

Cutting aid will reduce training

A couple of months ago, the German Federal Government dropped a bombshell by announcing it was drastically reducing aid for vessel flying the German flag.

Following a summit held on 5th July, the conservative-liberal coalition said it would cut the wage subsidies for German-flagged vessels to €28 mill per year, from €56 mill.

The money was used to reimburse social insurance costs for seafarers and training expenses for engineer apprentices. The halving of the subsidies followed the maritime meeting at which government and owners failed to reach an agreement on administrative barriers preventing most owners from accessing the Berlin's credit and loan guarantee scheme.

The cuts were thought to be part of a wider austerity programme to address Germany's spiralling sovereign debt. The aid was originally granted to partially offset the perceived disadvantages in German labour and training costs, compared with other flag states.

In response to the cuts, the German Shipowners' Association (VDR) said that this move would put the German shipowners at an economic disadvantage

It is a severe blow to the competitiveness of the German flag, in addition to the numerous competitive disadvantages it already suffers. "The unilateral withdrawal of aid will hit our industry very hard," said Ralf Nagel, VDR CEO.

He went on to say that this move made it even more difficult to keep vessels in, or reflag vessels to, the German flag. "We have to make preparations, as soon as possible, on the best course to take the German flag," he said.

In all the relevant European Shipping locations, taxes and social charges levied for seafarers are to a lesser extent applicable. All these measures are under the aid guidelines issued by the European Commission on 17th January 2004, which are not only legalised, but also desirable, the VDR said.

"As an employer, we want to continue to train at the highest level. We employ 30,000 German workers at sea and on land. We have also persevered in the crisis," said Nagel.

On 1st January 2010, the VDR raised its training budget by 20%, despite the difficult economic situation. "If the federal government does significantly lower the aid,



German owners face an uphill battle with the government over aid.

there will be less training. This is the wrong signal," said Nagel.

At a meeting held in Cuxhaven at the beginning of June, Nagel confirmed that the maritime industry provides significant employment in Germany. About 400,000 jobs are directly dependent on the shipping sector, he said.

He called for the government to look at shipping and location policy internationally and not locally, as to be an international modern and sustainable industry was the only way to remain competitive, he said.

He also reiterated that the considerable investment needed in training should be sustained to aid shipping companies in the future.

A leading German owner's representative told *TANKEROperator* that the latest moves by the federal government to cut subsidies for German flag vessels will in general cause a problem for German shipowners in bringing more vessels under the domestic flag.

This is quite problematic and will be discussed further with the government, he said.

He also thought that the KG system in Germany was virtually dead. "Still there are other opportunities to find finance for good projects, also with international sources."

Flag exodus

Although the German government has called for the number of vessels in the German registry to go past the 500 mark in order to keep the German tonnage tax in place, the number of ships flying the German flag had dropped to 450 by the end of last year.

The German controlled fleet numbered 3,548 vessels of all types at the beginning of

this year, which is the highest on record. Germany stands 13th in the list of flag states, having 17.4 mill dwt of tonnage, giving the registry 1.8% of the world's share.

As for tankers under German control, these numbered 425 at the end of 2009 of 22.1 mill dwt, giving the country 4.4% of the world's tanker tonnage, according to figures produced by HIS Fairplay for the VDR.

Funds available

As for funding, one of the key sectors in the German shipping industry, although the German schemes primarily cover containerships, there are other types that were considered before the banking crisis all but destroyed the German system.

In a summit held last March involving the VDR and the German Federal Government, it was said that both the individual German states and the government were prepared to appropriate guarantees to assist shipping companies.

Such support was forthcoming as shipping is viewed as a 'Sunrise Industry' in that once the crisis was over, Germany shipping concerns have excellent prospects. At the time it was claimed that the rate of training had been kept up, despite the considerable economic pressure, engendering confidence in the industry.

However, the €115 bill Deutschlandfonds – launched in response to the global financial and economic crisis and aimed at providing healthy companies with liquidity and financing – is to be closed at the end of 2010.

German owners have complained that the application procedure and ratings applied by the federal government's development bank

KfW make it nearly impossible for them to gain access to the funds.

It was reported at the time that KfW representatives presented the summit with a guidebook for applications and also pledged to revise rating criteria for shipping, however, the changes have yet to be adopted.

"We are eagerly waiting for the proposal,

which we need to study in more detail when it is finally presented," Nagel told reporters after the meeting. He also stressed that the loan guarantees should be extended beyond 2010.

Berlin did approve subsidies of €2 mill per ship for slow-steaming modifications to vessels' engines, but that measure is considered to be more of a concession to

German repair yards than to owners.

"It is a nice to have – and perhaps ships may then obtain a higher charter rate – but engine modifications and higher maintenance costs associated with slow steaming are already paid by charterers today anyway," one owner's representative explained.

The VDR said that many shipowners had found a variety of solutions to the crisis working with the shipyards. Talks between China and Germany were highlighted as an example of co-operation.

In a separate issue, One German steel organisation has demanded that German ships be built in German yards.

In response, the VDR pointed out that the billions invested by German shipping companies in shipbuilding worldwide provided tens of thousands of jobs in Germany. Also the overseas orders provided German equipment manufacturers and suppliers with a healthy orderbook.

The VDR said that there are around 30,000 Germans employed by local shipowners, of which around 22,000 are employed ashore, mainly in the northern German shipping strongholds.

Another MR for Offen

Claus-Peter Offen Tankschiffreederei (CP Offen) took delivery of the 52,000 dwt chemical/product tanker CPO India on the 29th July.

She is the fourth in the series of eight and will join her sisters in the CP Offen-ST Shipping/Glencore co-operative venture.

During the middle of August, she was on voyage with veg oil cargo parcels destined for Europe. The final four will be delivered from Hyundai Mipo throughout the year 2011.

Once the last vessel has been delivered, Offen Tankers' order book of eight 52,000

dwt and eight 36,000 dwt chemical/product tanker will be completed, managing director Stephan Polomsky explained.

The first eight Ice Class 1A 36,000 dwt tankers are in service, trading in the Maersk Handytankers Pool.

He also said that on 4th June a new sister company - Offen Bulkers - took delivery of the first Capesize bulk carrier - *CPO America*.

She is the first of four 180,000 dwt vessels to be delivered from Daewoo Mangalia in Romania (two) and Daewoo (two). They are all fixed on long term charters. ■



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