



The Association of European Vehicle Logistics

Brussels, 26th October 2010

PRESS RELEASE

ECG calls for a renewal of scrappage schemes as a way to improve profitability and sustainability in the vehicle transport system

A renewal of scrappage schemes could provide a vital boost not just to auto industry profitability but to the sustainability of the European transport system. Speaking in Berlin at ECG's annual conference, which attracted some 250 attendees including a host of senior logistics executives from the leading automakers, association president Costantino Baldissara said the gains to be had from such scrapping schemes were undeniable. "There are still millions of cars on the road causing high pollution. They should be removed from the road step by step," he said. He cited a recent report by environmental group Friends of the Earth on the external cost benefits to be generated by replacing the Italian car park. They included savings of 85 cents per kilometre driven for atmospheric pollution, 15 cents in greenhouse gas costs, 46 cents in the cost of accidents, and E3.45 per kilometre in congestion costs.

Applying those figures to Europe as a whole, the total gain for the replacement of 50 million obsolete cars would run as high as E24.5 billion annually, a gain for society that, as Baldissara said, is surely impossible to ignore. Such schemes would certainly improve profitability, giving logistics providers the opportunity to invest in new capacity just as auto sales were beginning to recover. In comments to journalists at the Berlin conference, Baldissara noted that "there is already a lack of capacity in some countries, in Germany for instance where it is being driven by export growth in particular." He added that, while domestically sales in some European countries continued to suffer, "we are seeing the first signals of a slowdown of the decrease in the number of cars sold." Not only that, strong car sales in Turkey and the looming revival of the Russian market would also boost demand. Meanwhile, carmakers are increasing their levels of stock, "which went from 100 days to a low of 30 days and now is reaching a more normal level of around 60 days." This is a further boon to the logistics sector, he said, while noting that car movements do not necessarily correlate to car sales. ECG's Berlin conference focussed on the key issues now facing the vehicle logistics sector, from satisfying the car buyer to green logistics to how to craft a sustainable partnership between logistics services providers and OEMs.

As the European car market edges out of the deep crisis into which it had fallen – and ECG vice president Wolfgang Gobel noted that investment analysts were already upgrading their performance expectations of selected automakers – logistics providers will need to invest in new capacity to meet rising demand. Mr Baldissara noted that the logistics sector destroyed or decommissioned 20% of its capacity in response to the crisis, while reserves plunged and prospects for investment all but disappeared as profits tumbled. In order to fill the resulting capacity gap, the sector will need to start generating profits once again. This in turn will require awareness from its carmaker customers that the industry sinks or swims together, that LSPs must have the ability to invest if their cars are to move efficiently to market when the recovery comes.

As Baldissara noted, the drive to renew the vehicle transport fleet also provides an opportunity for the sector to invest in new eco-friendly technology, and thus to become part of a progressive solution to the environmental challenge facing European transport. ECG is already engaged in the effort to reduce the sector's carbon footprint, as Emile Banaim, director of the vehicle logistics group at Toyota Motor Europe, made plain in his conference presentation. He confirmed that Toyota had adopted ECG's carbon calculator to measure CO2 emissions across the outbound supply chain and that it would view its use by Toyota providers favourably in future tenders.

On the maritime side, meanwhile, Melanie Moore, global head of environment at Wallenius Wilhelmsen Logistics, told the conference that the promised introduction of much tighter emissions standards in the US and Europe, with “a huge regulatory crunch” due in 2015, was already prompting new strategies from shipping lines. These included everything from slow steaming to making intermodal transmissions more efficient to using “cleaner” technology in ship design. LSPs must work with their OEM customers, however, to ensure the response impacted as little as possible on supply chain efficiency.

Background for the Editors

ECG, the Association of European Vehicle Logistics, has been the voice of the Finished Vehicle Logistics industry in Europe since 1997. ECG represents the interests of some 100 member companies, from family owned SMEs to multi-nationals, and is the major champion of the European vehicle logistics sector. We represent all transport modes at EU level.

ECG Members provide transport, distribution, storage, preparation and post-production services to manufacturers, importers, car rental companies and vehicle leasing operators in 24 Member States, Turkey and Russia. They own or operate more than 360 car-carrying ships, 22,000 purpose built railway wagons, 46 river barges and 20,000 road transporters. As a major employer, the industry plays an important role in contributing to the economic success of the European Union. Today, ECG members have an aggregate turnover of €15 billion and their economic impact on companies associated with the sector is estimated at €34 billion. More than 60,000 Europeans are employed directly by the vehicle logistics industry and an additional 160,000 are indirectly employed in this sector.

For further information please contact:
Mr Mike Sturgeon, Executive Director of ECG,
Tel: + 32 2 706 8282
Email: info@eurocartrans.org
Website: www.eurocartrans.org
