ECG News

Truck Ship Compound Train Barge

ECG – The Association of European Vehicle Logistics

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NEWS FROM BRUSSELS

EU biofuels claim challenged by academic study

(Source: Euractiv.com, 31st July 2012) German researchers have unveiled evidence suggesting that EU claims, according to which locally-produced rapeseed biodiesel cut back at least 38% of greenhouse gases (GHG) compared with fossil fuels, are unfounded. Two experts at Jena's Schiller University in eastern Germany used the same calculation system as that applied by the European Commission, but found that in eight out of 12 scenarios rapeseed biodiesel failed to meet the 35% GHG savings level or threshold stipulated by the 2009 renewable energy directive, and normally falls below 30%. The findings by academics Gernot Pehnelt and Christoph Vietze come as the rapeseed harvest is in full swing in producing countries, such as France and Germany – and prices for the feedstock are increasing. Biofuel use is increasing in an attempt to cut emissions. They also coincide with new proposals to cut carbon emissions from new cars to 95 grammes per kilometre – partly by relying more extensively on blending biofuels with conventional petrol and diesel. Civil and military aviation is also stepping up the experimental use of biofuels in jet engines. The German experts used publicly available data for their research, which they claimed is more comprehensive than other independent analysis, but said their investigations had been hampered by the EU's refusal to release all its data. Requests for information from the Joint Research Centre (JRC) went unanswered, they said. The EU's lack of transparency has already been challenged by NGOs such as ClientEarth and the authors claimed this added weight to the "simple and unavoidable" conclusion that the Brussels data on rapeseed oil's alleged GHG savings is deliberately over-stated, and "political" rather than "scientific".

Commission defends data

A spokeswoman for the Commission declined to comment specifically on the report, but said: "Different studies can come to different results, depending on the assumptions used." She did, however, defend the Commission data, stating that "the figures used as default values by the Commission are the result of a comprehensive process including input from world leading experts, where all input data and assumptions are freely available." She added: "The claim that data would not be shared by the Commission is not correct, all data is published on the JRC's website." The new study's authors suggested that EU biofuels policy may – as claimed by some NGOs – be a form of industrial policy in all but name and be driven by "green protectionism" to exclude imported sources of biodiesel on behalf of European agri-business. "Our results indicate that the 'sustainability' of rapeseed biodiesel in the interpretation of the renewable energy directive (RED) is at best very questionable and in most scenarios simply unjustifiable," the study's authors said.

AUTOMOTIVE INDUSTRY

Renault to produce EV batteries in France with LG Chem&CEA

(Source: Automotive Logistics News, 01st – 07th August 2012) Renault has announced it will begin production of its next generation of lithium-ion batteries for its electric vehicles (EVs) in 2017 with South Korean battery maker LG Chem, in a move aimed partly at reducing logistics cost. The companies have said they are now ready to enter the preparation phase for industrial production and will work together on setting up a dedicated manufacturing plant in France to make the new-generation batteries. The latest announcement follows 2 years of collaboration between Renault and the French Alternative Energies and Atomic Energy Commission (CEA) on battery development and sustainable mobility more generally. As part of a three-party Renault-CEA-LG Chem agreement, to be signed in September 2012, LG Chem will work on developing the technology of

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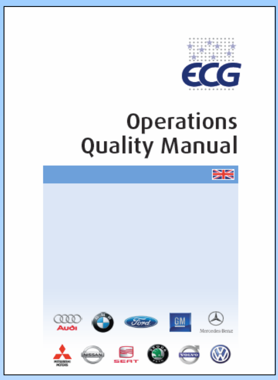

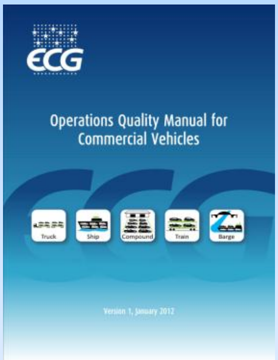

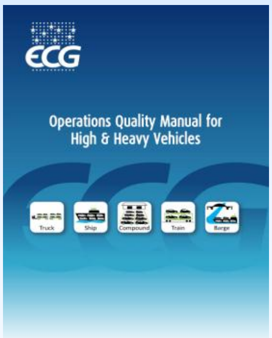

- Written by the Quality Working Group and the H&H Working Group composed of OEMs and LSPs
- The manuals can be downloaded from: http://www.ecgassociation.eu/PublicationsReports/ECGOperationsQualityManual.aspx

