

Top Stories

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Truck Production Climbs

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GM May Leave SA

Boot Show Sees Strong 2019

Vietnam Pushes Auto Industry

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Hyundai To Open EV Plant

Kubota Invests in Automation

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Power Systems Research (PSR) is a world leader in providing power equipment information, whether it's pure data, analysis, forecasting or specific business intelligence. This product information ranges from IC engines to battery-electric and hybrid powertrain technologies. PSR has been providing world class business and market intelligence to industry leaders for more than 40 years. How can we help you? For details, call **+1 651.905.8400** or email **info@powersys.com**. **www.powersys.com**

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PowerTALKを中国語と日本語でお読みいただけるようになりました

中国語や日本語で読みたいという読者のニーズに応えるために、アジアから中国語と日本語の記事を提供しています。中国語をご希望の方は**こちら**を、日本語をご希望の方は**こちら**をクリックしてください。

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Data Point: *Locomotives*

760

By *Carol Turner*, Senior Analyst, Global Operations

This is the estimate by Power Systems Research of the number of Locomotive units to be produced in 2018 in the United States, Brazil and Mexico. At the same time, an estimated 980 engines are expected to be produced. Final numbers are not yet available.

In 2017, 584 locomotives and 605 engines were produced.

This information comes from two proprietary databases maintained by Power Systems Research: **EnginLink™** and **OE Link™**.

Market Share: With **combined** plant totals of 71.5%, GE Transportation leads in locomotive production. In second position, with combined plant totals, is Progress Rail with 13.5%; third, is Siemens Mobility with 9.5%.

Engines used by OEMs:

- **GE Transportation-Contagem:** 100% General Electric (55).
- **Progress Rail-Brazil:** 100% Electro Motive Diesel (9).
- **Progress Rail – Mexico:** -0%-
- **Brookville Equipment:** -0%-
- **GE Transportation - Erie:** 100% General Electric (68).
- **GE Transportation – Fort Worth:** 100% General Electric (294).
- **Motive Power:** 3% EMD (1) and 97% Cummins (32). 33 engines, 17 units.
- **Progress Rail – Muncie:** 48% Cat (34) and 52% EMD (37).
- **Railservice:** 100% Cummins (9) engines, 8 units.
- **Republic Locomotive:** 100% Cummins (2).
- **RJ Corman:** 12.5% Cummins (1) diesel, 37.5% Deutz (3) diesel and 50% Cat (4) multi-fuel. 8 engines, 4 units.
- **Siemens Mobility:** 100% Cummins (56).

Exports: Collectively, up to 35% of the production is exported worldwide.

Trends: From 2016-2017, production of Locomotives in North America and Brazil decreased nearly 34%. Production is expected to increase 30% from 2017-2018. The gain is driven by routine locomotive overhaul cycle and the need to comply with stringent EPA regulations; Tier 4 took effect in 2015.

According to *Progressive Railroading*, rail traffic is increasing, locomotives are aging, and federal emission regulations are tightening — a few reasons new locomotives are hot commodities. U.S. locomotive order activity has not returned to pre-recession levels, but there are some market bright spots — including international orders and the continuing popularity of more fuel-efficient, environmentally friendly gen-set locomotives. Expect production to gain up to 10% over the next five years.

Notes: **Bombardier Transportation** locations are now called **Progress Rail**.

Progress Rail is a **Caterpillar** Company. **Electro-Motive Division-Muncie** is now called **Progress Rail. PSR**

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Truck Production Index



Global Truck Production Climbs 3.5% in 2018

Power Systems Research In 2018, global truck production climbed 3.5% over 2017 as measured by the **Power Systems Research Truck Production Index**. (PSR-TPI).

Truck Production Index The TPI climbed 2.6%, quarter over quarter, for the three-month period ended Dec. 31, 2018.

The PSR-TPI measures truck production globally and across six regions: North America, China, Europe, South America, Japan and Korea, and Emerging Markets.

The data comes from **CV Link™**, the proprietary database developed by Power Systems Research.

Except for North America, most of the other key regions are beginning to see an economic slowdown. Regarding the commercial truck market, a slowing global economy along with generally strong truck sales during the past few years is placing downward pressure on commercial vehicle adoption rates. **PSR**

Global Report

By *Yosyf Sheremeta*, Director of Product Management & Customer Experience

What Role Does Politics Play in Economics?



*Yosyf
Sheremeta*

Global markets have been enjoying a nice ride during 2017-2018, but things turned negative by the end of 2018. Global uncertainties, geo politics and trade wars put significant pressure on the markets and economic activities, so that many feel the “wait and see” approach is the safest bet at the moment. The first part of 2019 will define the trend and the direction for the next few years.

During 2018, world economies posted solid growth globally in most segments but raised the warning flag and set up cautious expectations going into 2019. In comparison to our forecast last quarter, PSR expects slower growth in 2019 and 2020.

Markets in European and North America enjoy record low unemployment, historically very low interest rates and low inflation. However, several risk factors to this continued growth exist, including the geo-political environment, higher expected interest rates and inflation, as well as a possible economic cold war,

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Global Report

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The North American economy is still strong; however, it seems to be riding the top of the economic cycle and a slowdown will be on the horizon within 6-18 months.

further trade disagreements and new political tensions. With the growth of economic uncertainties, we expect to continue to see rapid shifts in political situations and money capital between industries and markets going forward.

When our analysts study current and future market trends, we do not speculate on rumors or proposed future policies, so we have not made any significant changes in our projections related to escalated global trade tensions and economic disagreements.

Our forecast largely is based on current and future demand analysis as well as our proprietary forecasting algorithm.

