
Off-Highway Research

The Construction Equipment Industry in EUROPE

MARKET REPORT

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AGCO DETAILS ITS THIRD INVESTMENT IN CHINA

AGCO has announced that its planned second tractor manufacturing facility in China will be located in Daqing, Heilongjiang Province in the northeast of the country. The planned facility will focus on over 190 horsepower tractors as well as combine harvesters.

One year ago AGCO signed an agreement with the government of Changzhou province to develop a manufacturing operation of low to medium horsepower tractors in its development zone. The total investment for the first stage amounts to \$29.8 million. Over the last 12 months AGCO has been working on component sourcing and recruiting, and the production is now operated in a leased facility. This facility should eventually produce low and mid-range agricultural tractors, gearboxes, generators, combine harvesters and balers.

The second tractor plant (AGCO also lists a generator assembly facility in Shanghai in its Chinese operations) will be in the oil capital of Daqing, in Heilongjiang, the north eastern province where AGCO recently scored a success selling more than 300 Valtra tractors. AGCO visited Daqing in August and received the local government's offer of strong support, and this is thought to have facilitated the final decision announced recently. By now Valtra will have installed 1,000 agricultural tractors on provincial farms.

Some sources said AGCO had a total investment plan amounting to \$100 million in this country, although the manufacturer did not release the details of the investment in Heilongjiang. What can be certain is the investment will be made in different stages.

Heilongjiang is one of the country's most important commodity grain production bases, in terms of both total production and storage of grains. It has 9.9 million hectares of cultivated land, much of it very fertile. Its harvest is now around 40 million tonnes of grain each year, equivalent to a middle sized country in other regions of the world. The agriculture of Heilongjiang, heavily defined by its cold climate, is based upon crops such as soybeans, maize, and wheat. The province's annual output and export of soybeans ranks first in the country, and its exports of soybeans make up two-thirds of the country's total. Other important commercial crops grown in the region include beets, flax, tobacco, potatoes, and sunflowers. In the province there are 65 million hectares of grassland, growing high quality and nutritious grass, which is ideal for developing animal husbandry; the Songnen plain is ranked among the three largest sheep pastures in the world.

It is one of three areas of rich, black fertile soil. The farms are very large by Chinese standards and often function more as industries with large collectivised workforces. The farms use large horsepower tractors and high capacity. While total tractor sales

have shown a flattening trend recently, after high growth fuelled by the input of government subsidy, Heilongjiang has continued to see steadily growing demand for over 180 horsepower tractors. As reported by the province, the sales of 185 to 485 horsepower tractors amounted to 850 units in 2009, more than five times the level of the previous year. The population of tractors in such sizes is estimated to be in the region of 3,500 units in the province, and AGCO Valtra takes about 30 per cent.

The Chinese competitors First Tractor and Foton Lovol have made investments to set up production of large tractors there, and a number of parts suppliers are to establish themselves as well. While AGCO has already had a strong presence, it will be faced with increasing competition from the local industry. To make it a success, it may have to localize the sourcing, apart from the distribution and service network it has established in the province.

AGCO MARKS 50 YEARS OF PRODUCTION IN FRANCE

On 22nd November the present owner of Massey Ferguson, AGCO Corp., marked 50 years of tractor production at a ceremony held at the Beauvais site. On that day in 1960 Massey Ferguson France assembled its first tractor, a 25 horsepower model with 10 speeds called the MF825.

50 years ago Massey Ferguson was only seven years old as a company. It was formed out of the merger of the Canadian Massey Harris and the English agricultural tractor company Ferguson. Although Ferguson had a large factory in the UK, it was clear at the time that the country would not enter the Common Market (as the EU was then called) and like several of its competitors, Massey Ferguson opted for a separate facility inside the Six. The product range was shaped around the needs of the local market and that of Germany, although the company also bought Eicher in Germany in 1973. It also made speciality tractors for vineyards and orchards for many years.

The Beauvais site had been bought by Massey Harris for producing harvesting machinery, but was soon turned over to tractors and transmissions. After the demise of the Coventry plant, it is now the only AGCO factory in Europe producing Massey Ferguson brand tractors, although today it also makes tractors for the AGCO brands of Challenger and Valtra. On a 25 hectare site 2,200 people work, although within that figure are 916 people who work for GIMA, the joint venture with Claas that produces transmissions.

GIMA builds transaxles for the smallest product made on the assembly lines, the MF5400 series, and the standard gearbox being a 16x16 speed shift. For larger tractors it builds a six speed transmission called by Massey Ferguson the Dyna-6, and a four-speed version, the Dyna-4.

The newest part of the GIMA assembly plant is a section for transmission preparation, which includes the adaptation of the basic Fendt Vario gearbox that comes complete from AGCO Germany but has to have all the Massey Ferguson additions put on in order to create the Dyna-VT (and the Claas version). This section also prepares the Massey Ferguson transmissions for the assembly line. GIMA's normal output today is 20,000 transmissions per year, 60 per cent for AGCO and 40 per cent for Claas. It has recently spent €12.6 million on renewing the assembly lines.

The tractor lines have also received investment recently, €65 million for modernisation and the installation of adjustments necessary to employ the Toyota Lean Manufacturing system. The range now runs from 83 to 370 horsepower, with a claimed output of 20,000 tractors per year. The reality is slightly below that and in 2009 were about 12,000 units. Of this, 85 per cent of output was exported.

