



Hapag-Lloyd's 8,749 teu containership *Kuala Lumpur Express*: the box line incurred losses of €222m in the first quarter of 2009.

Problems mounting at Hapag-Lloyd

ANYONE tempted to believe that the public shouting match surrounding Germany's premier container carrier Hapag-Lloyd would end once the sale was finally settled in March was wrong, writes Patrick Hagen.

Shortly after contracts were exchanged, the new owners of Hapag-Lloyd became embroiled in a public row over measures necessary to survive the crisis.

Klaus-Michael Kühne, the second-largest shareholder of the Albert Ballin consortium, started the argument. He criticised other members of the consortium and Hapag-Lloyd's management for not supporting his calls for severe cost-cutting at the carrier. He said the purchase price had been too high.

These remarks prompted Albert Ballin's managing director, Christoph Greiner, to respond in an equally public way. Mr Greiner said all decisions had been taken unanimously and he reminded Mr Kühne of the discretion clause that was part of the shareholders' agreement.

Hapag-Lloyd management as well as Mr

Kühne's fellow partners in the consortium are becoming increasingly annoyed at his behaviour.

Hapag-Lloyd's management is also facing opposition from its employees. Chief executive Michael Behrendt has unveiled a major restructuring programme including reducing Hapag-Lloyd's regional offices from five to three as well as job cuts and the introduction of reduced working hours for German staff. A decision on the number of employees affected by those measures has not been taken so far, according to company spokeswoman Eva Gjersvik.

UK staff will be among those affected the most. Hapag-Lloyd plans to move its European documentary office to Asia and angry staff have accused the company of breaking a supplementary clause guaranteeing that the sale of Hapag-Lloyd would not result in any redundancies within 18 months.

Hapag-Lloyd has argued that its restructuring programme started last year and that the agreement was not applicable.

Hapag-Lloyd is not only grappling with discord among its owners and disgruntled staff: it has been hit by the slump in container traffic and incurred losses of €222m (\$308m) in the first quarter of 2009 compared to an operating profit of €18.5m one year earlier. Sales were down 22.9% to €1.1bn.

Hapag-Lloyd has also been affected by the struggle between shipping tycoon John Fredriksen and its former parent Tui. Tui still owns 43.3% of Hapag-Lloyd, 10% more than initially planned — a necessity to rescue the deal in worsening market conditions — and also had to provide a loan of more than €1bn to Hapag-Lloyd. The deal was criticised by Mr Fredriksen's aide Tor Olav Troim at Tui's annual general meeting.

It remains to be seen how stable the new ownership will turn out to be and what will happen should Hapag-Lloyd require fresh capital in one or two years time. Indeed, it is possible that the carrier will soon be in talks over partnerships or mergers again.

Shipping goes green despite financial crisis

There is broad agreement over the urgent need to reduce emissions, writes Katrin Berkenkopf

have not ruled out that we might convince them of our model," said Ms Ordemann, recalling discussions at the National Maritime Conference at the end of March.

The final report of the conference stated: "The federal government promotes global solutions which are promising the most effective method of climate protection, preventing competitive distortions to the disadvantage of German shipping and ports, and giving the maritime industries adequate planning reliability."

There was no serious opposition to the industry contributing to the reduction of global greenhouse gas emissions, the VDR executive said. "Shipping has to do its bit, despite the crisis," said Ms Ordemann.

However, some companies believed that financial restraints were reducing the money available for environmental technology.

A spokeswoman for SkySails, the company which invented the award-winning towing kite, said "a lack of liquidity is hindering investments in technologies which could already today reduce costs and thus increase competitiveness". On the other hand, there was more demand for the new system from fishery vessels — a part of the maritime industry that was still profiting from high prices. "Today it cannot be foreseen whether the effects add up to a more positive or a more negative result," she added. "The duration of the crisis will be decisive."

Even though the price of oil has fallen from record levels, SkySails argues that bunker prices will remain comparatively high and bunker consumption will have to be reduced for the sake of lower emissions. The company also hopes that owners will view the towing kite option against a more long term background, rather than just a financial investment in time of crisis.

WITH shipping struggling to cope with the effects of the global economic crisis, one might believe that environmental issues are likely to take a back seat. But it is not the case. "Everyone is very active," says Uta Ordemann of German shipowners' association VDR.

