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GERMAN PRISM

Company Analyses

Steel Pipes for the World

In these columns **INTERECONOMICS** sets upon, in loose sequence, to depict, and comment on, the activities of German companies of world rank. It is the intention thus to contribute towards the deepening of international relations in the private sector of the economy.

Both at home and abroad, Mannesmann has become a symbol for pipes, tubes, and for steel generally. In 1969, the Mannesmann Group, including both Mannesmann AG, the parent company, and all its German and foreign subsidiaries in which it is interested to the extent of at least 50 p.c., produced a total of 1.6 mn tons of pipes and tubes against a national total of the Federal Republic of Germany of 4 mn tons, and that of all the Common Market countries of 8.2 mn tons. The highest growth rate, at 23 p.c., against the previous year, was shown by large-diameter pipes, whilst for the Group as a whole, output increased by 13 p.c.

Consolidated Group deliveries of Mannesmann climbed to DM 6,500 mn in 1969, of which DM 5,100 mn (value-added tax being deducted) were sales to third parties outside the Group. For the first time, pipes and tubes represented more than 40 p.c. of this turnover.

Company Growth

Of all the countries of the world after Japan, the Federal Republic of Germany now exports the largest quantity of steel pipes. This is mainly due to the vast export business of Mannesmann and Thyssenrohr. The two groups taken together have exported virtually half their total output in 1969, which was 78 p.c. of total German steel pipe exports. In 1962/63, the Federal Government had imposed an embargo on steel pipe deliveries to the Soviet Union, but since this has been lifted, an agreement has been made late in 1969 for sup-

plying 1.2 mn tons of large-diameter pipes between now and 1972, and these new exports will contribute strongly to a vigorous growth of East-West trade.

Measured by turnover value, Mannesmann AG is among the biggest industrial corporations of the Federal Republic. The parent company is composed of a large number of individual production plants, at the same time heading the Mannesmann Group, whose subsidiaries and associate companies at home and abroad number more than 80 today.

Group Reorganisation

Early in 1970, the Group was subjected to total reorganisation. Mannesmann Röhrenwerke GmbH was refurnished into a public joint-stock enterprise and absorbed the entire pipe rolling and welding capacities of the former Mannesmann AG and of Thyssen-Röhrenwerke AG, a subsidiary of August Thyssen-Hütte AG. In addition, Mannesmann bought all the shares in the pipelaying subsidiaries of Thyssen, Thyssen Rohrleitungsbau GmbH and Thyssenrohr-International GmbH, which added much to the capacity of the enterprise for supplying complete power stations and energy distribution equipment, and for building oil refineries and constructing pipelines.

In exchange, Mannesmann ceded to the August Thyssen-Hütte AG rolling mill capacities with annual turnover values of about DM 900 mn, Mannesmann itself retaining only those manufacturing capacities which supply base materials for making

pipes and tubes. Also the entire equity of Mannesmann-Stahlblechbau GmbH, the largest German maker and erector of oil storage tanks and an important user of steel sheet and plate for processing and manufacture, passed into the hands of August Thyssen-Hütte AG. Mannesmann and Thyssen have applied to the EEC Commission for permission to merge the departments making and selling steel tubes for the manufacture of roller bearings of Deutsche Edelstahlwerke, which now belong to the Thyssen Group, with Mannesmann. The tubes made by Deutsche Edelstahlwerke AG are those which are cut into rings to serve as casings for ball bearings, roller bearings, and needle bearings. After this first state of integration is completed, it is intended also to reorganise both Mannesmann's and Thyssen's plastic goods manufacture, and their foreign activities.

Getting rid of its mining properties, and the recent division of labour with the Thyssen Group, both have transformed Mannesmann into a Group firmly anchored on several vigorous foundations — pipe making on a steelworks basis of its own, heavy engineering, plastics manufacture and fabrication, and a widespread trading network. The statistical heading of "Miscellaneous Manufacture and Processing", which in 1969 contributed as much as 26 p.c. of sales to third parties, includes, among others, products of such importance and of such high growth potential as machinery and equipment for chemical industry, air conditioners, electrical motors, process guidance and telemetering systems, pumps, and complete hydraulic assemblies. Mannesmann has become an important supplier to the motor car and commercial vehicle industries, and to shipbuilding, of gears, clutches, wheels, axles, driving shafts, and armatures and steel accessories.

In 1969, the Mannesmann labour force grew to over 63,000 employed persons, of whom about 10,000 work outside Germany. As the German labour market has been swept bare of all unemployment, the Group had to hire additional foreign workers for manning its German plants.

International Production

It became clear to the Mannesmann management rather early that profiting from foreign market growth is, in many cases, only possible on condition that the Group engages in production outside its home country's territory, and that it supplies both its foreign clients and foreign assembly plants not only through exporting products made in Germany. As developing countries aim at setting up industries of their own, they are frequently compelled to cut down heavily on imports. Man-

nesmann has adapted itself to this trend through direct investments of its own, through supplying engineering and know-how as a consultant, and selling manufacturing licences. In 1952 already, it launched the Companhia Siderúrgica Mannesmann (CSM), which has since become the biggest Brazilian maker of steel pipes. CSM's own steelworks had an output of over 300,000 tons in 1969, which has made it the fifth largest steelmaker of Brazil. Its market shares in seamless tubes and seamless precision tubes are vastly bigger, viz. 80 and 90 p.c., respectively. Over the years, CSM formed or absorbed a number of additional processing plants, so that its 1969 turnover in Brazil had grown to the equivalent of about DM 270 mn, of which 60 p.c. consisted of steel pipes.