As we look to the first half of 2019, we have slightly adjusted our previous forecast to be more cautious and conservative. New proposed global trade policies will certainly have an impact on current markets and future growth; however, these changes will not be immediate and will depend greatly on the outcome of such policies in the long run.

Most markets are growing at modest rates, and we are in the middle up-trend of the global growth cycle in the developed economies, such as Europe, and in developing markets, such as India. The North American economy is still strong; however, it seems to be riding the top of the economic cycle and a slowdown will be on the horizon within 6-18 months.

AGRICULTURAL production worldwide suffered a major slump in 2014 and 2015, and the recovery in 2016 was not near the earlier projected levels. We believe the overall market reached its bottom in 2016, especially for lower HP equipment, which saw some double-digit growth in sales in 2016 vs 2015.

At the same time, increased demand and level of activities did not produce much of the expected recovery in 2017; 2018 started very slowly, but as the year progressed the level of activities improved significantly.

The global machinery production for the Agricultural sector declined 5.8 % in 2018, down slightly (by 0.1%) from the previous quarter. This decline is mainly due to the replacement of 2-wheel drive tractors in China with larger HP machines. Overall, the machinery production within the Chinese Agricultural sector showed a decline of 15% in 2018 and is projected to drop another 8% in 2019.

Globally, we do not expect any rapid recovery or high growth until 2019, mainly due to current economic conditions, ongoing trade rhetoric in the segment and record low commodity prices. We forecast the recovery will be very slow and the market will not reach its prior high levels in the foreseeable future.

CONSTRUCTION. The global Construction sector performed very well over the past couple of years, posting an overall growth rate of 14.6% in 2017 and 8.3% in 2018. This rate was unchanged during H2 2018. Some equipment seems to be gaining solid ground in Europe and showing a healthy recent demand from domestic markets in North America, especially for smaller equipment.

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Global Report

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China showed a significant increase in the segment during H2 2018, and the whole year posted a solid 24% gain over 2017. Furthermore, the trend continued into 2019, but will follow rather organic growth at 2% over next few years. Additionally, Brazil experienced significant improvements in 2018, with 16% growth over 2017, and we project an additional 10% increase annually in 2019-2020.

At the same time, the economy in North America seems to be gaining new breath, especially in the Construction segment, and based on current production schedules for 2018-2019, the trend will remain stable. Growth rates are expected to be in line with previous projections in mid-single digits, however, with increased risks.

We now forecast global machinery production for construction markets to achieve 2.1% growth in 2019, which is healthy, but slightly lower than the previous quarter by 1.7%.

In terms of the overall economic cycle, we expect most developed markets to remain solid in 2019. Within the Construction segment, we see Brazil, India and China showing very strong performance in emerging markets, and North American as well as European markets and Japan supporting this trend. **PSR**

Brazil/South America Report

By *Fabio Ferraresi*, PSR Director, Business Development, South America



*Fabio
Ferraresi*

Trailer Industry Recovers

In 2018, about 90,000 trailers were sold compared with 60,000 in 2017, an increase of about 50%. The recovery is not uniform, however, since agribusiness is leading the recovery while urban centers are recovering at a slower rate. In the Heavy segment, sales were 45,000 in 2018 compared with 25,000 in 2017, about 80% higher.

Source: *M&T* [Read The Article](#)

PSR Analysis: Trailers followed Truck volume growth in 2018 by segment and is even higher in total volume growth. This industry has suffered with the economic downturn from 2014 to 2017 but shows a positive growth trend for business in the coming four-year cycle.

Brazilian Government Points to Gas Market Gains

The new president of Petrobras announced the organization's intention to sell assets related to gas distribution, which will remove investment bottlenecks and allow competitiveness on this fuel for Brazil.

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Brazil/South America Report

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The cost of exploration has decreased drastically in the last two years and Brazil is highly competitive in oil and gas.

Brazil expects to double the production of NG from 2019 to 2030, and distribution should no longer be the bottleneck for this fuel in the energy matrix with the privatizations announced and other regulatory advancements.

Source: *O Petroleo*

PSR Analysis: Oil and gas will require US\$ 100 Billion investment from 2019 to 2027, and the new government intends to open to the private sector to balance risks and to allow proper timing. The cost of exploration has decreased drastically in the last two years and Brazil is highly competitive in oil and gas. This investment will allow higher production and significant economy growth that will boost other segments, such as Construction, since there is a huge pent up demand for Infrastructure development due to investment funding constraints.

GM Threatens To Leave South America

Jan. 18 GM sent a memo to all employees saying that investment and the future of GM in South America depends on profit returning to operations in 2019. This was seen by employees as a threat to leave South America. The memo reproduced a news item published in the Detroit News, noting that Mary Barra, GM CEO, gave signs she is considering leaving South America: “We will not keep investments to lose money”.

Source: *UOL* [Read The Article](#)

PSR Analysis: GM is the sales leader in Brazil, thanks to recent investments in new products. This comes after a long period of profit with lower investment that put its portfolio behind other brands such as Fiat, VW and Hyundai. This recent investment now changes the P&L and balance sheets, but the profitability should increase with the strong leadership positioning and economy improvement. And, finally, employees are probably right to understand the memo as a threat to the union and even to the new government.

