

Power Systems



Jack Carthy (right) chats with customer Wes Vermeulen, President of West Bay SonShip Yachts Ltd. on Vancouver waterfront.

“New records were set and a unique global strategy developed to gain a greater share of the power systems business.”

*Jack A. Carthy
President, Power Systems*

A pivotal year for Power Systems was highlighted by record sales, products and service expansion and formation of an International organization that integrates all three country operations.

New prime power and energy systems volumes reached \$238 million, an increase of 22.8 percent over the previous year. Revenue from power generation, rentals, customer service and used equipment contributed an additional \$130 million.

Sales growth in both direct prime products and customer support services, dramatic increases in truck and marine engine market share, and new acquisitions were the major contributors to our global success.

Major activity in the oil and gas fields of Western Canada resulted in record demand for our core products. Our truck engine market share reached a record high of nearly 50 percent for heavy duty and 40 percent for mid-range models.

Rental activities in power generation grew substantially and our customer support services for power systems markets were up, partially as a result of additional revenues from the recently acquired MaK product line in the United Kingdom and CIPA Limitada, a former rental market competitor in Chile.

Added Value

We succeeded in selling marine engines to the tugboat and salmon fishing industries and provided high value added products for prime power in Chile.

The strong demand for Caterpillar power systems products worldwide created a major increase in our customer support revenues as Finning technical expertise was required for service and maintenance of engines and power generation installations.

Target Growth

The newly formed Finning International Power Systems Group met in September to develop a unique strategy and business plan aimed at capitalizing on Caterpillar's projected growth in engine and related markets.

The strategic plan establishes a market-focused international organization to leverage our expertise across the countries in which we operate and to double or triple Power Systems revenue in the next five years. As a leading provider of power and energy systems, we will also use our technical expertise, integrated support services, innovation and global reach to provide the highest value for our customers, opportunities for our employees and return for our shareholders.

Cutting through West Coast waters, this 58-foot motor yacht built by West Bay SonShip Yachts Ltd. of Delta is powered by Caterpillar 3406E marine engine rated at 800 horsepower.

United Kingdom



Steve Mallett (right) joins apprentice mechanic Lance Armstrong in checking transmission components at Finning (UK) headquarters in Cannock.

“Revenues from quarrying, waste management, plant hire and materials handling equipment sales boosted our overall performance.”

*Stephen Mallett
Managing Director*

Increased activity in several leading markets and the government's accelerated spending on infrastructure projects contributed to improved results. Finning (UK) revenue increased 17.8 percent to \$804 million compared to \$682 million in 2000.

The construction and materials handling operations made significant gains in market share. New equipment grew 16.2 percent and used equipment revenue jumped by 34.8 percent. The rental market saw moderate growth of 6.6 percent. Customer support revenue grew by 15.8 percent, which included a 12 percent increase in part sales.

Revenue from the MaK and Sabre Perkins engine lines and the paving equipment operation Finn-pave exceeded revenue expectations by over 40 percent. Finning (UK) acquired distribution rights for the engine operations, both subsidiaries of Caterpillar, and purchased the paving business in 2000.

Big Fleet Agreement

A major long-term fleet supply agreement between Finning (UK) and "Biffa, the U.K.'s largest single supplier of integrated waste management services" generated \$5.7 million in sales and total customer service support. Another \$10 million in equipment will be delivered in 2002 as part of the six-year agreement valued at \$32 million. It provides for the supply, repair and maintenance of over 65 Caterpillar waste handler machines including 15 landfill compactors.

Equipment deliveries to the quarrying, plant hire and materials handling industries showed strong growth.

Quarrying business grew by 96.8 percent as the government initiated its 10-year, \$400 billion investment in improving roads and railways. This growth included a \$13 million equipment sale to a single aggregate producer.

Plant Hire Up

Plant hire deliveries were up by 60 percent, largely due to the Birmingham Relief Road infrastructure project in Northern England. This included a \$28 million delivery to a major plant hire customer.

The market share of materials handling equipment jumped significantly with a 45 percent increase in deliveries. Many of those units were supplied to national accounts.

Our focus on increasing service revenues resulted in customer support agreements, which help reduce machine downtime and increase productivity, being sold on 43 percent of all new equipment. These agreements contract Finning (UK) as the supplier of parts and service.

Lost time accidents declined by 48 percent as employees continued their emphasis on workplace safety.