

Navistar Is Smart To Use “S-Word” (SCR) In Their Customer Discussions Now

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Summary

In a recent Truck Rental and Leasing Assn. (TRALA) hosted Web presentation including selective catalytic reduction (SCR), Navistar rep Tim Shick was quoted as saying “We think SCR is a very viable technology. We can’t find anything negative about it.” He also reaffirmed Navistar’s current approach of being the sole exhaust gas recirculation EGR-only manufacturer going into 2010. This is a good move, since customers have been making their intentions better known - and it hasn’t been positive.

Analysis

There have been several of us writing in GLG articles about Navistar going with “advanced-EGR” and when they would move to SCR like everyone else in the world. While our colleague Jeff Moser has written from his vast engineering knowledge why they would, I have been more so along the lines of real world EGR performance, fleet planning, my past engine industry experience and my mostly unused engineering degree.

As we offered in the past and Shick also said, Navistar would move to SCR if “a non-liquid form of urea” currently under development were ready for commercial application. “We don’t like liquid [urea, or diesel exhaust fluid], and the non-liquid is not ready yet ... so we will run with EGR to reduce NOx,” he said.

We wrote in July of 2008 about one coming approach that may replace the need for urea in SCR applications - with other SCR options under development. We still believe that these-type SCR approaches are where most will most probably end up. We believed then that Navistar had an out with a non-urea SCR approach.

The Diesel DeNOx Catalyst noted and still under development is from Integrated Fuel Technologies, Inc. It uses onboard diesel fuel as the reducing agent instead of urea - and BASF, Corning, Cummins, John Deere, Paccar, Siemens and others have expressed an interest. Other companies outside the US are working on similar technologies.

There have been a number of distractions bubbling in the field surrounding Navistar, including the Caterpillar deal upsetting dealers, Dr. Helmut Endres, vice president of engineering suddenly leaving the company and engine division management restructure in July, the EPA lawsuit to delay 2010 introduction - and then all of the EGR v. SCR competitive rhetoric ratcheting up. Whether it involved internal EGR disputes doesn't really matter to us in the real world, but this has caused many to start contingency plans.

In our work with financiers, we know of some major Navistar clients who have told them they will only buy SCR engines – period! Other fleets are publicly saying they won't (e.g. Arkansas Best), some will try some, while others are still hesitating. The issues of heat and fuel mileage are still seen as heading the wrong direction with advanced-EGR - and it is a major consideration. Our rough surveys show that Navistar's recent gains in market share could be lost - dropping from their Class 8 30% market share today to around 24% (or worse) - a 20%+ drop.

We all know that truck sales involve the truck and financing, but as much has to do with personal relationships mostly with dealers, and also from the factory (especially for big fleets). Navistar has one of best relationship people in VP of Marketing Jim Hebe, who I know has been getting an earful from dealers and customers. Jim is smart and knows that customers want to buy the Prostar - and also want to get on with SCR implementation.

Listening to customers is smart! Using the S-Word is also smart and gains credibility - especially for the future. Moving ahead on "whatever" S-word approach they go with will be a winner!