

EQUIPPED FOR CHANGE

The construction equipment industry has been seriously affected by the economic turmoil, but focusing on the negative does nothing to help the situation. Louise Hoffman examines some of the actions this sector is taking to prepare itself for the future

We all know the bad news – it is drummed into us every day by the media. Yes, the construction industry is in the centre of the economic boxing ring, and yes, it is engaged in a pretty dirty fight. The industry is reeling from the succession of punches it has received over the last six months or so – soaring raw material prices; a squeeze on bank lending; falling house prices; poor

exchange rates; and tightened consumer and public sector spending, leading to fewer available contracts and many planned projects either put on hold or cancelled altogether. And the effects are being felt around the world.

It is not only the contractors themselves that are in that ring, either – when one builder falls, the ripples are felt throughout the

supply chain. Take the construction equipment manufacturing industry for example; when there are less construction projects in existence, it is of course obvious that there will be less demand for the associated machinery and tools.

But rather than chewing over the job losses, factory shutdowns and lack of sales and simply compounding the problem, let us instead focus on how exactly this situation is being tackled by such firms, and the ways in which they are preparing for the brighter days that are sure to be ahead.

The here and now

Global manufacturer JCB – ranked 10th in the list of major construction equipment industry players by Khl Group LLP – has received much media attention of late. The company has shed 1,000 workers since July 2008, with a further 684 announced just recently, and it expects its UK production for the first quarter of 2009 to be a massive 75 per cent lower than it was for the same period in 2008.

“Back in November we forecast a moderate second quarter recovery in 2009, based on the fact that governments around the world had pumped a huge amount of money into recapitalising financial institutions, and had committed to stimulus packages which included significant spending on public construction projects,” said Chief Executive Matthew Taylor. “Two months later, despite the recapitalisation, customers are still struggling to buy machines because of a lack of available credit. And with government-funded construction projects not moving forward quickly enough, this means the anticipated second quarter recovery simply won’t happen.

“The ongoing reluctance of the banks to provide credit is aggravating an economic downturn which is now becoming much steeper than we could ever have envisaged. This unprecedented situation needs to be addressed with some urgency so that confidence and stability can return.”

Moving forward

An article compiled by Butler Research & Analytics Group – part of US-based global engineering and technology outsourcing firm Butler International – specifies four meas-

ures, as quoted by industry insiders, that would help jump-start demand in the construction sector. These are: an extension of capital investment incentives, an increase in funding for public works, scheduling of repairs and upgrades to transport infrastructure, and increased investment in water infrastructure.

But unfortunately, it is primarily governments which control such short- and mid-term rescue packages. And government, as we have already heard, appears to be doing little to successfully address the economic problems that are hindering this industry. But, meanwhile, construction equipment firms themselves are doing everything they can to make investments in the here and now in order to ensure they can maximise their potential as soon as stability returns.

Aforementioned JCB has recently embarked on a training programme that is more extensive than any other in its 64 year history. Involving more than 2,000 employees from its UK factories, the programme is a fine example of how to use this quiet period to positive effect. Instead of worrying about their future involvement in the company, employees have learned new skills and started along the path to gaining recognised qualifications that will benefit their careers as well as ensuring enhanced company productivity post-recession.

“This [scheme] demonstrates a real sense of corporate responsibility,” said April Hayhurst, Commercial Director at Corporate College in Derby – the establishment that has delivered the training programme. “In difficult times many companies can have a ‘head in the sand’ mentality, but not at JCB; they are really doing something that will benefit the company as a whole as well as all the individual employees who take part.”

And JCB was encouraged by the motivated response of its workforce, members of which attended team building sessions as well as classroom-based teaching covering production operations, problem solving, health and safety, lean techniques and management skills.

“In partnership with the colleges, we are equipping the workforce with the skills they need for the future,” explained JCB Head of Learning and Development Ken Stepney. “We are working to combat the problems ↘

caused by the economic downturn and readying ourselves for the opportunities a recovery will bring.”

Time to be creative

At construction equipment giant Komatsu – which is in second place on the Khl Group chart – forecasts have been significantly cut in the light of recent climate change. The firm’s Birtley, UK, plant has seen 91 workers lose their jobs as a result of a massive 70 per cent drop in demand for its products. But here, too, they are finding ways of avoiding negative impact wherever possible.

In Chattanooga, Tennessee, Komatsu has been forced to halt production, but rather than leave its hourly workers out of pocket, it is instead paying them to conduct community service activities during work time. “We have experienced some slow times and weak production, and we have struggled over the last couple of years trying to find good employees. Now that we have found those and built our workforce up, we don’t want to lose them,” said Senior Manager of Manufacturing Don Russell.

Furthermore, the company has recently announced plans to expand its construction and mining business in China. It has already acquired approximately 630,000 square metres of land in Changzhou onto which it will be relocating its current factory, as well as building a new plant and Komatsu (China) Ltd Techno Centre.

Considering the Chinese government’s plan, announced in November, to invest four trillion RMB yuan (US\$571 billion) into the promotion of the country’s economic growth from 2009 to 2010, this would certainly seem a sensible decision.

“Partly affected by the global turmoil, the Chinese market is posing a challenging environment for Komatsu. Nevertheless, Komatsu firmly believes that infrastructure development (e.g. highways and railways) and more mining activities are indispensable to China as the nation promotes sustainable economic growth and urbanisation. In this light, Komatsu projects that the construction and mining equipment market should further expand in the mid- to long-range future,” says the company’s website.

Now, isn’t that a better way of looking at the situation? Times are most certainly bad, but they will change, and those companies which have prepared for that day will surely be first off the starting blocks. □