

Liebherr-Werk Ehingen GmbH and the World Mobile Crane Market

**Talk by Friedrich Bär,
General Manager, Liebherr-Werk Ehingen GmbH,
to representatives of the European specialist press
during the Information Tour in Ehingen on May 10, 2001**

Ladies and Gentlemen,

If we are to prosper in our own right as an independent manufacturer of mobile cranes on a clearly defined market, but at the same time one on which international competitors are active too, we must prospect for business all over the world. We must also innovate our crane programme all the time so that it is in the forefront of technical development, and every new model we produce must offer the customer greater benefit than its predecessor. Each year we must launch two to three new crane models on to the market. As Europe's leading mobile crane manufacturer we must also maintain a full-scale after-sales service operation which must be fast and reliable. This must include repair centres, company subsidiaries and service partners in all the main national markets where Liebherr cranes are being operated. At present we are building Service centres in Italy, France, England, Russia and the USA and enlarging our service points in the Netherlands and Spain.

The pre-owned crane business is of extreme importance. In many cases the sale of a new crane depends on the existing one being traded in. Building up our pre-owned crane sales operation is thus an ongoing activity that enables us to resell the cranes we have taken in part exchange.

Also of eminent importance is the provision of credit purchase terms for mobile cranes. The higher the value of a pre-owned crane that is offered in part exchange after a period of use, the easier it is to arrange financial terms. High quality, long life and modern technical features ensure that Liebherr cranes have a high resale value on the secondhand market.

Last but not least, as manufacturers of an extensive range of cranes we must be in a position to invest in our production facilities so that we can create a situation that enables us to consolidate our market position and expand it still further. As you will be able to see today, we are investing considerable sums in this task.

We have invited you to Ebingen today to see how our plant has grown in the last eighteen months. These extensions put us in a position, if market demand increases, to build as many as 40 percent more cranes than in the past. In his talk, Herr Hauser will describe the new building measures and you will be able to tour the plant and see the new buildings for yourselves.

I would now like to take a brief look back at the 2000 business year, developments on the international market and the position occupied by Liebherr-Werk Ebingen GmbH.

Let me begin with some most satisfying facts: we continued our successful pattern of growth by building 1,020 new cranes and also selling 490 pre-owned machines for a total turnover of 1,532 million German Marks (DM), a 7 percent increase on the previous year. Turnover has in fact more than doubled since 1995, and new crane sales have also increased by almost 100 percent in the same period.

Liebherr-Werk Ebingen GmbH obtains;

Of last year's total new-crane turnover of 1,128 million DM, about 90 percent came from our range of all-terrain mobile cranes and the remaining 10 percent from sales of crawler-track cranes. 28 percent of new crane turnover came from the domestic market, 46 percent from Western Europe, 15 percent from North America and 11 percent from the rest of the world.

My comments will mainly concern themselves with the all-terrain (AT) segment of the mobile crane market.

In 2000, worldwide demand for AT mobile crane proved to be 2,638 units, more than twice as high as in 1994. There is currently no indication that this upward trend has passed its peak. The AT crane has a number of advantages compared with the conventional telescopic-boom truck crane, and for this reason the major crane markets have come to accept this crane concept as suitable for their needs. With almost 2,000 units delivered to Western European countries and a further 400 to North America, the principal sales markets for the AT crane are clearly established. During 2000, only 250 new AT cranes were delivered to customers in Eastern Europe, the Near, Middle and Far East, South and Central America and Africa. With deliveries of 957 all-terrain cranes delivered last year, Liebherr-Werk Ehingen GmbH secured a 36.3 % share of this market.

On the domestic market, sales of 282 AT cranes during 2000 gave us a 41 percent share of the market and enabled us not only to consolidate but also to extend our market lead. The unsatisfactory situation in the German construction industry had more of an adverse effect in the new Federal German states than in the old ones. However, although the exchange market shrank slightly in volume, our market share was slightly higher than in the previous year. Factors contributing to this were a high rate of innovation on the new crane models we introduced, our outstandingly good after-sales service – the two large repair centres in Berlin-Alt-Bork and Oberhausen were enlarged once again – and the excellent relationship with our customers that has grown up over the years.

What progress did we make on our main export markets? Let me begin with Europe. In the Netherlands, always a most important export market for us, we delivered 65 AT cranes in 2000 and thus secured a 37 percent share of the market. In addition, introduction of the new Liebherr MK 80 mobile construction-industry crane, which combines the advantages of a telescopic-boom crane with those of a conventional construction-site crane, enabled us to achieve outstanding sales success.

