

Conservative boxship order strategy keeps Conti buoyant

Patrick Hagen - Friday 9 October 2009

GERMAN KG financier Conti has been less affected by the shipping crisis than its competitors because it has not ordered a single containership over the past three years according to managing director Josef Sedlmeyr, writes *Patrick Hagen in Cologne*.

"There was an increasing gap between very high newbuilding prices and realistic charter rates," Mr Sedlmeyr said in Hamburg yesterday.

Conti ordered its last boxship in summer 2006 and took delivery of the final two 4,900 teu containerships in its orderbook earlier this year.

Mr Sedlmeyr said it was also an advantage that Conti was particularly strong in the post-panamax segment. "Ships, especially in the smaller size segments, were being handed back to owners by lines over the past 12 months," he said.

Of Conti's 76 boxships, 34 are 5,500 teu-8,200 teu.

He added that Conti had always preferred long-term charter contracts of up to 16 years.

Conti has 11 of its containerships in lay-up. However, all of them had been placed in pools so even the idle vessels achieved earnings that at least covered operating expenses, Mr Sedlmeyr said.

As a result, Conti has so far not asked its investors to hand back repayments or provide additional equity for one of the funds.

"We are convinced that we will be able to get through the crisis without additional equity from investors," he said.

The company is basing its forecast on one out of four vessels coming out of charter not finding new employment. The other 75% will find employment at market rates. This will be sufficient for the survival of all of Conti's KG shipping funds.

Conti's idle fleet comprises mainly smaller vessels. The largest ship in lay-up was a 3,500 teu containership, Mr Sedlmeyr said.

Despite the current difficulties for owners of smaller vessels, he was optimistic that this segment would recover faster than larger sizes. "You cannot replace a 1,500 teu ship with a 4,000 teu ship," he said.

However, he expects that smaller vessels will have to bear the main burden of the crisis in 2009 and 2010.

Owing to the slump in the container market, Conti is continuing to focus on bulkers.

Nevertheless, Josef Obermeier, managing director for newbuildings, said the financier was still interested in projects in the container sector.

Conti has 34 bulkers on order at eight yards in China. The company was not in negotiations with yards to cancel orders, Mr Obermeier said. However, it has negotiated that the delivery dates of 26 ships will be delayed by an average of eight months.

The KG house has secured long-running charter contracts for all bulkers on order. Mr Obermeier did not comment on the volume of equity needed from small investors to finance these ships.

He said that Conti was in talks with its banks to ensure that it would could take over all vessels on order from the shipyards on delivery.