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the new-generation battery and contribute all its industrial expertise in large-scale battery production. The companies will also work together on the production of the current generation of lithium-ion batteries in France from 2015. Lithium-ion batteries are the most expensive component in EVs and the companies will have to work on lowering the cost. The announcement of a date for large-scale production of the latest generation also raises questions about the logistics costs and distribution challenges particular to their movement. These include the impact of the weight on distribution cost and environmental restrictions on battery transport and storage. It also involves logistics issues around the sourcing of production materials and the use of specialised equipment for its handling. In a statement, Renault suggested that production in France would reduce logistics cost to factories and customers. Batteries are currently shipped from Japan and South Korea. AESC supplies batteries for the Kangoo and Fluence, while LG Chem supplies them for the Twizy and Zoe.

500,000 jobs seen at risk due to Europe debt crisis

(Source: Automotive news Europe, 02nd August 2012) Efforts by PSA/Peugeot-Citroen and Fiat S.p.A. to end losses in Europe could cost more than 500,000 people their jobs as automakers and parts suppliers grapple with the effects of the European sovereign debt crisis. The region's auto industry, including component makers such as SKF AB and Autoliv Inc., is set to pare payrolls as auto demand contracts for the fifth straight year. Easy-to-fire temporary workers, which account for about 1.5m of the industry's 7m employees, would likely bear the brunt of the cuts, according to Lars Holmqvist, the former head of the region's parts supplier association. The dismissals would follow about 800,000 job losses in the industry since 2007 and add to a record unemployment rate of 11.2% in the 17-nation euro area. With auto demand already hampered by 17.8m jobless, the 13-member Stoxx 600 Automobiles & Parts Index has dropped 14% over the past 12 months, led by Peugeot's 72% plunge. "It's becoming increasingly apparent with the declines in vehicle sales in the region that production and staffing levels at certain manufacturers are just well beyond where they need to be," said Ian Fletcher, an analyst at IHS Automotive in London. With nearly 30% of European auto factory potential unused, "excess capacity is the main issue at hand. The lower sales are just killing these companies." Turin-based Fiat said yesterday it is suspending investment in Italy in response to the slump in demand and will focus on temporary layoffs to reduce costs. CEO Sergio Marchionne said this week he will make a decision about restructuring in Europe, including further plant closings, after third-quarter earnings.

Shrinking suppliers

The biggest cuts announced so far are at PSA. Europe's second-largest carmaker is eliminating more than 14,000 jobs and plans to close a factory on the outskirts of Paris. Its auto unit lost €662m in the first half. The firings at automakers are just the tip of the iceberg. For every job lost at a carmaker, five typically disappear at suppliers, said Holmqvist, who headed European auto supplier group CLEPA until April and is now senior adviser on auto issues at consulting company Kreab Gavin Anderson in Brussels. "We'll see a reduction of about half a million supplier jobs by the end of next year in Europe," Holmqvist said. The cuts are under way. MAN SE eliminated 900 temporary jobs and froze new hires at its truck and bus unit. PSA plans to reduce 650 temporary workers at its Sochaux plant in France by the end of the year, said Bruno Lemerle, a CGT union official at the factory. The carmaker employs about 3,800 temporary workers at its three main French factories.

French intervention

PSA, which earned 75% of revenue in Europe last year, is fighting with the French government over the job-cut plan. France will extend a research tax break for the auto industry, raise incentives for the purchase of hybrid and electric cars and provide €450m in financing to auto suppliers to help protect jobs, Economic Recovery Minister Arnaud Montebourg said on 25th July. European car sales

ECG Academy

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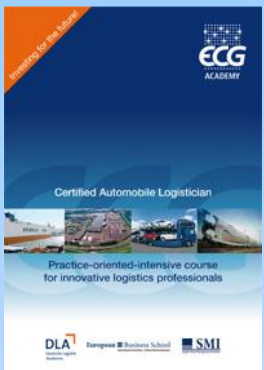

