

## ENGINE MANUFACTURERS BRACE TO TACKLE THE CHALLENGES AHEAD

**Editor's Note:** *The economic difficulties have posed exceptional challenges for the engineering industry and caused severe upheaval. Michael Hawkins, president of Euromot - the European Association of Internal Combustion Engine Manufacturers, gives his views on how the industry can fight back in the aftermath of the global economic crisis and what action is needed.*

**DPI:** *How would you assess the impact of the economic situation on the industry?*

**Hawkins:** After some very good trading years, the global economic crisis has had a dramatic and negative impact on the mechanical engineering industry in general and in particular on the engine and equipment manufacturing industries. In the first two quarters of 2009, the industry saw orders drop by an average of 40% and is expecting negative growth in production of -10 to -20% for the current year. These figures show that the complete industry is in an exceptional situation and continuing uncertainty with many of the major economies still in crisis.

Even though many companies have taken drastic action to preserve their businesses and are operating at a break-even level, there is little clarity about when the market will recover.

**DPI:** *Is it solely the responsibility of the industry to return to a strong position or can external factors or organizations help?*

**Hawkins:** The engine industry provides technological solutions for central social challenges. As a key industry to the power and mobility needs of our



*“Regulatory convergence of technical regulations and standards becomes more and more important.”*

— Michael Hawkins, president of Euromot

modern society, we play an essential role for climate and environmental protection as well as providing solutions for energy efficiency. The industry continues to invest in research and development to provide the right conditions and opportunities to remain successful after the crisis.

However, European politics must also play its part and actively participate in setting the right direction and avoid unnecessary bureaucratic hurdles. Business has to cope with global markets, with strong competition and a changed investment culture. Thus, we must maintain and improve the high quality expected from these sophisticated products whilst at the same time remain competitive and affordable for our customers. This is a constant challenge for all companies and puts the

bar at a high level to ensure survival through and after this crisis.

**DPI:** *What do you feel the European Union (EU) should be doing to help companies?*

**Hawkins:** The EU and its Member States must implement measures which are effective in the short term to enable companies which are essentially financially sound and productive to survive this dramatic economic downturn. But even more importantly, political measures must be implemented which make sense even without the crisis.

In 2007 the EU Expert Group Engine-Europe, lead-managed by Maria Spiliopoulou-Kaparia, former head of EC DG Enterprise's Mechanical

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# DPI Interview

Engineering unit, published numerous recommendations for “better policies” and a sensible framework for the mechanical engineering industry in Europe. These proposals have not lost their relevancy in the current situation and should be implemented as quickly as possible.

In this context, we were extremely happy that Mrs. Spiliopoulou’s successor, Mrs. Alexandra Jour-Schröder, accepted our invitation not only to visit showcase production facilities of non-road and marine engine manufacturers during the summer but also to attend Euromot’s 2009 Annual Meeting in September and to talk to us about a favorable policy framework for our industry in the EU.

**DPI: What are the most promising elements of an integrated EU strategy for a competitive industrial base in Europe?**

**Hawkins:** Free trade, open global markets and harmonized product regulation, a single market fit for the challenges of the 21st century and an efficient European legislation for our engines.

Access to markets has become more and more critical to competitiveness. Operating in the global village, we have to make the best of globalization so that investments in innovation and skills have their counterpart in the ability to sell products into world markets. EU market access teams on the ground in countries across the world to identify possible trade barriers abroad. These are urgently needed to enhance worldwide free trade.

Mrs. Jour-Schröder has reinforced the Commission’s willingness to quickly develop a market access strategy and work in concert with our industry. The activity falls within the auspices of the Small Business Act, but as she admitted, it is at an early stage. A possibility would be to develop together with the industry a priority list of countries where trade problems could or are occurring.

Regulatory convergence of technical regulations and standards becomes

more and more important. Often, technical regulations, test methods and the requirements of certifiers vary considerably. Reaching a higher degree of convergence continues to be a priority which affects, first of all, relations with our main trading partners, especially the United States. For us as engine manufacturers, compliance with the same rules worldwide greatly facilitates our job and avoids unnecessary expenses, which at the end of the day results in cost impact to our customers, especially where we are producing small quantities of technically sophisticated products. We have intensified our dialogue with the U.S. in recent years, but we can and should do more.

**DPI: How should legislation be used to create a level playing field?**

**Hawkins:** Market surveillance and enforcement of European legislation in the EU internal market is the other side of the coin. We must fight against any noncompliance from our competitors to ensure a level playing field.

Taking the PEMS [Portable Emission Monitoring Systems] issue as an example, if we cannot ensure that labeling is surveyed and controlled, we are only creating loopholes for any low-cost competitors. The key to success is the right mix of technological development and appropriate regulation. If we, as engine manufacturers, respect our environmental responsibility and invest a great deal of money into such a European program or any other “green technology,” the European Commission must watch and act against unfair practices that would undermine the internal market or distort competition and, most importantly, negate the primary purpose of the legislative initiative.

The respect and the effectiveness of the rules must be reinforced to better protect our competitive advantage and the express need for legislation. This is the pertinent question for our industry with regard to “better regulation.”

**DPI: Should some planned legisla-**



**tion be postponed? Would that be helpful?**

**Hawkins:** The economy has to be revitalized under fair conditions. Even postponing legislation would be the wrong approach. There has been some discussion, starting in 2008, suggesting that it would be difficult for some original equipment manufacturers to place compliant 3b equipment on the market in time to meet the legislated deadlines, which has been exacerbated by the global economic crisis.

Even in this particular situation, Euromot does not support any postponement of the emission stages 3b and 4 limit values nor to define exemptions or later introduction dates for certain types of equipment or engines and has worked with the commission to explore opportunities for increases in the flexibility allowance which would allow cost-effective solutions to hard-pressed companies and have no detrimental effect to the environment and could even stimulate the move to vehicles with lower emissions by replacing older equipment. It seems that the commission has come to a similar conclusion and seeks to enlarge, to some extent, the current flexibility scheme and to include railcars — not locomotives — in it. ♦