A POOR YEAR FOR FRENCH RENTAL COMPANIES IN 2009 AND NO BETTER IN 2010

The annual league table of French rental companies published by the leading magazine 'Matériels et Chantiers' details how hard they fell in 2009, following record years in 2007 and 2008. Basically, they had prospered by becoming part of the everyday machine usage pattern of the public works industry and by on occasion making a killing with machines to meet its peaks needs on urgent jobs. In a very difficult year in 2009, clients tried to use their own construction equipment and not rent in machinery, except that which they traditionally did not own. The table below shows those with a turnover of at least €15 million in 2009 but excludes those not specifically involved with mobile construction equipment.

As ever, there is no accurate figure for Hertz. The Liebherr operation is not in the table this time, nor are some smaller enterprises that perhaps did not want to disclose their situation too much. The operation associated with the Caterpillar dealer, Bergerat Monnoyeur called 'Location' is the Cat Rental Store; 'Services' is the hire fleet of larger machines and is not in the table this time.

Table 1. France: Turnovers of Leading Rental Companies, 2006-2010
(€ Million; %)

	2006	2007	2008	2009	2009 Versus 2008 (%)	2010 Estimate
Loxam	541	738	848	698	-18	-
Kiloutou	218	255	281	264	-6	269
Mediaco	-	-	198	175	-11	170
Foselev	-	168	172	165	-4	-
Bergerat Monnoyeur Location	74	85	104	86	-17	-
Accès Industrie	31	57	67	55	-17	-
Locarest	49	56	59	51	-26	49
Régis Location	54	60	63	50	-21	49
Groupe Matebat	43	57	58	41	30	38
Salti	50	55	54	47	-13	48
CGL	-	38	39	33	-15	33
Phocomex	28	31	32	28	-9	30
Mateloc	18	21	22	18	-20	18
Vendée Location	-	-	19	17	-11	17
Delta	14	17	16	16	1	19
Dron	14	16	16	15	-7	16
Locarmor	32	39	44	-	-	-
Liebherr Location France	18	22	22	-	-	-
Bergerat Monnoyeur Services	15	20	19	-	-	-
Lheureux Location	-	15	18	-	-	-

Source: Matériels et Chantiers

The survey relies on audited accounts but in some cases makes estimates. The figures for 2010 are estimates given by the companies.

Against a sector average decline of about 14 per cent, some did notably worse in 2009. Companies like Loxam and Bergerat Monnoyeur Location lost regular clients as well as the opportunists, while Kiloutou, which has a DIY side to its business, did a lot less badly. For 2010, most expect no recovery in their turnovers. The biggest reason is falling prices, resulting from the need to keep machines utilised at almost any price. A second worry in 2010 has been serious meetings with bankers to renegotiate credit, without which they would not be in business. The rental sector does to a large extent see itself as being in a terrible crisis. Its purchases of new construction equipment have almost come to a complete halt and morale is low enough to suggest that there will be no recovery before 2011.

ATLAS STRIKE ENDED AFTER FIVE WEEKS

After more than five weeks of strike action at the company's three factories in northern Germany, 650 workers at the excavator and lorry loader manufacturer, Atlas GmbH, finally returned to work at the end of November following a ballot in which 97 per cent of the workforce voted to end the long running labour dispute.

Employees at the Ganderkesee hydraulic excavator plant were the first to respond to the call for strike action by the metal workers' union, IG Metall, on 22 October and were followed by their colleagues at the Delmenhorst and Vechta plants on 1st and 8th November respectively. The objective of the strike was to ensure that, following the recent takeover of the company's operations by new owner Fil Filipov, Atlas workers would continue to be employed under the existing terms of the collective wage agreement. Collective bargaining with IG Metall was, however, rejected by Mr Filipov.

In the last week of November Filipov made the offer of an operating agreement whereby all elements of the collective wage agreement should be adopted. Subsequent discussions with the general works council eventually led to a breakthrough in the stalemate with the company's assurance of its commitment to the negotiated working conditions.

The recent strike marks the latest development in what has often been a turbulent history at the long established north German company. In December 2001 Atlas Weyhausen, as it was then called, was acquired by the North American Terex Corporation. The company was initially incorporated into Terex's Heavy Construction Group, although subsequently became a business unit within the German subsidiary, Terex GmbH.

In Spring 2010 the Atlas excavator manufacturing business was sold by Terex to the former president and CEO of its cranes division, Fil Filipov, and the new company was renamed Atlas Maschinen GmbH. The divestiture of the Atlas business related not only to the excavator manufacturing operation, but also to the knuckle-boom crane and related components businesses, which have operations in Vechta and Delmenhorst. Also included as part of the transaction were the sales and service business located in Bradford, United Kingdom, and the Terex minority ownership position in the Atlas Chinese joint venture. Terex compact equipment made in Germany, namely mini and midi excavators and compact wheeled loaders, as well as the Terex Fuchs material handler line, remained with Terex as part of the Construction business segment.

Atlas began making wheeled excavators in 1956 and crawler excavators in 1958. Its main hydraulic excavator plant is at Ganderkesee, near Bremen, and major components are supplied from the company's sister plant at nearby Vechta. As a

result of restructuring moves following the Terex acquisition, all excavator administration and parts supply functions were relocated from the company's Delmenhorst facility in July 2003. For its part, Delmenhorst remains the manufacturing base for Atlas lorry cranes.

