

Fuel Systems Targets U.S. Autos for Alternative Fuel Solutions

By David Phillips | January 27th, 2009 @ 9:42 pm



IMPCO Technologies

- **The Company: Fuel System Solutions**, a major provider of alternative fuel systems worldwide which convert gasoline vehicles to run on cleaner burning natural gas or propane.
- **The Filing:** [FORM 10-Q filed with the SEC on November 10, 2008.](#)
- **The Finding:** Fuel Systems Solutions recently announced it would begin manufacturing its innovative alternative fuel solutions for the U.S. automotive market during the first-quarter of 2009 at its U.S. subsidiary, **IMPCO Technologies, Inc.** Given the current regulatory environment, refueling infrastructure, credit turmoil in Detroit, and the current price of conventional gasoline prices in the U.S., are prospects still viable for alternative fuels to displace petroleum as a consumer fuel of choice?

The Upshot: The [initial launch strategy](#) will target U.S. automotive fleets, as corporations can quickly build the infrastructure necessary to fuel their vehicles, said **Matthew Beale**, president of Fuel Systems. In addition, Beale said that it makes economic sense to service corporations first, as they can quickly build the infrastructure necessary to fuel their vehicles, as well as achieve significant cost savings and emission benefits by converting their gasoline vehicles to run on Fuel Systems' proven solutions.

Assuming success with corporate fleets, the next step would be to establish joint ventures for its technology with Detroit and other auto manufacturers to distribute alternative gaseous fuel vehicles to U.S. consumers. However, selling the technology profitably will depend largely on the aggregate cost(s) involved in certifying the IMPCO converter kits with the Environmental

Protection Agency and a plethora of individual State boards, according to an article in the *Orange County Business Journal*.

The adverse affect of the U.S. recession is being reflected in Fuel Systems' U.S. -based **IMPCO** operations, which has historically focused on the more economically sensitive heavy-duty engine and gaseous fuel industrial markets. For the nine-months ended September 30, IMPCO operations reported a 7.5% decline in revenue to \$73.6 million, as customers cut capital expenditures and delayed new purchases.

For the nine-month period, non-U.S. operations accounted for approximately 83 percent of total sales. As growth trends remained favorable in Europe, Latin America, and Asia, total sales climbed year-on-year 60.8% to \$298.4 million. Europe contributes the largest share of revenue, driven by continued favorable price differentials for alternative fuels, growing original equipment manufacturers (OEM) participation in the market, and extensive public refueling infrastructure. The light duty and OEM automobile markets are serviced by the company's Italian-based subsidiary, **BRC**.

Of interest, too, Matthew Beale told analysts on [the third-quarter 2008 earnings call](#) the automotive OEMs that the company works with—although global in reach—are much more concentrated in Europe and Asia. Consequently, Fuel Systems has not seen any significant order cancellations from those customers.

The Question: *Could government incentives, such as industrial tax credits and subsidies to individual conversions, stimulate demand for alternative fueled vehicles—independent of current oil prices—in the United States?*