



Volvo Truck Corporation

Press Information

Global purchasing entails changes in the industrial system

Volvo Trucks chooses Meritor as global supplier of rear axles – Lindesberg operation to be sold

Volvo Truck Corporation has reached an agreement-in-principle with Meritor Automotive Inc. (formerly Rockwell's automotive business) on the global provision of rear axles, and signed a Memorandum of Understanding.

The agreement means that Meritor will be the primary supplier of rear axles for Volvo Trucks' assembly factories globally.

According to the agreement, Volvo will sell its rear axle operations in Lindesberg to Meritor. The Lindesberg plant will continue to supply rear axles to Volvo Trucks.

"This deal is an element in the restructuring measures we have previously announced. These aim to create a more competitive production and supplier structure for the Volvo Group. With the present agreement we will achieve better economies of scale in Volvo Trucks' component-supply system" according to Volvo Group CEO, Leif Johansson.

"The chief aim of the agreement is to assure Volvo Trucks of a competitive supply of high quality rear axles on a global basis. The resulting economies of scale will be positive from a cost point of view. At the same time, it's Volvo Truck's opinion that Lindesberg's customer base will increase", says Karl-Erling Trogen, President of Volvo Truck Corporation.

Volvo Trucks' global expansion – a contributing factor

Volvo Trucks' global expansion plans constitute a primary factor in the agreement with Meritor. Expansion plans include for instance truck production in China and India. Capacity for the China factory is set at 20,000 trucks per year. The factory in India, which will officially open June 15th, will have a capacity of 4,000 per year. This expansion has made a global rear-axle partner essential for Volvo Trucks.

”Meritor has long been a global player with an established presence in these new markets. This action represents new possibilities for us, as well as for Meritor and for the Lindesberg factory”, states Karl-Erling Trogen.

”Our facilities in Lindesberg are world class. The factory will now have access to a larger market, and become part of a company which specializes in rear axles and other components for the automotive industry”, according to Karl-Erling Trogen.

Suppliers handle more tasks

Volvo Trucks works increasingly with ”single sourcing”. This means that the company will retain one main supplier for various systems.

”The agreement with Meritor is one step in the process of giving suppliers greater responsibility for the development and manufacture of components and subsystems which are built into the truck”, added Karl-Erling Trogen.

A previous Volvo Trucks supplier

Meritor has had a supply relationship with Volvo Trucks for some 20 years and currently supplies the Volvo plants in Curitiba, Brazil; Ghent, Belgium and New River Valley in the USA.

” We need a strong partner who is an axle specialist, and one who can supply all of our global factories. Meritor complies with our demands for quality, delivery precision and developmental expertise”, says Karl-Erling Trogen.

The Memorandum of Understanding now being signed indicates that the parties are willing to make a deal. Final agreements should be completed in September of this year, and are conditioned on Swedish Co-determination Policy (trade union negotiations), approval from competition authorities and corporate approvals.

Meritor – a major supplier to the automotive industry

Meritor is a major supplier of a broad range of components and systems to the automotive industry, both for passenger cars and trucks. For trucks this primarily involves powertrain components, for example rear axles, clutches and transmissions, as well as brakes.

The company has approximately 16,000 employees globally, and has manufacturing units in a number of major global markets. Company headquarters is situated in Troy, Michigan, USA.

”The acquisition of Volvo’s heavy truck rear axle manufacturing resources would enhance Meritor’s position as a global leader in commercial axle production. This major growth opportunity provides premier manufacturing capacity and leverages our global production volumes”, says Meritor’s chairman and Chief Executive Officer Larry D. Yost.

With the addition of the Lindesberg capability Meritor will expand as a major manufacturer of heavy axles in Europe. The group also operates European rear axle plants in Italy, France and the UK.

”This purchase means that we can substantially increase our production of heavy axles in Europe. We also consider it important to be located close to one of our biggest customers, Volvo. The Lindesberg facility is also one of the world’s most modern plants, with a quality level that aligns with Meritor’s philosophy”, says Larry D. Yost.

The factory personnel, which exceeds 750 people, will be employed by Meritor and existing seniority (years of service) will remain unchanged with the new owner.

The Lindesberg plant is Volvo Trucks' only factory for rear axle and planetary-gear production for heavy trucks. The factory opened in 1972, and is a part of Volvo Trucks' operations in Köping, where gearboxes are manufactured. Yearly production rates are currently 70,000 for rear axles and 50,000 for planetary gears. The factory currently supplies Volvo Truck assembly plants primarily in Europe, and to a lesser extent in South America, Asia and Australia.

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Volvo is one of the world's leading brand names in heavy trucks and the company retains a global reputation for safety and driver comfort. Worldwide operations include 22,000 employees and factories in nine countries. Volvo trucks are sold in over 100 markets. The global Volvo truck population is currently 660,000 vehicles. During 1997, the company delivered 69,000 trucks.