing of the largest private oil terminal in Cyprus at Vasilikos, the first of its kind in the Eastern Mediterranean region – a project that attracted an investment of over €200 million – is a prime example of how the RPT Group sees the connection between the energy and shipping industries.

With a number of projects currently in the pipeline, the RPT Group continues to work towards its vision of playing a leading role in developing Cyprus as a shipping, energy and financial hub, facilitating business connections across the Eastern Mediterranean region.

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and authorities, offers the full range of husbandry and ship chandlery services.

In the field of Logistics, Lavar Shipping specialises in the oil and gas sector, managing onshore operations in support of projects in the region. It manages over 25,000m² of storage space (closed and open yard), while its Forwarding department – with certified, in-house customs clearance – caters for traders' import and export needs of all types of cargo, including the worldwide delivery of ships spares.

Supplies provides an extended range of specialised marine products as well as sophisticated inspections on Fire, Rescue and Safety equipment (FRS) performed by its highly-trained and experienced service personnel. The company's 1,000m² Service Station – located in the Industrial Park of Ayios Silas in Limassol – with a sufficient stock of ship supplies, features cutting-edge technological equipment for all types of

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At present, VTS operates two brand new 80-ton ASD tugboats – VTS *Keryneia* and VTS *Ammochostos*. Following the signature of exclusive service contracts, VTS is the sole provider of marine services at the port of Vasilikos and the VTTV Oil Terminal Jetty. Moreover, due to the heavy traffic in the seas around Cyprus, VTS also provides services for Ship-to-Ship Operations, as well as at Larnaca and Limassol ports.

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5
Industries

Smart ships are set to revolutionise the industry

Far from being something out of science fiction, ships with no people on board could soon become a reality says **John Ioannou**

IMAGINE shipping is on the cusp of a revolution as great as moving from sail power to steam. Imagine, in a few short years, unmanned ships moving silently across the world's oceans like drones, delivering cargo faster, safer and cheaper. Imagine these sleek, hi-tech craft being controlled from futuristic onshore operations centres by teams of captains and engineers who use satellite technology to remotely pilot whole fleets across oceans and into ports. Dedicated emergency and maintenance crews are on standby, ready for dispatch in case of any problems, and in port expert shore personnel swarm over the vessel like a pit-stop crew, swiftly executing cargo operations previously handled by ships' officers.

Sound like a science fiction movie? Maybe not. The world's first autonomous cargo vessel *Yara Birkeland* will launch in 2018, and while crew will man the ship for a trial period, it is expected to be fully automated by 2020. The ship will use satellite systems, sensors and cameras to navigate itself along Norway's coastline and in and out of port, all the while feeding real-time data back to shore which analysts will mine for insights on improving safety and efficiency.

The *Yara Birkeland* may be pioneering, but the concept of autonomous vessels is nothing new; they have been mulled for over 40 years. The quantum leap came in 2007 when the ground-breaking *Waterborne* paper triggered EU-funded efforts that engaged universities, tech companies and marine industry experts in defining the vision. Rolls Royce is one such stakeholder investing heavily in automated ship technology and is gambling on it to revitalise its flagging marine division. Mikael Mikanen, president of Rolls-Royce Marine thinks it's a one-way bet. "Autonomous shipping is the future of the maritime industry.

As disruptive as the smart phone, the smart ship will revolutionise the landscape of ship design and operations".

