

Institutional and Socioeconomic Issues in Greek Ferry Services.

Stanley G. Sturmev
George Panagakos, DAS Hellas EPE
Harilaos N. Psaraffis, National Technical University of Athens

paper to be presented at the
Second European Research Roundtable Conference
on Shortsea Shipping,
Greece, June 2-3, 1994.

Athens, Greece, February 1994
Revised : March 1994

0. ABSTRACT

This paper aims at presenting the main issues concerning institutional and socioeconomic problems in Greek coastal shipping. In particular, issues concerning the implementation of the EU Regulation on maritime cabotage are given emphasis and discussed throughout the paper. It is seen that many changes will have to take place to harmonize existing national legislation with the new regime that will take place in 2004.

1. INTRODUCTION

As a nation with small mainland and a plethora of islands, Greece depends essentially on its ferry services to maintain its economic, political and social cohesion. Without these ferry services, many of the inhabited islands would become uninhabited. In strictly economic terms, if the services are examined on a route by route basis, their maintenance cannot be justified. However, the route by route basis is not a correct way to examine the situation. The justification for maintaining the services, is based upon the following considerations:

- the economic value of the whole is almost certainly greater than the sum of the values of the parts and the loss to the vacation industry, particularly in social welfare, of the islands which cannot be served economically on a year round basis would be considerable;
- many of the uneconomic islands are uneconomic because of lack of rational development, not because they are incapable of development;
- the influx of the island populations to Attica would worsen conditions in an already overcrowded area, which is approaching an environmental disaster, and would create economic costs which would be immense; and
- an integrated plan for the development of alternative centers of activity to the Athens/Piraeus agglomeration would also help the presently disadvantaged islands by reducing the transport costs of meeting their needs and rendering their exploitation viable.

The system by which the uneconomic services are supported is ingenious and enables assistance to be given without any state subvention. But:

- the system establishes monopolies in the service of popular islands to the detriment of the quality of service enjoyed;
- the ferry fleet has aged to the point where its ability to continue to serve the islands is becoming a matter of doubt; of the 71 mainline ferries in the fleet, 27 will reach the age of 35 years within the next ten years;
- current practices are contrary to the letter and spirit of the EU Regulation on liberalizing maritime transport, and so must be changed; and
- the dual obligation placed on ferry owners, namely, to serve islands they don't want to serve, and also islands they do want to serve, in accordance with the detailed terms of the Ministry and never in accordance with their own judgements, has held back the proper development of the Greek ferry fleet and leaves it vulnerable to a takeover by non-Greek EU shipping lines.

This paper is a product of a project on Greek coastal shipping sponsored by the Hellenic Industrial Development Bank (ETBA). Complete details can be found in Psaraftis (1993) and in a companion paper to this one (Psaraftis et al, 1994). It is organized as follows. Section 2 presents the institutional framework. Section 3 presents the socioeconomic issues. Finally, Section 4 presents a summary of the results and recommendations of this paper

2. INSTITUTIONAL FRAMEWORK

2.1 Greek legislation

Basic definitions : The Code of Marine Law defines "coastal" shipping as the transfer of passengers and cargo between Greek ports. Coastal shipping is reserved exclusively for ships flying the Greek flag. Only ships registered in one of the Greek registries can fly the Greek flag. Precondition for such registration is Greek nationality. According to the Code mentioned above, Greek nationality is granted to ships, the majority shares of which are owned by Greek nationals or Greek firms.

Ship types : Greek law defines the following ship types: A ship which can carry more than 12 passengers is a passenger ship. All non-passenger ships are cargo ships. Based on their employment, passenger ships are divided into liners which move passengers between certain ports (on pre-specified lines) and "tourist ships" which execute round voyages. Tourist ships are further divided into professional tourist ships which move passengers on a freight basis (cruise ships or chartered yachts), and pleasure ships which are non-professional ones. Ships which are specifically designed and constructed for the carriage of vehicles are called "ferry boats". Ferries which in addition can carry more than 12 passengers are called "passenger-car ships", while those which are not "passenger-car ships" are called "cargo-car ships". Furthermore, ferries are divided into those of "closed type" if the entire main deck is covered by superstructure, and those of "open type" if the above condition is not met.

Age limits : With certain exceptions (passenger ships which carry up to 49 passengers and pleasure ships), Greek ships can only be registered as "passenger ships", if at the date of registration their age does not exceed the 20 years. Furthermore, Greek passenger ships are not allowed to serve the coastal liner trades if their age exceeds the limit of 35 years. It should be mentioned that the entry limit to the Greek passenger fleet (20 years) applies to all passenger ships, while the exit limit (35 years) concerns only the liner passenger vessels, meaning that cruise ships or ships employed on the Greece-Italy lines are not subject to the exit limit.

Cabotage : The right to transfer passengers between Greek ports belongs exclusively to liner Greek passenger ships. This does not apply to the drivers of professional vehicles, who can be transferred by Greek "cargo-car ships", as well. Direct transfer of passengers between Greek and foreign ports and vice-versa can also be executed by foreign-flag passenger ships, on the basis of reciprocity.

The right to carry cargo between Greek ports belongs exclusively to Greek cargo ships of up to 1,000 G.R.T. This limit does not apply to "cargo-car ships" employed between Greek ports. The use of Greek cargo ships of more than 1,000 G.R.T. is allowed for the carriage of certain commodities in bulk (cement, oil products, ores, etc.). The upper limit of cargo volume which can be carried by Greek passenger ships is 5 tones per shipper. Ships serving "thin lines" and the carriage of vehicles are exempt of this limitation. Direct carriage of cargo between Greek and foreign ports and vice versa can also be executed by foreign-flag cargo ships (with no limitation on tonnage), on the basis of reciprocity.

Entry into fleet : Shipowners willing to introduce a new vessel in the Greek coastal trade are obliged to place an application for a license (feasibility certificate) with the Ministry of Merchant Marine. Following discussions with the Consultative Committee¹, the Minister decides on the matter within 60 days.

