

Sales Rise, Suppliers Hire – OESA's Andrea

by Jim Stickford

As they say, sauce for the goose is sauce for the gander. So what's good for OEMs in North America benefits their suppliers, and things are looking pretty good for OEMs right now.

David Andrea, senior vice president, industry analysis & economics for the Original Equipment Suppliers Association (OESA) said that his group's members' fortunes are tied to auto production and markets in North America.

"For 2013, the initial forecast is for an incremental 400,000 to 500,000 increase in the number of vehicles built in North America," Andrea said. "For Europe, the forecast is for sales to bottom out in that market sometime in the third or fourth quarter of the year. They predict a decline in sales, but the question is how much will it be? That depends on the German economy, which has been up holding up sales in Europe."

But the German economy actually slipped into negative growth in the fourth quarter of last year, Andrea said. As a result, a lot of European suppliers are concentrating efforts in the North American market.

"The comments I am hearing from our members is that the supply base has kept up and will keep up with incremental growth of OEM sales," Andrea said. "If you look at the overall utilization rates for the full supply base, we're running at 82 percent."

Those figures, Andrea said, are good for workers because in the past several years suppliers have been meeting demand by working overtime instead of adding a second or third shift. But now suppliers are adding extra shifts, which means hiring more workers. They are also investing in plants and equipment, which is good for the overall economy.

Again, in the past few years, suppliers were making do with the plants and equipment on hand because, as with the OEMs, their profits were being squeezed. So they didn't invest as much in new equipment. But now, that old equipment is worn



Dave Andrea

out and needs replacing.

"For 2013, production in North America looks to be close to 16 million vehicles," Andrea said. "So the supply base will have to hire people to meet that production demand. The announcements I heard at the recent NAIAS show from Denzo and Lear were that they were adding more people."

Suppliers will be investing in North American facilities not just to meet the demands of their customers, but because it makes sense economically, Andrea said. Manufacturing technology and expertise have grown, improving productivity, making it viable to manufacture in the North American market. That way suppliers don't have to worry about things like currency exchange issues.

Additionally, with growing markets in Canada and Mexico, there is a strong customer base in North America. Once an OEM starts making 100,000 models of a particular vehicle, it begins to make sense financially to build those cars close to where the customers are. Which is why we are seeing companies like BMW, Volkswagen and Kia build factories in North America. European suppliers will be investing more in North America to cover this expansion over here.

That's all good news for suppliers over here, Andrea said. Additionally, Mexico has signed a series of free trade agreements with nations in South America and Europe, so Andrea expects to see cars made there exported

to those markets as well.

"Right now the OEMs are very competitive with each other," Andrea said. "Look at the technology that is in all vehicles, no matter the price point. This step-up in the level of competitiveness between the OEMs is good for the suppliers because about two-thirds of the average car's value comes from the suppliers. This competitiveness is driving up the revenue of suppliers, which is driving up the profits suppliers are making, so the supply base is becoming stronger here."

BorgWarner's Pressure Sensor Glow Plugs Reach 3 Million Mark

The Auburn Hills-based auto supplier BorgWarner reported that its BERU Systems has delivered more than three million pressure sensor glow plugs (PSGs) to diesel automakers around the world.

By optimizing the combustion process, BorgWarner's PSGs help improve engine performance and reduce emissions where they start – in the combustion chamber. The first and only manufacturer to produce a PSG in series production, BorgWarner supplies numerous automakers including Audi, Isuzu, Opel and VW. PSG technology debuted in 2008 on the VW Jetta in the United States.

BorgWarner expects demand to increase substantially over the coming years and plans to produce its ten millionth pressure sensor glow plug by 2016.

"BorgWarner's award-winning pressure sensor glow plug technology demonstrates how optimizing the combustion process can not only improve performance but reduce emissions," said Brady Ericson, president and general manager, BorgWarner BERU Systems.

"With stringent new emissions standards on the horizon, we expect demand to grow significantly among global original equipment automakers."

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