Briganti Named to SAE Committee

Carlos Briganti, Power Systems Research Managing Director-South America, and Fabio Ferraresi, director of business development-SA, have been named to the SAE Brazil Committee which is making recommendations to Sao Paulo city authorities regarding emissions. **PSR**

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China Report

By *Qin Fen*, 秦奋 PSR Business Development Manager-China. 业务拓展经理

Beijing To Implement 5G Intelligent Connectivity on Vehicles



Qin Fen

The Beijing Municipal Commission of Economy and Information Technology issued the action plan to implement 5G in the Beijing city area

Sources: *China Automotive News* [Read The Article](#). *Beijing Municipal Commission of Economy and Information Technology* [Read The Article](#)

PSR Analysis: One might wonder how 5G has anything to do with the powertrain business. Well, Beijing Bus, arguably the largest bus fleet in the world, has announced a partnership with Mobileye and plans replacement of IC-powered buses by 2020 (21,765 units as of 2018).

In the case of CASE (Connected, Autonomous, Shared, Electric) Vehicles, among 20 other cities, and possibly more, Beijing seems to be aggressively leading the way of expanding 5G applications. Beijing Bus is already leading in electric electrification (nearly 70% of running buses are battery-powered), and the city will certainly be ahead of everyone else in connectivity and autonomous driving once the 5G infrastructure is in place. **PSR**

2020年北京将率先完成5G车联网建设 智能网联汽车发展再攀高峰

2019年1月4日 - 北京--(中国汽车报网)--全球一份关于北京市智能网联汽车和自动驾驶汽车产业发展的具体行动方案，正式出炉。日前，北京市经济和信息化局继2018年10月21日发布《北京市智能网联汽车产业白皮书（2018年）》（以下简称《白皮书》）后，又发布了《北京市智能网联汽车创新发展行动方案（2019年-2022年）》（以下简称《方案》）。

新闻来源: 中国汽车报网 - 2019年1月4日 [阅读原文链接](#) 北京市经济和信息化局 - 2019年1月22日 [阅读原文链接](#)

PSR分析: 大家也许会想，5G能和动力系统行业有什么关系呢？嗯，北京市公交集团，世界最大的公交车队，已经宣布和Mobileye合作，并且在2020年更换所有内燃机驱动的公交车。

在CASE（互联，自动，共享，电动）机动车这件事情上，同其他20多个城市相比，北京怕是在激进地引领全国，布局5G应用场景。电动方面，北京公交集团已经领先（目前接近70%的运行公交车辆都是电动），一旦5G基础设施就位，北京在互联和自动驾驶方面肯定也会领先与其他人。

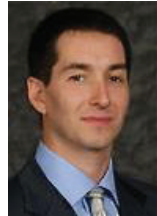
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All this enthusiasm is a direct consequence of the good state of the yachting industry and the positive results of 2018. Most of the boat builders had strong results, increasing revenues and deliveries

Europe Report

By *Emiliano Marzoli*, PSR Business Development Manager-Europe

BOOT 2019: All Aboard Before Tide Slows



*Emiliano
Marzoli*

Read The Report

Boot, the international pleasure marine show, turned 50 this year and it celebrated the event in great style. Almost 2,000 exhibitors filled 16 halls, with more than 1,500 boats on stage. Boot has never been so big, and the organizers expect to set records.

All this enthusiasm is a direct consequence of the good state of the yachting industry and the positive results of 2018. Most of the boat builders had strong results, increasing revenues and deliveries.

The trend is set to continue in 2019, with expectations to match or exceed 2018 results. In fact, different producers are already taking orders for 2020, as their 2019 slots are filled. Average boat size is increasing, 40 to 60 feet boats are thriving, making the fortune of the major European brands like Beneteau group, and Ferretti.

Catamarans are continuing to shine and are now starting to pop in the motorboat segment. However, the tide is starting to change. With rising concerns around the global economy, 2020 might turn out to be a less bright for the industry.

Boat Builders Overview

With 1500 boats displayed at the show, all the big fishes in the European industry and many of the more niche producers presented products and signed deals.

- **Greenline** is a Slovenian producer of motorboats, which already makes it special. But what is even more peculiar about the company is the fact that 70% of their boats have hybrid powertrains, 100% if we consider boats sold to the US. In the hybrid configuration, Greenline uses Volvo Penta D3 engines, coupled with lithium-ion batteries and solar panels on the boat roof.

At Boot, the company went a step further and introduced the updated version of a small boat, the Neo Electric boat. It is powered by twin 80 hp Torqeedo Deep Blue electric outboards and dual 30.5 kWh (totalling 61 kWh) high performance lithium batteries allowing maximum range of 40 NMat 6 kts economic speed. At full throttle NEO eDrive will reach a top speed of 16 kts with the range of 20 NM.

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Europe Report

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Greenline expects to build 10 electric Neo boats in 2019, while demand for their hybrids models keeps expanding due to increased environmental awareness by customers.

- **Torqeedo**, the company powering Greenline's Neo electric, is at the forefront of this new technology; it's the market leader in electric drives. To strengthen their position and meet demand growing in the US and Asia, they have developed the new Deep Blue 100kW motors. Together with the new motors, the company introduced their new 40kW battery, developed in collaboration with BMW.

The new products open more possibilities for Torqeedo, but also for boat manufacturers. Greenline has already one boat in production with the new powertrain, and other companies are also producing new models with the Torqeedo deep Blue 100i 900-2400 systems.

- **X-Yachts** celebrated its 40th anniversary with full wind in their sails. 2018 was a record year with 100 sailboats produced, and the expectation for 2019 is to increase their record performance by 10%. To help with that they have introduced the new Xc45 40th anniversary edition. It is powered by Volvo Penta or Yanmar engines with 5kW output.

