

“Staying here is profitable”.

Mechanical engineering and construction manufacturers back to Germany. Made in Germany is popular again.

About three third of German machine manufacturers want to enlarge their current businesses in Germany. According to a recent survey investigating the opportunities and threats for German mechanical engineering and machine manufacturers, the economic outlook of the sector is positively estimated by 72 percent of the interviewee. The survey was carried out by the chair of economics of the University of Würzburg on commission of the IMPULS- foundation of the VDMA.

About 400 engineering and machine manufacturers were interviewed about there long-term objectives and possible barriers to their entrepreneurial activities. The most important barriers are the strong government intervention and the German tax legislation. Most attractive opportunities for entrepreneurial activities are the possibility to implement own initiatives, the detection of market niches, the responsibility towards the employees and families even as independency and self-fulfillment. Executing own initiatives, the ability to innovate in the sector and the huge intensiveness of Research and Development activities are major growth engines.

At the moment, market conditions for most of the mechanical engineering and machine manufacturers are exceedingly good and are far better compared with the governmental interventions. This is one reason why many companies want to further increase in Germany for the coming five years. “Companies value the innovative strength of the mechanical engineering and construction companies, the innovative climate of the sector, the close collaboration with research- and training facilities and the high qualified and motivated personnel”, Dr. Dieter Brucklacher, VDMA- president adds. “Companies held themselves responsible for their employees and the social environment. They want to continue to invest in their habitat, generating and consolidating jobs”.

Since 1995, one out of eight industrial companies have relocated or opened their production in foreign countries. However, a recent survey of the Fraunhofer Instute revealed that the trend to outsource activities is decreasing. Currently, one out of eleven manufacturers is thinking to allocate production facilities. Reasons for allocation can be found in new market opportunities or the lack of capacity in the homeland. The major reason for allocation is the expected reduction of costs in low-wage countries. Companies larger than 500 employees are mostly allocating their activities. Only very few small companies are outsourcing their company activities elsewhere.

What these companies subsequently lack in Eastern Europe, China and India is the existence of a network of suppliers, service providers and research institutes. Factories in the new countries obtain a larger part of their components of the initial suppliers in the home country resulting in high transportation costs. Besides, the trial period of new production liness take more time than expected.

Rittal, manufacturer of components for the mechanical engineering industries always recognized the advantages of the manufacturing base Germany. The company has eleven plants. Seven of them are based in Germany. The remaining four plants are situated in China, India, USA and Mexico. “These four manufacturing plants have never been given a preferential treatment”, Mr Norbert Müller, chairman of the board of directors remarked. “Compared to the global market, the automation grade of companies is higher, employees are on each level extremely well educated, terms of delivery are better observed and

there is a legal certainty. We do not only sell our products on the German market, but we assist them to produce more efficient. This phenomenon is almost not known in China". One quarter of the departed companies have returned within five years. Half of them is originating from East European countries. Major reasons are a poor flexibility of the local government and market parties.

It is true that the allocation of production facilities will continue in the future. If new markets are emerging, a company should try to reach these markets. But it is not advisable to allocate production facilities only because of a possible cost reduction.

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