Line types : The coastal network consists of a number of lines, which fall into one of the following categories:

Main lines :They originate in Piraeus and connect ports in different provinces.
Secondary lines :They originate in ports other than Piraeus and connect ports in different provinces.
Local lines :They connect ports in the same province. The connections between points of mainland Greece and the opposing islands, as well as the crossings of narrow strips of sea water (narrower than 3 nautical miles) are considered local lines.

Allocation of ships : The passenger-car ships of open type are only employed in sheltered waters and along distances of no more than 10 nautical miles. The minimum tonnage of ships employed on the longer routes of Piraeus-Corfu, Piraeus - Dodecanese, Piraeus-Crete and Piraeus-Chios-Mytilene is 1,700 G.R.T. The minimum required tonnage for the medium-distance connections of Piraeus -Samos and Piraeus-Eastern Cyclades is 1,000 G.R.T.

The allocation of ships to the lines of the network is a complicated process. For the main lines, the process involves the submission of applications by the interested ship operators for either the winter (months November through March), the summer (April through October), or the entire year, and the subsequent approval by the Minister of Merchant Marine (MMM) following discussions with the Consultative Committee. Prior to the submission of applications, the MMM has the right to determine (and he usually does) the following for each season of the year:

- the number and sequence of port calls on each line,
- the required number of round trips per week, and
- the schedules of the voyages.

The number of the ships to be employed on each main line is determined by historical data and projections on passenger and vehicle traffic volumes, the distances involved, as well as any other idiosyncrasy that each line may present.

The selection of ships to be employed on each main line for the winter season or the entire year is based on the technical characteristics (passenger and car capacity, age, speed and ability to call safely at the ports of the line) of the ships, the owners of which have expressed interest. Between ships of similar characteristics, those which have been built or converted by Greek shipyards and those which have been financed by Greek financial institutions are preferred.

¹ The Consultative Committee has 7 or 8 members depending on the subject to be discussed and is presided by the General Secretary of the Ministry of Merchant Marine. The Committee is formed by high-rank officers of the administration and a representative of the shipowners' association. The members of the Committee are replaced every year.

If the MMM has not exercised his right to determine the number and sequence of port calls, as well as the required number and scheduling of the round trips on each line, prior to the submission of applications by the ship operators, he maintains the right to modify the schedules proposed by the operators with respect to those matters. Furthermore, he should: (i) avoid simultaneous departures of more than one ships employed on the same line, unless such an arrangement is dictated by specific transport needs, and (ii) make sure that ships remain for at least six hours at the port of origin between consecutive voyages. If this is not possible, the Minister may force ships to spend one night per week at the port of origin.

After the winter season, ships on a yearly contract keep on duty only if the number of idle days during the last winter season was no more than 60 for the annual survey and usual repairs, or 90 for conversion, remodelling or re-engining. If the number of ships meeting this condition is not sufficient to cover the summer needs, additional ships are employed among those which have served the same line during the previous winter season with acceptable number of idle days. If even then the needs are not met, other ships may be employed.

Having in mind the high seasonality of the traffic volumes that characterizes the Greek coastal network, restrictions like the one mentioned above aim at securing the provision of adequate transport services during the low-revenue winter season. For the same reason, ships employed during a summer season are obliged to retain their crews hired during the following winter season (with the exception of the 60-90 day immobilization period), regardless of the winter-time ship employment status.

Similar procedures are followed for the allocation of ships to the secondary and local lines.

A basic characteristic of the way ships are allocated to the lines of the network is the ability of the MMM to determine the ports to be called on each line. In this way, shipowners who are willing to operate their ships between ports with acceptable levels of traffic are now forced to serve additionally and at no cost for the public budget, little islands with very low traffic volumes. In fact, a shipowner who has submitted application for a specific line cannot refuse an approved schedule if the MMM has added up to 2 extra port calls on each direction, and this addition results in an increase of the proposed round-trip distance by up to 10%. For the islands which cannot be served in this way, the law makers have provided a totally different procedure.

Thin lines : An extensive part of the Greek legislation on coastal shipping deals with the "thin lines" (the literal translation from Greek is "infertile lines"). The term concerns lines of very low traffic, which cannot be served profitably by independent operators. According to the Code of Marine Law, the Minister of Merchant Marine (MMM) has the right to sign contracts with Greek ship operators in order to meet the sea transport needs of the country along "thin lines" by employing Greek passenger or cargo ships on a fixed schedule. The cost of such services is borne by the Greek government. There are three thin line categories: (i) main thin lines, which concern the transport of passengers and/or cargo, (ii) the mail thin lines, which concern the carriage of mail and (iii) the tourist thin lines, which relate to tourist needs. The thin line contracts result from public tenders. Details of the bidding and contacting process for each and every thin line category are determined by relevant ministerial decisions. For each thin line the sequence of the ports to be served, the desired number of round trips per week, the contract period (which cannot be extended beyond 5 years), as well as the technical requirements of the ships to be considered (tonnage, passenger and cargo capacity, speed, e.t.c.) are set prior to the tenders by the MMM, following discussions with the Consultative Committee.

Employment of other ship types : The procedures described above concern the passenger-car ships serving the coastal network. Cargo-car ships are allowed to be employed only after obtaining a

relevant license by the MMM, which is issued if the new ship would not seriously affect the economic exploitation of the existing passenger-car and cargo-car ships on the line of interest.

The necessary procedure for the employment of Greek passenger ships between Greek and other Mediterranean ports is much simpler. The only requirement is a written statement to be submitted by the interested shipowner or his authorized agent to the Ministry of Merchant Marine at least 30 days prior to the inauguration of the new service. The statement must contain the detailed schedule of the new service.