- The **Ferretti group** displayed many new boats at the Show as you would expect from one of the most important producers of Motor yachts and the leader in the superyachts class, according to our database **MarineLink™**. The Italian group produced more than 100 yachts in 2018, a very positive result. The company looks at 2019 with high hopes. One of the reasons is the renewed luxury **Riva** range, including the brand new flybridge Riva 90' Argo. But the star of the stand was the new **Pershing** 8X. This all new sport-fly is made with a carbon fiber hull, making it very light, agile and durable. The power is delivered by Twin **MTU** 16V2000 M96 engines capable of 2435 HP each. Auxiliaries are served by **Cummins Onan** generators.

Another important reason for Ferretti's optimistic mood for 2019, is the continuous trend towards larger boats, territory where Ferretti is even stronger.

Many boat builders told us that more and more clients are asking for larger, and more comfortable yachts.

- **Sirena Marine**, a prominent Turkish manufacturer, brought to the show one of their largest boats, a near super-yacht Sirena 64. It has been redesigned, with a focus on refining a very good starting base. In fact, the company has been very successful in country like Italy, the reign of luxury yachts. The company is looking forward and it is preparing Cannes boat show in September with a world premiere, the Sirena 88, answering the growing

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This was an opportunity to discuss how yacht owners and potential clients are becoming nervous about political situations that are clouding the industry

demand from customers. While in 2018 the company produced 20 motor yacht, they still offer Sailboats, although the focus for 2019 will be on the new superyacht.

- **VanDutch** also confirmed the trend towards larger boats, and the company is expanding their range from 30 feet to 55 and above. In order to address demand in the US and avoid issue with trade wars, the Dutch company is investing in shipyards in North America.
- **Bluegame**, is coming back to the scenes after some difficulties in the past. The Italian luxury sport Utility Yachts is now part of San Lorenzo group and will be ramping up production during 2019, aiming to produce between 10 and 20 boats.
- **Zee Marine** has already a strong order book for 2019. The company specializes in motorboats with high customization possibilities. While the boats are built in Lebanon, design and engineering is done in Germany, with very passionate people. The company is working on a new project for Cannes that will give them a more spacious sport yacht. Vetus and Yanmar are the reference engines for their boats.
- **Fairline** was at the boot in full force, thanks to good sales results in 2018. The Targa 43 OPEN was the company's flagship at the show. It was launched in Cannes in 2018 and thus it is the novelty for this season. However, the British manufacturer launched (only virtually) the Targa 63 GTO and squadron 64 (yes, bigger) and introduced the F/Line 33 for 2020. The company has been consistently expanding their business, 50 boats were built in 2018 and a little more than that will be built in 2019. Results could even be better, if only there was no Brexit hanging on the head of UK clients.
- And to cast a bit more clouds on the future, **TANKOA**, the Italian mega yacht manufacturer explained how the combination of different factors all together are posing serious threats for the economy of boat builders in 2020 and 2021.

Conclusions. Boot 2019, with its record display, reflected how well the industry has done in the last two years. It also offered an opportunity to understand that this trend will continue in 2019, with many shipyards working hard to deliver boats before the start of the season, and beyond that too.

But at the same time this was an opportunity to discuss how yacht owners and potential clients are becoming nervous about political situations that are clouding the industry. The trade wars between the US and China (and more), the uncertainty surrounding the Brexit, and sanctions on critical markets such as Russia, are popping up on boat builders radars.

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When you combine that with a slowing global economy that is reaching the pinnacle of the current economic cycle, it produces an uncertain environment where many are waiting to see what happens, postponing orders, and thus slowing down the industry.

Now that Boot has concluded, the PSR team is engaged in analyzing all the new trends we found at the show in our Boat Builder database **MarineLink™** to offer the opportunity to understand the evolution of the industry in coming years. **PSR**

Far East/Southeast Asia Report

By *Akihiro Komuro*, PSR Research Analyst, Far East and Southeast Asia

小室明大 極東および東南アジア PSRリサーチアナリスト

Far East > 日本:

クボタ、700億円投じ新開発拠点 自動運転など狙う



Akihiro
Komuro

クボタは「スマート農業」と呼ばれる次世代農業に対応した農機の開発を急ぐ。大阪府堺市に研究開発拠点を設ける。投資額は1件当たりで過去最大となる700億円程度になるもよう。次世代農機をめぐる海外農機メーカーとの競争は激しくなっており、開発期間を半分に短縮するなど研究開発の競争力を高める。

堺市の土地をシャープから取得し、2022年1月までに堺市や三重県伊賀市の研究拠点を集約する。試験走行コースを併設し、開発時間を短くする。クボタはトラクターなどの自動運転を実用化し、自動走行する田植え機の開発も進めている。同社の近年の設備投資は年500億～700億円だが、1件でそれを上回る大型投資となる。

農林水産省によると、日本の農機価格は米国に比べ1～3割高い。近年は全国農業協同組合連合会（JA全農）が競争入札を実施するなど価格引き下げ圧力が強まっており、安定した収益基盤だった国内事業の利益率が低下する恐れがある。付加価値が高い次世代農機にシフトし、欧米市場でシェア拡大を目指す。

Source: 日経新聞, 2018年12月26日

PSR 分析: 第一次産業従事者の人口減少と高齢化が顕著に見られる日本では自動運転の需要は特に高い。この需要を満たすために各OEMは本格的に動き出している。日本の農機は米国と比較すると導入コストが高い。クボタ、ヤンマー、イセキといった農機大手各社の価格競争による低価格化が進むことで普及が促進さ

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Far East/Southeast Asia Report

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れると私は考えている。更なる普及の一番の鍵となるのは法整備だろう。補助金制度だけでなく、交通ルールの上アップデートも求められている。現在、無人で公道を運転することは日本では違法だ。だが1人で2台の農機を動かせることが、無人農機の最大の強みだと言える。つまり、2台目の農機を農場まで安全に輸送する手段を確立させることが求められている。こうした様々なハードルが存在するものの、高まりつづける需要を満たすためにそうした法整備も今後加速していくだろう。PSR

Far East: Japan Report

Kubota Invests 70 billion Yen for Automatic Operation

Kubota is hurrying to develop agricultural equipment compatible with the next-generation of agriculture equipment called “Smart Agri.” It has established a research and development base in Osaka. The investment will be about 70 billion yen, the largest ever. The expansion is necessary because competition with overseas agricultural equipment OEMs will continue to intensify.