The Terex acquisition had important benefits for Atlas and much of the parent company's focus was applied to addressing the traditional weakness of Atlas Weyhausen, namely the lack of effective export distribution. Terex was under no illusion that export opportunities for wheeled excavators within Europe are limited, and it therefore looked further afield to develop the product in traditional Terex strongholds such as the Middle East. During the period of Terex's ownership, production of both crawler and wheeled excavators at Ganderkesee rose significantly, peaking in 2007 at over 2,000 units.

The formation of the new company has meant that the former Terex TW Series of standard wheeled excavators, and TC Series of crawler excavators, have now been relaunched under the Atlas brand name, and the white corporate livery of Terex has been replaced by the original Atlas Weyhausen orange and grey paintwork. The wheeled excavator range, characterised by a 'W' model suffix, now encompasses seven models ranging from 15.0 to 24.0 tonnes and features two short tailswing machines, the 160WSR and 180WSR. The crawler excavator range also consists of seven machines with operating weights of 18.0-35.0 tonnes and is effectively identical to the Terex TC series. Railroad excavators and a range of material handlers are also produced at Ganderkesee and remain important niche sectors for the company.

According to Terex, the Atlas business was acquired in 2001 with the intention of having a quality full-size excavator as part of a globally competitive portfolio of construction equipment. The company's goal was to grow the regionally strong Atlas excavator product as part of this strategy, but, for various reasons, it was never able to achieve the product cost advantage required for it to be successful. Despite restructuring attempts, the difficult economic conditions in 2009 resulted in an operating loss for the business in excess of \$61 million on sales of approximately \$194 million, with approximately two-thirds of the loss coming from the construction products.

The company's new owner, Mr Filipov, has extensive experience of turning ailing companies around, and has instigated a strategy aimed at providing special machine adaptations for niche markets. In addition, the company has undergone restructuring and simplifying. In what has been a difficult year for the construction equipment sector in general, the recent labour dispute has come at a particularly inopportune time for Atlas, and there seems little doubt that both workers and owner will face a series of tough challenges in the short to medium term at least.

CHANGE IN OWNERSHIP AT KOMATSU'S DUTCH DEALERSHIP

In a further indication of the difficult times being faced by many dealers throughout Europe, Bia NV Netherlands has been acquired by Clay Beheer Group NV. Bia currently holds the Komatsu franchise for both Belgium and the Netherlands, but being based in Belgium it has always been stronger there than in the Netherlands. Clay Beheer BV is not particularly well known, but it is the holding company that owns Hans Van Driel, the Atlas and Terex dealer in the Netherlands.

In a rather complicated share swap, Clay Beheer BV will acquire 100 per cent of Bia NV, the Dutch dealership. At the same time as Clay Beheer acquires that dealership, the Bia Group, the holding company of the Bia franchises in Belgium, Netherlands and many territories in Africa, will take a 40 per cent stake in Clay Beheer Group.

What does this mean for the two companies in the Netherlands? Officially, customers should not see any change; Bia will remain the Komatsu dealer, based in Zutphen 30 miles east of Amsterdam, whilst Van Driel will remain the distributor for Atlas wheeled excavators and the Terex range of equipment, and is based in Tiel, 30 miles east of Rotterdam.

However, in a statement released after the agreement, Remco Klein Ovink was announced as the manager of the Bia operations. Mr. Klein Ovink owns Clay Beheer, and is also the General Manager and owner of Van Driel, so there is a suggestion that eventually there might be a merger of the two companies.

Komatsu has had a very chequered history in recent years in the Benelux countries, and this has stopped the company achieving the results its worldwide position would suggest. Bia has been the Komatsu dealer for the last four years, and it has spent part of that time repairing the image of the company after the failure of the previous dealer Doornbos. Doornbos replaced Brinkmann and Niemeyer in the late 1990s, while the current Bia facility in Zutphen previously belonged to Brinkmann and Niemeyer. Bia acquired land in Apeldoorn, close to the A1 motorway as a potential new location. It had to start building work by December 2010 to meet planning requirements, but was very wary of over extending its capacity during the current economic situation and work has not yet begun. Bia is in need of new facilities as the current location is cramped in a small side street in a Zutphen industrial estate. The relatively new depot opened in Gouda in 2005, and this replaced the former Doornbos facility in Rotterdam, but was closed in June 2009 to save money during the poor current trading conditions.

**Table 2. Bia: Sales of Construction Equipment, 2007-2009
(Units)**

	2007	2008	2009
Crawler Dozers	8	7	2
Crawler Excavators	92	64	26
Mini Excavators	84	77	30
Skid-Steer Loaders	6	4	-
Wheeled Excavators	58	42	15
Wheeled Loaders	88	67	21

Source: Off-Highway Research

Van Driel is a much better established operation. Opened in 1951 as a distributor for the Atlas wheeled excavator, it then took on the Terex franchise in 2002 when Atlas became part of Terex. The company has built its name in the local market on the strength of the Atlas wheeled excavator, the most important volume sector in the country. It was a pioneer of this product and for many years had been the dominant supplier.

The company's operations are largely based around the wheeled excavator, in which it is the market leader and regularly achieves a 20 per cent share of the sector. While it has sought to expand the appeal of other Terex products, notably machines previously marketed as Schaeff, the focus of the company's efforts are on securing the all important wheeled excavator volumes.

Terex has recently sold its Atlas excavator business, a move that has put a question mark against its future operations, and one that has put pressure on Van Driel, which is heavily reliant upon the product for its survival.