Freight rates : Freight rates were set by the Greek legislation as early as in 1926. Since then, the law makers were trying to protect the users of coastal services from possible exploitation by the ship operators by determining upper limits to the freight rates. However, they also determined lower limits to the rates in an effort to protect ship operators from dumping practices. Furthermore, "... any direct or indirect partial or complete refund of the freight rate to the passenger or the shipper in the form of a grant or a commission ..." was considered illegal. Later on, the lower and upper limits to the freight rates were replaced by a single rate. Passenger and cargo rates on the main and secondary lines are determined by the MMM after consultation with the Consultative Committee. On the local lines, freight rates are determined by the local Port Authority and approved by the MMM. These rates are compulsory and any agreement setting higher or lower rates is forbidden. Fares paid on board are higher than the normal ones by 20%. Passenger-car ship operators of the main lines are allowed to offer discounts of up to 20% on the vehicle fares for round trip voyages. The vessel chartering rates of passenger ships are set freely.

Specific discounts are granted to certain categories of passengers and cargoes by ministerial decisions. In fact, shipowners and operators accuse the government for making excessive use of that provision. Indicatively, it is mentioned that parliament members and their private cars, members of families with more than 3 children, the students, reporters, military personnel, the Ministry of Merchant Marine personnel, pensioner seamen, athletes, boy scouts, members of theatrical groups, as well as the agricultural products are granted discounts which range from 20 to 100%.

Economic incentives : On the other hand, marine companies owning and operating coastal ships are exempt from any tax, duty or other government fee. In addition, the Greek liner passenger ships are exempt from pilotage charges, and the same is true for Greek cargo ships of less than 1,000 G.R.T. A discount on the light dues is also granted to the Greek liners.

Number of passengers : The highest number of passengers, which can be carried at any given point of time by a passenger ship is determined by the Ministry of Merchant Marine based on the technical specifications of the vessel. High penalties are imposed on owners carrying more passengers than allowed. Exceptions to the rule are only permitted on occasions of extraordinary transport needs (i.e., due to a marine accident or due to massive transfer of voters during election periods). A 1974 law, which is still in force, goes in great length to determine the procedure of passenger number surveillance: "At the port of origin, every intermediate port of calling, and at the port of destination, prior to passenger embarkation/disembarkation, the ship master is obliged to assign a ship officer to every embarkation stairway of the ship who, together with a representative of the local Port Authority, are responsible for counting the disembarked and embarked passengers".

Composition of crew : Crew members are Greek registered seamen and officers holding the appropriate licenses. Crew composition is determined by a series of decrees and ministerial decisions. As a general rule, deck personnel is determined by the gross tonnage of the ship, the engine-room personnel by the total horsepower of the main engines, the radio personnel by the number of

passengers and the area of navigation, the administration personnel by the number of passengers, the accommodation personnel by the number of passenger berths, and the kitchen personnel is determined by the ship's gross tonnage.

Technical specifications : As with other ship types, the construction, outfitting, surveys and operation of coastal ships are determined by a number of international and national regulations. Among the international regulations, the avoidance of collision at sea convention, the SOLAS, MARPOL and the loading line and capacity determination conventions, as well as the technical specifications of the various classification societies are indicatively mentioned. There are national regulations on propulsion means, marine outfitting, safety means, fire-fighting equipment, telecommunications, cargo lifting devices, medical supplies, passenger accommodation, crew accommodation, carriage of special cargoes, shipbuilding, repair and conversion surveys, as well as the annual and periodic ship surveys. It should be mentioned, however, that the only reference to new-technology ships in the Greek legislation is a Presidential Decree of 1981 on the safety regulation of dynamically supported ships.

2.2 E.U. maritime law and policy

As a member of the E.U., Greece is bound by the provisions of formal Regulations issued by the Council of Ministers. These Regulations, therefore, constitute a part of Greek law, breaches of which can lead to action by the Commission of the E.U. Some of these Regulations cover maritime transport. While only one Regulation, that on maritime cabotage, covers coastal shipping directly, the existence of the other instruments dealing with sea transport needs to be noted. In particular, they may be used as precedents in matters concerned with the application of the competition rules to maritime transport.

The Treaty of Rome, which in 1957 established the European Economic Community, contains a section dealing with transport. In one of the articles in this section it is stated: "The Council, acting by means of a unanimous vote, may decide whether, to what extent and by what procedure appropriate provisions might be adopted for sea and air transport". Until 1979, it was thought that sea transport could not be subject to the competition articles of the Treaty (specifically 85, 86 and 87) unless there was a unanimous decision of the Council of Ministers. In 1979 the Court of Justice ruled that the competition articles of the Treaty did apply to maritime transport.

The first Council regulation relating to maritime transport was issued in the same year. This was Council Regulation (EEC) No. 954/79 of 15 May, 1979, concerning the ratification by Member States of, or their accession to, the United Nations Convention on a Code of Conduct for Liner Conferences. This regulation does not affect coastal shipping, but it could cover the Adriatic ferry services between Italy and Greece if these came under the umbrella of a liner conference, or if the Commission perceived that a body akin to a liner conference had become active in the trade.

The preamble to this first Regulation proposed that "... the Commission will accordingly forward to the Council a proposal for a Regulation concerning the application of those rules (that is, those incorporated in the Regulation) to sea transport." (Our bracketed insertion). In fact, four regulations were issued on 22 December, 1986. The numbers and titles of these are:

- 4055/86, applying the principle of freedom to provide services to maritime transport between Member States and between Member States and third countries;

- 4056/86, laying down detailed rules for the application of Articles 85 and 86 of the Treaty to maritime transport;
- 4057/86, on unfair pricing practices in maritime transport; and
- 4058/86, concerning coordinated action to safeguard free access to cargoes in ocean trades.

These four regulations constitute the first part of the common maritime transport policy of the E.U.

These four regulations have been described by the Commission as dealing with the external aspects of shipping. Further measures, it was claimed, would be needed if all aspects of the Union's objectives in the field of maritime transport were to be met. In August, 1989, the Commission proposed a four part programme of what it called positive measures, namely:

- the establishment of a Union ship register (EUROS);
- the improvement of port-state control within the Union;
- a common definition of a Union shipowner; and
- the application of the freedom to provide services to maritime transport within Member States.

It will be noted how the title of the last item in the programme reflects the title of Regulation 4055/86, adopted in 1986. To date, this is the only part of the programme of positive measures to have culminated in a Regulation.