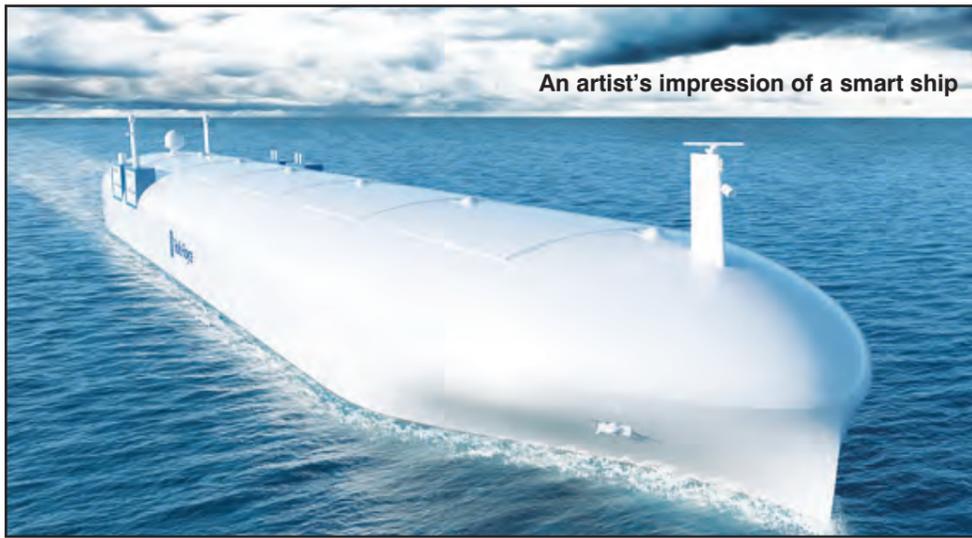
But while the technology has moved fast, regulatory frameworks have lagged and codes of practice for unmanned vessels must still be drafted by the IMO, the UN's agency for maritime matters. Nonetheless, efforts will intensify as the commercial incentives for unmanned fleets are huge – seafarer salaries represent 50 per cent of ship operating expenses yet human error leads to 80 per cent of all vessel insurance claims. Autonomous ships will be of a simpler structural design and cheaper to build, and the removal of the accommodation superstructure and navigation deck will allow for lighter, more fuel-efficient vessels that can carry more cargo. Moreover, by digitally stacking ships together in smart systems, owners will be able to mine data more effectively, thus optimising operations and maximising profits.

Safety would also be improved and the risk of losing human lives at sea would diminish. Piracy could become history, as autonomous vessels would be harder to board and have no visible control point such as a navigational bridge. If somehow hijacked they could be locked down remotely or made to steam to safer waters. Bad weather can also be mitigated via Dynamic Positioning and Global Navigation Satellite systems that automatically make finite adjustments to ships' propellers, rudders and thrusters, optimising

A Rolls Royce projection of how an automated ship might look



Crew working in the marine shipping industry would be hit by any technology developments



An artist's impression of a smart ship

'These changes will probably be disruptive, as new players enter a rather staid market, the same way as Uber, Spotify, and Airbnb have done in other realms'

safe handling in rough seas and eliminating human error caused by fatigue or misjudgement.

And this technology will not only transform ships. Oskar Levandar, Rolls-Royce's vice president of Marine Innovation, Engineering, and Technology believes the impact of automation will cascade through the entire industry. "The shift from having a crew on board to having land-based technicians manage ships remotely will no doubt revolutionise the operation of the global supply chain, creating new services, more efficient schemes for leasing and pooling vessels, the emergence of online marketplaces for cargo delivery by sea, and other clever innovations for the digital-

ly connected age. These changes will probably be disruptive, as new players enter a rather staid market, the same way as Uber, Spotify, and Airbnb have done in other realms."

While the arguments sound compelling, there is still much invested in the old order and change will probably come in small, cautious steps. Ships represent large, long-term investments – the lifespan of a well-maintained vessel may be 30 years or more – so manned ships will be around for a while yet. It may also prove difficult for shipowners to make the switch, as building one or two autonomous vessels to slowly replace ageing manned fleets may not justify the investment required for the support infrastructure. This slow pace of

change will be fraught with risk for the old guard. With the world awash with capital looking for a return, autonomous ships present an attractive opportunity for institutional investors looking for the next breakthrough, and existing shipowners may be blindsided by a completely new type of operator – one as far removed from themselves as the laptop is from the typewriter. Autonomous vessels will demand a different skill set, heavily focused on data and software as opposed to time-honoured seafaring skills. This could come as a shock to shipowners mired in tradition who cannot visualise or accept such radical changes after decades of doing things the same way.

