EU vehicle logistics seeks harmonisation to thrive again

by Ewa Kochańska

In the words of Wolfgang Göbel, President of the Association of European Vehicle Logistics (ECG), lately, the finished vehicle logistics (FVL) industry has had to endure "crisis following crisis" while facing "some of the most challenging times" ever seen in the business. Whether caused by Brexit, Covid-19 lockdowns, or war in Europe, the EU vehicle logistics sector has struggled. The 28th ECG General Assembly & Spring Congress, an annual event that brings together experts and stakeholders from the automotive logistics industry, analysed its objectives concerning the challenges of increasing investment and operational costs, rising inflation, and environmental regulation.

Speakers at this year's event, held in Thessaloniki on May 11-12, discussed the importance of environmental stewardship, digitalisation, and transition to electric mobility in the European logistics sector. Industry professionals highlighted the potential of blockchain technology in enhancing transparency and efficiency, and their presentations encouraged the stakeholders to embrace sustainability practices and explore the opportunities they offer. The event also provided a platform to discuss the evolving regulatory landscape, trade policies, and customs procedures, calling for collaborative solutions and the enhancement of cross-border cooperation.

Rolling with the crisis-after-crisis punches

The convention's first day included a welcome speech by Göbel, the ECG board meeting, and several procedural steps such as approval of 2022-meeting's minutes, review of budgets, and a formal discharge of the outgoing board and a vote on its new members. Additionally, reports and updates from working groups and regional meetings were presented with an opportunity for interactive questions, followed by surveys on current issues that the members are targeting. Göbel, in his closing remarks to the Assembly, congratulated the newly elected ECG board, proclaiming, "We have the best ECG ever in Brussels right now." The day ended with a gala dinner for all attendants and the ECG Academy graduation ceremony. The following day saw the ECG Spring Congress, complete with a line-up of presentations from keynote speakers, including industry leaders, policymakers, and academics, who shared industry findings, insights, and expertise.

The first presentation, on the outlook on the European market, came from Justin Cox, Director of Global Production, LMC. He pointed out that the industry lived through "a series of layered disruptions since the pandemic," with supply chain issues that have now been "supercharged by the war in Ukraine." High inflation and interest rates have also been affecting the auto industry. "All of this isn't really good for customer confidence, as we've seen, and that really translates into poor economic activity," said Cox. However, in the first quarter of 2023, "the economic activity has been quite robust in both the US and in the Eurozone," he added. Additionally, the predictions of expected recessions in Europe have been "dialled back" or have been milder, and the US is not expected to see a recession in 2023 at all. As a result of these economic ups & downs, the automotive industry has also been quite volatile. In Q4 2022, global light vehicle (LV) output increased by more than 4% year-on-year (yoy) and in Q1 by 5% yoy. Yet, supply-side disruptions continue to hinder LV output, but small improvements continue. Forecasts for the future in LV production show growth for Europe at +10% yoy, North America at +7% yoy, and China at +3% yoy. Some concerns in Europe about battery electric vehicles (BEVs) include poor preparation for a transition to EVs, e.g., many EU Member States need more electric charging points along their roadways and plants with BEV programmes.

While the situation for the European car makers may still be shaky, China's finished vehicle business is on an upswing. A report, *Finished Vehicle Exports from China*, by Namrita Chow, a transportation business analyst at ECG Business Intelligence, shows that the country's finished vehicle sector is benefiting from the Russian war of aggression against Ukraine; China's car exports to Russia now account for about 40% of all new sales there vs 10% in January-February of 2022. Overall, Chinese finished vehicle exports were up in Q1 of 2023 by 71% yoy, and they increased three times compared to Q1 of 2020 when Covid was beginning its run. With Chinese car makers laser-focused on electric vehicles, the global finished vehicle market could be dominated by the Asian nation quite soon.

Standardisation means cooperation

Ben Waller, the Associate Director ICDP, spoke about what can be learnt from the "chaos of the last few years" concerning forecasting methodology in the vehicle industry. Waller highlighted the need for cooperation in the industry to optimise all processes, e.g., fixing the planning process would resolve the capacity crisis. In terms of forecasting methodology and standards, the advice at the policy level included a commitment to quality, reinforcement to prioritise stable processes and communication, and consideration of an external forum for network development



Photos: ECG

and revision of best practices. At the operational level, Waller called for templates to standardise data and reduce rework and digitalise processes, templates, and data flows, among others. Concerning OEMs and LSPs, they must forgo current distrust and broken dialogue and commit to a more sustainable relationship by, among others, building stable monthly planning quality process loops and collaborating closely over backhaul needs and booking platforms.

Moving onto costs in FVL, the Innovation Lab graduate group from the ECG Academy presented their project: Development of an FVL Cost Index. They stressed the importance of cooperation among stakeholders to provide more accurate and frequent data, using the latest technologies, such as big data and artificial intelligence (AI), to streamline the flow of information.

Subsequently, Matthias Riveiro, PwC Partner, and Niklas Dilger, PwC Senior Manager, presented a Q4 2022 update of the FVL Cost Index. According to the report, five global micro-trends are currently influencing logistics and freight companies. First, climate change-related regulations are causing higher investment costs. Second, serious labour shortages are putting strain on the sector, particularly when it comes to truck drivers whose lower wages and poor working conditions repel the modern workforce. Third, inflation is causing a rise in costs, a reduction in purchasing power, and a demand for higher wages. Fourth, geopolitical tensions are resulting in much higher fuel and operating costs and the closing of some transport routes. And lastly, the pandemic, global lockdowns, and congested ports have resulted in still looming shortages of raw materials and purchased parts. The European FVL cost index for Q4 of 2022 is 158.3 compared to 2019, and the sea segment is responsible for most of it, with 236.4, chiefly due to port charges.

Next, picking up a hot-button issue of EU regulation, Dr Louise De Tremerie, Transport Policy Advisor in the European Parliament, updated the ECG Congress on EU affairs, particularly Fit for 55. Tremerie advised that while the majority of EU objectives in transport pertaining to that package either have been adopted or are close to adoption, the work on taxation, such as energy tax directive, taxation on electricity and fossil fuels, is falling behind, and it is unclear whether it will be finished on time.

The issue of emission calculations was discussed to finish the 2023 ECG Congress presentations. Andreea Serbu, Senior Manager, ECG External Affairs, pointed out that current guidelines for emissions are substandard by concentrating on weight, which is not enough to measure emissions (all dimensions should be considered). Therefore, there are plans for a cross-industry partnership to create the first standard methodology for automotive supply chain emission calculating and reporting – under the motto of "one industry, one standard." The efforts will be led by ECG, VDA and other OEMs, who will develop a methodology for emission calculating and reporting based on the ISO 14083 standard, set to be published in Q3 2023.

Ambition amidst upheaval

The 28th ECG General Assembly & Spring Congress showcased the industry's ambitions in sustainability, digital transformation, and regulatory compliance. Embracing new technologies such as AI and exploring the potential of data analytics and predictive modelling in forecasting demand and optimising logistics processes can advance supply chain operations, efficiency, and customer experience.

With its diverse range of presentations, interactive sessions, and networking opportunities, the gathering offered a platform for knowledge exchange to shape the future of vehicle logistics in Europe, allowing professionals and stakeholders to learn, establish new connections, and explore the potential for fresh collaborations. ■













