

German shipowners repeat call for state aid

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*Shipowners association VDR says
200 vessels need financial guarantees*

GERMAN shipowners' association VDR has again called for government aid, saying that 200 vessels will need financial guarantees from the northern German states.



Thorsten Mackenthun

VDR's request for state aid comes just ahead of the country's maritime summit, due to be held by national maritime coordinator Hans-Joachim Otto on July 5, 2010.

At a maritime summit earlier this year, the government said it was not prepared to provide aid to the maritime industries.

However, the government promised to look into making existing schemes easier to access. In addition to the national bailout fund for troubled companies administered by state-owned bank KfW, most German states have their own programmes. The VDR now aims at obtaining guarantees from the states.

VDR expects that about 750 German-controlled vessels could get into financial difficulty. Some 200 of these will need aid from the coastal states, according to the spokesman. About €170m (\$210.7m) would be needed in 2010, 2011 and 2012.

A survey of German owners, conducted by the federal economy minister showed that most German owners had already arranged individual solutions with yards in China over ships on order.

However, financing was still unclear for orders at Chinese yards with a combined value of about \$2bn, the spokesman added. The economics ministry had already offered to negotiate further postponements or cancellations of orders.

VDR's move shows that despite the recent surge in container time charter rates for panamax and post-panamax tonnage, many tramp owners are still under pressure.

Bremen's shipowners' association chairman Thorsten Mackenthun said today that smaller boxships were still suffering.

"Charter rates for vessels below 3,000 teu only cover operating expenses," Mr Mackenthun said.

Vessels with a capacity of 3,500 teu and higher were already achieving rates which were sufficient to cover interest and principal on the bank loan.

The state of Bremen does not offer guarantees to companies in difficulty, Mr Mackenthun said. Bremen-based owners were negotiating with their banks to find individual solutions.

Bremen-based owners have survived the crisis somewhat better than their rivals in Hamburg. One reason for that is that Bremen's shipowners have more diversified fleets. Only 28% of the vessels controlled out of Bremen are boxships. In Hamburg the share of boxships is about 70%.

Bremen owners, who often take the backseat to Hamburg, have kept their share of German-flagged vessels stable, while the total number of ships flying the country's flag has fallen during the crisis.

Flagging has again become a issue among politicians and shipowners. Originally German owners had promised to increase the number of vessels with the home flag to 600 units by the end of this year. But instead of going up, their number shrank from more than 500 to about 440.

"Now, we have to reach the 500 mark again," said Mr Mackenthun. Reflagging efforts by owners are the price paid by the industry for the German tonnage tax, which has the effect that shipping companies pay almost no tax. However, during the crisis, reflagging came to a halt. According to VDR, additional costs account for between €80,000 and €450,000 per year and vessel.

Bremen owners have introduced a pool solution, which allows them to share the burden of reflagging. This pool is about to be extended. "The aim is to distribute the costs of reflagging evenly," said Mr Mackenthun.