Nevertheless, certain challenges lead many shipping old-timers to declare large-scale unmanned fleets a pipe dream. Crucially, the problem of maintenance persists. Salt water corrosion, thermal stress, vibration, residue accumulation and hull flexing due to large swells are all very hard on equipment, and with no engineers on board it will be difficult to fix problems before serious damage occurs. Maintenance crews will not be able to board in

bad weather or deep seas, and dropping teams in by helicopter or launch boat is dangerous and expensive.

Cyber security is another major concern, as hackers could jam satellite systems and disrupt networks. Ships might then be set on collision courses or infected with viruses that render them inoperable. Emergencies will be difficult to tackle with no crew on board and the potential for environmental damage may be higher.

On a broader level, the potential for mass unemployment is undeniable. Although jobs would be created in tech development and shore control, and for maintenance and port operation teams, these will not be enough to absorb the world's two million seafarers, most of whom are from developing countries. Some governments are already discussing a 'robot tax' on firms that shed jobs due to automation and redistributing the gains to their citizens, but the problem here is that shipping firms are usually based in countries other than those where they employ the bulk of their crews. A robot tax levied on a shipowner in Cyprus will not reach their displaced Filipino crewmembers.

The erosion of human skills is also a hazard. Like the satnav driver who loses his primordial sense of direction and ends up in a lake, centuries of seagoing experience and knowledge could vanish. As unmanned ships become commonplace, seafarers will become rarer, until the operator controlling the vessel ashore may know as much about sailing as an air traffic controller knows about flying an airliner. These issues present serious challenges and need greater investigation and analysis.

For now, it's fun to guess what the future might look like. But one thing is certain: the slow creep of automation will continue until it reaches an inflection point that signals the end of the old order and ushers in a new era of shipping. And where that might take us is anybody's guess.

■ *Limassol-based John Ioannou has worked in crew management for over 20 years*



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Backed by other players in the industry, the Department of Merchant Shipping is a rare example of a government department that is well praised by all reports **Andria Kades**

Competing with other countries not against each other

Contrary to the bad name most government services in Cyprus have of being slow, inefficient and bureaucracy laden, the department of merchant shipping (DMS) is, according to industry professionals, very much an exception.

"There is an excellent working relationship between the ship owners and the DMS. They are available 24 hours a day, seven days a week, 365 days a year," Eberhard Koch, German CEO and partner at Oesterreichischer Lloyd, told the

Cyprus Mail.

"The support we get is extremely high and the relationship between the government and the industry is excellent. We can get the minister on the phone any minute."

Such words of praise are rare when it comes to the civil service and while Koch says he is very much aware of that and the difficulties surrounding doing business in Cyprus, credit must be given where it is due.

"It's still difficult to set up a company, to open a bank account, Cypriot banks are still slow... but



the new under secretariat of shipping we're getting shows the government is behind us."

Earlier this year, parliament unanimously passed a bill allowing for the creation of an under secretariat for shipping that will be located outside of Nicosia, in Limassol which is already home to both the Cyprus Shipping Chamber (CSC) and dozens of ship-

ping companies.

According to the DMS, the successful relationship between state and industry is largely due to the CSC and the Cyprus Union of Shipowners who lobby for any changes, take initiative and promote the industry abroad.

"Without them, we don't know where we would be," the DMS said.

"Our relations are excellent, they have been supporting the department since its inception. They take initiative, have many members and their voice always reaches abroad."

Koch, also a member of the CSC board of directors, said it took a lot of work to bring the industry and government working relationship to where it is now.

Much effort was exerted around the mid 90s, Koch said, to shift the focus from the quantity of the fleet to the quality. "Now we have succeeded in that every ship is a quality flag managed by high quality staff."