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have shrunk for 9 consecutive months and truck demand is down for the last 5, according to European Automobile Manufacturer's Association (ACEA). The group forecasts that passenger car sales in the EU will shrink 7% this year to 12.2m vehicles, 21% below the 2007 peak and the weakest demand since 1995. The crisis is also hurting overseas carmakers. Ford Motor Co.'s European business swung to a pretax operating loss of $404m in the second quarter from a profit of $176m a year earlier. It now expects full-year European losses to exceed $1bn. Ford has already cut some 500 temporary jobs in Europe since last year, and is trimming production by having a four-day workweek at a plant in Genk, Belgium. "We've got some overcapacity, but we'll do what we always do and match our production to demand," said John Gardiner, a spokesman for Ford's European operations. "We're looking at all aspects of our business." GM's Opel moved in June to close a factory in Bochum, Germany, at the end of 2016. The Detroit-based automaker, whose European operations have lost $16.4bn since 1999, will reduce management jobs to lower costs ahead of the shutdown. Still, there are bright spots. BMW, the leading luxury carmaker, continues to create jobs in the region, including 800 at a plant in Leipzig, where it will start production next year of the electric-powered i3 minicar. In total, BMW added more than 5,000 jobs in the past 12 months. There's also Jimmy Ekstrand. The 24-year-old temporary worker got offered a permanent position at Volkswagen Group's Scania unit starting in September after sweating over his future following more than a year on a short-term contract. "It's a headache that's disappeared," said Ekstrand, who makes truck parts at Scania's factory in Soedertaelje, Sweden. "I want to stay here for many years."

Fiat Industrial boosted by US unit

(Source: FT, 01st August 2012) Fiat Industrial said net profit edged slightly higher in the second quarter as its US-based CNH unit, which manufactures farm and construction equipment, made up for a drop in sales and profitability at truck maker Iveco. Net profit in the quarter rose 3.8% to €220m compared with the same period a year ago, while trading profit, which strips out interest, taxes and one-time items, advanced 19% to €631m. Revenue climbed 5.4% on last year to €6.62bn. Revenue at CNH, which is 88%-owned by Fiat Industrial, advanced 14% to €4.1bn. Iveco suffered a 6.7% drop in revenue as deliveries plunged by a fifth in western Europe and by a third in Latin America. Deliveries rose in eastern Europe and the rest of the world. Like the separate Fiat car making division – which is profitable in the US with its Chrysler unit and loses money in Europe – Fiat Industrial is grappling with a healthy US-based business and a European-focused unit suffering from the region's financial crisis. Iveco has said that due to slack demand in Europe it will close five factories on the continent this year. Fiat Industrial, spun off from carmaker Fiat last year, and CNH plan to merge and move the group's primary stock market listing and domicile out of Italy. That reignited speculation that Fiat Industrial could be pulled from the Milan stock exchange. Fiat Industrial fell 0.3% on trading in Milan to close at €7.98. Fiat Industrial confirmed its full-year results forecasts that set revenues at about €25bn and net profit at about €900m.

4.1 Million EV Charging Stations by 2017

(Source: Hybridcars.com, 02nd August 2012) As policymakers and the industry rush as fast as they can into the electrified vehicle (EV) future, eyes will be on a number of potential paradigm shifts. Among these were factors revealed by a recent report by global consultancy firm Frost & Sullivan which predicts a massive increase in EV charging units in the U.S. from just 10,000 or so today to 4.1m by 2017. Although public charging units are expected to crest to around 500,000 installations, the biggest growth is likely to come from residential units; 3.5m according to the report. What's more, because of cost considerations, it's believed most of those residential units will be level 1 charging devices, which– unlike level 2 units – do not require installation by an approved electrician. Level 1 chargers in fact use only 120-volt household current, and merely plug into the

ECG AGENDA

► **ECG closed** on **15th August** – Public Holiday

►**The ECG Survey Working Group** on **30th August**, in Brussels

►**ECG Board Meeting** on **14th September**, in Italy

►**Eastern Regional Meeting 27th September**, in Vilnius, Lithuania

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

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

►**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 in Valencia**, Spain

standard wall receptacle while providing a cord to reach the vehicle's charging socket. For most EV owners this would mean overnight charging at home will be essential for operating their vehicles. In many cases, a full charge will take 10-12 hours. But, given the emphasis on a modern 24/7 culture, that could pose an inconvenience, although automakers and technology companies are also working to reduce down time via new-generation batteries and improved charging devices. Utility companies are also keeping their eyes open to prevent over-burdening local grids and it's believed electricity supply challenges will be met as needed. The predicted rise in EV charging stations further represents an interesting juxtaposition against conventional gasoline filling stations, which in most Western countries have been on the decline in recent years. According to data from the National Petroleum News Survey, the number of gas stations in the U.S has been dropping significantly in the last two decades. From 202,878 in 1994, there were 164,292 in 2007 (the most recent year we could obtain figures). Although it's still far too early to predict, there is a possibility that sometime in the future, driving an EV could actually prove far more convenient that filling up at the pump.

