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Interview with the Managing Director of the German Shipwoners Association

Dirk Max Johns

In 2015, SRM carried out a scientific mission in Hamburg with the aim of gaining a better knowledge of the strategies and the issues regarding the maritime sector in a country like Germany, which is considered one of the top European countries as for maritime logistics. During the mission, SRM interviewed top players in the industry like **Dirk Max Johns, Managing Director of VDR (Verband Deutscher Reeder)**, the industry association representing the German shipowners.

Can you expand on the situation for the ship owning sector in Germany?

Although some people think we are in the midst of the worst crisis since World War II, it needs to be seen in relative terms. Starting in 1998-1999 we had an explosion of our fleet, which continued for about 17 years and we experienced exponential growth. Since the ’80s German shipowners moved into the container fleet sector, now we have an extreme over weight in container fleets. We only have a small tanker and bulk fleet. There was a lot of capital in the ’80s and all the money and effort went into container ships.

This is good and bad, we profited more than anyone else from the booming global economy until 2008, but we also felt the negative effects of it. Our fleet is decreasing but not as significantly as it did in the ’80s, when the shipping crisis was a lot more profound, we lost a third, compared with only 5% at the moment. Therefore in terms of capacity we are much better than we were in the ’80s.

We spent a lot of time re-structuring our market, loans and portfolio, with not too much investment in new buildings, which is where other countries are leading at the moment. We are currently not ordering new ships we are carefully looking at the global market. Overall, this means that we will no longer hold third position instead we are likely to fall to the fifth in the world, but this is still a positive place to be.
Structurally in our market we see a lot of mergers, the average German company has 5 ships compared to other countries which generally have less than that. It is a bank driven industry, banks are trying to get companies to merge, however, most of these are family companies and they want to remain as they are.

How old are the average German fleets?

Generally they are fairly young with the average age around 8 years, however on these ships there is technology which is 20-25 years old, in the boom time we ordered vessels whose designs were already quite aged.

Are there questions around the environmental aspects and the efficiency of the fleet?

It is great if we save the environment but our first concern is efficiency as this directly affects earnings. We are concerned now adjusting the ships' speed so that they can be converted from high to medium-speed ships.

Are there many factors which affect the efficiency of the ships?

Yes, among them there's the fact that we are diversifying geographically and in particular in the container ships segment. Our market used to be a closed shop and a very German affair, everybody knew each other. Now this is starting to change, some owners are recruiting finance people from different industries, also they are moving to different locations such as Singapore, The Netherlands, etc. In the '80s we saw a number of German shipowners leaving the country because it was not profitable, they mainly fled to Cyprus, due to costs. Today the move is more limited.

What is the relationship between the German shipowners and the Port of Hamburg?

TThe relationship isn't as close as you would expect, we have a very close-knit sub communities, such as the Port community or Hapag-Lloyd which is a major share holder of one of the terminals here and this represents a contentious issue because they are one of the only companies showing support for the port. People complain about the "noisy silence" of the ship owning community on the subject of the port.

As a community, we don't actually care very much about the port. Hapag-Lloyd does, as well as Hamburg Süd; they work as a flag carrier and would like to be based here in the ports.
Anyway, it is helpful for the cluster if the port is thriving but the vast majority of shipowners don't care where the ships are based. We have an important shipowners' community along the river Elbe, they have a significant fleet and yet they are against the widening and deepening of the river. In their opinion if Hamburg doesn't work properly it is perfect, because the larger ships will go to Southampton or Rotterdam and then to the Baltic.

What about hinterland connections?

Maybe it is a German view but we don't think it has good connections. There is a geographical advantage which makes Hamburg excellent for its connections with Eastern Europe. Railway connections are very good and make this port one of the best in the world but we cannot say the same about road connections.

Do you believe that the other ports of the Northern Range (Rotterdam and Antwerp) might compete with Hamburg?

No, they don't affect the Hamburg market at all.

What do you think about the free-zones? Are they important assets for the port?

Yes, they are but not the way they were structured in the past; in Hamburg they have always been the pride of the city since the German Reich, after 1871. Hamburg didn't want to become part of Germany and so Berlin paid for most of the ports infrastructure at the time. Historically they were limited geographically but now you can have your free-zone anywhere in the city, in modern warehouses etc.

Let's talk about the Great Alliances and Naval Gigantism. In the future I think we might have 20,30, 40 Cosco Globe. Is this a problem for the port?

I don't know, here in the city we are traumatized by our airport; it has not been updated or relocated and flying here is now difficult, with one major flight to New York and one to Dubai. Now the second biggest hub is Munich while it should have been Hamburg. We don't want to make the same mistake in the city this time; if we don't facilitate the large ships to come here maybe they will all go to Southampton, Felixstowe, Antwerp etc. The people of Hamburg see the fact that we facilitate this as vitally important although we are not sure that large ships will be the future. We are seeing increases in nearshoring and also indications that production may come back to Europe. The drop in oil prices has driven an increase in the speed again; with such developments maybe we won't need a huge capacity anymore. However, large ships are definitely going to be out there for the next twenty years. These ships still need to show that they are efficient and survive for twenty years, but whether they do it or not, it remains to be seen.

We saw with the oil prices that if a major player does something others follow, sometimes, without rationale.

Now we see this growth because one company acquired them and then other companies order them just to follow the big players such as Maersk.

Could this impact efficiency?

We have seen very little from the Port Unions here in Hamburg, we haven't seen anything recently but there is always the danger that it may happen.

Rescue operations for these large carriers are very complicated and the risk profile of these vessels are complicated too and something that hasn't been fully investigated.

Insurance companies haven't put a stop on them yet, but the risk is so great and the salvage operation for a 20,000 TEUs ship would be so outrageously expensive and of such a scale that no one knows how to deal with it.

How do you see the variations between Mediterranean ports and those in Hamburg?

There are lots of opportunities for Italian ports here. The hinterland of Hamburg is going very far south almost to Slovenia, which is geographically not a natural hinterland for this port which actually would be far better covered by Italian ports. This is what is slowly emerging with Switzerland which offers better connections. The large ships could save 3 or 4 days by staying around Italy and then traveling back up the Suez Canal, the same with the traffic from Africa, they could save them time and be profitable for Italy.

We have been talking about competitiveness in these areas for the last 10 years and we haven't seen any changes, so we don't think that Hamburg hasn't got anything to worry about just yet?

Increasing infrastructure may also be a competitive limit for Italy.

The last question: what is your opinion on the German government's strategy to develop the sector?

We have had two governments with no strategy on maritime policies. In the port areas there is always talk of building and improving hinterland connections. For the shipping industry there are some specific policies with the aim of trying to keep some ships under the German flag and employing people from Germany. Much more could be achieved by focusing more on the Universities and training for maritime logistical business in order to invest in the future by attracting knowledge.