**Table 3. Hans Van Driel: Sales of Construction Equipment, 2007-2009
(Units)**

	2007	2008	2009
Articulated Dump Trucks	3	3	-
Crawler Excavators	7	4	10
Mini Excavators	53	30	10
Wheeled Excavators	225	160	65
Wheeled Loaders	37	32	12

Source: Off-Highway Research

There is no doubt that the deal is advantageous for both Van Driel and Bia. It safeguards the future for Clay Beheer and Bia in both countries, but whether it is good for all the franchises involved is not so certain. It probably enhances the options for Komatsu to attain the sort of success that up to now has been lacking in the Netherlands, but for Atlas and Terex it certainly poses some questions. Certain Terex products are currently sold by HDW and so Terex's position could be easily rectified

should the need arise, but for Atlas the pressure certainly increases at a time when its once dominant position in the market is under severe threat.

HITACHI TO BUILD HYDRAULIC EXCAVATOR PLANT IN RUSSIA

Hitachi Construction Machinery has announced that it will be building a hydraulic excavator plant in Tver, 170 kilometres southwest of Moscow. The 400,000 m² plant will attract an investment of ¥6 billion (\$57.2 million) and would be able to manufacture 2,000 medium-sized hydraulic excavators per year by October 2013.

HITACHI TO OPEN NEW EUROPEAN PARTS CENTRE

Hitachi Construction Machinery (Europe) NV (HCME) has announced that to improve its after sales capabilities, it is to open a new European parts centre in April 2011. With an investment of €12 million, the new facility will cover 53,000 m² (22,000 m² covered), and will be situated on a site located in Oosterhout in the southern Netherlands, close to its existing mini excavator factory.

The current European parts centre operated by HCME, which has a total area of 7,600 m², is also located in Oosterhout, but will move to the new industrial complex. The new state-of-the-art European parts centre has the capacity to stock over 90,000 part lines for Hitachi dealers and their customers in Europe, the Middle East, Russia and Africa. There is also a special chemical storage facility to house Hitachi lubricants and a 14 metre storage facility for larger items.

The operations of the centre will be controlled by a new warehouse management system. The site will have more than 70 employees (of who 42 will work in the warehouse) and they will have the capacity of distributing up to 800 packages per day and over 70,000 units per month.

This strategic move is designed to meet the growing demands of customers for Hitachi's products, and should ensure the company maintains its competitive position with its major competitors. Hitachi currently claims 95 per cent availability for all parts, and the new facility will certainly maintain that standard and hopefully improve on it.

ITALIAN EQUIPMENT DEMAND IMPROVED IN THE FIRST NINE MONTHS

Table 4. Italy: Sales of Construction Equipment, January-September, 2009- 2010 (Units)

	Nine Months		% Change 2009-2010
	2009	2010	
Articulated Dump Trucks	30	42	-40
Asphalt Finishers	88	81	-8
Backhoe Loaders	349	244	-30
Compaction Equipment	256	271	+6
Crawler Dozers	39	71	+82
Crawler Excavators	1,602	1,658	+3
Crawler Loaders	29	36	+24
Mini Excavators	4,403	4,632	+5
Motor Graders	6	27	+350
Skid-Steer Loaders	1,009	984	-2
Telescopic handlers	823	700	-15
Truck Loaders	433	377	-13
Wheeled Excavators	154	188	+22
Wheeled Loaders	726	832	+15
Total	9,947	10,138	+2

Source: Off-Highway Research

According to Unoce, the new Italian association of machinery and construction equipment suppliers, Italian sales in the first nine months of 2010 have shown an improvement of two per cent compared with the previous year, with relatively strong growth being experienced in crawler dozers, wheeled excavators and crawler excavators. On the negative side, sales of backhoe loaders and telescopic handlers have declined.

JAPANESE CONSTRUCTION EQUIPMENT INDUSTRY IN BETTER SHAPE

Data from CEMA, the trade association for the Japanese construction equipment industry, shows much better performance in 2010 than in the dreadful year of 2009.

The level of shipments during the autumn has been most encouraging, with the latest total for September 2010 being 62 per cent higher than that of September 2009. The domestic market has been growing since July, while exports have increased without interruption since the beginning of the year. Most manufacturers are now declaring quarterly results with positive profit trends, mainly thanks to their strong performances in China and South-East Asia.

Table 5. Japan: Shipments of Construction Equipment by Destination, April-September 2010

	¥ Bn	% Change
Domestic	227.2	+8
Export	674.4	+228
Total	901.7	+78

Source: CEMA

Komatsu and **Hitachi** have both announced that their excavator production will beat their previous record established in fiscal 2007.

Komatsu began to operate a plant for construction equipment in Russia in the summer of 2010, where it can do everything from welding to assembly. In its view Russia is, in the medium and long term, expected to increase its demand for construction equipment for the development of its natural resources and the improvement of social infrastructure. Hitachi will also start production of medium-sized hydraulic excavators in Russia in October 2013.

Kobelco Construction Machines plans to operate a new plant for hydraulic excavators in India in January 2011. **Kobelco Crane** will also be in the country with a new production plant for large-sized crawler cranes in October 2011, as well as a plant in China in August 2012. This will offer cranes with lift capacities of more than 250 tonnes for the construction of large facilities such as power plants.

Tadano set up a joint venture company in China for the production of metal parts and plans to set up a joint venture for production, sales and service of cranes in Brazil.

