ECG News

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ECG – The Association of European Vehicle Logistics

Issue 12.38, 24th – 28th September 2012

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NEWS FROM BRUSSELS

Commission gathers rail sector stakeholders around the forthcoming 4th railway package

(Source: ECG, 27th September 2012) On 24th September, a conference entitled "The Last Mile towards the 4th Railway package" was organised by the European Commission (EC) in Brussels. Commission Vice-President Siim Kallas introduced the event by pointing out that the recent rail recast agreement reached between the Commission and the European Parliament was already about to redefine the functioning of the rail market "by stimulating investment, improving market access conditions and reinforcing the role of national rail regulators". He however acknowledged that more reforms were needed to ensure a "genuine single market" and better services quality within the European railway network. For the Commission, the main objective of the 4th railway package to come is clearly to counter the fragmentation of the rail sector, so far characterised by diverging rules, different standards and "a history of protected national markets" which makes it difficult for newcomers to set up and compete with existing service providers. The conference speakers had the opportunity to address several issues which should be tackled in this future package. Some of the participants agreed, for instance, that EU-wide standards should be applied and used to move to a single EU approval system to save time and money. The need to implement the European Rail Traffic Management System (ERTMS) on a larger scale within the EU was also addressed by railway operators. The EC also supports a fully enforced liberalisation of the sector in all EU member states, as an increased competition should benefit customers through offering better services at lower prices while still ensuring good safety records as well as good working and social conditions for the sector employees. In this respect, and to tackle the problem of the sector's financial opacity and over-subsidising from member states to their "national service providers champions," the Commission advocates that the Infrastructures Managers (IMs) who run the network and the Railway Undertakings (RUs) that use it for transport should be two legally and financially independent entities. This would be implemented in order to avoid conflicts of interest more likely to occur within a - often state-owned - conglomerate. Such a measure is also seen by the Commission as a way to prevent discriminatory behaviours from an IM towards one or several RUs using its network. This position was naturally controversial, as some participants argued that having an IM and an RU in the same structure allows a better dialogue and a broader systemic vision of the sector issues. The 4th railway package will soon be presented by the Commission, as it was announced that this conference was the last one organized by EC before the new package is published. Finally, the Commission encouraged all the stakeholders to communicate their ideas and points of view on the sector issues and on the future reforms that should be conducted to tackle them.

For more information on the conference (programme & speakers) please see: http://www.railsconference2012.eu/home.html

European ports policy review - now disclosed!

(Source: ECG, 27th September 2012) On 25th – 26th September, the European Commission organised the European Ports Policy Review Conference in Brussels to discuss the challenges of the European ports and ways to unlock their full growth potential as essential nodes of the Trans-European Transport Network (TEN-T). Among the speakers featured representatives from Port Authorities, terminal Operators, Shipping Companies, Trade Associations, the Cyprus Presidency of the EU, the European Commission and the European Parliament. In the opening speech, Mr. Siim Kallas, Vice-President, Commissioner for Transport, pointed out the expectation for ports to handle more freight and

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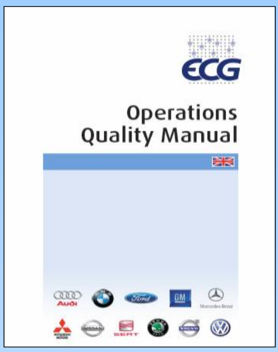

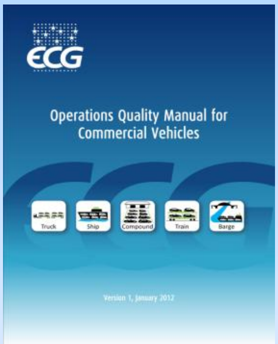

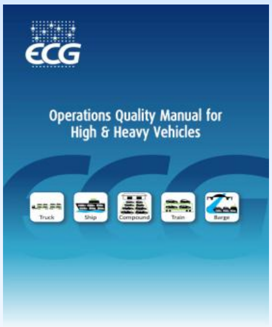

- Written by the Quality Working Group and the H&H Working Group composed of OEMs and LSPs.
- The manuals can be downloaded from: http://www.ecgassociation.eu/PublicationsReports/ECGOperationsQualityManuals.aspx

