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Sept. 11, 2006, 2:48PM

Bosch Focuses on Diesel Fuel Technology

By BREE FOWLER AP Business Writer
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NEW YORK — At a time when most U.S. auto suppliers are struggling to cut costs and retain market share, executives for Germany's Robert Bosch GmbH say their company is thriving and continues to expand its presence in North America.

"We are a company that has always targeted products, which are technology oriented and we can really invest into for long-term growth, which we are keen to do so," Peter J. Marks, chairman, president and chief executive of Bosch USA, said in a recent interview with The Associated Press. "We really haven't changed our growth strategy over the last 100 years in this market."

Marks and Franz Fehrenbach, chairman of Robert Bosch's board, were recently in New York as part of events surrounding a celebration of Bosch's 100th anniversary of operations in the United States. A gala event also took place in Detroit.



Despite the heavy competition in the North American market, Fehrenbach said Bosch wants to expand its sales in North and South America to 25 percent of its total sales, up from its current 19 percent, by 2015.

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Marks said that while the volume of automotive sales may not be growing in the United States, the country still represents one of the world's biggest automotive markets, especially when it comes to demand for Bosch's safety and driver assistance features.

The company recently expanded its North American presence when it, along with partner Mann & Hummel Group, acquired Troy, Mich.-based ArvinMeritor Inc.'s Purolator replacement filter business.

In the 100 years since Bosch first began in United States as a small machine shop in New York, the company has grown to become the world's largest auto supplier, posting global sales of \$52 billion in 2005, a 6.4 increase from the year before.

The privately-held company was originally founded by Robert Bosch in 1886 in Stuttgart, Germany and opened a New York office on Sept. 6, 1906. It originally manufactured magneto ignition systems, which provided a reliable way to start vehicle engines, and began mass producing them in the United States in 1907.

The company went on to develop other automotive products including fuel injection systems, antilock brakes and navigation systems. Outside of the auto industry, Bosch expanded to manufacture household goods such as power tools, refrigerators and dishwashers, along with industrial robots and commercial packaging machines.

The result is a global company that easily dwarfs its nearest North American competitors in the global auto supplier market.

Bosch posted an after-tax profit of \$3.05 billion in 2005, which represented a 31 percent increase over the previous year. North American sales totaled \$8.4 billion, up 8 percent from the year before.

Bruce Belzowski, assistant research scientist at the University of Michigan's Transportation Research Institute, said that while Bosch may be the largest auto supplier globally, it probably only ranks in the top five when it comes to North American sales.

North American sales at Bosch's automotive division were \$5.5 billion, up 5 percent from 2004.

In comparison, Troy, Mich.-based Delphi Corp., the largest auto supplier in the United States, which filed for bankruptcy in October, posted sales of \$6.8 billion in 2005. Van Buren Township, Mich.-based Visteon Corp. posted sales of \$2.87 billion last year.

But that could change as Bosch continues to expand its operations on the continent, while the struggling American companies are forced to slim down in the face of production slowdowns at the Detroit-based automakers, he said.

"The two big dogs, Delphi and Visteon, are struggling with the legacies that their parents left them," Belzowski said, referring to the union contracts, unprofitable businesses, and often outdated facilities that the suppliers took with them when they were spun off from General Motors Corp. and Ford Motor Co., respectively.



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"Bosch does not have this problem," Belzowski said, adding it does business with European companies that are doing well and in popular areas such as fuel efficiency.

"They're growing and changing and becoming more profitable," he said.

Belzowski added that Bosch poses more of a threat to Delphi, which also focuses on research and development, than it does to Visteon, which is trying to pare down its operations and focus on core businesses such as lighting and interiors.

While Bosch's automotive division still accounts for the bulk of its sales, North American sales at its industrial division totaled \$1.2 billion in 2005, up 21 percent from the year before, while consumer goods and building sales totaled \$1.7 billion, up 6 percent from 2004.

Fehrenbach said American demand for its European household appliances, such as dishwashers that emit little or no noise, has grown from sales of \$300 million in 2001 to a projected \$600 million this year.

The company also sees great potential in its video surveillance software for use in anti-terrorism efforts, he said.

For example, Marks said Bosch is developing video software that can detect objects that aren't moving in heavy traffic areas, such as packages or bags that have been left unattended in a busy airport.

Bosch also plans to expand its operations in the professional audio market with the \$420 million acquisition of Telex Communications Holding Inc., a Minneapolis-based supplier of audio and wireless systems, Fehrenbach said.

Fehrenbach credited Bosch's private ownership with helping keep its dividends low and allowing it to put about \$3.8 billion into research and development last year. That's 7.4 percent of its 2005 sales, an amount that other auto suppliers are unable to match, he said.

Ninety-two percent of the company is owned by Robert Bosch Stiftung, a charitable foundation, while the remaining 8 percent is owned by the Bosch family.

In recent years, much of Bosch's investment has focused on developing diesel fuel technology, turbocharged engines and direct fuel injection systems, along with advances in brake systems and electronic stability control.

Meanwhile, Bosch is developing other automotive features geared at higher-end vehicles, such as adaptive cruise control, which uses radar to measure the distance between a driver's car and other vehicles in front of it, and then adjusts the speed of the driver's vehicle in order to maintain a safe distance.

Those kinds of technological developments are key to auto suppliers succeeding in today's ultra competitive auto parts market; said Nabil Nasr, assistant provost at the Rochester Institute of Technology and director of its center for integrated manufacturing studies.

"The more innovation, the more ideas, the more security the companies have in their future," Nasr said. "Even with major products, your ability to offer competitive ways to make high quality products and to manufacture them for less can be a competitive advantage."

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On The Net:

Bosch Group, <http://www.bosch.com>

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