LIEBHERR TO MANUFACTURE WHEELED LOADERS IN CHINA

Liebherr has announced plans to start manufacturing small numbers of wheeled loaders in China. The first model available will be its 140 kW/ 3.5 m³ bucket capacity L 556 II. The machines will be manufactured at Liebherr's 19,000 m² excavator factory in Dalian, and are expected to be available from next April.

In co-operation with the European competence centre for Liebherr wheeled loaders in Bischofshofen, Austria, the new L 556 II has been specifically developed to satisfy the needs of the Chinese market and, according to the company, complies with its globally high standards.

Liebherr's Dalian factory opened six years ago, and currently produces a limited range of crawler and wheeled excavators. However, production this year is only expected to be some 500 units – a small proportion of the Chinese market, which is likely to exceed 150,000 excavators in 2010. Liebherr's machines are typically used in the mining sector and heavy duty applications, and the company concedes it is a niche player and not active in the mass market.

Liebherr's presence in China has been modest in the field of earthmoving equipment, and prior to 2004 was limited to product licences granted to local manufacturers, in addition to direct imports. After licensing its model 924 hydraulic excavators to Shandong Linyi Excavator Co. Ltd in December 1999 and the model 914 to Xuanhua Construction Machinery Co. Ltd. in February 2002, Liebherr made the decision to invest in a new hydraulic excavator factory of its own in Dalian, Liaoning Province in northeast China.

Liebherr Machinery (Dalian) Co. Ltd is Liebherr's largest overseas factory and started production in June 2004. The registered capital is €9 million and the first investment amounted to €22 million, fully funded by Liebherr itself. The first phase of manufacturing took over 21,000 m² of the site, with a 16,500 m² workshop and a 3,600 m² office being built. The facility is of first-class quality and can accommodate the production of the largest excavators. The first machines on the assembly line were the 22 tonne R914, although the factory now builds the crawler excavators R924, R934 and R944 (26, 33 and 41 tonnes) as well as the 17 tonne wheeled type A316.

Although Liebherr's earthmoving equipment has made some progress in China over the past few years, the higher prices of its products have been regarded as being the factor that has limited its expansion in China. The Dalian factory has nevertheless demonstrated the long-term commitment of Liebherr to this market, and has helped to build up the confidence of its dealers and customers.

The factory is wholly owned by Liebherr and controlled by the Liebherr earthmoving equipment holding company, Liebherr-Emtec GmbH, based in Kirchdorf, Germany. A separate company, Liebherr Machinery Service (Shanghai) Co. Ltd, is responsible for sales and after sales services in China.

PC PRODUZIONI ANNOUNCES LAUNCH OF ROUGH TERRAIN CRANES

PC Produzioni, the Italian manufacturer of knuckle boom crane and access components has started production of rough terrain mobile cranes. Its first model the 55 tonne capacity ARM550 was introduced in November 2009. So far 13 machines have been sold, mainly to Africa and the UAE. In November 2010 the company introduced the larger 85 tonne capacity ARM800 model and a third model, the 35 tonne capacity ARM350, will follow in January 2011.

PC Produzioni specialises in the production of access equipment for Manitou and Terex. Since 1995 the company has supplied about 350 telehandler booms per year to Manitou and 100 booms per month to Terex Genie. In collaboration with Palfinger, set up in 1980, the company has also supplied up to 230 knuckle booms per month. PC Produzioni, located in Baretto employs about 100 people and has a turnover of €10 million.

PON TO CLOSE RENTAL STORES

Caterpillar dealer Pon Equipment is to close its Cat Rental Store businesses in Sweden and Denmark because of difficult market conditions. The company said it will focus instead on strengthening its Norwegian and Dutch rental operations.

Table 6. Denmark: Sales of Construction Equipment by Type, 2005-2014*
(Units)

	2005	2006	2007	2008	2009	2010*	2011*	2012*	2013*	2014*
Articulated Dump Trucks	38	43	53	31	4	5	7	10	10	20
Asphalt Finishers	20	25	25	34	16	15	20	20	25	25
Backhoe Loaders	440	646	627	385	130	130	140	150	190	225
Crawler Dozers	47	48	57	37	12	10	10	15	15	20
Crawler Excavators	430	580	585	420	105	100	110	140	140	200
Crawler Loaders	1	-	-	-	-	1	1	-	-	-
Mini Excavators	1,755	2,450	2,650	1,540	575	550	550	600	600	700
Motor Graders	4	-	1	7	-	1	1	5	1	1
RTLs – Masted	10	10	15	10	10	10	10	10	10	10
RTLs – Telescopic	575	652	682	525	100	150	200	275	300	300
Skid Steer Loaders	157	146	145	100	45	40	40	60	75	100
Wheeled Excavators	40	40	40	59	14	15	15	20	30	40
Wheeled Loaders < 80 hp	395	665	680	625	231	225	225	250	290	350
Wheeled Loaders > 80 hp	295	360	435	400	100	100	115	135	150	200
Total	4,207	5,665	5,995	4,173	1,342	1,352	1,444	1,690	1,836	2,191

* Forecast

Source: Off-Highway Research

Mr. Inge Stensland, managing director of Pon Equipment in Norway and vice president for rental and used equipment at Pon Equipment, and is responsible for rental in all four Pon territories, stated that the move out of rental in Sweden and Denmark was temporary until business conditions improved. The development of the Danish market is shown above, and underlines the difficulties facing the industry. Sales of new construction equipment fell by nearly 70 per cent in 2009 and have showed no signs of recovery so far. No improvement is foreseen for 2010, and the longer term outlook is very weak indeed, with sales in 2014 likely to be 60 per cent below their peak in 2007.