The full title of the Regulation is: Council Regulation (EEC) No 3577/92 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage) and it is dated 7 December, 1992.

As is usual, the regulation is in two parts, namely, the preamble and the operative clauses. The preamble contains elements of the historical background, followed by clauses stating objectives to be achieved and generalities on the modalities for their application. Statements in the preamble are non-operational, but what is said there can often provide clues to the interpretation of operational provisions. The preamble is followed by the operational section, that is, the body of the Regulation.

There are two statements in the preamble which are of particular importance to Greece. Both of these are the result of pressures from the European Parliament and are fully reflected in appropriate operational provisions. One statement speaks of implementation being "gradual and not necessarily provided for in a uniform way for all services." The other states that "public services entailing certain rights and obligations for the shipowners concerned may be justified in order to ensure the adequacy of regular transport services to, from and between islands."

A detailed discussion of the entire Regulation is not necessary. Only articles 1, 4 and 6 should be highlighted here because of their importance to the future of Greek coastal shipping.

Article 1 gives freedom to provide maritime transport services within a Member State to all ships registered in, and flying the flag of, a Member State, EUROS included, as from 1 January, 1993. Article 6, however, grants exemptions from the implementation of the provisions of the regulation for certain countries. For reasons of socio-economic cohesion, the derogations² for Greece are:

² The use of the word "derogation", in the sense it is used in the Regulation, is awkward in English and betrays the original language of the text. In fact, there is no equivalent word in

- for cruise services, until 1 January, 1995;
- for transport of strategic goods (oil, oil products and drinking water), until 1 January, 1997;
- regular passenger and ferry services, until 1 January 1999; and
- for island cabotage and services by ships of less than 650 GRT, until 1 January, 2004.

Article 4 provides that a Member State "may conclude public service contracts with or impose public service obligations as a condition for the provision of services on shipping companies participating in regular services to, from and between islands". Such public service contracts shall be made on a non-discriminatory basis in respect of all Community shipowners. Taking article 4 in its entirety, all possible protection is provided for the maintenance of the Government policy of ensuring the provision of year round services to the islands for reasons of both social justice and territorial integrity.

3. SOCIOECONOMIC ISSUES

As stated earlier, for reasons "of socio-economic cohesion", a deferral of the full application of Council Regulation No. 3577/92 has been accorded to Greece until 1 January, 2004 "for regular passenger and ferry services and services provided by vessels less than 650 GRT". The ferry services, which are the concern of this part of the paper, are like Damocles. Unless the unimaginable happens and Greece should leave the Common Market, the sword will fall on schedule. Whether, in its fall it will kill the industry or whether it will simply make some noise as it hits the steel helmets of protection the industry has forged for itself, depends on Greece. The EU has given Greece eleven years, of which one has already passed, to prepare itself in defence against the falling sword.

3.1. How the shipping of other Member States might react

No attempt will be made to forecast in quantitative terms the extent to which the shipping of other Member States will invade greek waters in 2004. The extent of this invasion will depend on two factors, the relative importance of which is difficult, if not impossible, to forecast.

The first factor is the extent of preparedness of the Greek ferry services to meet the challenges which may arise. This is a matter which is partly in the hands of shipowners themselves, but it is also a matter which depends very much on Government and the relevant ministry, the Ministry of Merchant Marine. What needs to be done in Greece will be covered in Section 3.2 of this paper.

This will do little to enable the possible level of preparedness to be forecast. One can state the obvious now : the better prepared Greece, at all levels, is to meet the competition, the less likely are other shipowners to take the risk of a major invasion; the lower the standard of preparedness, the more it will be seen as providing easily grasped spoils.

The second factor is that before 2004 the Channel Tunnel will have opened and experienced ten years, more or less, of operations. Any present forecast of the number of ferries which will be displaced and whether they will have found alternative employment before 2004 must be guesswork. The more

English; we will use the word deferral.

ferries there are laid up looking for work in 2003, the greater the competition will be to Greek ferries in 2004. There is a small rider to this, which will be mentioned later in this part of the paper under the sub-heading "Influx of capital".

For various reasons, the experience of other European countries which opened their coastal shipping to foreign tonnage, in advance of the Regulation, does not provide much help in trying to make a quantitative analysis because the geographical circumstances of countries are so different. In Britain there are some comparable routes, but the routes do not make up a system and there is no overall regulatory authority as in Greece. There is also a dearth of data. Unfortunately, the main source upon which we relied for our non-quantitative tentative conclusions remains confidential (November 1993) and cannot be cited.

The tentative conclusions which have been drawn from such statistical data as could be found and the impressionistic evidence gathered from diverse sources are :

- inferiority of ships or the standard of service provided act as a direct incentive to the entry of competition;
- it is more likely to be the top end, rather than the bottom end, of the passenger market which will attract competition from the shipping of other Member States, although the trend in the Greek market towards dual purpose ships serving both public and service operations and island vacation services will blur the distinction; and
- shipowners of other Member States are likely to be sensitive to what seem to be unexploited opportunities.

Concerning the first conclusion, the fate of the Swansea and Cork Lines and the replacement of their unsatisfactory ship by a Strintzis vessel is well documented. High speed, new technology ferries can increase traffic on a route, something which EU shipowners, contemplating entry to Greek trades, will not ignore. During its first seven months of operation, the catamaran SeaCat Scotland carried 330.000 passengers and 75.000 cars on the Stranraer/Belfast route, nearly double the predicted volumes.

Within the existing system there are at least two possible unexploited opportunities which are likely to be exploited in attempts to by-pass crowded Piraeus. One might be more inter-island services, with co-ordinated connections between new technology ships and feeder ships taking passengers and cars to other islands, receiving imports directly from abroad and serving near islands : Crete springs directly to mind in this connection. The second unexploited opportunity is very near to the alternative mentioned to the inter-island services. This would be the establishment of fast direct services between some of the larger island and the north of Greece, particularly Thessaloniki. A Greek line did pioneer this during the 1980's.