VW completes purchase of Porsche car business

(Source: Automotive News Europe 02nd August 2012) Volkswagen Group finalized the purchase of the Porsche auto business, ending a seven-year saga that saw VW turn the tables on the maker of the 911 sports car. VW paid Porsche Automobil Holding SE €4.49bn and one common share for a 50.1% stake in Porsche AG, assuming full ownership of the brand, the Wolfsburg-based company said in a statement. "The path is now finally clear for a bright future together," Martin Winterkorn, CEO of Volkswagen and Porsche SE, said in the statement. "Even closer cooperation will enable us to significantly strengthen Volkswagen and Porsche, and further expand the group's product portfolio with fascinating new vehicles." The transaction adds a 12th nameplate to Volkswagen's portfolio, which stretches from exotic Ducati motorcycles to the VW Up minicar to 40-ton trucks. Winterkorn is looking to Porsche's profitable car business to shore up his efforts to overtake General Motors Co. and Toyota Motor Corp. to become the world's biggest automaker by 2018. Porsche SE remains a holding company for a 50.7% stake in VW's common stock. After repaying €2bn in bank debt, it plans to use proceeds from the transaction to make investments "along the automotive value chain," including energy trading and real estate. The two companies agreed to combine in 2009 after Stuttgart-based Porsche racked up more than €10bn of debt in an unsuccessful attempt to take over VW. Porsche started accumulating VW shares in 2005. A merger between the two companies was scrapped last year because of lawsuits seeking more than €4bn in damages. By including the VW common share in the transaction, VW was able to avoid an additional tax bill of more than 900 million euros by allowing it to classify the deal as a restructuring rather a takeover. The Porsche auto business increased first-half operating profit 21% to €1.26bn, shrugging off a declining European market after a new version of the 911 model helped propel a 23% increase in deliveries. The sports-car maker posted a profit margin of 18.7% of sales, beating the 11.6% margin at BMW, the luxury-car leader. VW has said that Porsche's profit contribution will be largely consumed by charges this year. Backed by VW, Porsche plans to expand to seven model lines from five and is considering a new sports-car line above the 911. The goal is to increase sales to 200,000 vehicles by 2018, a 71% gain from last year.

EUROPE

Open-Source Charge Your Car Limited to launch in the UK

(Source: Hybridcars.com, 25th July 2012) There has been a lot of news related to the UK and the availability of EV chargers lately. The Olympics surely are linked

Events in Brussels

- “What reform for the European railway legislation?” by EESC, on 06th September in Brussels (http://selectsurvey-gen.eesc.europa.eu/TakeSurvey.aspx?SurveyID=RailwayReform2012)
  ECG will attend

- "TIGER’ strategic perspectives in the light of the future European freight mobility policies" on 27th September in Bibliothèque Solvay in Brussels (http://www.tigerproject.eu)
  ECG will attend

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

- European Electric Vehicle Congress, 19th- 22nd November in Brussels (http://www.eevc.eu/)