Currently both the Danish economy and construction market are very fragile, and the situation is unlikely to improve significantly in the near future. Pon stated that it would return to rental only when conditions improve, and with its own rental model. The Pon rental business in the country is based on a company that it acquired in 2008, MT Maskinundlejning. This company was founded in 2004 in Horsens in Jutland and concentrates on renting the larger items of construction equipment.

In Sweden its rental business was very small, and as a result Pon preferred to cease renting until trading conditions improved. The development of the Swedish market is shown below. Sales of new construction equipment fell by less than in Denmark,

but the 53 per cent decline in 2009 was a sure sign of the depths of the problem, and the recovery so far is modest, at about 10 per cent for 2010. No improvement is foreseen for 2011.

Table 7. Sweden: Sales of Construction Equipment by Type, 2005-2014*
(Units)

	2005	2006	2007	2008	2009	2010*	2011*	2012*	2013*	2014*
Articulated Dump Trucks	57	61	51	73	45	50	55	60	60	55
Asphalt Finishers	28	35	37	67	25	30	35	40	45	45
Backhoe Loaders	206	238	248	203	122	135	145	160	160	170
Crawler Dozers	6	13	16	22	8	10	10	7	7	8
Crawler Excavators	518	620	745	727	274	320	365	380	400	420
Crawler Loaders	1	4	-	5	1	-	-	2	3	1
Mini Excavators	566	656	863	839	475	505	565	570	600	600
Motor Graders	6	6	12	17	9	10	8	9	10	8
Motor Scrapers	1	-	-	-	-	-	-	-	-	-
Rigid Dump Trucks	4	8	2	13	9	8	10	5	4	6
RTLs – Masted	2	1	1	1	1	2	2	1	-	-
RTLs – Telescopic	107	116	117	159	74	85	100	110	110	100
Skid Steer Loaders	100	156	153	103	46	52	60	60	50	55
Wheeled Excavators	347	353	395	506	168	175	195	215	235	250
Wheeled Loaders < 80 hp	121	126	190	239	123	155	165	170	180	190
Wheeled Loaders > 80 hp	784	805	766	1,076	532	550	585	600	610	620
Total	2,854	3,198	3,596	4,050	1,912	2,087	2,300	2,389	2,474	2,518

* Forecast

Source Off-Highway Research

In Pon's two other territories, the Netherlands and Norway, the situation is different and there the company will actually be expanding its operations and investing heavily in new equipment.

In Norway, Pon's operations are based primarily in Stavanger, but in 2011 it will open new locations in Bergen, Kristiansand and Trondheim in time for the main purchasing season in the Spring. The company is currently building a new Pon-Cat facility in Oslo which will open in March 2014, and that will also include a rental business. In the Netherlands, Pon owns the rental business Rental Force.

The Pon Equipment rental model differs from some other Caterpillar dealers in that it focuses only on renting Caterpillar machines, and is not adding other equipment supplied by Cat Rental Store 'allied vendors'. Pon views rental as being an activity in support of the Caterpillar dealership and its customers, alongside sales of new and used equipment and aftermarket services. The rental fleet helps to increase the installed population of Caterpillar machines, but is not necessarily viable as a standalone business.

UK CONSTRUCTION OUTPUT TO REMAIN WEAK UNTIL 2013

The Construction Products Association has forecast a two per cent decline in UK construction industry output next year, and has predicted a further contraction in 2012 amid sharp falls in public sector investment.

The association, which represents 85 per cent by value of all manufacturers and suppliers of construction products in the UK, predicts that a recovery in construction output would be delayed until 2013.

The association does not expect the increase in private sector investment in construction over the next two years to compensate for the sharp falls in public sector investment. Private sector construction in the country is forecast to increase by 5 per cent in both 2011 and 2012, but this projected growth would not offset the 17 per cent fall in public sector construction forecast by the association over the next two years.

The increase in construction output in 2010 has been an important component in the growth in GDP over the last two quarters. The government has acknowledged the importance of the construction industry to the economy, accounting as it does for 8 per cent of GDP and employing 2.5 million people, by highlighting it as one of the six sectors for initial government action in its Growth Review published at the end of November. The increase in construction output in 2010 has been an important component of the growth in GDP over the last two quarters. However, these latest forecasts show that construction is unlikely to provide the same impetus over the next two years, and this will almost certainly slow down the rate of growth in the wider economy.

However, a turnaround is forecast beyond 2012. The Construction Products Association expects commercial sector construction output to rise 20 per cent between 2009 and 2015, while rail construction is forecast to double by 2015 and energy construction is expected to treble by 2015.

By 2013 one can expect to see strong growth in the commercial sector, combined with increasing construction activity related to housing, rail schemes and the development of energy infrastructure, leading to a recovery in construction output at the end of the forecast period.

VOLVO CE TO ASSEMBLE EXCAVATORS IN BRAZIL

Volvo Construction Equipment has announced that it will add the assembly of hydraulic excavators to its range of equipment that is currently being manufactured at its Perderneiras factory, in Brazil. The total investment is SEK65 million, which will be directed to extending the factory by 8,500 m², and installing welding, machining and assembly equipment.