Additionally, "governments tend to like stable contributors to GDP and shipping is one of the biggest, at around 7 per cent," Prabhat Jha, Group Managing Director of MSC Shipmanagement Limited told the *Cyprus Mail*.

"It's one of the key industries contributing jobs and taxes to the economy."

The reasons then for the government to keep this industry very much alive and happy and reap the consequent returns are evident.

The DMS says in addition to the support they get from the industry the fact that all involved are working towards a common goal helps them provide best service.

"We compete with other countries not each other," the department said.

"Other sectors don't have this cluster. Banks for instance compete against each other. The shipping sector however is in competition with other

'It's one of the key industries contributing jobs and taxes to the economy'

countries."

Jha, who sits on the CSC board said, "it is a very effective chamber which collects all views from the shipping cluster and takes it to different government departments."

"We are very clear on what is required and we keep things simple. We don't ask for things the government cannot do."

Companies are now gearing up for a 2024 deadline set by the International Maritime Organisation (IMO) by which ships must have ballast water management systems installed.

Although some of the requirements had to be met a month ago, the full cost of this could range anywhere from €300,000 to €1m.

The systems concern the ocean water kept in ships' tanks for stability that may also contain plants and animals, and the regulations are a bid to avoid transferring species to different environments

where they might compete with the native species.

"We use a UV filter," which prevents organisms from reproducing, Koch said however "it's a huge burden financially and it's not adding any value to the ship. Just expenses".

"The DMS is a member of the IMO and they try to help us against these stupid regulations," he added but practically little can be done.

Along with other countries, the DMS achieved postponing the deadline but the system must still be implemented.

Furthermore an energy efficiency management plan is now a requirement of the IMO to reduce a ship's carbon footprint. Cleaning underwater parts of the ship more often, waste heat recovery systems or even fitting new propellers is now mandatory.

Companies must also abide by an EU MRV system that aims to cut carbon dioxide emissions and submit detailed monitoring plans which include details of port departures and arrivals, carbon dioxide emitted, cargo carried, distance travelled and time spent at sea.

Koch however argues that the shipping industry "is the cleanest industry in the world. They keep requesting more and more from us. It's getting too much."

MaRITeC-x



MaRITeC-x is an ambitious project funded by the European Commission under the HORIZON2020 Programme.

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The department of merchant shipping at an international exhibition shortly after the 2013 financial crisis

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Strong maritime cluster helps

With the 11th largest flag in the world, Cyprus has a well developed industry that services companies from around the world reports **Andria Kades**

Located at the crossroads of three continents, Cyprus has historically played a role in the region's trade, which has been built on in more modern time to create a shipping industry that is now the 11th biggest in the world.

Currently employing about 4,500 people on the island, with some 140 shipping companies registered here, Cyprus is one of the biggest shipping centres in Europe, Eberhard Koch, German CEO and partner at Oesterreichischer Lloyd, told the *Cyprus Mail*.

Contributing approximately €1bn per year, shipping accounts for seven per cent of Cyprus' GDP with a fleet of 1,000 ocean going vessels of a gross tonnage

exceeding 23 million.

The department of merchant shipping (DMS) says it took a lot of work to get Cyprus to where it is today and the hard work continues maintaining and improving those standards.

While the industry started in the 1960s it was around 30 years later that a lot of work was involved in making sure there was a quality fleet attached to Cyprus' flag. Shortly after the creation of the Cyprus Shipping Chamber (CSC), comprised of well-organised professionals, the relationship between the department of merchant shipping and the industry went from strength to strength.

Cyprus is already one of the biggest ship management centres, which pro-



Tax in Cyprus is based on how much tonnage is being carried

vides a sufficient incentive to draw other companies to consider setting up operations here, said Prabhath Jha, Group Managing Director of Cyprus-based MSC Shipmanagement Limited.

"There is a strong mari-

time cluster," Jha said.

The tonnage tax system applied in Cyprus is one of the key attractions for shipping companies. Tonnage tax is a method of calculating tax based on the tonnage of vessels, rather than on corporate earnings

and Cyprus is one of many countries that have such a system.