In Greece, the industry is regulated in order to achieve the objective of ensuring year round services to all the inhabited island which are part of the nation.³ A number of these islands generate enough year round trade that shipowners want to provide services to them; others generate so little trade that

³ On all matters related to the system of regulation practiced by the Ministry, the reader will find additional information in two other publications, namely, S.G. Sturmeij "Ring in the changes", *Naftiliaki*, no. 1022, Summer 1993, pp 25-31 and Greek Sea Bridges by Katerina and Stanley Sturmeij, Athens, December 1993, pp 2-12.

shipowners, if they were considering their own commercial interests, would not assume the obligation of providing a service. The Ministry, in order to avoid any charge to the national budget in subsidies to induce owners to provide the commercially unattractive services, has very neatly linked the right to serve the attractive trades with the obligation to serve the unattractive trades, this coupled with exemption from income taxation on the profits earned. Thus, the industry has developed in a completely non-competitive structure. Both the Ministry and the industry face fundamental changes in their actions and thoughts. Some sections of the industry are struggling against the imposed strait-jacket; other sections have adapted themselves to it so fully that they cannot imagine any more comfortable dress.

When the sword falls, it will be the coastal passenger and vehicle carrying ferries on which it will fall. It is these which are most likely to attract the attention of shipowners from other Member States. Just like Greek shipowners, they will be unwilling operators in the unattractive trades, but for various reasons they may find themselves willing to accept the burden of these in return for a presence in the attractive trades. The Ministry will no longer be able to make the overt linkage, as at present. But it will be able to provide inducements to shipowners to undertake the unattractive services, although it will be unable to cast a non-competitive net over all, as at present.

It seems possible that some are thinking that other Europeans will be deterred from entering the existing cabotage services because of their over-regulated state. This is unlikely; the EU will understand that if the system of regulation is not changed, Greece will be in breach of the Regulation, even if goes out of its way to invite competition. In practice, however, there are four reasons why shipowners in other member States, desirous of entering the cabotage services, may be interested in the public service routes, since the inducements offered to shipowners to serve these routes must be offered on a non-discriminatory basis. These reasons are :

- all year round employment of their ships;
- the operating economy of serving a poor island where it can be done without diversion from a route serving rich islands;
- to obtain operating slots in ports where the number of slots is limited; and
- the increasing emphasis on a dual role for ferries.

There are relevant comments to make on each of these points.

Year round employment

Year round employment will not necessarily be sought by other European operators. Some European owned catamarans go as far afield as Australia to find profitable employment in the northern winter. It is difficult to see how the Ministry could expect, or insist, that all ferries remain in Greek waters all the year. One possibility which has to be provided for is vacation season only operators, whether Greek or others.

On the other hand, owners may not want to send their ferries abroad for the slack season, or the ferries may not be suitable for such a transfer. If such ferries are not participating in the public service activities, then the chance of making a profit over the year would be seriously restricted. It would seem reasonable that the Ministry should issue public service contracts to interested shipowners only for the number of ships required to meet public service needs. The contract would specify frequency of

sailings, characteristics of ships and so on, according to year round need, but should not be for specified ships. An owner would then have the possibility of using a large ferry to meet public service and vacations needs in the summer, with a smaller ferry to meet public service needs only in the winter, so long as the contractual terms are met.

It is worth nothing here that the present system does not guarantee that public service needs are always adequately met. There were complaints from other islands during the 1993 summer. If the obligations to provide these services are in the form of clear contracts between shipowners and the Ministry, the owner would have the possibility of bringing in another ship, perhaps chartered from another owner when, for any reason he is short of tonnage to fulfill his contractual obligations. He would also have the incentive to do this since he could feel sure that, in the face of a failure, he could lose the contract and the port slots granted to him.

Operational economy

In the pursuit of operational economy, a great deal of initiative should be left to shipowners. In preparing the ground for this, the Ministry, in consultation with representatives of the ferry owners, would need to identify the islands coming into the public service category. These are the islands, the obligation to serve which no owner, if he were considering his own commercial interest, would assume on a year round basis. Having identified the islands concerned, the Ministry would need to define the extent of, and the conditions deemed necessary for, a service which would ensure the continued viability of those islands. The definition would include matters such as the maximum fares for standard class accomodation and the charges for carrying vehicles, which the inhabitants of each island could be expected to bear, the frequency of service needed and a reasonable duration of the voyage each way.

On the basis of this identification and definition, calls for offers to undertake these services would be made to ferry owners, both Greek and non-Greek. Shipowners interested would then make offers to serve some of these islands, which offers should specify the compensation demanded. This could be in the form of an annual fee paid by the Government for providing the service, which is what the Regulation has in mind. But the Government is unlikely to be ready for such a deal and would probably be thinking of compensation in the form of guaranteed traffic rights in terms of the award of suitable slots - see below - on attractive routes would be served in the course of serving unattractive islands. The call for offers would be competitive, with both Greek and foreign lines having the right to tender. There would also be competition outside the range of the public service requirement.

One could well imagine an owner concluding a contract under which he might use several ships to maintain the conditions of the contract. Each contract would impose an obligation and grant rights. The competition would be in the rights. There would be no obligation on an owner to take up his rights, and no guarantee that if he failed to attract an economic volume of traffic he would be protected. He would have a slot, which no other owner could use, except by delegation from the owner with the right. The rights would cover the use of a slot on the attractive island, but no guaranteed volume of traffic; the obligation at the public service island would also cover the use of a slot, with the obligation to use it and a guaranteed minimum of traffic.

The current system of licensing of routes militates against the use of new technology ships. For economic operation, these ships need high load factors and minimum time in port. Such ships are unlikely to have any place in winter operations. In the summer, however, an owner with a public service contract and obligations, with slots at attractive islands on the route, might use high technology

ships to fulfil his obligations. In the summer, both ships may call at the attractive ports, but in the winter only conventional ships would be used.

