



Shipbuilding & ocean industry: Shaping our future - generating growth

Hamburg 28 May 2013: Overall, the German shipbuilding and ocean industry was successful despite the worst crisis of the post-war era.

The challenges are gigantic. Despite all adversities, the VSM and its Member Companies are confident and convinced that shipbuilding and ocean technologies in Germany are well-positioned. "The crisis requires companies to quickly adapt to changing conditions. We have done just that by recalling our classic strengths as German Mittelstand," says VSM Chairman HARALD FASSMER.

The German shipbuilding industry has abandoned production of standard vessels in reaction to the tremendous market upheavals and has focussed on complex high-end special-purpose vessels. This requires sophisticated technical solutions and generally calls for one-off production. For this reason, both engineering capacities and acquisition efforts increased substantially.

At the same time, cost pressure is further increasing due to intensified competition. Competitors, often with substantial government support, particularly in Asia, are now also aiming at market niches. Those shipyards, erected at breath-taking speed can no longer utilise their excess capacity due to the current low demand. Many would be forced to close as failed investments, but state aid measures, threatens to delay the necessary capacity adjustments - with considerable ramifications to the international shipping and shipbuilding markets.

A subsidy race is not the answer. However, to maintain competitiveness for the long term maritime growth markets, Germany must shape smart framework conditions.

It is from this background that the VSM derives its key requirements for the industry: strengthening innovation capacity, securing competitive financing, reducing costs in Germany.

Strengthening innovation capacity

Promoting innovation is the key to accomplishing technological diversification in German shipbuilding to develop new products and production methods. VSM calls for immediate action with regard to the innovation promotion programme: fast approval of already filed projects, safeguard sufficient budget and secure a reliable and workable European legal basis after the planned expiry of the so-called "shipbuilding framework" end of 2013.

During its eight-year duration the previous innovation programme triggered a genuine innovative impetus, with a capital expenditure of over 600 million EUR. At the same time, only a maximum of 20% of that is backed by the federal government and regional government authorities. With the help of these investments, many innovative products and processes could be successfully marketed and produced revenues of approximately 6 billion EUR. "Our calculations have shown that approximately 30% of final shipyard revenues return as tax and social security funds. In light of these figures, the increase in federal and regional funding to 35 million EUR per year from 2014 onwards as requested by the VSM, would be money well spent," says HARALD FASSMER.

In addition, innovation also largely depends on qualified junior staff. From the industry's perspective, the federal government and regional authorities should work towards safeguarding the expanded training capacities for shipbuilding, and should devise training opportunities efficiently.



Securing financing

Offering attractive financing terms to potential customers are the key to acquisitions. The availability of pre-delivery financing through loans and guarantees is equally important for shipyards.

Major problems for ship-financing banks caused by troubled shipping customers with ships mostly constructed in Asia, have caused a credit crunch on an unprecedented scale.

Public institutions' guarantee instruments thus play a key role. As such, an adjustment of the existing instruments should reflect the modified product portfolio, and the discrimination against domestic orders must be done away with. The terms of the existing instruments must also be put to the test, e.g. the terms of the CIRR programme. "An OECD-compliant instrument to safeguard fair competition must not be allowed to create competition disadvantages through additional surcharges!" explains VSM General Managing Director DR. REINHARD LÜKEN. "In addition, public financing institutions must ultimately spring into action to achieve the successful organisation of sustainable energy, including in the offshore sector, by directly engaging in pre- and post-delivery financing for specialist vessels and offshore structures."

Reducing costs in Germany

Additional strain on companies, e.g. through high cost resulting from the law on sustainable energy (EEG), high financing fees, or industry surcharges for temporary labour cannot be counterbalanced in the short-term by increases in productivity. "As an industry with long project durations, we need a reliable framework so that everything runs smoothly from the signing of the contract to delivery. We cannot pass on sudden additional expenses caused by political decisions to our customers," states DR. REINHARD LÜKEN.

Sharply rising fuel prices and tightened environmental standards open up many opportunities for cleaner, safer and more efficient products in the manufacturing industry. New markets, like production of conventional and renewable energies and resources in the offshore sector, are developing very dynamically. The maritime know-how and engineering excellence in shipbuilding and marine technology that are broadly available in Germany form the perfect conditions for converting this enormous potential for growth into economic prosperity.

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