

# German shipyards face insolvency

Elizabeth Zimmermann  
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The P + S Shipyards in Mecklenburg-Western Pomerania, which employ some 2,000 workers, are expected to declare bankruptcy at the end of August.

The shipyards include Volkswerft in Stralsund, with 1,150 workers, and the Peene Shipyard in Wolgast, with some 600 employees. They are among the largest employers in the economically underdeveloped region. If they close down, an additional 3,000 workers in the supply industry, including contract and service workers, will also lose their jobs.

The reason for the impending insolvency is funding problems rather than a lack of orders. The Mecklenburg-Western Pomerania state government, a coalition of the Social Democratic Party (SPD) and the Christian Democratic Union (CDU), cut off funding to the shipyard group after it emerged that the agreed credit limit was insufficient to finance current orders.

The order books of the shipyards include ship-building commissions worth more than 1 billion euros. Both shipyards are booked to full capacity until mid-2013, but they are unable to guarantee agreed delivery dates for new vessels due to recent changes in the construction of container ships and ongoing funding difficulties.

No new ship has been launched at Stralsund since April 2011. Two ferries for Scandlines should have been delivered several months ago, but no final date has been set. Also on the yard order books are two special military transport ships for the Danish company DFDS and five specialised freighters for the Greenland company RAL.

In June, the state and federal governments pledged loans to P + S Shipyards totalling 152 million euros to cover the period before delivery of ships under

construction. Of this sum, 70 million euros have thus far been paid out. Release of the remaining 82 million euros was stopped by the state government when the new manager of the yards, Rüdiger Fuchs, concluded that the loans promised were insufficient to prevent insolvency. According to the state premier, Erwin Sellering, it is not possible to increase the European Union-approved guarantees.

On August 21, the company executive informed the workforce of the threat of insolvency and possible loss of their jobs. In attendance at the meeting were Premier Sellering (SPD) and Economics Minister Harry Glawe (CDU), as well as German Chancellor Angela Merkel, whose home constituency is Stralsund. Merkel told the assembled workers that no further grants could be expected from either the federal or state government. “We helped the shipyard,” she said. “The state has done what it could.”

A bankruptcy petition was originally expected last Wednesday. CEO Fuchs initially sought to obtain financial aid from the yard's current clients. He had previously made a name for himself by restructuring Airbus following the company's problems with its Superjumbo A380 model.

Should it come to bankruptcy, Fuchs plans to sell the Peene Shipyard in Wolgast to an investor. The company was ready for such a move, Fuchs declared, but he added that the shipyard in Stralsund needed a considerable overhaul to function as a specialist shipbuilder.

The workers face a new round of wage cuts and job cuts under insolvency proceedings. Workers had already accepted major cuts in wages plus concessions regarding working conditions in recent years. Their

trade union, IG Metall, argued that such sacrifices were necessary to save jobs. Now they are likely to lose their jobs anyway.

The P + S Shipyards were founded in June 2010 following a merger between Volkswerf Stralsund and Wolgast Peene Werft. The latter previously belonged to the Hegemann shipyard group. According to the company CEO at the time, Dieter Brammerts, IG Metall played a “constructive” role in the “reconstruction and consolidation, despite inevitable job losses.”

In June this year, shipyard workers were asked to contribute towards a “rescue fee” of 68 million euros in return for state and federal guarantees. Following a demand from Premier SELLER that the shipyard workers contribute between 50 and 80 million euros, local IG Metall representative Guido Fröschke offered to sacrifice workers’ holiday and Christmas bonuses for a period of three years, plus payment for 120-150 hours overtime per worker.

Now IG Metall and the works council are once again lining up behind management. Fröschke has placed all his hopes on the ability of the bankruptcy administrator to find new investors for the two shipyards and has offered the support of the union. “The administrator must create a viable concept to allow the concern to continue,” he said in an August 21 IG Metall press release.

Shipyards in Mecklenburg-West Pomerania have been in decline for the past 20 years. In the former East Germany, up to 52,000 worked in the shipbuilding industry on the Baltic coast. The East German shipyards were considered to be very modern. In West Germany at that time shipyards were forced to close during periods of bad weather, but in the East the production facilities were protected from the weather.

The reintroduction of capitalism in the East inaugurated a period of economic decline for the industry and the entire region. The former East Germany lost its Eastern European export markets. A number of shipyards were sold to dubious businessmen, and today just 4,000 jobs are left in shipbuilding in the former East Germany. Now these jobs are threatened.

While the German government has funded the banks to the tune of hundreds of billions of euros, it declares there is no money for the shipyards. The looming bankruptcy of the P + S Shipyards is being used to destroy more jobs and extort further concessions from workers.



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