



GE's Jenbacher gas engines are at home in electric power generation applications. Pictured is the Texas landfill project by Reliant Energy located near Humble, Texas, U.S.A. The site is comprised of five JGS 616 GS-L.L gas engines running on landfill gas with an electrical output of 1677 kW with an electrical efficiency of 38.3%.

Distribution Key to North American Growth

GE Energy's gas engine division sticks to the plan; invests in production, products and dealer support

Shortly after GE Energy purchased Jenbacher, the company was clear about its reasons for the purchase and its future plans. According to Rick Stewart, president and CEO of GE Energy's aeroderivative business, GE Energy wanted to "cover the full gamut of power generation opportunities" and "take its product down the ladder to below 5 MW all the way down to the 1 MW to 500 kW range." Now, just over two years later GE has accomplished that and through investment in its Austrian production facilities, North American distribution system and engine products, seems poised to continue its growth and expansion.

"GE is very pleased with the acquisition of Jenbacher and how it has performed," said Stewart. "We have seen tremendous growth since the purchase of Jenbacher and have literally doubled our revenues in the first two years. We have also brought stability to the business by investing money to grow the business."

The investment includes the expansion of the production facilities in Austria by more than 50% over the next three years with plans for more in the future, as well as the development of a distributor network in the Americas in addition to its well-established international one. The recent introduction of the Jenbacher J312 GMD engine package for mechanical drive gas compression applications is also an indication of GE's future new product and business plans for Jenbacher engines. (See *D>W*, June 2005.)

The mechanical drive, gas engine segment makes up about half of all the gas engine sales in North America, so it makes sense for GE to look at this option. The recently introduced J312 GMD gas engine driving a GE Oil & Gas compressor is evidence of this business direction.

"Showing the kind of commitment to do whatever is necessary to grow the business, I think gets people excited," said Stewart. "The employees have seen that we are here to take a great company and build on it. We simply brought the capital and global reach that GE can supply quickly, and leveraged it to the benefit of the business."

"I believe we have the strongest product line in non-natural gas, gaseous engines for

applications such as coal mine gas, the biogases, landfill gas streams and any gases in chemical process applications," continued Stewart. "We have seen growth in all of our regions around the world. Growth in our non-natural gas, gas engine business is four or five times that of the natural gas engines, and our orders in China and the Ukraine for coal mine gas applications are tremendous. Biogas in Germany has also been strong. Germany has in place a large incentive program to burn non-natural gases so that's helping tremendously."

Meanwhile, important on-site power natural gas applications for GE's gas engines include the textile mill industry in Pakistan and greenhouse cogeneration systems in the Netherlands.

According to Stewart, one of the things that GE has learned from Jenbacher and has left in place and even built upon is the concept and use of "application centers of excellence." There are now three centers of excellence set up for biogas, greenhouse solutions (CO₂ fertilization) and coal mine gas. The engines for these applications have enough differences in terms of performance, operability and how they are applied and packaged that it makes sense to have specialists, according to Stewart. This system ensures that customers are directed quickly to the center that can best accommodate them.

Darrell Manuel, general manager for GE Energy's North American Distribution said, "In the last two years we have worked to get our distribution system within North America in place. Before the acquisition, Jenbacher had opened a facility located in Detroit, Michigan, U.S.A., with a sales and service force that fanned out to cover the country. Since 2003, six distributors and after-sales parts and services providers were set up within the continental U.S."

They include Northeast Energy Systems, based in Philadelphia, Pennsylvania, to cover the northeastern region. Inland Detroit Diesel-Allison Inc., located in Carol Stream, Illinois, to cover the north-central region of the U.S. Smith Detroit Diesel-Allison, located in Salt Lake City, Utah, to cover

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the north-central region and part of the West Coast and southwest region of the U.S. Valley Power Products Inc. covers the states of Oregon, California and Alaska from its location in Irvine, California. United Engines covers the central and south-central part of the U.S. from its location in Oklahoma City, Oklahoma. And Charlotte, North Carolina's Nixon Energy Solutions covers the southeastern region of the U.S.

In Canada, GE has Waterous Power Systems handling distribution and service for the provinces of British Columbia, Alberta, Saskatoon and Manitoba, while

Integrated Power Systems doing business as Diesel-Allison Canada East covers the provinces of Ontario, Quebec, New Brunswick and Nova Scotia.

"These are key distributors we specifically chose," said Manuel. "They have been strong players primarily in the diesel engine business for many years and all of them have a strong track record in their geographic areas. They have good reputations, multiple locations, many sales people, good service departments and strong engineering departments."

"And these people are entrepreneurial

and most own their own businesses and to me that's critical," said Stewart. "If he is the guy who owns it and is not successful in the business by providing great service, it comes out of his pocket, so he's focused. He's got more to gain or lose."