Our mobile cranes have been well established on the French market for more than 25 years, and some 700 Liebherr cranes are currently in operation in that country. Although the crane market collapsed in 1993, it has recovered again satisfactorily since then with annual growth rates of 15 to 20 percent. The French AT crane market grew by 40 percent in 2000. a circumstance that was much to our benefit. Our annual turnover from the

French mobile crane market reached 100 million DM, and for the current year we expect sales to go up again slightly. A new service subsidiary for mobile cranes is currently under construction.

Deliveries of 230 Liebherr AT cranes and a 50 percent market share made Spain, including Portugal, our leading Western European crane market. Demand from the Iberian peninsula, which in the past was a classic pre-owned crane market, has in the meantime shifted almost completely to new AT cranes in all size categories.

An ambitious infrastructure programme scheduled for completion in Spain by 2007 envisages the following measures which are of significance for our business activities:

- Extensions to the road network
- Construction of high-speed rail routes
- Improved infrastructure at Spanish seaports, and
- Expansion of various airports.

In addition, several thousand wind-powered electricity generating units will be built on the Iberian peninsula in coming years, and this work will need large mobile and crawler-track cranes. Since this year we already have 160 crane orders in hand from Spain, we expect demand on this market to remain at a high level. The European soccer championship, incidentally, will be held in Portugal in 2004, and will give rise to additional construction projects which should lead to further demand from this market.

Austria and Switzerland are also traditional all-terrain crane markets with high sales figures and market shares of 59 and 55 percent respectively for Liebherr-Werk Ehingen GmbH. In addition to modern crane technology, our customers in these Alpine countries also value our well-established sales and service structures very highly.

In Italy we were able to deliver 31 new cranes, giving us a market share of 29 percent.

Dedicated attention to the Scandinavian market for some years – including the construction of service stations – has been rewarded by market shares of 44 percent in Finland and 71 percent in Finland; in the Scandi-

navian region as a whole, some 550 Liebherr cranes are currently in operation.

The crane market in Great Britain is expected to grow again compared with 2000, and we can be confident of increasing our market share beyond the current 30 percent. Restructuring of the four largest crane-hire companies has been completed. Crane orders from new customers and an order for 23 cranes from the Ainscough company are evidence that turnover is likely to increase. However, the high price of fuel and a feeling that interest rates are likely to fall has caused demand from British crane-hire companies for new vehicles to remain at a rather moderate level.

In the countries of Eastern and South-eastern Europe, Liebherr-Werk Ehingen GmbH has built up competent sales and service stations in recent years. The crane market in Poland is slow to develop, with too many old cranes preventing new cranes or pre-owned models of more recent date from gaining access to the market. When overall conditions improve in Poland, we shall be able to gain a more secure foothold on this market.

A small market for AT cranes has grown up in Hungary, and Liebherr is playing an active part on it. Excellent service and a dedicated sales team are absolutely essential here, as in deed on the entire Eastern European market.

In the CIS countries, Liebherr mobile cranes are extremely well known, and if market conditions remain stable we intend to sell AT cranes in larger numbers here too. In this region, Liebherr's all-terrain cranes are used almost exclusively for gas and oil projects.

In Slovenia, Croatia and Yugoslavia we must wait for the Western organisation's reconstruction programmes to take effect to a greater extent before our mobile cranes can play an active part on these markets.

In the Near and Middle East regions, sales success fluctuates and is always strongly dependent on the oil industry. Saudi Arabia, Iran, the United Arab Emirates and Iraq are important sales markets for us, and generated sales with a total volume of 25 million DM last year – representing more than 30 mobile cranes.

In the USA our AT cranes have been selling successfully since 1998, and demand is high. Our current share of the all-terrain mobile crane market, however, is only 20 percent, a figure on which we intend to improve. Some major US crane-hire companies were reluctant for a time to invest in all-terrain cranes, but have shown increasing readiness to do so recently. As a result, we feel that demand for these cranes will continue to increase. Improvements to the infrastructure, new energy-supply installations and modernisation within the petrochemical industry are all urgently necessary construction measures in the USA and will call for the operation of AT cranes. In addition to these, our crawler-track cranes are well established on the US market. Of our successful 400-t model, which 50 have been built within three years, no fewer than 16 are at work in the USA.

In terms of turnover, Canada is in thirteenth place on our list of export markets. Following fluctuations in recent years, the market is now becoming more stable; it is of importance to us for both AT and crawler-track cranes.