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passengers in the years to come and the fact that they struggle in terms of investment needs, sustainability, lack of skilled labour, and integration with cities and regions. There are many different operating models and a lack of clear EU-wide rules, which in some cases prevent fair competition. The proposed review identifies issues regarding the management of ports, labour regimes, authorisations, charges, concessions and services, and the relationship between port authorities and service providers. Mr. Brian Simpson, Member of the European Parliament (MEP) and Chair of its Transport (TRAN) committee, expressed his wish to attract EU skilled workers, improve working and training conditions and making growth and investment going hand in hand with social protection. Jean-Eric Paquet from the Commission's DG MOVE highlighted the importance of the ports in becoming key logistics interfaces in an integrated transport policy. Mrs. Joanna Szychowska, from the Commission's DG MARKT addressed the current lack of uniformity of enforcement of public contracts. The Proposal for a Directive on Concessions aims to elaborate a horizontal tool that would set up a model procedure to identify the best offer. Ultimately, in ports owned and managed by a public authority, the granting, renewal and termination of concessions should be subject to a fair, transparent and non-discriminatory tender. Mrs. Magda Kopczynska from the Commission's DG MOVE, chaired the session on the administrative simplification in ports. She pointed to the differences between ports in various member states and between ports within the same state. Though in need of reform, Customs services cannot be held responsible for often unco-ordinated controls or lack of data in real time. Mr. Santiago Garcia Mila, deputy executive director of the Port de Barcelona brought up the subject of interconnectivity vs. interoperability and the fact that cargo flow and information must be simultaneous. ECSA President Juan Riva emphasised that the policy review should focus on 4 key challenges: ports and hinterland connections; ports concessions and pricing; working and efficiency of port services and fight against red tape. He stressed that the soft law approach did not deliver the expected results and that specific action is necessary on port services notably towage, pilotage and port labour. The event was concluded by the remarks of Mr. Matthias Ruete, the Commission's DG MOVE Director General. He cited optimistic EU figures from the World Bank report "Connecting to Compete 2010: Trade Logistics in the Global Economy" yet encouraged to further progress. After stakeholder consultation the European Commission will come up with policy responses to 3 main issues in relation to previous port packages: a) ports performance; b) specific services; c) labour issues. The conveyed feeling was that Single Market rules in the port sector should ensure an open business environment benefitting all actors in the supply chain until the end user. However, much of the success will depend not only on the technological progress but also on the shift to a more effective management culture.

For more information please see: http://www.portsconference2012.eu/home.html

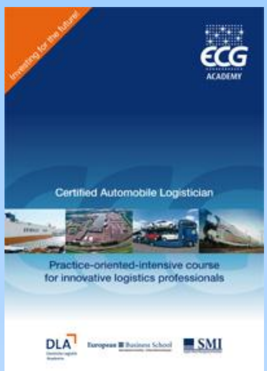
AUTOMOTIVE INDUSTRY

Razzle dazzle at Paris show can't hide gloom

(Source: Automotive News Europe, 26th September 2012) Europe's automakers will seek to dazzle at the Paris auto show starting on Thursday 27th September, revealing over 100 new models. But no amount of shiny chrome can distract automakers from the deep-rooted challenges facing them in the European market, the world's most competitive and its worst-performing. Painful, unpopular decisions are now the order of the day. Even the German manufacturers (which had looked crisis-proof) are no longer immune. Volkswagen, Europe's largest carmaker, which had been doing well, stealing market share from its struggling competitors, warned on Tuesday that business conditions had become "significantly more difficult." The U.S. car market crisis in 2008 was sharp and dramatic. Europe's slump is shaping up to be a long distance marathon with the

ECG Academy

Course 7 will commence in October 2012.



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finish line a hoped-for 2015 recovery. But if that turns out to be a mirage, the industry faces a bleak future indeed. "Volume manufacturers need a market recovery; the measures they have put in place like cost cutting and staff reductions won't be enough to return to an acceptable profitability if the market doesn't bounce back," said Stefano Aversa, co-president at consultancy AlixPartners. In a situation like this, the smart car executive will be the one who succeeds in calling the bottom of the market and ramps up new model launches before consumers return to showrooms in 2014 or 2015.Unless, of course, they do not. The Paris show will demonstrate the strategies different carmakers have adopted to deal with the crisis. One will be less of a buzz around full-electric small cars than in previous years, since the initial costs have proved prohibitive to cost-conscious consumers. Green crossovers should attract attention, however, as carmakers hope to lure environment-conscious families. Low-cost, no frills models like Opel's Adam and the new Sandero, made by Renault's Romanian affiliate Dacia should prove popular. Since the Geneva auto show in March, the crisis has also spread to the premium segment, as growth in China slows. Daimler already warned profits at its flagship Mercedes-Benz car division this year would fall. As recently as late July, it had reassured investors it expected operating profit to be flat at €9bn. "We are gearing up for a challenging environment," Chief Executive Dieter Zetsche told reporters the day before it emerged that Daimler planned to cut over €1bn in costs. Volume carmakers are the real victims, however, having seen their market share fall from 85% 15 years ago in Europe to 65% this year, losing out to premium and low-cost players, figures from AlixPartners show. Sergio Marchionne, Fiat chief executive and president of industry lobby group ACEA has called for a Europe-wide agreement on plant closures. But with carmakers each going their own way, his strategy looks dead in the water. Still, a meeting of ACEA members in Paris during the show will be closely watched for any new developments. For mass-market manufacturers Peugeot, Opel, Fiat and Ford, whose cash-burning surplus plant capacity has swollen in step with the market's decline, hanging on for a recovery seems to be the strategy, and a risky one. General Motors' Opel unit has amassed $700m in losses in the first half of this year, prompting analysts to call for its disposal. GM, which is part-owned by U.S. taxpayers, has poured a total of $16bn into the brand over the past dozen years with little to show for it. Morgan Stanley forecast earlier this month that Opel could burn a further $12.3bn of cash over the next ten years. GM says it believes it can turn the unit around, with 23 new vehicles to be introduced by 2016. Peugeot is losing money by the month, and is projecting "further cash absorption" in 2012 and 2013, "as the potential for cash burn in 2014 remains high," Fitch said in a report that cut Peugeot's rating to BB- (a notch below Fiat's). The closure of its Aulnay assembly plant near Paris and sale of its GEFCO logistics business won't be enough to counter slumping sales. Ford, which promised decisive action in July, continues to weigh its European options. It said this summer it expected to lose more than $1bn in Europe this year. Fiat's Marchionne has been forced to revise his manufacturing strategy in Italy, saying the company had put all investment on hold pending a recovery as it shifts its production from domestic to export. The company will work with the Italian government on finding a competitive way to export to the U.S. market, where its Chrysler unit is booming. That may take some time. Any near-term rebound will be slow (if it happens at all) and more than offset by tougher competition. And if no recovery materializes, the consequence could be a new round of auto industry consolidation in Europe.