The present system, despite its theoretical neatness, in fact gets the worst of two worlds in the sense that owners are subject to all the restrictions of a regulated system and a good deal of the lack of certainty of an unregulated system. Under the Regulation, only the fulfilling of the public service obligations can be regulated by contract; a contract can oblige a shipowner to make a certain number of calls each week throughout the year at Folegandros (a low traffic island) and the right to make additional calls if he finds it profitable. It can, as an inducement, grant him rights to make calls at Santorini (a high traffic island) and grant him slots there at times arranged in relation to his calls at Folegandros, but it cannot oblige him to make use of all his rights at Santorini. In the summer it might even be that he would choose to use a new technology ship to call at both islands on some days of the week, but in the winter he would lay-up or send the new technology ship elsewhere.

Operating slots

An analogy with aviation is inescapable. Even in a fully deregulated airline system, the capacity of airports, flight control systems, noise and pollution considerations control the number of flights, the type of aircraft, the hours of operations and even the conditions of take-off and landing at most airports in the world. A number of slots are available each day and each airline wishing to make calls at airport X has to co-ordinate its services with the availability of slots throughout its route.

Within the Greek ferry system, there are severe capacity and environmental problems at a number of mainland and island ports. It is essential that a detailed survey of each port be made. It is not enough that the berthing capacity is sufficient to handle all the ships which may wish to make calls. The survey has to look at the urban factors on the landward side of each port and the quality of life for the residents as well as the physical capacity of roads to handle extra traffic.

In 2004, an increase in the number of ships wanting to use the ports must be expected and arrangements must be made to determine the number of slots which can be made available during each 24 hour period, taking into account all factors. Certain ports are clearly at saturation point in one or other aspect of their physical or environmental conditions. The three major mainland ports in the ferry system, Igoumenitsa, Patra and Piraeus have clearly reached capacity in one or more of their aspects; indeed all three are operating beyond capacity in important aspects. In two cases, further expansion of the ports is not to be contemplated and alternatives are needed; both Lavrio and Rafina are underutilised. Flisvos may be able to handle ferries carrying only passengers and cars, for example high technology ships. The building of the Rio/Antirio bridge should permit the spreading of a lot of the Patra load to Rio.

Strictness in the use of slots would be needed and permits to use particular slots should be based on a realistic assessment of the sea speed, the loading and unloading times and the time needed to manoeuvre ferries to ensure that they can be punctual in berthing and departing and so do not block the next time slot. Some of the problems in this connection arise because ferries are licensed to carry too many vehicles, so that time is wasted trying to coax the last few vehicles into the available space. Watching loading and unloading operations, it is clear that some ships, even some lines, handle passengers and vehicles much more slowly than others. Many of the ships are unable to maintain their accredited speeds which are still listed as they were on their maiden voyages thirty years ago. It seems also, that schedules are based on a quay to quay distance divided by the accredited service speed,

without count of the time taken to clear and enter port and the time to work up to service speed once outside the port.

Another striking point in watching ferry operations in ports, is the skill with which captains can put their ships into small spaces, quickly and without scratching any paintwork. But no matter how skilful they are, the smaller the space in relation to the size of the ship, the slower the operation; in saying this, however, it needs to be recognized that the newer, or recently refitted, ships have more gadgets which increase their handiness compared with smaller and older ships. Despite all this, the new style ferries, that is, those which are conventional in general shape, hull form and propulsion, but more built up than the traditional ferries to provide better facilities for vacation travellers, because of their greater area of superstructure are very much more affected by wind than are the lower built ships. Many islands in Greece are very windy many days of the year. Manoeuvring times are, therefore, often much greater for these ferries than for the older ones. This needs to be taken into account in fixing the slots.

Dual role

Originally, ferries entered the island trades to meet the needs of islanders. This is still their basic function and it is essential that the entry into force of the cabotage regulation does nothing to impede the continued fulfillment of this function. As the vacation demand for travel increased, additional passengers were shoe-horned into the available space of existing ferries. Vacation travel was seen as the Cinderella. If people really insisted on travelling, despite the conditions, the ferries would carry them, but specific provisions were rarely made. This situation has persisted to this day in Ministry policies and in the attitude of many ferry owners; a good example of this is that something so basic as being able to make a return reservation at the time of commencing a journey is still impossible. On the side of the ferry owners, change arrived in 1987 by the entry into service of a ship which had been reconstructed in accordance with a philosophy that the Procrustean system of fitting people to the size of the available beds was out-moded and that travel within Greek system could be an enjoyable experience, not a part of a preparation for eventual martyrdom.

In the years of 1987 through 1993, 30 regular passenger and vehicle ferries of 1.500 GRT and over joined the ferry fleet. Of these, 23 were new style ships catering for both the public service routes and the vacation needs of Greek and foreign vacationers. These ships are bigger, more luxurious and, in general, faster than the conventional ferries. It is essential that their characteristics be recognized and they be given the freedom to exploit the facilities they provide, so long as public service needs are not ignored. It may be expected that ships owned in other Member States of the Union which do try to compete in Greek waters will be akin to these 23 ships and any attempt to deny them the freedom to compete, even if Greek owned ships are being treated in a parallel fashion, will evoke charges of discrimination which would prove very difficult to disprove.

At this point it is useful to summarize what is the job of the MMM in relation to the cabotage services. There are three aspects of it. First, it must ensure that the inhabited islands are properly served and that the ship owner is able to make a reasonable profit in doing so, unless it can be shown that his failure is due to faults on his side. Second, it must ensure that through the allocation of operating slots the number of ships permitted to use each port does not exceed either the physical or environmental capacity of the port. Third, it is not the job of MMM to endure that all shipowners make a profit, nor to interfere in any way in their operations outside the public service sector, although they must retain the

right to expel sub-standard ships from the service, to penalize owners the ships of which are unpunctual in entering or leaving their slots and to prosecute ships which cause pollution.

Influx of capital

The arguments developed above are based on the assumption that the liberalization of Greek cabotage trades will lead to shipowners in other Member States of the Union putting some of their ships to compete in the opened trades. They might, however, react in another way by seeking to establish an ownership basis in Greece by purchasing all or part of some Greek coastal shipping companies. If a Greek company owns a ship, the ship is Greek. But how much of the capital of the company must be held by Greek nationals?