The first excavators from the facility are expected to be produced by the end of March 2011; there will be four models that will be produced to begin with, the EC140C, EC160C, EC210B, and the EC240B, and the hope is that 50 per cent local content will be achieved very quickly.

There are good reasons why manufacturing in Brazil is preferable to importing, in Volvo's case from South Korea. It reduces the amount of inventory being shipped, and it avoids both import duties and currency exposure. Equally important, it allows customers to purchase locally built machinery using government backed low interest financing, something that is not available for machines that are sourced from Korea.

Volvo currently produces at its Pederneiras plant a range of articulated dump trucks, wheeled loaders and motor graders.

FINANCIAL RESULTS

THIRD QUARTER

DEUTZ – GERMANY

**Table 8. DEUTZ Group: Financial Highlights, Third Quarter, 2009-2010
(€ Million)**

	3 Months		9 Months	
	Ended September		Ended September	
	2009	2010	2009	2010
New Orders	205.9	327.3	611.8	986.8
Sales (Units)				
– Compact Engines	23,136	35,960	75,257	104,001
– DEUTZ Customised Solutions	3,171	4,533	11,547	12,057
Sales (€ Mn)				
– Compact Engines	144.1	217.9	466.3	629.1
– DEUTZ Customised Solutions	49.3	68.0	167.6	191.3
Total	193.4	285.9	633.9	820.4
Operating Profit (EBIT)	-17.3	12.1	-71.1	25.4
Net Income	-25.3	-13.1	-87.7	-22.5
Employees	4,223	3,877	4,223	3,877

Source: Company Information

The strong growth that has characterised business at DEUTZ in recent months continued in the third quarter. The volume of new orders received in the third quarter totalled €327.3 million, which was almost 60 per cent higher than it had been a year earlier (third quarter 2009: €205.9 million).

Unit sales also rose significantly by 53.9 per cent to 40,493 engines (third quarter 2009: 26,307 engines). At €285.9 million, revenue was up 47.8 per cent on the corresponding period last year (third quarter 2009: €193.4 million) and, despite the normal seasonal fluctuations caused by the holiday months of July and August, it was only 4.1 per cent lower than in the second quarter of 2010.

During the first nine months of 2010, new orders, unit sales and revenue all increased significantly year on year. The company took new orders amounting to €986.8 million between January and September 2010, 61 per cent more than in the first nine months of 2009 (€611.8 million). Unit sales were up almost 34 per cent on the previous year at 116,000 engines. Revenue was also much higher than in the same period of the previous year. Whereas the year-on-year revenue gain for the first half of 2010 had been 21.3 per cent, it amounted to 29.4 per cent for the first nine months of 2010, with revenue reaching €820.4 million.

The volume of orders on hand is a positive sign for future business performance. As at 30th September 2010, the DEUTZ Group's total orders on hand amounted to €320.6 million, which was more than twice as high as the year before (30 September 2009: €153.7 million). Growth in the new engine business was again particularly strong. Orders on hand for engines totalled €309.6 million, 115.4 per cent higher than they had been 12 months earlier (30th September 2009: €143.7 million).

With EBIT before one-off items of €12.1 million, DEUTZ's operating profit for the third quarter of 2010 was again in the double-digit millions. Total operating profit for the first nine months of 2010 amounted to €25.4 million, contrasting with the loss of €40.7 million that the company had posted a year earlier. Besides the strong increase in revenues, this positive news can be attributed above all to the successful MOVE action programme, which was launched at the end of 2008 to bring lasting improvements in the company's profitability. The programme has also enabled DEUTZ to permanently reduce fixed costs by €85 million per year.

Against this background, the company is positive about the future and is significantly raising its forecast for this year. It now expects to sell more than 165,000 engines in 2010 and forecasts revenue of almost €1.2 billion and operating profit of over €30 million.

MANITOWOC – USA

Manitowoc, the owner of the Grove, Potain and National Crane businesses reported net sales of \$877.8 million for the third quarter of 2010, down one per cent from \$881.5 million during the same period last year. The sales decline was due primarily to an eight per cent decline in crane sales. The company also reported operating earnings of \$56.2 million, compared with operating earnings of \$47.6 million in the comparable period of 2009.

Third quarter 2010's net sales in the crane segment were \$438.8 million, down eight per cent from \$479.5 million in the third quarter of the previous year. Crane segment operating earnings decreased to \$16.8 million from \$20.8 million over the previous year. Crane backlog of September 2010 totalled \$448 million, a decrease of 15 per cent from the \$531 million backlog of June 2010. The decrease in backlog during the third quarter was due to prolonged geographic and market weakness plus a \$6.8 million currency impact.