VW says some automakers may go bankrupt without government help

(Source: Automotive News Europe, 27th September 2012) Volkswagen Chief Financial Officer Hans Dieter Poetsch said some European competitors are at risk of going out of business without financial assistance as the region's auto market sinks with no end in sight to the downfall. "It is unclear if all carmakers will survive without governmental help," Poetsch said on the eve of the Paris auto

ECG AGENDA

►**ECG Academy Module I**, on **10th - 12th October**, in Prague, Czech Republic

►**ECG Conference** on **11th - 12th October** in Prague, Czech Republic

►**ECG Maritime and Ports Commission** will be held on **24th October**, in Brussels

►**ECG closed 1st & 2nd November** – Public holidays

►**UK & Ireland Regional Meeting** on **13th November**, in Birmingham, UK

► **ECG Academy Module II** on **4th - 8th December** (TBC) in Bremen, Germany

►**ECG closed** on **24th December – 1st January** inclusive

►**ECG Spring Congress & General Assembly** on **23rd – 24th May** in Dublin, Ireland

show on Wednesday 26th September. "Carmakers in southern Europe that produce small cars will be especially affected." As the show got underway, French automaker executives were also pessimistic about the European market. PSA Peugeot Citroën CEO Philippe Varin said rivals would soon be forced to follow PSA in closing factories and making big job cuts. "Some of our competitors in Europe are losing even more money than us on every car they sell," Varin said. He described the European industry's situation as "untenable" in an interview with French newspaper Les Echos. "We have laid out our plans, but other manufacturers will have to take similar steps. It's obvious that a certain number of plants will have to close," he said. Renault CEO Carlos Ghosn said the automaker's goal to increase deliveries this year is strongly under pressure. "We see no improvement next year. The market will be at best stable, or more likely a little lower," Ghosn told investors on Wednesday 26th September. Ghosn said he expects the auto market to shrink by 13% in France and by 7% to 8% in Europe this year, compared with previously forecast declines of 11% and 6% to 7% respectively. Renault Chief Operating Officer Carlos Tavares said the carmaker does not intend to cut jobs or plants "at this stage." He said: "Our plants are in a difficult situation, which we are managing with temporary layoffs; but the slump in Europe is likely to last." PSA is shuttering its factory in Aulnay near Paris that builds the Citroen C3 subcompact and cutting more than 10% of its 100,000 strong domestic workforce in response to a sales collapse that has seen the automaker consume almost €200m a month in cash. VW's Poetsch said European auto deliveries may get worse before it starts to improve, adding that the current market has never been more difficult to assess. VW sales chief Christian Klingler said the pricing situation in the region is very tense and the company does not expect a significant rebound in the European auto market over the next 1-2 years. "We're bracing for more negative surprises in 2013, perhaps also in 2014," Klingler told reporters at the show. Fiat CEO Sergio Marchionne, who currently heads the ACEA industry lobby group, has been urging his European counterparts to come up with a comprehensive plan to cut overcapacity throughout the region, a move resisted by VW and the other German carmakers. Fiat is on track to lose €700m in Europe this year and has cut investment spending by €500m to preserve cash.