However, it has not all been smooth sailing, and Stewart admitted that the first year was a little rough for the distributors.

"We failed in the first year to support our distributors in North America the way we should have," said Stewart. "You can have the most talented people and the best distributors, but if you do not support them correctly and give

Distributors Also Embrace Changes

Since the acquisition, GE is not the only company to make changes to its business structure. The new North American distributors set up by GE to distribute the Jenbacher gas engines have also experienced many changes including increased investments in personnel, engineering capabilities, and facilities and in some cases the creation of new business entities.

Northeast Energy Systems (NES) is one such business entity. Set up by parent company Penn Detroit Diesel, for the distribution and service of Jenbacher products, it focuses exclusively on the Jenbacher gaseous-fueled electric power generation systems. The company has its own service group, three sales engineers and shares engineering resources with its sister business, Pen Power Systems (PPS).

"The addition of Jenbacher has changed our business tremendously. It has given us new opportunities relating to our core power systems product support business that we would not have otherwise had," said Al Clark, vice president and general manager of NES. "Before taking on GE Jenbacher our business focused diesel engine distribution and standby electric power generation markets. The addition of the GE Jenbacher products has helped to improve our traditional standby power generation business."

The Jenbacher engine is a purpose-

built engine developed as a gaseous fueled engine. "It is an organic design from the beginning," said Clark. "So we now have access to an extremely well-designed, integrated product that has years of experience behind it.

"The Jenbacher engines are a perfect match for us and have allowed us to expand our product offerings," continued Clark. "It has also opened doors that were unimaginable before, enabling us to increase sales of not only Jenbacher, but our traditional standby products."

According to Clark, NES has invested heavily in engineering, test equipment, emissions analyzers and training of technicians, sales and engineering personnel. Because of the investment, Clark feels that it has strengthened NES' competencies as a distributor, packager and service provider across the board.

"We have become a far more competent integrator of all types of continuous and standby engine packages," said Clark.

Some distributors, including NES, are now more involved in long-term service contracts for power plants. This has effectively put them into the power plant operations business. One such distributor that has become very involved is Inland Energy Services (IES), the company set up by Inland Detroit Diesel-Allison to distribute and service the Jenbacher product.

"Becoming a distributor of the


Jenbacher gas engines has given us three opportunities to expand our business," said Tom Palmer, vice president of IES. "First, now we have engines to sell into continuous-duty electric power generation applications. Second, because of this, we have more of an opportunity in the service of the engines and sale of parts simply because the engines are operating continuously. And third, this has given us the opportunity to have operational control of the sites."

The service and operational control is done through the company's Service Operations group.

Since becoming a Jenbacher distributor in January of 2004, the company has been contracted to operate landfill-gas-to-energy plants using Jenbacher engines. These sites were maintained by the Jenbacher U.S. service team, which now is transferring control to the newly named distributors giving them the operational responsibility.

"We have had two sites under contract since February of this year and we are soon to have a third along with seven more that should be transitioned by the end of this year, said Palmer."

The other changes made by IES include a dedicated new product sales group and the establishment of the site operations group.

"With the GE's Jenbacher engines we are trying to create a brand identity separate from our Detroit Diesel-Allison business," Palmer said. 



More recently, GE has begun installing its Jenbacher engines in mechanical drive applications. The first one, pictured here, is a J312 GMD gas engine driving a GE Oil & Gas Compressor.

them all the tools necessary for success, it won't work. They must have (engine) application data, engineering support and marketing support."

Manuel said, "They must also have parts support available to them as well. They need a system where parts can be shipped to them the same day. That is critical and it was not in place."

Manuel explained, "One of the things that we are doing is setting up the structure here to support the distributor network directly out of the Houston operation. We're in the process of beefing up

our parts warehouse operations, we've added engineering support and additional service support and we're in the process of adding a training center here in Houston. We now have enough parts in the U.S. to take care of any type of emergency shipments to the distributor network. Only the distributor stock orders will ship from Austria."

Internationally, new distributors and after-sales service and parts suppliers are also being added. One of the most recent additions to the well-established international distributor network for Jenbacher

engines was PT. Navigat located in Jakarta, Indonesia. PT. Navigat will be responsible for sales and after-sales service in Indonesia of the Jenbacher reciprocating engines, packaged generator sets and cogeneration units.

The company has sales offices in Indonesia's capital of Jakarta, as well as the city of Bandung, 180 km southeast of Jakarta. In addition, Navigat Innovative International Pt. Ltd. is located in Singapore. The company also maintains a service workshop located in Pulo Gadung, Jakarta.

"We see the business moving, expanding and changing where historically it has been in Western Europe with growth in Eastern Europe and the Middle East of over the last years," said Stewart. "It will experience further growth in China and Indonesia as well as the rest of Asia, India and of course North America. This will continue to become a more significant as time goes on."

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