According to Koch, Cyprus' flag is appreciated worldwide, spanning from the US to Australia and other major ports. Additionally, the fact that

the registry is done in a government department offers companies a sense of security, the DMS said.

"It's a guarantee from the state and not a private company. Although it might require a longer procedure, overall it poses a lower risk



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MIE Group



keep island on shipping map



Comprehensive legal frameworks are available to companies registering on the island

compared to other countries."

Furthermore, companies are also attracted to Cyprus' broader tax system, with a corporate tax rate of 12.5 per cent.

Cyprus also has a supportive government, legal and audit firms aplenty and a healthy supply of talent for recruitment into shipping companies, Jha said and it helps that the people on the island are very friendly too.

It is quite telling that after the financial crisis hit the island in 2013 the shipping industry emerged quite unscathed.

This is largely because

shipping companies are well known for planning ahead for all eventualities, Jha said.

"It is a very proactive industry. We have to be prepared for bad weather. You don't just decide on what action to take when the bad weather hits. You prepare beforehand."

Comprehensive risk management teams helped many shipping companies survive the financial crisis that hit the island, particularly in the aftermath of the bailout.

"At MSC we manage nearly 200 ships from our Limassol office which are all over

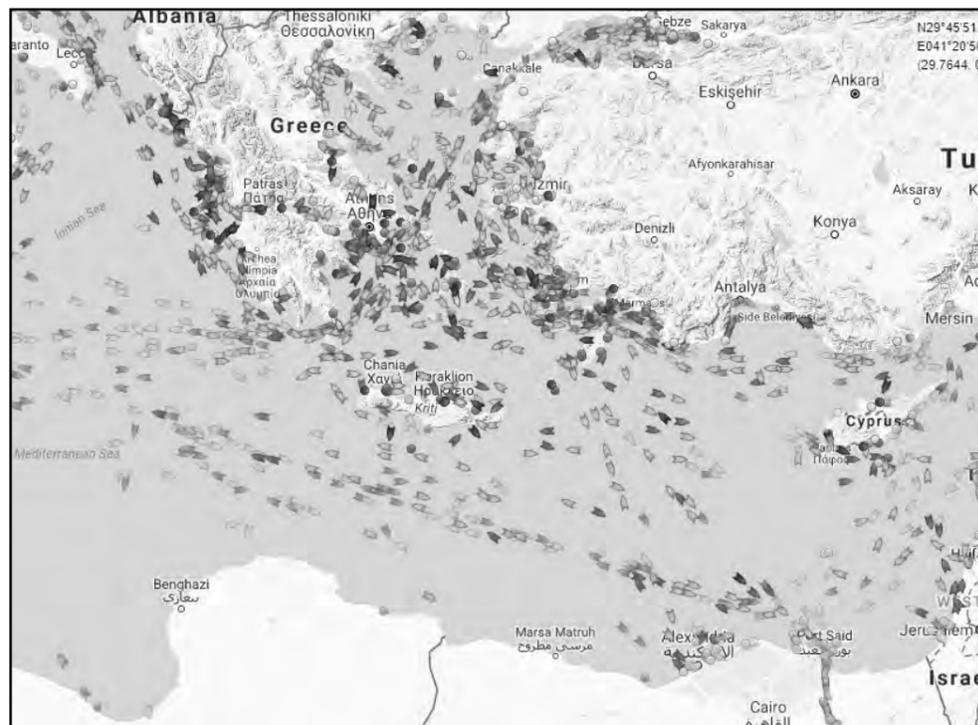
the world. We don't have exposure to the local market and thus were not affected at all," Jha said.

"Shipping was the probably the only industry hiring when others were firing."

Looking to the future, Koch believes Limassol "could be the bright star of the Mediterranean."

"Cyprus is at a crossroad of three continents. It is also the first EU country next to the Suez Canal and this could make it a huge hub in the future – possibly why Dubai is investing in the port," he added.

