SMALL WORLD

Consolidation among commercial vehicle suppliers is leading to a shorter supply chain. Is that a good thing or not, asks Richard Simpson

January 1975 saw a turning point in the history of the commercial vehicle industry. Five truck and bus manufacturers in Italy, France and Germany merged to form the Industrial Vehicles Corporation (IVECO), headquartered in the neutral territory of the Netherlands.

A multinational truck manufacturer was a novelty then, but now all the major truck companies active in Europe are not just multinationals, but actual intercontinental concerns with design and manufacturing presence in the Americas, Europe and Asia. And IVECO, once regarded as a giant, is comparatively small fry now when compared to the likes of Daimler Truck, Paccar (DAF), Traton (Scania and MAN), and Volvo Group (Volvo and Renault), in spite of further acquisitions including Ford's European truck division, Spain's Pegaso, Germany's Magirus and the UK's Seddon Atkinson.

Now it seems that the primary suppliers to the truck industry are going down a similar route. Cummins has acquired engine-brake specialist Jacobs and axle and brake manufacturer Meritor; BorgWarner now owns Delphi (injection and electronic controls), Delco Remy (electric motors), RMS and AM Racing (electric and hybrid propulsion) and Sevcon (power electronics and charging); and the ZF brand portfolio includes Lemforder, Sachs, TRW, WABCO and Boge. Furthermore, axle manufacturer SAF-Holland has taken a controlling stake in Swedish brake manufacturer Haldex.

So, what's going on, and what impact will it have on vehicle manufacturers, and, most importantly, British operators? With a smaller pool of suppliers to buy from, will reduced competitive pressure see component prices rise?

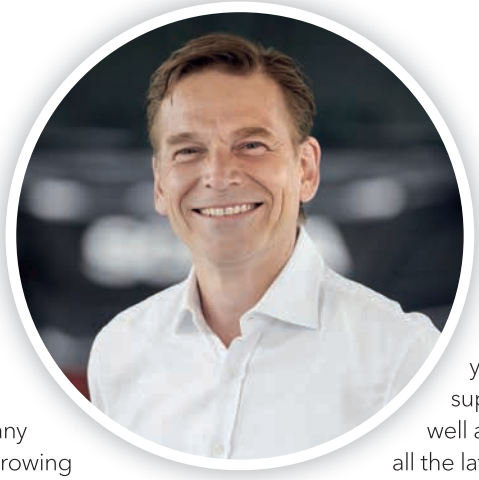
Christian Levin, CEO of Scania and MAN parent Traton (pictured, p20), replies: "It's a consideration, but the size of Traton means we have greater buying power, and also the ability to reduce our reliance on third-party component suppliers by producing more in house.

"We can do this by having a 'one product' system based on the Scania modular system. We plan to expand this around a common driveline. The new Navistar driveline is the recently introduced Scania Super driveline [pictured above] reconfigured to suit North American standards and fit in a bonneted chassis. For example, it has different gear ratios to suit lower weights and higher speeds, but still shares 80% parts commonality with the Scania version. It will use parts from Europe and North America, but be assembled by Navistar."

Levin adds that the Super driveline will also appear in MAN trucks in Europe in 2024, but configured to MAN power output specifications.

"Scania will lead with the modular system: MAN will share control systems and software and eventually the same chassis…will we have the same cabs? That's a question for later, but all engineers now work for Traton in terms of what they do, not MAN or Scania, and Traton has one product planning organisation. Where new components are required, the design process won't be replicated.

"This means consolidation in suppliers is positive for us. It is being driven by the transition away from diesel and the need to build a more diverse product line using different propulsion sources."



Changing macroeconomics are also having a massive impact. Levin continues: "We prefer big tier one suppliers with a global presence that can cover Europe, America and Asia to supply our local factories from local sources.

"Recent events have exposed vulnerabilities in the global supply lines which were once regarded as reliable and efficient. To adapt to a changing world, we now look at regionalisation of production with a European truck using components predominantly sourced within Europe, and North America, and so on. So it is preferable to work with a supplier that itself has manufacturing locations in proximity to our own. Not necessarily the Toyota approach of the component manufacturers with factories next to the Toyota plant, but certainly in the same economic area.

"We have also reverted to making prior purchases to assure a certain volume of key components, we have started this process with batteries for electric vehicles."

