



## INFORMATION

### **Good outlook for shipbuilding Economics minister Glos addresses shipbuilding industry**

*Hamburg, 17.05.2006* – The German Shipbuilding and Ocean Industries Association (VSM), which represents the political and commercial interests of the German maritime industry, elected a new executive board at its annual general meeting today. Jürgen Kennemann (Aker Yards, Germany) was elected the new chairman of the association on a rotational basis, succeeding Bernard Meyer (Meyer Werft), who had held the position for two years.

The meeting was attended by the federal minister for economics and technology, Michael Glos. In his address, Glos emphasized the significance of the maritime industry for the German economy. "The federal government appreciates the sector's progress and its importance for the labour market. German shipyards are technology leaders in many markets," Glos stated.

In its Annual Report for 2005, the VSM commented that it was very satisfied with the performance of the German shipbuilding industry. International orders on hand reached a new peak in 2005. For incoming orders, **Germany** could again improve on its already good year in 2004 and in merchant shipbuilding consolidated its **4th position** globally and top ranking in Europe. **Sales of all shipbuilding companies** (yards building oceangoing vessels, inland waterway craft and naval ships as well as boat and yacht builders, including yards handling repair/conversion projects) surged to **€6.2 billion**. This led to a stabilization of the workforce at German shipyards (approx. 23,000). The shipbuilding industry in Germany has a total of approx. **100,000 employees** at shipyards and marine equipment suppliers.

However, the VSM expressed concern about the massive expansion of shipyard capacities in the Far East, particularly in China, where overcapacities could develop in the medium term and in the event of a slump in demand lead to a dramatic increase in the competition in the world market.

German **shipyards building oceangoing vessels** delivered a total of 69 merchant ships, worth €2.6 billion, and booked new orders for 157 vessels, worth €4.1 billion, last year. Orders on hand thereby increased to 231 ships, worth €11.1 billion, ensuring capacity utilization up to 2008. The largest share of deliveries was again accounted for by containerships with a cgt share of 65.3%. However, ferries and passenger ships as well as mega yachts are also very significant in the product mix of German shipyards. Their share of the value of orders on hand rose to an impressive 41% last year.

**Shipyards building inland waterway vessels** also registered a stable production and order trend in 2005, the focus being on deliveries of 15 passenger ships and four ferries. These yards thus continued to benefit from the growth in tourism on German and European waterways.

**Naval shipbuilding** is the second largest area (25%) in shipbuilding in Germany after merchant shipbuilding (58%). It is dependent on orders from the German Navy to retain its technical core competencies. Despite the tight budget situation, overdue follow-on orders should thus be placed. The development of alternative forms of financing could be helpful



in this respect. The technological leadership of the private-sector naval shipyards compared with the state companies in other European countries would be jeopardized without new orders from the German Navy. To close the looming gap in orders, it is urgently necessary to implement planned projects (class 125 frigate and 2nd batch of class 212A submarines) earlier than envisaged.

**Repairs and conversion orders** represent a mainstay of German shipyards. They generated sales of €601m, or approx. 10% of total sales, in 2005, as in the previous year. The repairs of the "Queen Mary 2" in Hamburg and "Queen Elizabeth 2" and "Star Princess" in Bremerhaven are clear reminders of German yards' global leadership in this segment.

The growth in the world shipbuilding sector and the upturn in demand in global offshore markets stimulated by high energy prices also led to increasing business for German **marine equipment suppliers** last year. These companies achieved overall sales of approx. €9 billion. German marine equipment suppliers thus again took second position worldwide behind Japan. As exports accounted for about two-thirds of sales and the Japanese companies depend greatly on their domestic market, German suppliers are even the leading exporters globally.

Companies in the **ocean industries** area also performed well in 2005 thanks to their technological expertise. With their proximity, also in technical terms, to shipbuilders as well as marine equipment suppliers, they are very well placed for further penetrating international markets.

"Even if the figures for 2005 are gratifying, the shipbuilding industry is concentrating on continuing to improve its competitiveness with the focus on innovations," noted the new VSM chairman Jürgen Kennemann in his assessment of the current situation. With the initiative "**LeaderSHIP Deutschland**", the industry has thus continued to follow the recommendations of the "Boosting competitiveness" study commissioned by the federal economics ministry in various projects.

Jürgen Kennemann concluded: "Training, research and development and innovations along with the continuation of a reliable maritime policy are crucial for maintaining the competitiveness of German shipbuilding. If the activities of the federal government and the interests of management and labour and industry are combined more successfully in an effective maritime alliance, the 5th National Maritime Conference in December could send a positive signal for more employment and growth."

*The German Shipbuilding and Ocean Industries Association (VSM) represents the political and commercial interests of the German maritime industry, shipyards building oceangoing and inland vessels and marine equipment suppliers. Further details on the performance of the German shipbuilding and ocean industries are given in the VSM Annual Report for 2005. You can request this from the VSM or find it at its website (<http://www.vsm.de>).*

**Please address**

**queries to:** Verband für Schiffbau und Meerestechnik e. V.  
Steinhöft 11 (Slomanhaus)  
20459 Hamburg  
Tel: (040) 2801 52-0  
Fax: (040) 2801 52-30  
E-mail: [info@vsm.de](mailto:info@vsm.de)