Daimler to cut production at largest car plant

(Source: Automotive News Europe, 24th September 2012) Daimler is planning to cut production at its largest car plant, a source familiar with the situation said, as deteriorating markets in Europe and China hit sales of its Mercedes-Benz cars. All production lines at the Sindelfingen plant are affected, and labour representatives and management are currently negotiating shift plans, the source said. After warning last week on profits at Mercedes, Daimler said it would come up with a cost savings program, which sources said to be over €1bn but not include job cuts. Relations at the plant over shifts for the fourth quarter are so strained that Daimler has called in mediators to settle the dispute, German newspaper *Stuttgarter Zeitung* reported. The newspaper added that the S-Class sedan was doing especially badly, citing employee sources. A Daimler spokesman declined to comment on current talks with staff representatives. "We are however looking at demand and will adjust our output to keep stocks at the optimum level," he added. The spokesman also said that Daimler still planned to increase employee numbers by 250 people by 2014. The comments last week by Daimler's CEO Dieter Zetsche that the group was gearing up for a "challenging environment" in Europe and China had also spooked investors in rivals BMW and Volkswagen. China is a major source of profits for German luxury carmakers and has thus far helped shield them from the woes being felt by mass brands dependent on weakening markets in Europe. Mercedes, however, has been suffering more in China than its competitors, which Zetsche has partly blamed on their local sales organisation. China sales grew only by 3% last month, whereas BMW sold 38% more cars and Audi 24% more.

Events in Brussels

- European Automotive Research Partners Association (EARPA) reception and conference on 1st – 2nd October 2012 (http://www.earpa.eu/earpa/17/55/earpa_conference___10_years_celebration.html)
  ECG will attend

- Electric Mobility: "Future challenges for the automotive industry", on 2nd October 2012 (http://www.alde.eu/event-seminar/)
  ECG will attend

- "Connecting Europe" by EC, on 2nd October 2012 (by invitation only)
  ECG will attend

- "European Transport Forum" on 16th October 2012 (http://europeantransportforum.eu/home/events/details/11-ETF2012.html)
  ECG will attend

- "European Transport Forum" on 16th October 2012 (http://europeantransportforum.eu/home/events/details/11-ETF2012.html)
  ECG will attend

- "European Logistics Summit" on 17th October 2012 (http://www.logistics-summit.eu/)
  ECG will attend

- European Electric Vehicle Congress, on 19th- 22nd November (http://www.eevc.eu/)
  ECG will attend

- TEN-T Days by EC, on 27th-28td -29th November 2012 (http://tentea.ec.europa.eu/en/news__events/events/2012_ten-t_november_events.htm)
  ECG will attend

EUROPE

Russian Railways wins bid for GEFCO

(Source: Automotive Logistics News, 26th September 2012) Months of speculation over the sale of PSA Peugeot Citroën's logistics subsidiary GEFCO was brought to an end last week when it was announced that Russian Railways (RZD) had emerged as the winning bidder for a 75% stake in the company worth €800m. RZD is the sole owner of the rail track and key rail infrastructure in Russia and one of the three largest transport groups in the world. The agreement will be subject to antitrust authorities, while GEFCO will enter into a consultation with its works council to discuss the offer. It follows PSA's decision earlier in the year to sell a stake in GEFCO, which had record profits in 2011, in an effort to raise cash for its struggling automotive unit. The payment will made after GEFCO pays PSA Peugeot Citroën a special dividend of €100m, though what this involves exactly and how it affects the overall price RZD will pay to PSA has not been made clear. What is clear for the moment is that PSA will retain the remaining 25% stake and the existing management team is to remain in place, with Luc Nadal continuing to serve as president and the head office remaining in France. The move is expected to further GEFCO's expansion strategy in China, India and Latin America, and accelerate its growth in Eastern and Central Europe, particularly in Russia. It will also allow GEFCO to diversify its business base. According to Vitaly Belskiy, transport analyst at Frost & Sullivan, it is a win-win deal for both PSA and RZD, though he said that it will be a longer term win for the buyer. "Acquiring GEFCO, one of the leaders of the automotive logistics market, a company with a solid operating margin of 5.9% (as of 2011) could be a one-time opportunity for the Russian company," he said. Noting the crisis in the European vehicle market Belskiy highlighted that PSA is among the first of the vehicle manufacturers to look for drastic measures to restructure its business to regain financial health. However, he also noted that Russian Railways was keen on diversifying its business model and is therefore pursuing a strategy of geographic expansion. Belskiy said that such a strategy should secure the company's long-term position in the logistics market, not least because it has set itself a strong target of increasing cargo turnover by around 28% on both Russian and foreign markets by 2015 (compared to 2009). RZD runs passenger and freight rail in Russia and has controlling stakes in Transcontainer for moving containers by rail and with RailTransAuto for finished vehicles. GEFCO also uses Transcontainer to move freight from Asia by rail on the Trans-Siberian railway for Peugeot production in Kaluga. RZD said the majority stake in GEFCO will help it promote transit cargo flows along the Europe-Asia transcontinental route. Russian Railways has been investing in making the route a competitive alternative to ocean routes and said the next logical step would be the development of the sales network for transcontinental transport services via an international logistics company. Belskiy said the Russian Railways could use the deal with PSA to achieve a number of goals. One of these would be using GEFCO's strong experience in multimodal logistics solutions to develop combined sea, rail and road services for Russia as it does in Europe, in line with RZD's 'less rail, more road' corporate strategy. "Another viable option, which has always been Russian Railways' dream, would be to link Asia and Europe using Trans-Siberian Railway in Russia together with road or combined logistics in Europe, and therefore become a single logistics service provider from Asia to Europe reducing delivery time compared to sea shipments," said Belskiy.