Comprehensive legal frameworks covering all fac-



Ships moving around the world are monitored from Cyprus

ets, including pirate legislation are available to companies registering on the island.

"We have a good system here," Koch said, which includes that when passing through Cape Horn through the Indian Ocean approaching the ports in Sri Lanka or India, there are armed guards on board to protect the crew, vessel and cargo from pirates, in addition to UN ships in the area.

"There are companies in Cyprus that are offering armed guards," Koch said, however this is not something unique to Cyprus.

What would really push the industry would be a lifting on the Turkish embargo on the Cyprus flag, he added. A long-standing problem, the industry believed this would have been resolved with a solution to the Cyprus problem "but that's off the table now."

"What we need to do more of is to promote Cyprus abroad more."

"It saddens me that in northern European they don't even know what Cyprus is," and this is really where the government should be pushing to promote the island to," Koch said.

As of right now, Cyprus faces strong competition from Shanghai and Dubai, he added.

Uni moves on creating Faculty of Marine Science and Technology

THE first session of the International Advisory Committee for the establishment of a Faculty of Marine Science and Technology at the University of Cyprus took place on Tuesday.

During the session officials from the university and the ministry of transport were able to brainstorm and exchange challenging information and views about marine science technology, and how it can fit to the contemporary needs of Cyprus. The ministry and the university signed a Memorandum of Cooperation in 2013.

"The availability of skilled human resources is at the very core of economic growth and employment. Therefore, the establishment of Faculty of Marine Science

and Technology is a very important step for academia and growth, as it will supply our country with high quality education and training," Transport Minister Marios Demetriades said at the opening session. "It will also assist to a great extent our efforts towards establishing Cyprus as a maritime education hub in the Mediterranean."

Merchant shipping was created as a business sector in 1963 and is still a priority for the ministry. The Cyprus Ship Registry ranks among the leading ship registries internationally and has the third largest merchant fleet within the European Union, while it's characterised by high standards of quality and safety.

"Another promising development for the Cyprus shipping industry is the discovery of hydrocarbons in the Exclusive Economic Zone (EEZ) of Cyprus. Cyprus has the potential to be developed into an important energy centre in the Mediterranean," Demetriades said. Offshore exploration and production of gas and oil, as well as their transportation ashore, require the operation of specialised ships and equipment and the supply of appropriate supporting services. "Thus, synergies are currently emerging between our shipping industry and the newly established local offshore oil and gas industry," the minister added.

He said a variety of developments affecting Cyprus in the last 15 years – including the island joining the EU, discovery of hydrocarbons and the adoption of an Integrated Maritime Policy and framework for Maritime Spatial Planning – has changed and expanded the role and strategic objective of the ministry to ensure that Cyprus effectively implements its international and EU duties as a flag state, port state and coastal state.

"Therefore, from our point of view the establishment of Faculty of Marine Science and Technology shall inevitably assist in a substantial manner Cyprus to perform its aforementioned three State duties."



Transport Minister Marios Demetriades



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A history of forward planning

Cyprus' shipping authorities are primed to capitalise on opportunities and ready to safeguard the industry against negative developments reports

Mike Theodoulou

THOMAS Kazakos clearly likes facts and figures, which he rattles off at high speed. But he pauses occasionally to put them in context, never losing sight of the bigger picture. This is when the tireless director of the Cyprus Shipping Chamber (CSC) puts aside numbers and turns to pop culture, always with a big smile.

"If you build it, they will come," he says, comparing the thinking behind the island's shipping industry to the baseball field in the 1989 movie *Field of Dreams*.

Cyprus began building it in the early 1960s when it established its shipping registry and introduced legislation providing ship managers and owners with a more tax-efficient business environment. And come they did, transforming the island into a shipping superpower.

Cyprus now boasts the largest third-party ship-management centre in Europe, one of the largest crew management centres in the world, and the 11th largest fleet in the world.

