



Verband  
Deutscher  
Reeder

ANSCHRIFT  
Burchardstr. 24  
D-20095 Hamburg

BRIEF  
Postfach 30 55 80  
D-20317 Hamburg

TELEFON  
+49.40.35097-238

E-MAIL  
presse@  
reederverband.de

WWW  
reederverband.de

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## **Supplying Germany's islands: ferry services face enormous challenges Corona crisis: island shipping services almost out of action / cruise shipping likewise affected / uncertainty about economic consequences of pandemic / seafarers make im- mense contribution**

The spread of the COVID-19 virus and the consequences of countermeasures increasingly pose not only enormous economic but also organisational problems for German shipping companies. Ferry shipping services to German islands in the North Sea and Baltic Sea as well as cruise shipping are particularly hard hit.

Other areas of the industry segment, such as container, bulker or tanker, are currently faced above all with partly substantial logistical challenges to secure their transport runs and, accordingly, the supply in Germany and other countries. This also impacts the financial situation of these shipping companies.

“German maritime shipping had at least largely been able to risk a slightly positive outlook again following the years of the financial crisis and the partly painful process of coping with it. Now renewed, significant setbacks are looming for member companies,” said Alfred Hartmann, President of the German Shipowners' Association (*Verband Deutscher Reeder – VDR*).

He indicated that it was still too early for detailed economic forecasts – especially since the situation continues to change almost daily. “However, for some shipping companies it is already foreseeable that the repayment of shipping loans will turn out to be problematic,” said Hartmann, making the following recommendation: “We understand that at present, the banks themselves cannot defer these payments without encountering any difficulties. It would therefore be very important to find a mechanism fast, such as via [Germany's] Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau – KfW*), to establish how this could be absorbed or hedged.”

Moreover, the VDR President said that the following consequences for German maritime shipping were already identifiable today:

**Ferry operators** servicing the North and East Frisian islands, but also the Baltic Sea islands, are suffering intensively due to the state-imposed restrictions in the wake of the corona crisis. Due to a lack of passengers, these connections have meanwhile been reduced to a bare minimum. Goods transportation has likewise sustained a collapse since there is hardly any demand on the islands. Shipping companies concerned, whose business is comparatively personnel-intensive, have sent larger parts of their workforce into temporary short-time work. In addition, they perceive themselves confronted with high costs incurred for repair and maintenance work in winter, which are now gradually falling due. The situation is even more dramatic for excursion ship operators, whose business has ground to a complete standstill.



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“Some of these mostly SME shipping companies are already in danger of serious liquidity problems in the next several weeks – even though they have operated very prudently in the past,” warned Hartmann. The operators in question had pledged to continue ensuring a secure supply of the various islands in particular with foodstuffs. Hartmann: “However, there may soon be the situation in which some will need financial aid fast in order to maintain their shipping operations.”

The VDR also assesses the impacts of the COVID-19 virus on **cruise shipping** as serious. Almost all cruise liners worldwide are currently riding at anchor, including those of German companies. However, the full impact of the economic consequences is only likely to emerge in the following months. “The situation in this regard is far too volatile to be able to present reliable forecasts,” said Hartmann: “It is feared, however, that the extent can certainly also turn out to be serious for individual cruise shipping companies despite the good business recorded in the past few years.”

In contrast, with reference to **international maritime shipping** the VDR President assessed the resumption of production of export articles in China as a fundamentally positive sign that the particularly important containerised merchandise traffic between Asia and Europe could stabilise once again. Hartmann: “For German companies, however, it will certainly be felt in the coming weeks and months that the tonnage demand for chartering container vessels will see a marked decline. Charter rates will probably fall even more sharply – on which German companies in particular largely depend. Besides, numerous container vessels are already laid up, with a rising tendency.”

Worldwide containerised shipping, but also bulker and tanker shipping, for instance, have to contend in particular with enormous organisational challenges at present. More and more ports on all continents are imposing restrictions on ships calling – including a roughly 14-day quarantine while anchored out at sea before a ship is allowed to moor in the relevant ports. The necessary crew changes to replace seafarers on board after having been in service partly for months have become so difficult that some shipping companies have done away with this practice altogether for the time being. This problem alone concerns 100,000 seafarers worldwide per month.

President Hartmann: “For this reason, I would like to express a particularly cordial word of thanks to our seafarers in these troubled times. Their commitment and dedication helps ensure a secure supply of goods of every description, not only here in Germany.”

#### **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](http://www.reederverband.de).

#### **Press photographs of Alfred Hartmann:**

<https://www.reederverband.de/presse/pressefotos.html>

Press contact: [Christian Denso](mailto:Christian.Denso@reederverband.de), +49 40 350 97-238 or mobile +49 162-2022005