NYK buys controlling stake in ROLF SCS

(Source: Automotive Logistics News, 26th September 2012) Japan's NYK has bought a 51% controlling stake in Russian vehicle logistics provider ROLF SCS, a division of the ROLF Group, in a new joint venture designed to enhance finished vehicle logistics services in Russia and expand the customer base of each company. ROLF will retain the remaining 49% stake. The joint venture will

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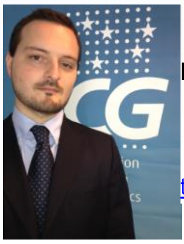

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combine NYK's ocean forwarding strength with ROLF's established finished vehicles services in Russia, including its terminal network, which involves vehicle processing at the port of Zarubino near Vladivostok on the Russian East Coast and at the Petrolsport terminal at the port of St Petersburg, where NYK already calls in addition to its presence at the St Petersburg Sea Commercial Port and at Ust Luga. The use of the Zarubino terminal could be useful given NYK's established support for carmakers including Chang'an Mazda Ford and its use of the port. Two years ago NYK was looking for new business in the local Russian market and considering automotive transport services from ports in China and Europe. This latest development appears to indicate a step forward in those plans but there remain challenges at the Russian ports, which need further upgrades to accommodate larger car carrier vessels and greater storage space at the terminals to handle large volumes of vehicle imports, Zarubino being a case in point. That said, an example of how the relationship is already working was seen last month when ROLF SCS unloaded more than 3,500 vehicles in just six and half hours at the Petrolsport terminal from two NYK carriers – the Coral Leader, carrying around 3,200 vehicles and the Autobank, carrying nearly 400. The Mitsubishi, Volvo and Citroën vehicles where then transported by ROLF trucks to dealerships in Russia. The record throughput beat a previous unloading of more than 2,000 vehicles during one night from four separate car carriers set two months ago. The new joint venture will also be able to draw on the support of ROLF SCS' inland facilities at the finished vehicle terminal in Lobnya near Moscow and its customs terminal and technical service centre at St Petersburg following the agreement ROLF signed with bonded warehouse provider Elite-Trans back in 2007. In addition, ROLF has leased a finished vehicle terminal in Naberezhnye Chelny that opened last year. Naberezhnye Chelny is the hometown of Kamaz and Sollers. "The launch of the joint venture gives us a wonderful opportunity to take ROLF SCS to a brand new level," said Igor Salita, CEO of the ROLF Group. "This joint venture will be a symbiosis of NYK's 127 years of experience and their global network, including ports, terminals and ferries, with ROLF SCS' expertise in the Russian market and its strong relationship with customers." ROLF SCS' existing management team will lead the new joint venture, working in cooperation with NYK representatives. Alexander Larin, who is now CEO of ROLF's logistics business, will be CEO of the new joint company, which will retain the ROLF SCS name.

Toyota cautiously aims to grow again in tough Europe

(Source: Automotive News Europe, 26th September 2012) Toyota is cautious about pushing too hard for expansion in Europe where it is easy to lose money, but still aims to boost sales in the region by 10,000 or more vehicles in 2012 from 822,000 a year ago, executives said. The Japanese automaker plans to expand market share slightly to 4.5% from last year's 4.2% and bring that up to about 5% to 5.5% over the next five years, Didier Leroy, CEO of Toyota Motor Europe, and Karl Schlicht, executive vice president, said on Wednesday 26th September. The growth would come after four years of shrinking market share for Toyota in Europe and as car sales drop in the region. "We have to run a sensible business, a profitable business. It's very easy to lose money here in Europe, so we have to be careful and we want to go step by step," Schlicht told reporters on the eve of the Paris auto show. Europe is Toyota's fourth-largest market, following North America, Asia and Japan. Toyota has the biggest European presence among Japanese automakers but is still a relatively small player in the market dominated by seven western brands including Volkswagen and Renault. It also faces aggressive South Korean rivals Hyundai and Kia. The Japanese automaker, which has six vehicle assembly plants in the region including Turkey and Russia and three engine plants, aims to boost European sales to 1 million vehicles in 2015, including the Lexus brand cars, Leroy said. Toyota's sales and market share in Europe peaked in 2007 at 1.3 million vehicles and 5.6% share, but that was followed by an operating loss of 143bn yen ($1.8bn) in 2008-09 amid the global financial crisis and a rising yen. The strong yen, which soared from around