The company improves the effectiveness of its R&D by cutting in half the development time. Kubota's recent capital investment has been 50 billion to 70 billion yen per a year, so this large investment exceeds the entire amount.

Source: *The Nikkei* [Read The Article](#)

PSR Analysis: The demand for autonomous operation is particularly high in Japan, where the effects of population decline and aging workers in primary industries is noticeable. OEMs are in full swing as they attempt to meet this challenge. The initial cost of agricultural equipment in Japan is higher than in the US. I believe that popularity will increase as prices are reduced through competition among major agricultural equipment OEMs such as Kubota, Yanmar and Iseki.

The key to further dissemination is legal development. Not only the subsidy system but also traffic rule updates are required. Currently, unmanned driving on public roads is illegal in Japan. However, enabling one farmer to move two pieces of agricultural equipment is one of the greatest benefits of autonomous drive machinery. The establishment of a means for safely transporting a second piece of agricultural equipment on roads is required. Despite these hurdles, such legislation will accelerate in order to meet the growing demand. PSR

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Report***Continued from page 12***Far East > 韓国:****現代自動車、EVの生産工場をインドネシアへ設立**

現代自動車はおよそ8億8000万ドルを投じインドネシアで電気自動車を生産する計画を発表した。

ソウルと北京の間に生まれる外交的緊張の余波により、中国向けの現代自動車の売上は低迷している。東南アジアに自動車工場を設立しようとする現代の方針は、中国への依存度を減らすことで売上を立て直そうとする戦略の一環であることを表している。インドネシアの産業副大臣がロイター通信に伝えた内容によると、現代自動車は世界第5位の自動車メーカーであるキア・モーターズと提携して、電気自動車を含め約25万台の生産キャパシティを有する自動車工場の建設を計画している。また、現代工場で生産された自動車の53%を主に東南アジアとオーストラリアに輸出する一方、残りの47%は国内市場向けであると同大臣は述べた。

Source: Reuters, 2018年12月20日

PSR 分析: これまで中国市場を利益の基盤としてきた韓国の自動車メーカーは現在苦境に立たされている。現代は東南アジアを将来の有望市場と位置付けており、その足掛かりとしてインドネシアに工場を設置する。このチャレンジが成功すれば、東南アジアは低迷する韓国自動車産業を支える大きな力になるだろう。韓国政府は国内の自動車部品メーカー業界に対し、3兆5000億ウォン以上の経済的支援を提供すると発表している。国家をあげて自動車製造業界の立て直しを本気で取り組もうとしていることがうかがえる。**PSR**

Far East: South Korea Report**Hyundai To Open EV Car Plant in Indonesia**

Hyundai Motor Co. plans to start producing electric vehicles (EVs) in Indonesia as part of an approximately \$880 million auto investment in the country, according to the Deputy Minister for Industry.

Hyundai's move to set up its first car factory in Southeast Asia fits into the South Korean carmaker's strategy of cutting its reliance on China, where competition is intense and its sales have suffered from diplomatic tensions between Seoul and Beijing.

Hyundai Motor, which together with affiliate Kia Motors is the world's No.5 automaker, plans to build a factory in Indonesia with a capacity of about 250,000 units, including electric cars, Reuters reports.

The plan calls for exports of 53% of the cars manufactured in the proposed Hyundai plant, mostly to Southeast Asia and Australia, while the remaining 47% would be for the domestic market

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Korean carmakers, which have traditionally used the Chinese market as the base of earnings, are currently struggling.

Source: : Reuters, 20, December 2018 [Read The Article](#)

PSR Analysis: Korean carmakers, which have traditionally used the Chinese market as the base of earnings, are currently struggling. Hyundai has positioned Southeast Asia as a promising market in the future and is establishing this factory in Indonesia as a foothold. If this challenge succeeds, Southeast Asia will become a major support for the stagnant Korean automobile industry.

At the same time, the Korean government says it will provide economic support of more than 3.5 trillion won (US\$3.125 billion) to the domestic auto parts manufacturers industry. It seems that it is trying to seriously tackle the rebuilding of the automobile manufacturing industry within the nation of South Korea. **PSR**

東南アジア > 東南アジア各国

ライドハイラーズ、GrabとGO-JEKの本格的な競争

東南アジアのライドハイラー、GrabとGO-JEKはそれぞれが1億回のアプリダウンロードを突破した。どちらも世界最大の企業のいくつかから投資を得ており、この地域の2つの最も価値のある新興企業となっている。

シンガポールを拠点とするGrabは2012年に設立され、米国のUberの地域事業の買収に支えられて、東南アジアの8市場にまたがる事業を築いてきた。だが、インドネシアを拠点とするGO-JEKもまた急速に成長している。これまでのGO-JEKの国外進出への慎重なアプローチは、規制当局による精査の拡大に対し脆弱になっている。フィリピンでは外資への懸念から参入を阻止された。しかし、GO-JEKのタイでのサービスは2018年末に開始された。それは、GO-JEKの野心を否定していないことを示している。GO-JEKは11月にシンガポールでもトライアルサービスを開始し、まもなくフルサービスを始めた。(中略)今のところ、GrabはGO-JEKに勝る利点を持っているかもしれない。しかし、Grabが東南アジアを掌握するのに必要なものがあれば、それはインドネシアの乗客だ。少なくとも、GO-JEKはGrabに欠けていたもの、つまり意味のある競争を提供する準備を整えたようだ。