At the present time, with a fleet the average age of which is over 25 years, the ferry industry does not appear immediately as being in a healthy state. Many of the companies, unless they are sitting on large cash reserves, must have a relatively low capital value. With uncertainty regarding the future, the value of the goodwill must also be low. Such companies could present attractive targets for take over by other shipowners who could use the base thus acquired to launch a large scale entry into the de-restricted industry. When 2004 arrives it could then be found that the Greekness of shipping companies operating in the public service sector is illusory, that they are Greek shells, filled with non-Greek management and money.

The sort of trans-national companies which would be created by these purchases were once highly regarded as being a means by which management skills and technology would be transferred from richer to poor countries, while broadening the employment base in the latter. Later, however, when it was found that all important decisions were taken by the richer partner and exclusively in relation to his interests, the enthusiasm for such operations cooled considerably. It would be an unhappy day for Greece, if an activity as vital to the nation as the maintenance of the sea bridges should become a secondary consideration of non-Greek interests controlling an important Greek ship operating company who might decide that to invest in a Ruritanian-flagged gambling ship offered a better corporate return than the replacement of an over-aged ferry. They might even decide to transfer the ship to the open Ruritanian flag and have her convert into a gambling ship, without her being over-age.

The message is that it would be easier to deal substantively with a real Greek shipping company, or a real foreign shipping company, than with a half-and-half. The fact that the trans-national shell might have a prestigious panel of Greek directors, does not alter the fact that in business power resides in the money bags.

3.2. How Greek shipping should react

There is a basic difference between Greek ferry operations and those in other Member States of the EU. This is reflected in the contents of two of the sections of this paper. Section 3.1, dealing with the reactions of shipping in Member States, is about shipping as an economic activity. Shipping is also an economic activity in Greece, but in talking about reactions in Greece, one has to talk about bureaucrats and politicians. Shipping in Section 3.1 works within an overall framework of rules, but within those rules it has freedom of action. Shipping in Section 3.2 also works within a framework of rules but, in addition, there are sets of regulations which leave the shipowner with little economic freedom.

How the parties should react to be well placed in 2004, depends on their starting point, that is, the 1993 status. Two points are to be noted in this regard.

The first point is the anxiety of the drafters of the Regulation that the process of liberalization should be orderly. This is perhaps less apparent in the final text of the Regulation than in the preparatory and explanatory notes which were made, and in the Resolution of the European Parliament on the matter. They were very conscious that, both legislatively and operationally, because of the difference in the level of development, securing the necessary harmonization would be more difficult for Greece than for other countries, with a greater risk of creating serious disturbances in the internal transport market. Harmonization was the key word : liberalization and harmonization are two processes that have to go hand in hand. The deferral accorded to Greece was specifically to enable Greece to achieve the needed harmonization.

The second point is that, within the unwavering belief in the need to establish a competitive system with full and non-discriminatory access to the shipping of other Member States, the public service need was recognized as well as the institution of compensation to shipowners for undertaking commitments which, if they were considering their own commercial interests, they would not assume.

The system of regulation practiced by the Ministry has already been described. Here, it is only necessary to look briefly at certain effects of the system and to its overall consistency with the principles of the Regulation.

The first effect to note is the age structure of the ferry fleet. This is shown in the following table covering the 71 mainline ferries of 1,500 GRT and over in mid-1993. New technology ships are not included.

Type of ferry	No.	0-14yrs		15-19yrs		20-24 yrs		25-29 yrs		30-35 yrs	
		No.	%	No.	%	No.	%	No.	%	No.	%
Traditional	48	2	4	5	10	14	29	18	37	9	19
New style	23	2	9	7	30	14	61	-	-	-	-
Total	71	4	6	12	17	28	39	18	25	9	13

Unless a special waiver is granted, a vessel cannot remain in the fleet beyond the age of 35 years. Within the next ten years 27 ships, 38% of the fleet will become due for replacement, including two which reached 35 years in 1993. Obviously, shipowners are going to look to the Ministry, for indications of its future policy, before they commit themselves to the investment needed.

Between 1981 and 1990, the average age of vessels in the coastal fleet increased from 14,5 years to 21 years; a recent study gives the average age at the end of 1992 as 25 years. These figures apparently relate to the total coastal fleet of over 400 vessels. For the mainline ferries the situation is less unfavorable than for the total fleet; at mid 1993 the average age was 23 years. The adverse age structure strongly suggest that the policy pursued by the Ministry has placed due burdens on ship operators in serving public interest routes.

In this respect, the present situation is precarious. That the industry has survived at all is largely due to the lack of attractive investment opportunities. It is evident that the fleet is in desperate need of new investment. The task of the Ministry is to design a policy which protects the interests of island populations, is compatible with the Regulation, and permits to shipowners serving those public interests to make profits at an adequate level.

One other aspect of the overall policy which needs to be examined is the compulsory retirement age of 35 years. Obviously, all ships in the cabotage trades, whether Greek or foreign, must be safe and must be capable of maintaining the sea speeds and cargo and passenger handling rates needed to enable them to respect the time slots allocated to them. Given the conditions on all routes, a well constructed and properly maintained ship should have a safe, and economically viable life, of more than 35 years. Provided the inspection services are efficient and honest, and so can be relied upon to weed out ships which, whatever their age, are not up to a standard, there seems no reason to impose an arbitrary limit. Shipowners, themselves, will quickly dispose of a ship which is not economically viable because the costs of maintaining it to standard are too high.

In view of the number of ships due to be replaced before 2004, and bearing in mind that some of those which will not then have arrived at the age limit will need replacing because they can no longer maintain their classification, it is urgent that the Ministry determine the lines of its new policy so that owners can make rational decisions on fleet replacement and not be tempted to sell out, if they receive what appears to be a suitable offer. Until the Ministry clarifies future policy, it is not possible for owners to make a fair assessment of the present long term value of their enterprises.