120 to the dollar in 1997 to 77 per dollar five years later, makes it expensive for Japanese firms to export products. While Toyota locally produces about 67% of its cars sold in Europe including the Yaris compact car and the Auris hatchback, it still imports much from Japan, including parts and engines used in the vehicles. For hybrid cars, most parts are imported from Japan, executives said. In the future, Toyota wants to boost the local production rate to 75% for vehicles it sells in Europe, Leroy said. Toyota's European business has been profitable since 2010 and 2011, owing to its financial services business. The company also wants to bring its struggling manufacturing operations in Europe back to profitability this financial year, which ends in March 2013, Leroy added. Toyota is trying to make maximum use of its plants in Europe, which have the capacity to produce 600,000 vehicles a year. It is investing $35m to build the new Auris in Britain, and to build the Corolla sedan in Turkey.

REST OF THE WORLD

Shifting markets mean a sea change for logistics

(Source: Automotive Logistics News, 26th September 2012) With US domestic freight trends weak, inventory lagging on production and exports from the US to Europe and China slowing, the forecasts from the opening session at this week’s Automotive Logistics Global conference in Detroit sounded like more bad news for the transport and logistics industry. But while caution is warranted, there were signs of optimism amid increasing light vehicle sales and production as well as from seismic shifts in the regional flow of vehicles from North America. According to Benjamin Hartford, senior research analyst at Robert W. Baird, there remains a low level of consumer confidence amid high unemployment and low growth. This has translated into static figures for truck tonnage, with a particular slowdown in growth notable since May. However, there are reassuring signs that the housing market has stabilised, that consumers are paying down household debt, and that pent up demand would continue to push up new vehicle purchases. Hartford pointed to sales for 2012 forecasted to reach 14.3 million units and 14.8 million in 2013. Hartford noted that a general growth in manufacturing in the US, up around 5% year-on-year relative to GDP (compared to -15% in 2009), was having positive impacts on freight levels in the country. On a global basis, the industry continues to be marked by a continuing shift in manufacturing and sales to developing markets. According to Michael Robinet, managing director of IHS Automotive Consulting, in 2000, developing countries accounted for 10% of global vehicle production; it is now 30% with China and Brazil both key markets for plant relocation. This is forecast to double by 2019 to 60%. Japan and South Korea are losing ground to South Asia, North America, the Middle East and Africa, as well as Central and Eastern Europe. Significantly, China’s growth will be focused mainly on internal requirements and exports to developing markets, according to Robinet. For vehicle flows, the Asia to Americas trade is being hit by the rise of the Japanese yen and production co-location, which will account for a declining share of what Robinet referred to as ‘super-region flow’. Vehicle flows from Asia to the Americas is slated to decline from 7% of total combined sales in 2000 and will be 4.6% in 2020, while the rise in volumes from North America will be driven by the south-eastern states of United States and imports from Mexico into Asia. Meanwhile, volume from those areas to EMEA regions is set to double by 2020. Robinet concluded that backhaul volumes from the US and Mexico, both to the West and East, offers a new dynamic for the transport infrastructure supporting global vehicle movements. The growth of production in the US south, and in particular Mexico, is also pointing towards increasing bottlenecks in both material availability and across logistics modes and ports. According to IHS, by 2019 production plants in the US south and in Mexico will represent almost 50% of North American light vehicle output, with much of the shift coming at the expense of the Midwest and Canada. Plants in the Midwest have dropped from producing 44% of North American light vehicle output in 2007 to around 40% today, and forecasted to drop slightly to 38% by 2019. Plants in the southeast, meanwhile, now represent 23% of production (up from 20% in 2007) and will reach 26% by 2019. Mexico has grown from 13% in 2007 to 19% in 2012, forecasted to rise to 23%, particularly with the country set to add nearly 1.5 million more units of production in the next four years. Canada is forecast to shrink from 16% today to 11%. Even if many tier one suppliers, such as Delphi, have the majority of their plants in Mexico, much of the tier and lower tier supply base is still based in the Midwest of the US. “There are not enough tier one and tier two suppliers in Mexico,” said Robinet. “They can’t necessarily get their factories up and running in time to meet the growth. Mexico needs more engine and transmission capacity, for example.” Although Robinet pointed to significant challenges in getting material into Mexico, as well as getting vehicles out, he pointed to even more important opportunities. “Those who best understand Mexico will really benefit,” he said.