Table 9. Manitowoc: Financial Highlights, Third Quarter, 2009-2010
(\$ Million)

	3 Months		9 Months	
	Ended September		Ended September	
	2009	2010	2009	2010
Net Sales				
– Cranes	479.5	438.8	1,804.7	1,257.2
– Others	402.0	439.0	1,139.1	1,219.0
Total	881.5	877.8	2,943.8	2,476.2
Operating Earnings				
– Cranes	20.8	16.2	126.8	59.2
– Others	26.8	40.0	(670.8)	101.8
Total	47.6	56.2	(544.0)	161.0
Net Earnings	(17.7)	0.5	(692.0)	(9.7)

Source: Company Information

WACKER NEUSON – GERMANY

Table 10. Wacker Neuson Group: Financial Highlights, Third Quarter, 2009-2010
(€ Million)

	3 Months		9 Months	
	Ended September		Ended September	
	2009	2010	2009	2010
Revenue	149.0	196.0	442.8	551.7
By Region				
– Europe	114.1	144.0	344.3	401.6
– Americas	26.8	44.6	77.6	127.5
– Asia	8.1	7.4	21.0	22.6
By Business Segment				
– Light Equipment	56.2	77.3	159.5	222.0
– Compact Equipment	42.9	65.5	149.9	189.9
– Services	49.9	53.2	133.5	139.8
EBITDA	15.6	25.0	16.8	55.7
EBIT	5.9	14.1	-13.4	25.3
Profit (Loss) After Tax for the Period	4.8	10.1	(10.4)	15.4
Employees	3,090	3,086	3,090	3,086

Source: Company Information

The Wacker Neuson Group significantly increased revenues during the third quarter of 2010 relative to the same quarter last year and more than doubled earnings. The upswing was reflected in clear revenue gains across all regions and business segments. The company has again adjusted upwards its forecast for fiscal 2010 in light of upbeat market prospects and is optimistic about the coming years.

At €196.0 million, revenue for the third quarter was up 31.5 per cent on the same quarter last year (third quarter 2009: €149.0 million). The Group's early implementation of cost-cutting measures enabled it to strengthen its earning power, reporting EBITDA of €25.0 million in the third quarter alone (third quarter 2009: €15.6 million). The EBITDA margin improved in third quarter to 12.7 per cent (third quarter 2009: 10.5 per cent). The Group has therefore been able to more than double its quarterly earnings, reporting €10.1 million for the third quarter (third quarter 2009: €4.8 million).

Revenue for the first nine months of fiscal 2010 totalled €551.7 million, which represents an overall increase of 24.6 per cent (previous year: €442.8 million). Here, the Group was able to increase revenue across all regions and business segments – in most cases, with double-digit percentage growth. Profit before interest, tax, depreciation and amortization (EBITDA) in the first nine months of the year rose significantly from €16.8 million last year to €55.7 million. The EBITDA margin increased to 10.1 per cent (previous year: 3.8 per cent). The Group already returned to profit in the first six months of the year.

At September 30, 2010, the order backlog for compact equipment was around 380 per cent up on the same date last year. Delivery bottlenecks among suppliers, which delayed delivery of the company's products during the first six months of the year eased, as anticipated, in the third quarter. Changing order patterns across the entire industry also influenced the order book, with customers ordering products earlier than last year in anticipation of longer delivery times.

On the back of the company's positive performance thus far, Wacker Neuson Group management now expects revenue for 2010 to be at least 20 per cent up on the previous year (2009: €597.0 million). The EBITDA margin for the Group is also expected to increase to at least 10 per cent (2009: 4.6 per cent).

The outlook for the Wacker Neuson Group is also positive for the coming financial years. The Group intends to leverage market opportunities and sees itself ideally placed to consolidate its competitive position. In 2007, the year of the merger, Wacker Neuson reported pro-forma revenue of around €1 billion. If the market continues to develop positively, Group management currently expects to return to pre-crisis revenue levels in 2013-2014.

HALF YEARLY

KOBELCO CRANES – JAPAN

Table 11. Kobelco Cranes Co. Ltd: Financial Highlights, 2009-2010
(¥ Million)

	6 Months Ended September		
	2009	2010	%Change
Net Sales	28,489	23,363	-18
Operating Income	1,348	193	-86
Ordinary Income	1,371	191	-86
Net Income/Loss	813	60	-93

Source: Company Information

Due to the worldwide decline in demand, Kobelco Cranes sold approximately 240 new cranes (covering the entire crane line-up) in the first half of fiscal 2010 (April-September 2010), an 11 per cent decline from the 270 units sold in the same period last year. Consolidated net sales decreased 18 per cent, in comparison to the same period last year, and consolidated ordinary income decreased 86 per cent in the same period.

In the domestic market, utilisation rates of users' machines were generally low, affected by the drop in construction, and the new crane market remained sluggish as users refrained from buying and took a wait-and-see stance due to the uncertain outlook. Crawler crane demand decreased around 31 per cent compared to the same period last year. However, Kobelco Cranes managed to minimize the decrease by carrying out steady shipments of backlog orders and by conducting strong marketing activities to gain orders. Rough terrain cranes demand was up by 24 per cent, really because 2009 was so low.

For the international market, it gives brief summaries of the main regions thus:

- **United States:** No substantial recovery in the crane market in spite of the stimulus programme and demand remained low.
- **Europe/Africa:** Demand for new crawler cranes temporarily recovered, but has been declining further following Greece's financial crisis. Kobelco Cranes is trying to sell new cranes not only in the EU, but also outside the region.
- **Middle East:** Demand for new cranes has remained sluggish, due to the excessive number of existing machines.

- **Far East/Southeast Asia:** Many infrastructure construction projects and large government projects are expected to fuel demand but no results so far.
- **China:** Currently the biggest crawler crane market in the world. In September Kobelco Cranes established a joint venture production and sales company, Chengdu Kobelco Cranes Co. Ltd, with local construction equipment manufacturer Sichuan Chengdu Chenggong Construction Machinery Co. Ltd. Manufacturing is expected to commence in August 2012.
- **India:** India is expected to grow as the second largest market after China. Starting local manufacturing in October 2011, Kobelco aims to build a solid position in India.

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