Another cause for concern is that the device used to harness the profit motive to provision of a public service is contrary to the principles of the new Regulation. The device consists of limiting the competition on popular routes, by the creation of a quasi-monopolistic situation on each, in order to ensure their profitability, which provides the essential carrots for shipowners to accept the public service obligations. The system has proved incapable of handling new technology ferries and is in trouble dealing with the new type of generally larger ships built with the vacation market in view. As long as there were few of these ships, the problem could be handled. But now that one third of the main line ferries of over 1,500 GRT are in this category, the problem cannot be ignored.

The situation in the services to Ancona from Patra and Igoumenitsa is striking. During the period June through August 1993, 36 ships were operating on the route, of which 34 are Greek owned, but only 14 were Greek flagged; the other two are Italian vessels. The 20 Greek owned ships which are not Greek flagged consist of the majority of the vessels specially equipped for the sea bridge service, transporting lorries which formerly use land transport through Albania and Yugoslavia.

The concept of public service in the industry, as it is at present apparently defined by the Ministry, will need to be modified to bring it into accord with the provisions of the Regulation. It is clearly envisaged in the Regulation that shipowners who accept the obligations of providing such services may be compensated. The character of the present system has been sufficiently touched upon in Section 3.1, that there is no need to repeat it. The real questions to be faced : Since the shipowner is only permitted

to serve the islands he would like to serve, under conditions he does not choose, does this bring all the cabotage ferry services under the umbrella of public service obligations as set out in the Regulation? Is it, therefore, compatible with the Regulation that competition occurs only at the point when licenses are awarded and that thereafter market shares will continue to be determined by the Ministry? It is obvious that the answer to both questions must be "No".

The present licensing system needs to be fundamentally changed, even scrapped, if the industry is to be able to meet the challenge of 2004 and it need to be changed soon. It must allow shipowners the time to make decisions about their future planning and to find and put into service any new ships which they might decide are necessary to ensure their competitiveness. It must, also, allow experience to be gained in the operation of the new system so that any glitches in it can be ironed out before everyone is actively engaged in meeting the challenges which 2004 is likely to present. Before 2004, both legislatively and operationally, the Greek system has to be harmonized so effectively that it will be other shipowners, not the Greek, who will find it difficult to compete.

There are other activities which it is essential to carry out within the next few years. One of these, the survey of ports, both mainland and island, to determine the number of operational slots available, has already been covered.

Another activity which is important for the Ministry to make a clear survey of the vessel capacity needed to handle the true public service trades as defined by the Regulation; the definition is "obligations which the ... shipowners in question, if he were considering his own commercial interest, would not assume or would not assume to the same extent or under the same conditions". Once the dimensions of the need are known, a policy for meeting it can be developed. This survey should cover :

- acceptable frequency of service for each island;
- acceptable capacity, speed and voyage duration of the service; and
- the existence of viable alternatives which could be used in emergence situations.

The real function of these public service operations must always be kept in the center of the picture, namely, the maintenance of the economic, political and social cohesion of the nation.

The essential task of the shipowners is to ensure that the quality of service offered is as high as is possible. This does not mean luxury, but attention to the complaints which are voiced by ferry users regarding unpunctuality, the poor quality of most ferry food, the lack of attention to the maintenance of facilities used by passengers, the impossibly long itineraries of the "milk run" ships with calls at eight or even ten ports, so that relatively short journeys take hour upon hour to complete, and the impossibility of booking return passages. It seems unbelievable that at a small airline ticket agency one can book a round the world service, whereas on the ferries one cannot book a return passage, or a passage with more than one stage.

The industry as a whole seems unresponsive to the needs of passengers and of the lorries carrying freight, and to their complaints. If this "take-it-or-leave-it" attitude does not change, the perception of European ship owners will be that they can come in and quickly establish their supremacy. The regulatory system is rightly criticized by most shipowners. But they must come to terms with the fact that the system is overprotective of them all, and while choking them with skimmed milk, ensures that none of their colleagues get any cream. Once the cabotage restrictions are lifted, the cream will be available to be fought for. To be able to succeed in even joining in the great cream scramble, the

shipowners must, to revert to our original analogy, have provided themselves with protective headgear against the sword which will fall on 1 January, 2004. There will be no hand-outs of cream.

4. SUMMARY

This summary will set out what the Ministry has to do, and when, in the preparations for the entry into force of the EU Regulation. It must always be borne in mind that the survival of the Greek ferry fleet is neither the first, nor even the second concern in Brussels. Eleven years were given for the preparations and it must be expected that, if all is not ready, the attitude of the EU will be unsympathetic. What is needed from the Ministry is :

- a clearly defined and thought out policy, announced before the end of 1996, setting out the parameters proposed for a competitive system for the post 2003 period;
- a clear definition, before the end of 1998, of the fleet needed to maintain the public service operations and the arrangements proposed to secure the continued undertaking and profitability of these operations;
- agreed and clear figures, announced before the end of 2000, of the intended capacity of each port and its facilities and equipment in, say, the year 2003; capacity to be expressed in terms of the number and duration of the time slots which will be available during the operational hours of each day; and
- the definition and announcement before the end of 2001 of the procedure which will be adopted in calling for bids from European and Greek operators for providing public interest and free market services, taking into account the announced competition policy.

Given that these matters, although essentially political in nature, concern the whole national economy of the future and that there will be two, or possibly more, general elections before the Regulation enters into force, it is essential that these policy decisions be taken in a national context and that the policies presented are based on a consensus between the main political parties, the coastal shipowners associations and the trade unions and other organizations concerned.

REFERENCES

Psarafitis, H.N., 1993. Greek Coastal Shipping: Status, Prospects, and Investment Opportunities. Final Report to ETBA (in Greek), December.

Psarafitis, H.N., V. F. Magirou, G. C. Nassos, G. J. Nellas, G. Panagakos, A. D. Papanikolaou, 1994. Modal Split in Greek Shortsea passenger/Car Transport. Paper to be presented at the Second European Research Roundtable Conference on Shortsea Shipping, Athens, June.