Source: Nikkei Asian Review, 17, January 2019

PSR 分析: 東南アジアにおけるライドシェアビジネスの拡大はまさにイノベーションと呼べる加速度で広がりを見せている。利便性が認知されてから一般化するまでのスピードは驚異的だ。2社の競争は、市場における限定的な需要を奪い合うものではなく、それは市場そのものの拡大を意味している。これほどライドシェアが浸透しているリージョンは他になく、物流やサービスの在り方を変えようとしている2社の競争はサービスの内容も極めてユニークかつ先鋭的だ。この競争は今後も激しくなるだろうが、それはサービスの利便性の向上にもつながり、更なるビジネスチャンスを生み出す、つまり歓迎されるべきものになっていくだろう。 **PSR**

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Southeast Asia: Nations in Southeast Asia

Ride-Hailers Grab and Go-Jek Wage Full-on War

Southeast Asian ride-hailers Grab and Go-Jek have both topped 100 million app downloads. They have both drawn investments from some of the world's biggest companies, making them two of the region's most valuable startups.

Now, in 2019, they are going head-to-head with ambitious expansion plans across the region, not only in their core ride-hailing businesses but with offers of extra products and services to their transport clients.

Singapore-based Grab was founded in 2012 and has built a business spanning eight Southeast Asian markets, helped by the acquisition of the regional operations of U.S. ride-hailing pioneer Uber.

But Go-Jek is gaining ground fast. Founded in Indonesia in 2010, the company did not venture out of the country until last year, when it finally announced a \$500 million investment in regional expansion. Within months it had rolled into Vietnam where it competes directly against Grab.

Go-Jek's more cautious approach to international growth has left it vulnerable to growing scrutiny of the ride-hailing industry by the region's regulators. Last week the Philippines blocked its entry on concerns over foreign ownership.

But services in Thailand were launched at the end of 2018, in a sign that being the underdog has not dented Go-Jek's ambitions. Now it is heading straight into the belly of the beast to challenge Grab on its home turf. Go-Jek launched a trial service for limited customers in Singapore in November. Last Thursday, it made the service available to everyone.

Source: *Nikkei Asian Review*, 17, January 2019 **Read The Article**

PSR Analysis: Expansion of the ride sharing business in Southeast Asia is accelerating beyond the point of simple innovation. The speed with which they've gone from being recognized for convenience to an accepted mode of transport is amazing.

Competition between the two companies is driving an expansion of the market itself. There are no other regions where ride sharing has penetrated so much, and the content of the service is also unique and acute with the competition of the two companies trying to change the way logistics and transportation services are carried out.

Although this competition will continue to be intense, it could lead to an improvement in the convenience of the service, and it could create further business opportunities. **PSR**

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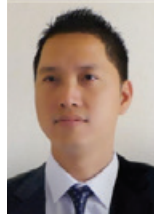
Far East/Southeast Asia Report

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Generally for each automobile assembly plant there are only one or two component manufacturers producing basic automotive parts.

Southeast Asia: Vietnam Report

By *Phat Tran (John)*, Special Correspondent – Vietnam



*Phat Tran
(John)*

Finding a Way Out for the Auto Industry

(Hanoi) – Businesses supporting automobile manufacturing play an important role in the automotive industry. They reflect the resurgence of the economy, and they contribute to the increase in the value of domestic products and competitiveness. However, in reality we see that in the over 10 years since its formation, the Vietnam auto industry has not yet found a way out.

As of 2018, Vietnam has about 300 companies in the automobile support industry. Generally, for each automobile assembly plant there are only one or two component manufacturers producing basic automotive parts. The number of such enterprises in Vietnam is lower than the 385 companies in Malaysia, and far below the 2,500 suppliers in Thailand.

Nguyen Lan Dung, director of Hung Dung Company, said the biggest difficulty is the lack of capital among small businesses in Vietnam. The government has many support policies, but these have not yet reached the auto industry.

According to Shinjiro Kajikawa, Vice President of Toyota Vietnam, Vietnam has not met the criteria of the real automobile industry. Production volumes are low, and the industry lacks linkage. In addition, the quality of auto parts supplied in the market is still poor. The parts lack variety and prices are still too high.

According to economic expert Ngo Tri Long's analysis, Vietnam's automotive support industry is still in a vicious cycle. Only a small number of domestic firms can participate in the supply chain for automobile assembly enterprises in Vietnam. The industry is stagnant.

Supporting industries in the automotive and assembly sectors in Vietnam have only produced a few groups of components and spare parts at a basic level, such as chassis, car bodies, cabin covers, radiators, and brake lines.

Furthermore, the localization rate of the automobile sector in Vietnam for 9-seater vehicles is still low at around 7-10%. Thaco has reached 15-18% localization, while Toyota Vietnam is at 37%, lower than the target.

This, in turn, has contributed to the high cost of automobile production in Vietnam; it's nearly 20% higher than other ASEAN countries. This makes it difficult to compete with imported cars from these Asian neighbors. Looking at this fact, it is clear that the automotive industry is in a sad state today.