Gradually, CSM is drifting further and further away from the point of its origin as a German "branch firm" or pure subsidiary, which is reflected by the high share of Brazilian-made products entering into its economy. Branches of the Parent Company, which have since become subsidiaries or associate companies, were formed in Turkey in 1955 and in Canada in 1957. In Turkey, the Group produced 59,000 tons of steel pipes in 1969, and in Canada 111,000 tons, and also these former subsidiaries progress along the road shown by the Brazilian CSM. These changes justify Mannesmann's claim to have become a Group belonging to many nations.

Future Outlook

The Group intends to increase its third-party sales by about 50 p.c. until 1974. Its pipe mills are scheduled to produce 46 p.c. of this total, and foreign subsidiaries 9 p.c. Processing and manufacturing activities are to be increased both by the growth of existing companies and by the acquisition of new participations. Mannesmann also intends to claim a leading place among the world's makers of oil-hydraulic systems and of highly advanced transport equipment. Expansion is also foreseen for plastics manufacture and fabrication, to be frequently based on cooperation with other groups.

For bringing this vast programme to fruition, investment planning will claim more than DM 300 mn annually, on average, for many years to come. In order to maintain and consolidate Mannesmann's position in world markets, research and development work will have to keep the Group always abreast of rising quality requirements, to improve production processes, and to develop new products — for it ought always to be the best bet for any existing and potential client "to ask the man from Mannesmann" for help and advice.

Ingo von Jacobi

**Clear
Upswing
in Hamburg
Trade Fairs**

"Hamburg as location of trade fairs and exhibitions is an interesting place for competent visitors, i.e. for resellers and large customers, as well as for ultimate consumers. Whoever traces the development during the last five years can observe a clear upward trend for trade fairs and exhibitions taking place in Hamburg." This statement was made by Senator Hackmack on the occasion of the "Internationale Lebensmittel- und Feinkostausstellung" (LEFA) in August. The periodical arrangements as e.g. "Deutsche Bootsausstellung", "Internorga", "Modemesse" and "LEFA" every year register a bigger number of exhibitors and ever-improving conditions regarding the exhibition stands. Hamburg is in the favourable position to dispose of sufficient centrally located exhibition grounds. "Thus we can better considerate the economically reasonable structural and architectural consequences of the demand and supply development and avoid problems that arose in other locations."

**"Partners
of Progress"
Very Successful
this Year**

The 8th Overseas-Import Trade Fair "Partners of Progress" at Berlin in August registered a refreshingly big number of visitors and successful business transactions. Above all the textiles exporting countries in South-East Asia and Africa secured very good sales contracts thanks to large-scale orders by department stores and mail order firms. In this context Korea and Taiwan are to be mentioned as regards ready-made clothes, and Thailand in the handicraft sector. The associated African states may enjoy the good sales of their handicraft goods and articles made from wood. The same applies to wigs, Indian rubber goods and parts for the production of toys. In addition to these contracts promising contacts could again be made.

**Cooperation
Between Knoll
and Schering
in the USA**

Knoll AG, Chemische Fabrik, and Schering AG decided on close cooperation in the US pharmaceutical sector. To begin with Schering buys a 25 p.c. participation in Knoll Pharmaceutical Company, New Jersey, the American subsidiary company of Knoll AG. The participation is to be extended to 50 p.c. in 1972. A total of more than 11,000 employees is working on the development of new medicaments in the laboratories of Knoll AG and Schering AG.

**100th Anniversary
of Austrian
High-grade Steel
Producer Böhler**

When on April 15, 1870, in Vienna, the brothers Albert and Emil Böhler founded a "firm for the exclusive marketing of Styrian steels", this was at first a steel trading business only. But already in 1872 they started their own steel production. The brothers acquired foundries located in the Lower-Austrian Ybbstal, an area at the old "Eisenstraße" with a tradition of iron and steel processing. These foundries were to become the basis of the large-scale concentration of the present Böhler-Ybbstalwerke, where presently many semi-finished and finished products are turned out with export quotas of up to 70 p.c. Among these manufactures are mainly machine knives for all kinds of use, punching tool steels for the leather-, textile- and plastics-processing industries, pre-processed ground flats, precision forgings, pipes, profiles, permanent magnets and high-quality steel-bands of all types are made of the many steel qualities which belong to the wide Böhler-high-quality-steel production programme.

Twelve sales companies owned by Böhler and more than 100 representation offices in more than 60 countries form the international Böhler sales network and see to it that the present export quota of more than 70 p.c. is steadily expanding. This successful sales policy enables an expenditure on research of about 2 p.c. of the turnover.

**Siemens India
Helps Training
Young Indian
Technicians**

When Siemens started their manufacturing programmes in India, they had to be content with whatever skilled workers were then available to handle their equipment. In order to develop a cadre of skilled workmen trained in their specialised manufacturing processes, Siemens India started a modest Training Centre in Worli, Bombay, in 1964, when the first batch of 28 apprentices were recruited. In 1966, this training centre was shifted to more spacious premises in Andheri, Bombay, where it has been possible to set up a well-equipped machine shop with over 40 machines, adequate work benches, class rooms and an administrative wing. The three year programme comprises Basic Training, Basic Machine Training, In-plant Training in the three Siemens factories in Bombay, Trade Training and Final Trade Training. The Training Centre, established at the cost Rs. 1 mn, is bound to make a significant contribution to train young Indians which will help Siemens India and other companies to whom they may go.