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Hamburg, 19 May 2020

Pandemic fallout: German maritime shipping headed for deep crisis

VDR survey reflects dramatic revenue shortfalls / Corona could have even more serious consequences than the financial crisis / Germany's role as a shipping location in jeopardy

The consequences of the corona pandemic are becoming increasingly severe for the German maritime shipping sector. This is the conclusion reached in a survey conducted by the German Shipowners' Association (VDR) amongst its member companies. A total of 50 shipping companies from Germany took part in the survey, including almost all of the 30 biggest shipping enterprises. "Cruise and ferry shipping were severely impacted by the pandemic right from the outset. Our current survey clearly shows that almost all areas of the industry segment meanwhile are being heavily impacted," said Alfred Hartmann, President of the VDR.

An evaluation of the survey findings revealed *inter alia* that revenues generated by shipping companies declined by 30 to 40 per cent on average in March and April. Evidently, 44 per cent are already witnessing a substantial impairment of their liquidity. The survey also shows that German shipowners have already noticed that charter rates for ships in all segments are partly dipping to as little as 40 per cent. A further decline is anticipated in the coming months. The number of idle vessels, amounting to almost 500 worldwide, already is at an all-time low. This applies in particular to container traffic, in which German shipping companies play an important role, but especially as providers of tonnage charter services.

"The survey is a snapshot, it reflects the status of the first several months," said Hartmann, adding: "In view of the severe collapse forecast for global trade, the market situation for maritime shipping is expected to escalate even further."

"This means that substantial segments of the German merchant fleet are foreseeably endangered in their existence," warned the VDR President, expressing a reminder of the consequences of the 2008/2009 financial crisis for domestic shipping: "Since then we have lost 1,500 merchant vessels abroad, equivalent to one third of the German fleet at the time. If production and consumption worldwide do not recover soon, then the consequences of the pandemic could be far more severe than the financial crisis. And if we were to lose a further third of the German fleet, this would endanger tens of thousands of jobs at our location. Besides, supply services to Germany – the world export champion – would become ever increasingly dependent on shipping companies under state influence or control outside Germany. This is the case even though the corona experience has taught us not to raise the level of dependencies any further."

A positive factor is that although short-time work was also ordered in shipping companies, accompanied by austerity programmes being announced, the survey shows that dismissals are currently not planned by over 90 per cent of all shipping firms. So far, vocational training has not been reduced either; two thirds of respondents plan to recruit the same number



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of apprentices and trainees as in the preceding year. Hartmann: "The shipping companies are committed to fostering budding talent in spite of the crisis. Everyone is making an attempt to retain their employees along with their maritime expertise. Whether we will succeed in maintaining this policy will also depend on the extent to which concrete support and assistance will be available in this severe crisis."

In the short run, shipping companies headquartered in Germany – like other businesses engaged in the services sector – will require unimpeded access to aid measures from the German Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau – KfW*). So far, the support measures have not yet materialised in the industry to the required degree. What is decisive in this regard is access to liquidity. "As most German shipping companies are small to medium-sized enterprises (SMEs), they face extinction without effective support being provided under the KfW programmes," said President Hartmann, criticising that "Banks are refusing to forward applications for assistance to the KfW even though they would only need to bear a small residual risk and have themselves been supported with huge amounts of taxpayers' money in the past – an absolutely intolerable situation."

Moreover, to overcome the crisis in the medium term, additional tax burdens on German shipping companies in comparison with foreign competitors need to be urgently avoided also within the EU – for instance, the 19 per-cent insurance tax imposed on ship insurance policies. "Our location is no longer competitive in this case," explains Hartmann: "We also need clarity as to whether the tried-and-tested instruments for stimulating maritime shipping in terms of vocational training, qualification and employment of seafarers in Germany will remain in place."

However, the VDR President also emphasised that in the long run – despite the foreseeable burdens caused by the crisis – it will remain necessary to continue advancing research and development work in the interests of green and ideally CO₂-neutral shipping. In this respect, for instance the shipping industry has already made a proposal to the International Maritime Organization (IMO) concerning the establishment of a global research and development fund to be financed internally within the industry.

Hartmann: "We hope the nations will support this approach in order to secure a sustainable future for the shipping sector. After all, one of our biggest aims – even in these troubled times – is that we in the shipping community want to continue making our contribution towards climate protection." He added that German maritime shipping would not falter in its efforts to find joint, worldwide solutions within the IMO for speedy reduction of greenhouse gas emissions by ships – even in times of the recession: "We shouldn't try to trade off one thing against the other at present," Hartmann said.

About the German Shipowners' Association

The German Shipowners' Association (*Verband Deutscher Reeder, VDR*) is responsible for representing the common business and social policy interests of German shipping companies at federal and state government level as well as in relation to European and international bodies. The VDR was established in 1907, and in 1994 it merged with the Association of German Coastal Shipowners. With a membership of around 200, the VDR represents the majority of Germany's merchant fleet. Further particulars are available at www.reederverband.de.

Press photos of Alfred Hartmann: <https://www.reederverband.de/presse/pressefotos.html>

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