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In fact, the automobile market in Vietnam is not stable in terms of policies, making investors hesitant, and causing domestic production to be too low. These things have led to the current automobile industry in Vietnam to fall into difficulty. In addition, Vietnamese enterprises have not created a climate of cooperation and specialization in the production and assembly of cars, nor in the manufacturing of spare parts. Now, the automotive industry will have to do a lot in order to grow.

According to Mr. Kajikawa, successful automobile production is not limited to the individual manufacturer, but also the smooth coordination of a well-rounded industry. In addition to policy support from the government, businesses in the automotive support industry need to innovate, invest, move towards automation, increase the potential of science and technology and must master their craft in the search for more customers.

VinFast, a privately-owned Vietnamese company, is investing in the automotive sector and developing a component-based strategy that prioritizes manufacturers in Vietnam, followed by ASEAN manufacturers and then global suppliers. The company will also support and cooperate with current and new manufacturers to accelerate the production of components using modern technology. Through this they will achieve a 60% localization rate for their products. This is one of the signs that gives us confidence that in the not so distant future, the auto industry in Vietnam will have more to offer.

Source: ANTV (Vietnam Public Security Channel), *Economics and Consumer News Staff* | November 10, 2018 **Read The Report**

VinFast Announces “3 No” Price Policy for Products

(Hanoi) – VinFast Manufacturing and Trading Company Limited has announced a “3 No” no pricing policy for all automobile and electric motorcycle products in the initial stage: “No depreciation. No finance charges. No interest”.

VinFast motorbikes

In the initial stages VinFast will exclude depreciation costs, finance charges and interest (interest payable on loans for investment in plant construction, working capital, etc.). The selling price will be the production cost calculated according to the above method plus the cost of sales.

The first product launched in the market is an electric motorbike called Klara. In addition to the “3 No” pricing, VinFast is also offering special price incentives of up to 40% of the product cost based on the “3 No” principle.

Accordingly, the “3 No” price for the Klara with a lithium-ion battery is 57 million VND (US\$ 2,450), while the lead-acid battery version is 34 million

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VinFast also plans future investment in the nationwide infrastructure to ensure there are enough services such as battery chargers, battery rentals, warranty services, etc. to support the VinFast electric vehicles and enable them to continue to circulate.

VND (US\$ 1,460). However, with the introduction of special incentives, the price of the lithium-ion version of the Klara is only 35 million VND (US\$ 1,500) for the first lot, and 39.9 million VND (US\$1,710) for the second lot.

Similarly, the price of lead-acid battery version of the Klara will be 21 million VND (US\$ 900) for the first lot, and VND 25 million (US\$ 1,070) for the second lot. At the end of the special policy period, prices of VinFast Klara will be adjusted to “3 No” pricing levels.

“With the ‘3 No’ price policy, VinFast is willing to give customers the opportunity to experience world-class products in Vietnam. Especially, with electric motorcycles, VinFast is willing to take losses of up to 40% in the first phase to provide the most popular products to consumers, contribute to building good vehicle safety habits, reduce emissions and noise, and increase environmental protection for the community,” says Nguyen Viet Quang, General Director of Vingroup.

In addition to focusing on building products with quality and outstanding features, VinFast also plans future investment in the nationwide infrastructure to ensure there are enough services such as battery chargers, battery rentals, warranty services, etc. to support the VinFast electric vehicles and enable them to continue to circulate.

VinFast’s automobile and motorbike production began in September 2017 with the largest scale and modernity in the region, the main products being gasoline and electric cars and motorcycles. In October 2018, VinFast launched the first two cars in the luxury segment: Sedan LUX A2.0 and SUV LUX SA2.0, meeting the strictest standards of quality and style, and under the protection of intellectual property in Europe.

In November 2018 VinFast began operation at the electric scooter factory and announced two versions of their first model - VinFast Klara – embodying the criteria “beautiful - smart - ecological”. VinFast is in the process of developing electric cars, gasoline cars for urban areas and electric buses.

With key investment leading the way in applying the most advanced designs, techniques and technologies from Vingroup, VinFast expects to contribute to the economy the products worthy of pride in Vietnam as it continues its international journey.

Being granted a certificate by the Vietnam Register, Klara is capable of operating in high flood water, moving noiselessly, eliminating exhaust gas, integrating remarkable intelligence and significant cost savings compared to vehicles running on gasoline.

Source: Nguyễn Xuân Phúc **Read The Report**

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PSR Analysis: In my opinion the head of Vingroup, Mr. Pham Nhat Vuong, can be a good leader. He has built many properties and the group's investments have helped Vietnam develop, while at the same time creating many jobs. But, up until now, Vingroup products and services have focused on high income clients and rich people in Vietnam. As a result, prices of their products are still not as cheap as people expect, especially if we consider the annual salaries of lower income citizens. The most important thing is how they regain and build people's trust in their product brands in the local market. Vietnamese people will take this into consideration before deciding to buy an E-scooter made by VinFast.

I hope Vingroup can improve their service, their staff's attitudes, and the behavior of their company leaders, because up until now many people who have met, contacted or called them with issues have found they don't know how to respect people. As an important company they need to understand that customers and vendors are not enemies, and unless there is improvement, I don't think their managers' attitudes will make people feel happy about using their products and services. I hope they can make positive changes in the near future.

An example of this discontent was seen in the North last Fall. A strike by many people was livestreamed and showed people on the street carrying slogans and criticizing Vinhomes (part of Vingroup) for being cheated in real estate dealings. (Note: Some videos uploaded on Youtube and Facebook about the strike were all removed within 12-24 hours.) This negative publicity will affect their future business.

E-scooter prices in the first promotion program were around 23,000,000 VND (US\$985) per unit and increased to 40,000,000 VND (US\$1,700) per unit after the special incentive term. This price range is interesting to people in the middle-income class in Vietnam.