Fiat mulls second plant in China as it cuts costs in Europe

(Source: Automotive News Europe, 21st September 2012) Fiat is considering a second car factory in China to expand in the world's largest car market as it cuts investment in crisis-hit Europe. "In the future, we might have another manufacturing site, somewhere in the south," Jack Cheng, general manager of Fiat's joint venture in China with Guangzhou Automobile Group Co., said in an interview in Shanghai. Fiat CEO Sergio Marchionne wants to boost

sales in China to counter losses in Europe. The Turin, Italy-based manufacturer is reducing spending in its home region this year by €500m to conserve cash, with demand in Europe poised to fall for a fifth straight year. Fiat's mass-market brands lost €354m in the region in the first half. Marchionne, who has been spearheading an industry-wide effort to close excess assembly lines in Europe, has said he will shut a second Italian factory unless he finds a way to export cars to the United States. Fiat will present a plan to stem losses in Europe at the end of October. After two failed partnerships in China, the Italian manufacturer finally started sales of its first China-made vehicle, the Viaggio compact, on 16th September. Fiat plans to release one new model a year in the country and will introduce an SUV in 2014, Cheng said. The venture's factory can produce up to 140,000 cars annually. The company also sells three imported models in China (the Bravo hatchback, the Freemont SUV and the retro-styled 500 minicar). Fiat is playing catch-up in China, where it terminated partnerships with Nanjing Automobile Group Corp. and Chery Automobile Co. The tie-up with Guangzhou Auto allows Fiat to produce cars locally and avoid paying the 25% duty on imports, making its cars more competitive. GAC Fiat Automobile Co. expects to have 100 dealerships in a few weeks, up from 88 now, Robert Graczyk, commerce director at the company, said recently in Shanghai. Last year, the Italian brand sold 991 vehicles in China, compared with 2.6 million units for General Motors Co. and 2.3 million vehicles at Volkswagen AG. China's passenger-vehicle sales growth will probably accelerate in the second half, rising by 15 % to 8.5 million units, driven by demand from first-time buyers and a resurgent economy, the China Association of Automobile Manufacturers said in July. Full-year deliveries may increase by 11% to 16.1 million vehicles, the association said. "This market is still growing at 10%," said Graczyk.

Jaguar Land Rover wins China approval for Chery joint venture

(Source: Automotive News Europe, 26th September 2012) Jaguar Land Rover and Chery Automobile have won regulatory approval to form a 12.1bn Yuan (€1.47bn) car venture in China, Chery said on Friday 21st September. The deal will help raise the profile of Chery, a mass volume player aspiring to gain access to the lucrative upscale segment dominated by foreign brands. It also marks Jaguar Land Rover's latest effort to expand its appeal in the world's largest auto market, where luxury sedans and SUVs remain in hot demand even as the overall car market cools. When asked to confirm a local media report that the project had won approval from the National Development and Reform Commission (NDRC), a Chery spokesman said: "We heard the project has been approved, but we have yet to receive the official notice from NDRC." The Chery-JLR venture will be based in Changshu city near Shanghai with an annual capacity of 130,000 cars. The partners will make Land Rover SUVs initially, followed by Jaguars in the second phase. Earlier in the year, JLR and Chery received the green light for the venture from China's environment ministry. JLR announced in March that the scope of the joint venture would include engine manufacturing as well as a new range of vehicles jointly developed with Chery. JLR, controlled by India's Tata Motors Ltd, had previously explored joint venture deals with other Chinese partners, including Great Wall Motor Co Ltd, but made little headway. The Chery tie will give JLR a local production base in China, where global luxury markers including BMW, Mercedes-Benz and Audi are tapping into the growing ranks of wealthy Chinese. China is JLR's third biggest market after the UK and US based on 2011 sales. In the same year, Chery was China's sixth biggest carmaker.

GM, PSA to make small cars in Brazil

(Source: Automotive News Europe, 26th September 2012) PSA Peugeot Citroën and General Motors are working on plans to build small cars together in Brazil, a French union official said. Under the tentative plan, confirmed by Brazilian unions, the two automakers, which formed an alliance in February, would pool production of two new models for Peugeot and Citroën and two for GM, Bruno Lemerle, of the CGT union, told reporters on Tuesday 25th September. No decision has yet been taken on a production site, which could be an existing PSA or GM plant, or a new factory, Lemerle said. Paris-based PSA had no comment on co-operation plans with GM, a spokesman said. Alliance working groups are scheduled to report back on joint programs in late October. Under the alliance, which saw GM take a 7% stake in PSA, the two carmakers aim to save $2bn annually within five years from purchasing, logistics and joint development of new vehicles and technologies. Moves to build a future generation of Peugeot and Citroën family cars on the same technical base as GM's Opel Insignia are also advancing, Lemerle said. German media reported earlier this month that GM had backed away from tentative plans to share its mid-sized car technology with PSA, weakening the rationale for their alliance.

PRESS RELEASES

Road transport: effective enforcement of social rules for better health and safety of road users

(Source: European Commission, 26th September 2012) The European Commission has published a new report on the implementation of the social legislation in road transport in the Member States. The report, based on data from the

years 2009 and 2010, shows that the rules are increasingly better implemented, controlled and obeyed thanks to good co-operation between Member States, Commission and stakeholders. Yet, efficiency of controls could be improved by targeting checks at premises and using risk rating systems to this end. It also shows that the most frequent offences are still caused by too short breaks and rest periods, followed by violations of driving time.

