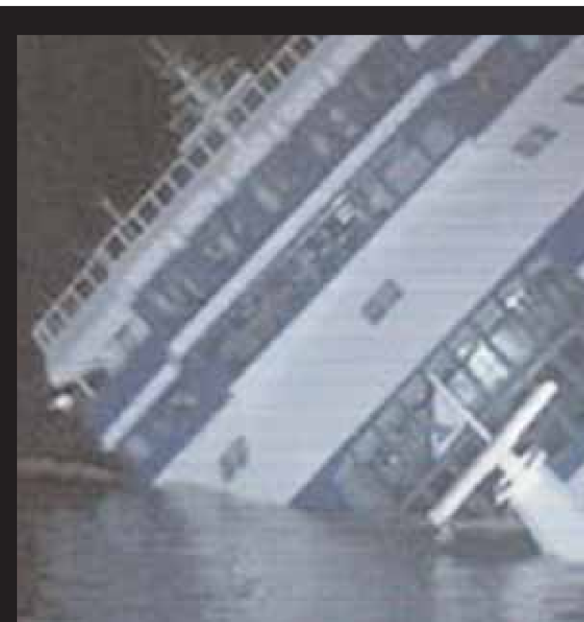
Error on map 'sank liner'



The shipping firm that owns the Sea Diamond cruise liner, which struck a reef and sank off Santorini in April last year, declared itself cleared of responsibility for the incident after the Hellenic Navy published a map indicating that an original plan of the area had been inaccurate.

The new map reportedly shows the reef to be 113 meters away from the island's coast and not 58 meters as shown on the previous map. The map also determines that the depth of the water at the spot of the collision is 5 meters and not 18 to 22 meters as the original map had indicated.

"These official findings vindicate the stance the cruise liner owner has insisted upon for the past year, namely that, based on the official map in use at the time, the course that the Sea Diamond followed when approaching Santorini had been absolutely safe," Louis Cruise Lines said in a statement. The Merchant Marine Ministry refused to comment on the development.

Blame the Greeks for increased interest rates

OVER the past week, commercial banks have come in for a barrage of criticism from consumers, the government and political parties for having the audacity to increase interest rates on loans.
Just as the European Central Bank slashed its interest base rate to 3.25 per cent, local banks announced plans to increase their margins.

The banks said the increase was necessary in order to remain competitive and to ensure the island's banking system remained stable and healthy.

The announcement was heavily criticised for coming at a time when the whole world battled to stave off recession.

A compromise was reached on Wednesday, with the banks assuring the Finance Ministry and Central Bank they would postpone the increases in margins until the end of the year.

A senior bank official said the decision had been made "in an effort to ease the pressure of the signs of financial distress on retail customers, the middle classes, the underlying households".

Nevertheless the increases were not intended to increase the overall interest cost to individuals, which remained the same in the past months, he said.

"The margin increases cover the base rate decreases, keeping the total cost maximum at the same and in most cases lower than what they were paying in March 2008," he said.

"The situation will be re-assessed at the end of the year and hopefully by then the government, the central bank and the commercial banks will have worked towards finding ways substantially to improve the current liquidity scarcity in the market in order to alleviate the gap in the offered rates."

Consumers have expressed fears that there is little hope of interest rates being kept at current levels.

Unless deposit rates decrease and there is a marked improvement in market conditions, rises appear inevitable.

A senior bank source said the levels of the interest rates were correlated and directly affected by the scarcity of liquidity in the market.

"The fact that the newly established Greek banks on the island have been quoting increased deposit rates to lure deposits, used for their expansion in Greece and other countries, has forced all the banks to join this price war," he said.

"In an inevitable chain reaction the interest rates on loans have by default also increased, in line with the increased cost of deposits, which due to the current market conditions is the only realistic means of sourcing liquidity."

Deposit interest rates have escalated to seven per cent, leading to a significant interest rate differential between deposits and advances to start with, let alone the operational costs of the banks and their added profits, he said.

But economist Simeon Matsis said it was "perverse" to raise interest rates when the "whole world is reducing the rate of interest in order to make it easier to face the crisis".

A second economist, Costas Apostolides, said increasing interest rates when the economy was slowing down was "disastrous".

"They have to stop high interest rates on bank deposits," he said.

But what about the price war and competing with the Greek banks' deposit rates?

"Someone should give the [Greek banks] a slap around the face. They can't screw the Cyprus public for this and continue to be doing it. It's very dangerous: if we have a slowdown in the economy, we have to get the interest rates down. This is extremely bad economics what is occurring at the moment," said Apostolides.

The Consumers' Association said the issue of high interest rates on deposits was the banks' own responsibility and that the cost of losses should be absorbed by them as they had ample margins to do so.

"These are minimal losses," the Association's president said.

"They are making hundreds of millions of profits. Let them absorb some of these losses. It is they who have increased rates to accept deposits and now they want to pass this expense to the consumer. It's not fair," said Petros Markou.

Unfortunately banking did not quite work that way.

"It is almost impossible to refrain from the price war given that deposits are the only realistically available source of liquidity to the banks, bearing in mind that raising funds from the inter-bank markets or through the issue of securities is an unfeasible task," the bank source said.

"It goes without saying that we would rather refrain from this costly competition. However we were forced to join in order to preserve our deposit levels, crucial to a healthy liquidity position in the current market conditions."

A loan to deposit ratio also had to be sustained to remain in the market.

"You have regulators who set minimum requirements. To be in business you have to have ample deposits to finance your loans. This is your liquidity," he said. If local banks didn't offer similar rates to the Greek banks they would lose their depositors who were "sophisticated, demanding and hard negotiators".

"They have been accustomed to this 'price bazaar' and they do not hesitate even to pay penalties in order to 'break' their fixed deposits and have access to their money," he said.

Staying afloat was not a matter of profits, but a matter of liquidity, he explained.

"Banks don't collapse because they have less profit. They collapse because they have no liquidity. So if you don't compete with the rates others are offering and you don't have any deposits, you have no other source of funding. And if you're short of liquidity, then you will not satisfy the requirements of the regulators." A liquidity shortage would also weaken the banking system, which would mean higher costs when looking for other sources of funding. This cost would inevitably be passed to the borrowers, the source said.

"So it's for the benefit of the whole economy to have a strong and healthy banking system," he said.