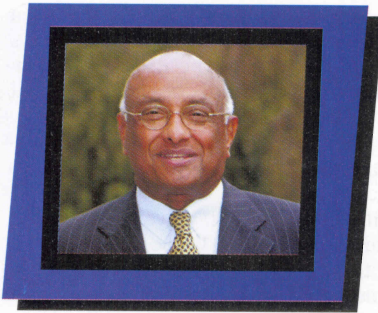


50
years of
containers!

Ian K Karan



In the autumn of 1971, I had every reason to be content with my life. Having arrived in Germany after aborting my reading of economics at the London School of Economics and subsequent stint at Schenkers, London, as a management trainee, my life was progressing satisfactorily as a forwarder. Without a

working knowledge of the German language, I started with Max Grunhut as a junior clerk and rose rapidly through the ranks.

A year later I was promoted to the most coveted job in the company, head of exports, US and Canada. This was the largest and most profitable of all departments and it was also the pioneer in containerising its shipments.

These were exciting times and the business had no established patterns to follow. Shipping lines provided containers, when available, but were also happily accepting shippers' own equipment. In those days, Max Grünhut was larger than Kuehne+Nagel or Schenker in containerised cargo to the US. In my capacity as manager of the US and Canada Department, I had become acquainted with various leasing companies and was called on by representatives of almost all lessors.

The president of a lessor then based in Chicago came to Hamburg to recruit someone suitable to manage its European affairs. I was approached but declined as I was happy with my career prospects and my position within Max Grunhut. With a monthly salary of DM2,500 (USD1,250) and a company car (Volkswagen Beetle - pure luxury!), I was all set up.

Probably the fact that I was educated in England appealed to my future boss and when I was called again, I gambled with my salary expectations. Secure in my job, I asked for 10,000, which obviously caused a big stir, but the shock was reserved for me. I meant DM10,000, and my American president, used to thinking only in US dollars, confirmed my employment contract with the company at a salary of USD10,000. I became possibly the highest paid foreigner in Hamburg at the time and was definitely the best paid novice in the leasing industry in 1971!

Inevitably, a company that pays its European Head of Operations such an obscenely high salary was doomed. Four years later, the US operations were taken over by Japanese shareholders, who a few years later sold the total fleet of approximately 50,000TEU to Transamerica Leasing. I had left in July 1975 and the real world of leasing containers and earning one's

keep started in earnest.

CLOU Container Leasing was actually the successor to Container

Leasing Agentur (CLA) as this name aptly described the company's brief at its inception. Being the sales agent for my previous employer was an elegant way to enter the market gradually. In fact in the first two years, CLA, as it was called, was known more as a second hand-dealer than as a lessor.

Of course the competition had already christened me as a scrap dealer, due to a large contract for disposal that CLA entered into on the demise of Hansa Linie of Bremen. A total of 3,500 units were bought, repaired and sold within a period of six months, so maybe the epithet scrap-dealer was a clearly deserved title.

The very first leasing contract was signed by me with a German Line for 200 x 20 dry van containers for three years. Our bank was keen to finance this deal, not because they saw

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CLOU as a good future prospect but because they were attracted to my client. Nevertheless, we were on our way to becoming the 10th largest leasing company in the world and that was ground enough for some joy.

In the early days of leasing the emphasis was more on personal relationships than on the all-important matter of cost. Today, it is not just the per diems but all the ancillary items, such as repair costs, that are taken into account before a deal can be struck.

Whereas in the 1970s a container could be fully amortised within five years and in the 1980s within 8 to 10 years, the story is less encouraging today. Clearly, the entry barriers have come down with ample liquidity in the market and there is an inflation of numbers in every respect except the percentage of return on investment.

The greater the availability of investment capital, the more meagre the returns. This, in turn, induces leasing companies not only to increase the efficiencies, but also to expand their fleets in order to cover basic infrastructure costs.

Profound changes are also taking place in the way clients deal with leasing companies. The days when friendship overrode economical considerations are no more. Of course relationships help, but today deals are struck solely on rates and equipment availability.

As the business cycles become ever shorter, the rollercoaster ride is not for the faint-hearted. However, for me, there is no other business in the world that is as exciting, as challenging and as culturally diverse as the container-leasing industry. World trade fuels containerisation and containers facilitate efficiency and provide a further boost to traffic volumes. This is globalisation at its best, where our industry has its finger on the pulse of world trade, and I am thankful that I can be a part of it.

**Ian K Karan is chairman
at Capital Lease**