



The Association of European Vehicle Logistics

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PRESS RELEASE

CONFIDENCE RISES AMONG LSPs AS MARKET REBOUNDS

The future is in our hands,” Baldissara tells ECG General Assembly

Europe’s vehicle logistics sector can look to the future with new confidence as vehicle sales rebound across Europe and suppliers glimpse the possibility of a new era of cooperation with their auto-making clients. “The future is in our hands,” said ECG president Costantino Baldissara, speaking at the association’s annual general assembly in Warsaw on Friday. “Demand for new vehicles is on the rise in most of the major European markets, and this will inevitably translate into greater demand for logistics services. Looking ahead, this spells better times for our sector.” As he also noted in his keynote speech to the assembly, however, a number of obstacles must be hurdled if Europe’s LSPs are to be capable of meeting that rising demand for logistics services.

Some 20% of capacity was cut as demand plunged through the economic crisis. Capacity shortages remain, even in countries like Italy where demand has fallen sharply. In addition, rates are under pressure and costs are on the rise, squeezing margins and profits. This in turn sharply restricts the sector’s ability to invest in fleet expansion and renewal. Baldissara stressed “the need for Euros 3 billion to 5 billion of investment to restore the capacity shed during the downturn”, this for a sector that, with the exception of a few larger, capital-intensive companies, is barely breaking even. There is a risk that without this investment a lack of transport capacity may choke off the industry’s wider recovery.

Thankfully, the positives are also beginning to mount up for the sector. Marius Baader, head of the department of statistics, analyses and forecasts at VDA, told the assembly that European car sales were 2% down in the first quarter compared with the same period last year. But sales in Germany jumped 14% in the first three months and exports are surging as the US and other markets rally after the slump. Meanwhile, other major markets, such as the UK, are poised for better results later this year and Russia is taking off again. Indeed, Kirill Petrunkin, chief executive of Autotechnoimport, said sales could hit the barnstorming levels of 2008 by next year, sparking rate growth and extensive fleet renewal.

Relations between LSPs and their OEM clients also appear to be on the mend after the turmoil of the crisis years. Egon Christ, senior manager worldwide transportation and vehicle distribution at Daimler, called for a new “model of cooperation” between logistics providers and manufacturers. “The conclusion from the data we have heard is that the crisis is over and the outlook is great,” he said. At the same time, he acknowledged that the logistics sector is recovering only slowly, partly because OEMs had looked to their supplier base for cost savings and rates had suffered as a result. With trust and confidence eroded on the supplier side, the concern now, he said, is that lack of investment in new logistics capacity might hamper the industry’s ability to respond to rising demand as the recovery continues. In response, he proposed a new “code of business conduct for both sides, to repair the trust damaged or lost through the crisis.” On the OEM side, it might include mid- to long-term contracts and reliable volume forecasts, high-frequency fuel surcharge clauses and an acceptance of typical sector profitability. For their part, carriers might commit to investment programmes and to continuous improvement or innovation.

Baldissara welcomed the initiative, adding that ECG has been a long-standing proponent of greater partnership between LSPs and OEMs. He said he would approach Daimler shortly with a view to opening talks on the new code. “This could represent the dawn of a new era for our industry,” he said, “in which mutual respect and an awareness of the other’s concerns leads to greater economic stability and sustainability. With the market on the way back, its timing could not be better.”

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 almost 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 25 Member States, Turkey and Russia. They own or operate more than 373 car-carrying ships, 13,000 purpose built railway wagons, 24 river barges and 17,600 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 167.000 are indirectly employed in this sector.

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