"Our companies compete with the biggest shipping giants on Earth in their field of operation," Kazakos says. "And our big fleet and vibrant resident shipping industry gives Cyprus substantial political and financial strength."

Cyprus will soon be able to boast one of the world's biggest ship-management companies, with two long-established, Limassol-based companies set to merge under an equal partnership. With due diligence for the deal between Columbia Shipmanagement and Marlow Navigation finished, the merger is simply awaiting regulatory approval from anti-competition authorities in Cyprus and Germany where each have important presences.

The shipping sector is both the island's longest-serving generator of foreign direct investment and its most resilient industry, contributing more than €1bn a year to the economy. This accounts for 7 per cent of GDP, a far higher figure than in other countries

seriously engaged in merchant shipping. The industry directly employs 4,500 shore-based personnel – more than half of them Cypriot graduates – and 55,000 seafarers from around the world.

The sector survived the 1974 Turkish invasion, the devastation inflicted on the global shipping industry by the collapse of Lehman Brothers in 2008, and emerged from Cyprus' bailout in 2013 unscathed in terms of taxation and operational framework, although some shipping companies suffered a "haircut" of their local bank deposits.

There is tangible potential for further growth, which can materialise without substantial cost because the infrastructure is already in place.

Brexit and natural gas now present major opportunities,



Cyprus has the 11th largest fleet in the world

panies have transferred some of their operations to Cyprus – and have joined the Cyprus Shipping Chamber as members.

Cyprus' well-established shipping industry is ideally placed to capitalise on the discovery of large natural gas fields in Cypriot, Egyptian and Israeli waters. There are six LNG carriers in the Cyprus fleet and plans to add many more under the island's new gas strategy which embraces the LNG market.

A settlement of the Cyprus problem would swiftly and

opportunities and ready to safeguard the industry against negative developments.

Cyprus must be ready, for instance, to cope with new demand if the Turkish embargo is lifted, Kazakos said. Otherwise, existing customers will become dissatisfied and potential new ones will not come aboard. "We work continuously to upgrade our maritime administration, to build our competitive package in both good times and bad," says Kazakos.

That competitive package will be strengthened later

By working in close partnership with the shipping industry, the administration would be able to draft legislation that boosts the attractions of Cyprus for ship-owners, managers and operators. To be based in Limassol, the island's maritime capital, the Under-secretariat of Shipping will be the first ministry outside Nicosia. It will be ideally located to work with the CSC, the professional trade association of the shipping and shipping-related companies based on the island.

Founded in 1989 by 17 ship-owners, the CSC now has 200 members whose interests it promotes and protects along with ensuring the good reputation of the Cyprus flag.

Most of the shipping companies are based in Limassol, a cosmopolitan tourist resort and port city which has undergone a major transformation in recent years. Bustling cafés and restaurants fill its revamped historic old town while its long coastal road is now flanked by cycle paths, pedestrian walkways and prestige, high-rise residential developments.

Being ready for what Kazakos calls "the day after" is what steered the island's shipping industry through several crises. During Cyprus' bailout in 2013, the island's troika of lenders readily accepted there was no need to tamper with the shipping sector whose tax framework was already modern, flexible, transparent and, above all, EU-approved.

Cyprus had put more than 10 years of hard work into negotiations with Brussels to secure an upgraded and competitive EU-approved tonnage tax (TT) system which was introduced in 2010. The main benefit of the TT regime is the certainty it provides companies on their annual tax obligations, enabling them to do

their business plans accordingly. While other jurisdictions might have less expensive TT regimes, Cyprus' incorporates all three types of maritime activities – ship-owning, ship management, and chartering, making it unique in the EU where other jurisdictions might specialise in just one or two of these areas. Cyprus is also in effect the only fully EU-approved open registry in Europe.