In 1997 and 1998 we sold AT cranes to a total value of 60 million DM on the Brazilian market. However, severe exchange-rate upheavals occurred in the past two years, which meant that only a few new cranes could be imported. The market has now regained its stability and we will be able to match the results that we obtained in 1997 and 1998.

The economic crisis which struck the Asian markets in 1998/1999 has not been forgotten. Local markets in that region are taking some time to recover, and in Japan the construction industry is still far from regaining its health. The crane market has shrunk noticeably, and only local manufacturers are currently capable of securing business.

The situation in South Korea is also slowly becoming more stable. We were able to sell several pre-owned cranes in the 200-, 400- and 800-t classes. The 800-t crane was exchanged later for a new unit. Imports of new cranes are only possible at the moment in isolated cases.

Taiwan was least affected by the region's economic crisis, with the result that no fewer than five Liebherr AT cranes were sold there in 2000, with a value of 15 million DM. China has a relatively small crane market in relation to its geographical area, with the various crane manufacturers all

holding approximately equal shares in it. Liebherr maintains sales and service points in all the main Far Eastern markets, and kept them open during the economic crisis.

In addition to the all-terrain mobile crane for versatile operation both on and off the road, the classic telescopic-boom truck crane, conceived for use on made-up surfaces, has only a secondary role to play in Europe. In contrast to this, up to 700 new truck cranes are sold annually in North America and on Far Eastern markets, usually by local crane manufacturers. At the beginning of the 1980s Liebherr-Werk Ehingen GmbH was the first manufacturer to introduce the all-terrain mobile crane concept as an alternative to the traditional truck crane, and this concept was adopted by all the remaining mobile crane manufacturers in the years that followed. Today, our product range includes only one 30-t crane designed for truck mounting.

In addition to the all-terrain mobile crane and the classic truck crane, rough-terrain (RT) cranes are also available; these have to be moved from one operating site to the next on a low-loader. RT crane manufacturers are to be found in Japan and the USA, where the classic markets for this pure construction-site crane are to be found. Worldwide sales of RT cranes have dropped severely in the past five years. Liebherr-Werk Ehingen GmbH withdrew from the RT market 15 years ago, on the one hand in order to concentrate its resources entirely on AT and crawler-track cranes, and on the other because our production facilities are not designed for the production of RT cranes in large numbers.

Let me say a few words about our crawler-track cranes. Liebherr-Werk Ehingen GmbH builds them with load capacities between 300 and 1200 t. The 300-t model is currently being redeveloped; the 400-t model has been exceptionally successful, with 50 units delivered in only three years. The new 600-t model that Liebherr exhibited at the recent 'Bauma' exhibition also promises to be a success. Operators are showing great interest in the 'pedestal crane' version, with 8 cranes already sold and three of them delivered. The markets for our crawler-track cranes – with the installation of

wind-power equipment as one of their main areas of application – are Western Europe, Japan, the USA and Canada.

I made several references earlier to the importance of the pre-owned crane market. We began to accept secondhand cranes in considerable numbers as trade-ins at a very early stage and to offer them for resale. In 1997, for instance, we had 700 new cranes to sell, but also more than 600 pre-owned cranes of various makes. We have built up the necessary sales structures in recent years, with the result that the high level of cranes taken in part exchange is now compensated for by a successful resale operation. Although this business area does not always cover its costs, it serves the purpose of giving access to the new crane market. We find sales outlets for pre-owned cranes both on the domestic market and also elsewhere in Europe and even overseas. Although we give preference to our own cranes as trade-ins, we also resell competitors' products, often in quite large numbers.

To sum up: Liebherr-Werk Ehingen GmbH maintains a worldwide sales and service network. The Liebherr Group is investing a hundred million German Marks in new service locations in Italy, France, England, Russia and the USA, and has already considerably enlarged its service locations in the Netherlands and Spain. With its broad range of all-terrain mobile cranes, crawler-track cranes and special cranes for rescue work and vehicle towing, it is capable of satisfying the needs of almost any market segment.

The extensions to our production facilities and the inauguration of the new final assembly building will enable us to cope more effectively with delivery bottlenecks such as we encountered in recent years and, if market demand is present, to build as many as 1,400 mobile cranes a year. We have planned this extension to our premises with a future in mind in which we hope – in the medium term if not before – that external conditions will remain stable, so that we can continue to supply the international market with ultra-modern Liebherr mobile cranes in large numbers.

Thank you very much for your attention.