to this! Every provider wants to benefit from the fact the spotlight is on the UK to get their word out. One such provider is named Charge Your Car Limited and is set on creating the UK’s largest pay-as-you-go, “open source” network of public access charging stations for electric vehicles. Charge Your Car Limited will be presenting its plans for the creation of their network at the LCV2012, held Sept. 6, 2012, at the Millbrook Proving Grounds, Bedfordshire, UK. Charge Your Car identifies itself as the first national network that is open to all EV drivers, all charge point hosts and network operators, and all charge point manufacturers. Within LCV2012’s Conference and Technical Seminar Programme, the company will outline how taking an “open source” approach to the creation and management of EV recharging infrastructure can facilitate the mass uptake of EVs. The goal is to create a recharging network with 10,000 public access pay-as-you-go charge points located across the UK. “The UK has multiple regional networks of charge points in closed membership schemes, which is delaying the adoption of electric vehicles in the UK,” explains Alexandra Prescott, operations manager at Charge Your Car. “EV users cannot ‘roam;’ they need to join multiple membership schemes, pay multiple subscriptions, and use multiple means of accessing the charge points. All of this creates hassle and imposes unnecessary expense.” “Most EV drivers charge at home overnight, so the public network is for topping up and extended-range journeys,” said Prescott. “We know from research that EV drivers want to be able to access charging infrastructure in the same way as they buy petrol or park their car: pay-as-you-go, without joining membership schemes or paying a monthly subscription.” A cornerstone of the company’s strategy is the widespread adoption of the industry-standard Open Charge Point Protocol (OCPP), which will mean that charge points produced by any manufacturer can be included in the network. “It is one of the keys to creating a driver-friendly recharging network. The other is the evolution of pay-as-you-go,” added Prescott. The Charge Your Car initiative comes as the result of a new joint venture between Elektromotive Limited, one of Europe’s providers of EV charge points and charge point management systems, and Charge your Car (North) Ltd. The new company will expand the existing Charge your Car (North) Ltd network of 400 publicly accessible charge points located predominantly across North East England, by providing a fully managed promotion and management service to charge point hosts and network operators. “Charge Your Car’s first generation back office already enables a pay-by-phone, pay-as-you-go solution, which has been operational for nearly 12 months. Now we are using the insights gained from the past year to develop a second-generation back office based on our ‘open source’ approach and we will share our plans with our industry colleagues at LCV2012. The new service will be fully operational next year,” said Prescott.*"*

CAT Logistics sale finalised to GEFCO bidder

(Source: Automotive Logistics News, 01st – 07th August 2012) Construction machinery maker Caterpillar has completed the sale of its third party logistics arm – Caterpillar Logistics Services – to Platinum Equity in a deal worth $750m. Platinum Equity is also one of four companies reported to be bidding for GEFCO, the logistics arm of PSA Peugeot Citroën. Platinum Equity has taken a 65% stake in the business and plans to establish it as a standalone company under a new brand. Caterpillar will keep a 35% share. The sale does not affect Caterpillar manufacturing logistics and transport operations and Cat brand parts distribution, which will continue as core businesses within Cat Logistics. Caterpillar has also announced plans for a multiyear expansion and enhancement of the Cat parts distribution network, which has added over 4m square-feet of capacity in new parts distribution centres in the US, Mexico and the United Arab Emirates. The company posted sales of more than $60bn in 2011. Platinum Equity, run by founder and chairman Tom Gores, was also one of four private equity companies that has been reported by Reuters to be bidding for GEFCO in a sales that could yield PSA around €1bn. Another company bidding is reported to be the Gores Group, founded by Tom Gores’s brother, Alec E. Gores, which also owns North American finished vehicle provider United Road. The other two bidders are

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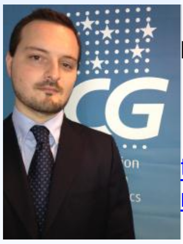

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reported to be PAI and a team of CVC and AXA Private Equity. Reuters said that the four bidders were confirmed by four people familiar with the matter. Neither the private equity groups nor PSA have confirmed their status as bidders. GEFCO's managing director, Luc Nadal, has said that details of the sale would likely be announced in October.

Höegh steps out of car transport to China

(Source: Automotive Logistics News, 01^{st} – 07^{th} August 2012) Ocean forwarder Höegh Autoliners has withdrawn from offering passenger vehicle transport services between Europe and China stating that rates to the country "are just not good enough to cover the investment to go there". A spokesperson for the company said: "With vessels that already sail full in the trade to the Far East, it does not make sense for us to take off well paying cargo to take on board cargo for China that will not cover the costs. "We are of course following the development of the market closely and are ready to re-enter the service between Europe and China, should rate levels improve," added the spokesperson. The latest comments follow those made by Trond Sjursen, Höegh Autoliner's head of Region Europe, in which he said that while German carmakers were doing very well with exports to the country, Höegh had "stepped out of the car transport trade to China". Höegh currently offers two sailings per month from Europe to the Far East and is the main provider for shipments of Daimler trucks to China, moving between 5,000 and 6,000 trucks per year between Antwerp and Hong Kong. The trucks are then moved overland to Shenzhen on mainland China. Elsewhere the company is seeing an increase in trade to West Africa and has now structured all of its inbound deep sea trade routes to converge at Maputo, arranging what it describes as "a similar arrival window" to allow for transhipment with its newly established feeder service there. "The West Africa feeder is using Maputo as the hub and will also be loading at Durban prior to proceeding to the regular discharge ports of Luanda, Lagos and Tema," said the company in a statement.

