

Vogemann calls for change to KG model

Katrin Berkenkopf - Donnerstag 5 November 2009

THE KG model will have to change, transferring risk from the banks to the investors, Reederei Vogemann managing partner says Markus Lange has warned. Only then will banks continue to put more money into shipping.

Investors need to know that shipping funds are entrepreneurial undertakings, not “ultra-secure” federal savings bonds, Mr Lange said.

Though many KG investors are turning away from shipping, Mr Lange said they will return once the market revives. “But they will take a more careful look at each project.” He believes investors will accept the transfer of risk.

Reederei Vogemann operates 20 bulkers and two product tankers. A dozen handysize bulkers are on order from India and will be delivered from next year, said Jens Arndt, also a managing partner. Financing is secured through private placements, and a handful of wealthy investors will provide the equity.

Vogemann further enlarged its fleet this year with the acquisition of two 24,000 dwt bulkers from Japan. Equity was generated through private placements, and banks provided a total of \$13m for the deal. Vogemann is now looking for more opportunities on the secondhand market. “Prices are good for fleet expansion,” Mr Arndt said.

KG investors had to get used to contributing a higher equity, which has to be paid before making use of a bank loan, said Mr Lange. Interim equity financing through banks will no longer be possible, he said. “Banks can do deals that are practically risk-free.”

Mr Lange also called for the KG sales network commission schemes to be revised. “Ideally, [commission schemes] should be linked to the success of a fund,” he said.

While the bulker sector was generally positive, compared with the containership sector, it could go down again, Mr Arndt said. The huge orderbook for capesize bulkers, was a particular concern.

Mr Lange warned against box owners simply switching their orders to bulkers. “That would not work at current rates.”