

Relocated hybrid firm starts slowly in Oakland



Bill Cowger, Oakland Business Review - Curt Huston, Azure Dynamics chief operating officer.

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A hybrid and electric powertrain supplier formed north of the border is settling into its spacious new corporate home in Oak Park with a small staff but ambitious goals.

Azure Dynamics [TSX: AZD; LSE: ADC] has so far moved nine employees into its 36,000-square-foot, two-story headquarters, where it will house management and supply chain functions. The company announced it was moving its headquarters from Toronto in September 2007 after obtaining tax credits from both the city and state.

Since moving, the company has hired a director of quality, a manufacturing systems engineer and a program manager to oversee its partnership with Ford Motor Co. hybridizing the automaker's E-Series vehicle platforms.

The company could be on track to employ between 15 and 20 locally by year's end, said Curt Huston, chief operating officer.

Incubated in the mid-1990s at the University of British Columbia, Azure today boasts 130 employees and offices in Toronto and near Vancouver and Boston. It focuses on commercial truck and bus fleets, Low Emission Electric Power (LEEP) mild hybrid systems for trucks with motor-powered accessories, and electric vehicles. The company contracts out most of its production work and sources its nickel-metal-hydrate batteries from Orion Township-based Cobasys.

"We don't have a lot of manufacturing capabilities, but that's OK. It's more of an outsourced business model," Huston said. "There's plenty of capacity in the industry. Why should we add to it?"

The publicly traded company has raised roughly \$130 million to date from investors, but it isn't yet profitable, losing nearly \$22 million through Sept. 30. It's banking partly on a partnership to design parallel gasoline-electric hybrid systems on Ford's E-350 and E-450 commercial chassis to fuel dramatic revenue growth in 2008.

The company last month added its fourth customer to the Ford program. It expects to soon start building 20 pre-production hybridized E-Series vans for FedEx Express, with a slow ramp-up for its other customers slated for May. Canadian delivery giant Purolator Courier Ltd. aims to have 154 of its hybridized E-Series trucks on the road by the end of the year, said Steven Glaser, Azure's vice president for corporate affairs.

"This should be the start of our ramp-up, this should be the start of where we start to see the rise of our revenue," Glaser said.

The E-Series hybridizing program with Azure "is a first-of-a-kind partnership we have in this arena," said Ford spokesman Wes Sherwood. Ford, the market leader for 29 years, sold 168,722 E-Series trucks last year, down from 180,000 in 2006, he said.

"It's a very niche, small market - enormous for Azure, not so much for the OEMs," Glaser said. "They're all chasing the 16 million cars. ... There's 300,000 of these types of vehicles."

Azure officials hope that benefits including a 40 percent improvement in fuel economy for urban drive cycles, an equivalent reduction in greenhouse gas emissions and additional savings on maintenance appeal to fleet operators watching rising gas prices eat away at their bottom lines.

The company's new home, the former design center for ASC Inc., could easily accommodate 100 employees. "But when is that happening? It's tough to see," Glaser said. "If we become the company we expect to be we'll need a lot more here."

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