One of the most pressing topics is the reduction of emissions and the International Maritime Organization is likely to settle its agenda on this issue as early as this summer. VDR is lobbying for its model of a climate compensation fund, rather than an inclusion of shipping into emissions trading.

According to Ms Ordemann, owners did not generally oppose the latter idea though the fund was easier to implement. "We do not believe it is realistic to create a global emissions trading system for shipping" she said.

Also, there was a fear that shipping might be disadvantaged compared with other transport modes. As shipping was already comparatively energy efficient, the potential to reduce emissions was more limited than with other transport means. The industry was thus likely to be a buyer in a trading system, and needed predictable and affordable prices.

The German government would like to see shipping as a trailblazer for a global emissions trading scheme. "But at least they

Owners turn to kidnap and ransom cover

AN increasing number of German owners are buying kidnapping ransom policies to protect themselves from the financial consequences of pirate attacks, writes Herbert Fromme.

"The demand for the policy is tremendous," said Greg Bangs, who is responsible for K&R insurance at the US-based insurer Chubb which recently started offering K&R policies in the German market.

Chubb pays the ransom, which can amount to between \$3m-\$5m for large ships, and also provides crisis management services for owners. "We work with the Ackerman Group and the Result Group," he said. The security consultants take over negotiations with the kidnapers and organise delivery of the ransom. "The pirates often demand that the ransom is dropped from a helicopter on to the captured ship," added Mr Bangs.

Chubb's K&R policy also includes a liability cover, which is useful when a crew member demands compensation from the owner. This happened after the hijacking of the *Maersk Alabama* in April when first steward Richard Hicks sued his employer over allegations of inadequate security measures to prevent the attack.

Mr Bangs refused to give figures, arguing that K&R insurers are committed to secrecy but he admitted: "We have sold policies, and claims have already been made."

According to Mr Bangs, Chubb is number three in the market which is led by the Bermuda-based Hiscox Group and the US-insurer AIG.

Owners can take out the policy on an annual basis for their whole fleet or for individual voyages. "Most of our clients chose individual coverage because they find it more cost-effective," said Mr Bangs. According to insurance broker Aon, prices for voyages through the Gulf of Aden have increased tenfold. For a policy offering \$3m coverage for this region, owners pay up to \$30,000.

Not all experts in the market believe the policies are worth the money. "Marine K&R policies are nonsense," said one German broker. From his point of view the hull and cargo insurance as well as the P&I clubs would pay the ransom when general average is declared. War insurance would also provide cover.

"This is not certain," said Mr Bangs. Lots of insurers counted pirates as terrorists and thus excluded hijackings from the coverage. "And the owners have to pay the costs for a security consultant even if the marine insurer pays the ransom," he said.

HSH Nordbank restructures business model

A SEX scandal in its New York branch — a department chief suing the bank because of alleged discrimination, citing details about female employees granting sexual favours for career advancement and tales of male staff visiting brothels — have made lurid reading for followers of the world's leading ship finance bank HSH Nordbank, writes Patrick Hagen.

Not least because the bank is mired in all sorts of business problems. It is under scrutiny by the financial watchdog Bafin and in April, Frank Roth, a member of the executive board, was fired after alleging giving away confidential information about its strategy.

Yet despite all this, the bank — owned by Hamburg and Schleswig-Holstein, US investor JC Flowers and regional savings banks — still enjoys an outstanding reputation in the shipping industry.

"HSH is one of the very few banks with whom you could work perfectly well," the manager of a leading German KG financier said even though it turned in losses of almost €3bn (\$4.2bn) in 2008 and expects further losses in 2009 and 2010.

The states of Hamburg and Schleswig-Holstein have agreed to give HSH a capital injection of €3bn as well as guarantees for €10bn on top of guarantees of €30bn from the German bailout fund Soffin that proved to be insufficient.

The bank has had to change its business model and will in future focus on German clients. It has to shrink its balance sheet by some 50% to about €100bn and international shipping will remain a pillar of strategy though the industry fears that a far smaller balance sheet will also mean less shipping loans, particularly for non-German clients. "HSH's international shipping business will become smaller," a senior member of the Hamburg state government said.

With a shipping portfolio of some €33bn, HSH is the world's largest shipping bank and by far the most important financier for KG shipping funds. Andreas Pres, chief financial officer of KG market leader HCI, wrapped it up at the company's annual press conference when he declared: "Should HSH go bankrupt, it would have dramatic effects on us. We would presumably have to follow suit."

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