GROWING AMBITION

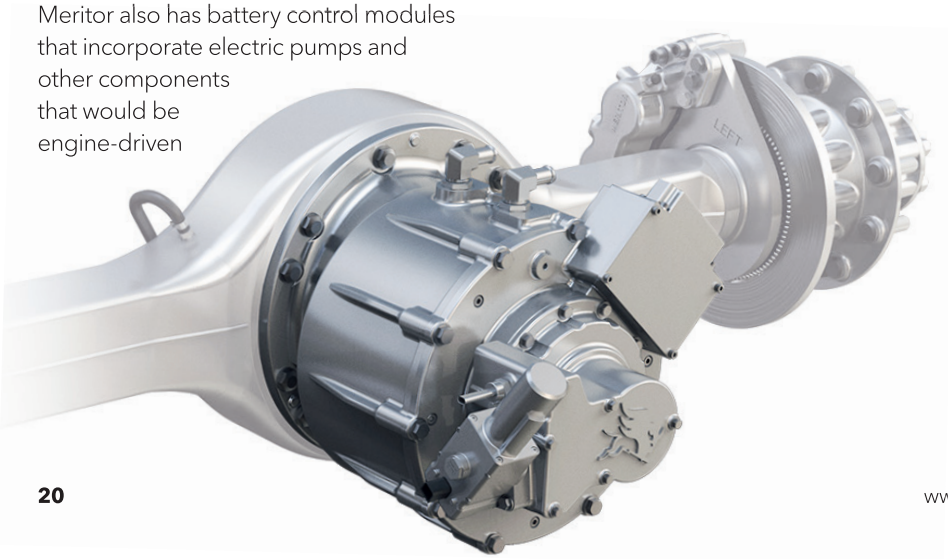
Cummins is a company with a global presence which has expanded greatly from its roots as an engine maker. Its recent acquisition of Meritor has given it an e-axle (pictured below) that can be powered by fuel cell or battery, in addition to components such as brakes and un-driven axles that are emissions-agnostic and supplied to many OEMs. Meritor also has battery control modules that incorporate electric pumps and other components that would be engine-driven on a conventional driveline.

"Cummins has been known as the diesel expert for many years; we are now growing as the power solution expert," explains Steve Nendick, marketing communications director at Cummins. "Our acquisitions are allowing us to acquire intellectual property and capability quickly, and open doors with current and potential customers.

"No one is betting on just one horse, power-wise. The transition from Euro I to Euro VI had to be done in a series of steps due to technology availability, and decarbonisation needs the same strategy. Hence [there's] a hydrogen-powered internal combustion engine, as seen in our repowered delivery truck.

"Cummins recently acquired Hydrogenics, a company that makes fuel cells as well as electrolisers that create green hydrogen from water. We are involved in the full hydrogen supply chain.

"Diesel does remain an important part of our plans. In the shorter term, we expect that not all manufacturers will invest to produce their own Euro VII diesel engines. An example of this is Cummins taking on the development of medium-duty diesels for Daimler while they concentrate on other power sources for their trucks. In support of this we are opening a new full driveline test centre in Darlington next year which will support Euro VII as well as the integration of all the latest technologies: battery electric, hydrogen engines and hydrogen fuel cells."



PARTS SUPPLY

Glen Crompton, customer service management director at MAN Truck & Bus UK, gained broad experience in the aftermarket parts business before joining MAN in his current position. He says that while fewer, larger tier one and two suppliers could enjoy the ability to command higher prices both for components supplied to the OEMs for production and through the parts networks for operators, greater synergies could also improve products and reduce costs.

He points out that many of the major suppliers also have specific replacement parts businesses that operate under separate brands, and the truck manufacturers are also taking steps to keep genuine parts prices competitive.

"All MAN parts sold in the network have to come through MAN in Munich, irrespective of whether they are made by MAN or an outside supplier.

"But we do have our own Ecoline range of remanufactured major components such as engines and gearboxes, where units are recycled through an MAN-controlled system. And regarding gearboxes specifically, here in the UK we have supplied training and tooling to a number of MAN franchised dealers, a mixture of our owned outlets and private capital dealers, to repair and refurbish transmissions using genuine parts. Additionally, we can offer a trailer maintenance package. This is particularly important in the petrochemical sector where MAN has a very strong presence dating back to its takeover of ERF." TE