Commissioner Vice-President Siim Kallas, responsible for transport, said: "The outcomes of the fruitful European co-operation on social legislation in road transport are evident: better understanding of the rules, more effective enforcement and fewer infringements. Consequently, safer working life for all drivers and safer roads for all in Europe. But we won't lower our guards, and will continue to work for an ever better implementation of these rules.

The report provides a general overview of how Member States have, in the period 2009-2010, enforced the EU social provisions for road transport laid down in four interrelated legislative acts. The findings show two main types of developments: a) improvements in the enforcement by Member States, in particular as regards the number of controls carried out, data collection and reporting discipline, b) improvements in the application of the rules by professional drivers and transport undertakings.

Data show that checks at the premises are almost five times more efficient than at the roadside. The majority of checks were nevertheless performed at the roadside. Member States are invited to continue efforts to better balance these two types of controls and to use national risk rating systems to better target checks at premises.

The total number of checks performed by all Member States increased, and at the same time the rate of offences detected decreased compared with the previous 2-year period. The types of the most frequent offences remain the same, namely too short breaks and rest periods, followed by violations of driving time.

In general the enforcement of the rules is becoming more effective and the legislation is more correctly implemented. This is thanks to the increasingly widespread use of the digital tachograph and measures to detect and prevent abuses of the tachograph system as well as to the continuous co-operation between Member States, European stakeholders and the Commission services.

The report can be downloaded from the Commission's website:
http://ec.europa.eu/transport/road/social_provisions/driving_time/driving_time_en.htm

Turkish Ministry of Transport joins ERTICO - ITS Europe

(Source: ERTICO, 25th September 2012) The Turkish Ministry of Transport, Maritime Affairs and Communications has joined the ERTICO – ITS Europe Partnership, Europe's leading organisation supporting R&D and deployment of Intelligent Transport Systems and Services (ITS). Joining 100 Partners ranging from mobile network operators, public authorities, research institutions, services providers, suppliers, traffic and transport industry, user groups and vehicle manufactures, the Turkish Ministry of Transport has put itself at the heart of the ITS industry in Europe - and beyond.

With large investment in its transport infrastructure, including ITS, Turkey wants to ensure that its infrastructure is compatible with emerging international standards, and indeed to contribute to those standards. By joining the ERTICO Partnership, the Turkish Ministry of Transport, Maritime Affairs and Communications will benefit from ERTICO's expertise in ITS and close relationship with the relevant international ITS bodies and stakeholders, while bringing to the table the fast-growing and dynamic Turkish market and innovative ITS sector – already more than 45% of Turkish trade is with the EU and nearly 80% of foreign direct investment in Turkey comes from the EU.

What's more, being a full member of the ERTICO Partnership will facilitate information exchange and allow Turkey to participate fully in R&D and development projects in the field of ITS, with eCall being one example - Turkey intends to integrate the eCall system into the existing 112 PSAP in Antalya as part of the proposed HeERO 2 pilot project.

Furthermore, the creation of the organisation "ITS Turkey" will bring all Turkish ITS players under one roof so that Turkish industry, research institutions and other stakeholders can speak with a single voice and fully participate in the international ITS dialogue.

Erol Yanar, Director of Strategy Department, Ministry of Transport, Maritime Affairs and Communications, said, "We believe that successful deployment of intelligent transport systems throughout Turkey will enhance the strength of ERTICO and we think that becoming a member of ERTICO and benefiting from its substantial experience will make a major contribution to the development of ITS in Turkey. We also believe that our young and open-minded population and dynamic constitution will contribute substantially to ERTICO".

Jean Mesqui, the Chairman of ERTICO – ITS Europe, said, "We very much welcome Turkey into the ERTICO Partnership. Turkey is a strong contributor in terms of competence to develop and deploy Intelligent Transport Systems. We are all very excited to now work together with Turkey in the ERTICO Partnership to make mobility smarter, safer and greener."

A Turkish delegation will also be participating at the 19th ITS World Congress, held in Vienna 22nd -26th October 2012. The Head of Research and Development Department, Ministry of Transport, Maritime Affairs and Communication will be speaking at the "Smart Mobility applications" session (9:00 – 10:30am, 25th October). The session is jointly organised by the European Commission and ERTICO.

Additional statement by Erol Yanar, Director of Strategy Department, Ministry of Transport, Maritime Affairs and Communications:

"As a result of a huge amount of highway investments, the length of divided roads approximately tripled and the length of the renewed and maintained highways doubled in the last nine years. Thanks to the continuous improvement of the economical conditions, the number of vehicles has almost doubled between the 2003-2011 period. These are pleasing developments for Turkey.

We have a vision of providing and regulating the transport and communications services in a qualified, safe, environmentally friendly, fair and economical way for all of our citizens."