The TT regime ensured the island was an attractive jurisdiction despite the illegal Turkish embargo, which was imposed in 1987. It was also a protective shield during the 2013 bailout. The shipping chamber lost none of its existing members and, without soliciting new business, even registered new ones in 2013 and 2014 in the midst and aftermath of the upheaval caused by the banking crisis. "While other industries faced serious operational problems, we were rowing the boat against the tide," Kazakos said. "We also passed the troika's test with flying colours."

The shipping chamber's "after sales" care service also kicked in, helping to guarantee the goodwill of its members. The chamber worked quietly and efficiently with the troika, the ministry of finance and transport and the Central Bank to secure an EU directive to reduce the losses of those that suffered a "haircut" on their bank deposits.

"The shipping industry in these past three to four years remained loyal to Cyprus, no company has left the island. On the contrary, we saw some companies establishing offices here," Kazakos said.

Kazakos re-works another pop cultural reference to challenges or crises: "When the going gets tough, the well-prepared get going."



Director of the Cyprus Shipping Chamber Thomas Kazakos

'Cyprus must be ready, for instance, to cope with new demand if the Turkish embargo is lifted'

which would be boosted by a Cyprus settlement, if it ever happened:

UK-regulated ship insurers have identified Cyprus and Luxembourg as attractive jurisdictions for an outpost or base in the event of a hard Brexit which they fear will hinder their access to the EU's financial market. Meanwhile, a major UK-based European ship management company has reportedly decided to move to Cyprus because of Brexit. And, prompted by uncertainty in the Greek economy, some Greek ship-owners and ship-management com-

dramatically boost the size of the island's commercial fleet because the Turkish embargo on Cypriot-flagged ships would be lifted virtually overnight. "If the Cyprus flag is now roughly 1,000 ocean-going vessels, another 2,000 ships from our existing membership could register under the Cyprus flag quite fast," Kazakos said.

While there is no guarantee that all three scenarios for potential growth will be realised, Cyprus' shipping authorities are firm believers in forward planning. That way, they will be primed to capitalise on op-

this year when parliament is expected to pass a bill to establish an Under-secretariat for Shipping after years of campaigning by the CSC. The new Under-Secretariat will upgrade and eventually replace the Department of Merchant Shipping (DMS), a body of the Ministry of Transport and report directly to the island's president. While the DMS is a "very sound department", Kazakos says the new Under-secretariat will allow it to become "even better – more efficient, more autonomous, more flexible, and more business-minded".

Shipping industry seeking growth in stormy waters

continued from page 15
ClarkSea Index, a broader indicator that includes tanker and offshore supply vessels, also shows modest growth of two per cent year-on-year, although figures are still 14 per cent below trend since the financial crisis. As the economic recovery in key global markets gathers pace these indexes are ex-

pected to post further gains, improving freight rates and giving local shipowners a much-needed cash boost. Shipyard output will also slow considerably from next year and increased scrappage of older tonnage will cut the supply of ships plying for trade, thus consolidating gains in vessel earnings and allowing owners to

claw back some liquidity. Cyprus is well placed to take advantage of this fledgling recovery. The flag is growing again, and the unanimous approval by parliament to create an Under-Secretariat for Shipping has been widely celebrated as representing a solid long-term commitment of support from the government.

Offshore gas discoveries in Cyprus' EEZ also present an opportunity to diversify away from traditional ship-owning and managing firms toward hosting gas and oil exploration companies. A nascent second cluster may be forming, with firms like ENI, Total and Halliburton already establishing forward bases on the island in anti-

pation of further drilling. Cyprus as the only stable country in the region is also well placed to promote itself as a regional operations hub for firms developing neighbouring fields like Egypt's Zohr and Israel's Leviathan.

As with most industries in the post-crisis world, the emerging recovery in shipping is fragile and can easily

be derailed by unexpected shocks. Nevertheless, most would agree that the eye of the hurricane should have passed, and though the turbulence continues, calmer waters are in sight. If this holds true and the storm is indeed beginning to calm, then the next Cyprus Maritime in 2019 will be a much happier occasion for all.