Bike quality is something people still don't know enough about yet. Customers are focused on battery price, charge lifetime and charging station networks. (Currently, it seems they are installed at petrol stations.) The Klara advantage is it uses an eco-friendly battery to reduce air pollution, and the bike can run while submerged in flood water up to 500cm deep without losing power. This is better than its competitors.

Bike testing in Vietnam weather conditions: E-scooter water resistance flood tests are only for 30 minutes. This is not enough time, because in the rainy season some places in HCMC and Hanoi often flood. This results in really terrible traffic jams, and the riders will get soaked and stuck in high flood water for an hour or more. The length of time for the testing should be increased to meet the challenges of actual conditions. **PSR**

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India Report

By *Jinal Shah*, Regional Director, South Asia Operations



*Jinal
Shah*

Phase-out of BS-III Vehicles, Introduction of Electric Buses Ordered

To reduce air pollution in the city, the Karnataka State Pollution Control Board (KSPCB) has directed Bangalore Metropolitan Transport Corporation (BMTTC) to phase out BS-III vehicles in its fleet and introduce electric buses.

[Read The Article](#)

PSR Analysis: While the auto industry focuses on improving personal mobility, we have to admit that the population that depends on public transport is huge, and local buses cater to the needs of many.

Rapid motorization has resulted in an increase in vehicle ownership along with a decrease in public transport use, an increase in accidents, increased consumption of petroleum products and increased in air pollution.

The urge to prioritize citizens' health by having more sustainable modes of public transport in the cities is likely to push for purchase of these buses over the more feasible lease option. While CNG buses are environmentally friendly as well, the operational and maintenance costs are much higher. A mix of battery swap technology and/or fast charging mechanisms will be used for recharging.

In 2017, there were only 29 buses acquired for regular operation. In 2018, there were over 550 buses. There are about 11 cities with a population of more than one million, and the efforts by public transport agencies and price bidding by bus manufacturers and operators have and will open many avenues for mass adoption of electric buses in Indian cities.

Ashok Leyland Stock Hits 20-Month Low on CV Concerns

India's truck industry is in the fifth year of an up-cycle where historical upturns in the last four decades have lasted four years on average. **[Read The Article](#)**

PSR Analysis: The MH CV sales have followed a declining trend in recent months, and we anticipate the growth story to moderate and slow down for H1-2019. The LCVs, however, managed to continue the growth buffering the overall CV sales.

Multiple factors like liquidity crunch, higher interest rates, axle-load norms, and additional capacity in MH CV truck fleet are contributing to the slowdown.

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India Report

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The Federal Antimonopoly Committee has allowed the automotive company “Unison” to purchase an automotive plant in St Petersburg, belonging to General Motors.

However, we anticipate a better H2-2019, driven by pre-buy as people look forward to replacing their existing BS III vehicles. These vehicles exist in large numbers and will become two generations older than BS VI, and buyers will sell in order to escape low resale value once BS VI norms kick in. **PSR**

Russia Report

By *Maxim Sakov*, Market Consultant, Russia



*Maxim
Sakov*

British-Belorussian To Purchase GM Plant in St Petersburg.

The Federal Antimonopoly Committee has allowed the automotive company Unison to purchase an automotive plant in St Petersburg, belonging to General Motors. After the deal, the new owners plan to resume car production.

The plant was closed in 2015, but the equipment was preserved.

Current production capacity of the plant is 98,000 cars per year. Before the plant was closed, there were plans to increase volume capacity to 230,000 units and to reach component localization to 60%.

Read The Article

PSR Analysis: Unison is known mostly as a bodybuilder for LCVs of various brands. However, in 2012 it launched production of Chinese Zotye cars. A few months ago, according to reports, the company was negotiating with Mahindra about launching its Scorpio pickup in the Russian market. Probably, the coming plant acquisition is a step for this project.

Construction of Mercedes Plant in Moscow To Be Completed in Q2 2019

The construction of the Mercedes plant in the Moscow region in the territory of Solnechnogorsk district is scheduled to be completed in Q2 2019. Currently, the connection to the external supply network is complete, and the hull's store is about to be finished, the adjustment of engineering communication is on the way, as well as the finishing works in the office area.

Total area of the plant is 102,000 sq. meters. The contractor is “Mercedes Benz Rus” LLC. New plant should provide 1,500 jobs, and planned production capacity is 25,000 cars per year. **Read The Article**

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Russia Report

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PSR Analysis: Mercedes is one of the last world leading OEMs to locate passenger car production in Russia. It's important to note that Mercedes-Benz trucks already are assembled in Chelny in co-operation with KAMAZ, and Sprinter SUVs are built in the Nizhny Novgorod in the GAZ plant.

Ford May Close Plants in Russia

Ford intends to cut thousands of jobs in Europe. It's highly likely that all four plants of Russian-American JV Ford Sollers will either be closed or will strongly change their production portfolios with the drastic cut of the workforce. According to Bloomberg, the final decision will be taken in Q2 2019. Most probably, the OEM will retain production of Ford Transit SUVs, and stop the production of Fiesta, Focus, Kuga, Mondeo and the EcoSport.

Read The Article

PSR Analysis: Ford is one of the largest and oldest investors in the Russian automotive market. Its reduced presence can be explained by several factors, among them are financial problems within the company, political clashes between Russia and USA, and a general reduction of demand for cars in Russia with increased competition from local and Eastern car makers. At the same time, the OEM sees a good future for its commercial vehicles (Transit) in Russia. The plans about Ford's engine plant in Russia have not been disclosed. **PSR**

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