LOCATIONS

Dear Reader,

Recently at a press conference, discussion once again turned to the subject of Germany as an industrial location. I could have sworn I knew what was going to follow: too expensive, too cumbersome, not flexible enough, relocation of production as the only solution, and so on. But not one of these stereotypes was mentioned. Instead, the speaker predicted that logistics costs would continue to rise worldwide and that Germany would (again) become more attractive as a location for industry. Long transport distances by sea also concealed the risk of losing the load in a shipwreck, he added, which, with today's production structures and their low warehousing capacity, could quickly result in an expensive loss of production for the OEM customer. The aim therefore should be to manufacture components within a radius of 350 km from an engine plant.

Admittedly, this discussion was about cylinder heads and engine blocks. Their component costs are on a relatively low level worldwide and their transportation costs are disproportionately high due to their weight and volume. In a real case, logistics makes up 15 % of the component price. Nevertheless, this statement made me sit up and take notice. Just a few years ago, comments like this would never have crossed the lips of top managers, and if so, they probably didn't remain top managers for very long. Far too much emphasis was placed on the fashionable topic of offshoring without meticulously weighing its advantages and disadvantages.

I much prefer decisions to be made with a sense of reality and on the basis of proper cost calculations. And I am certain that investors will also reward this. In the short term, popular actions may certainly produce notable success. But, in my opinion, the only thing that counts in the long term is sustainable growth, based on the sum total of correct decisions. What is important is that managers have the staying power to implement their strategies and visions right to the end – and that investors also have the staying power to let them do so. By the way, the speaker at the press conference concluded his statement with the words: “I still see considerable potential for Germany as a location for industry.” I have nothing to add.

Best regards,

RICHARD BACKHAUS,
Vice-Editor in Chief
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