Cleaning up in the second hand car market

(Source: Lloyd's Loading List, 27^{th} July 2012) Logistics provider Pentalver, has partnered with global vehicle logistics specialist Autohub and international inspection company JEVIC, to launch the UK's first Vehicle Pre-Clearance Facility to capitalise on the growing export market for second-hand cars. The new joint venture is based at Pentalver's Felixstowe depot and is designed to process second-hand cars to New Zealand, an export market which is globally worth approximately £160m per annum. The Facility will also cater for other export markets, handling RWI (Road Worthiness Inspections) to allow the export to some East African countries as well as opening up other potential markets. The great benefit of the new initiative for exporters is a simple "drop off" one stop facility. The vehicle will be delivered to port, inspected and exported in the shortest possible time and with the least inconvenience. Launching this month, the state of the art facility will enable every vehicle being shipped by Autohub through Pentalver's Felixstowe depot to be meticulously cleaned of biosecurity contamination and then inspected in order to meet stringent biosecurity standards required by the New Zealand Government's Ministry of Primary Industries. New Zealand is world-renowned for having the toughest biosecurity regulations and requires that every vehicle entering the country must be thoroughly inspected for any possible biosecurity contamination, both internally and externally. A Structural Inspection is also completed on each vehicle on behalf of the New Zealand Transport Agency (NZTA). This includes inspection of the underside of the vehicle and all energy management areas on the vehicle. The clear benefits of the inspections being completed in the UK are savings in valuable time and costs upon arrival in New Zealand and the assurance for the exporter and importer of the vehicles condition. Increasingly stringent emissions regulations for new and used vehicles entering New Zealand have prompted the growth of this market for used vehicles from UK. Further planned changes will increase that demand with 2016 being proposed by NZTA as a date for euro 5 emissions compliance to be

mandatory. Current domestic market vehicles in Japan are not produced to euro 5 or equivalent standard therefore, the shortfall will increase dramatically once these regulations are enforced. A large proportion of new vehicles being registered in Japan will be unsuitable for sale in New Zealand as a used vehicle when they come to the end of their first ownership cycle in Japan. New vehicles in Japan become more expensive to own as they increase in age, making it economic to dispose of them after about 5 years but more than 50% of new vehicles currently registered in Japan are Hybrid vehicles, which do not suit the general NZ profile, with a further 20% being micro cars which are also unsuitable and not able to comply for NZ registration. Therefore the supply of suitable used vehicles will reduce. There is only one other market in the world that de-fleets enough compliant, right hand drive vehicles suitable for the NZ market: the UK. Pentalver Managing Director, Chris Lawrenson, comments: "I am delighted to announce our joint venture with Autohub and JEVIC, which is a first for the UK and demonstrates how we work with our clients to provide tailored, effective solutions, no matter what the requirement." John Davies, Managing Director at Autohub, comments: "This is a rare example of a growing export market, with specialised companies like Pentalver, Authohub and JEVIC creating innovative solutions to ensure they are able to react to changing markets and market conditions. Over the last year we have seen a sharp increase in UK exports of second-hand cars to New Zealand. The Facility has the capacity to process over 30,000 cars per year, which means we are geared up to handle significant growth, whilst capitalising on the cost savings involved in processing the vehicles in the UK as they wait for exportation."

REST OF THE WORLD

WWL awards Union Pacific

(Source: Automotive Logistics News, 01st – 07th August 2012) Wallenius Wilhelmsen Logistics subsidiary Vehicle Services Americas (WWLVSA) has recognised North American rail provider Union Pacific with its 2011 Provider of the Year award. The award evaluates railroad, truck and short sea companies to determine the best overall logistics excellence provider in the areas of quality, performance and customer service. Union Pacific also received WWLVSA's Provider Recognition Award for Rail Services, "a formula-based assessment of transit commitment, actual damage-free delivery and a quarterly survey". It is the second year in a row that the rail provider has received both awards. "I am very proud to be a part of the award-winning automotive team at Union Pacific," said Linda Brandl, Union Pacific vice president and general manager – Automotive. "Receiving the Provider of the Year Award again from WWL, the primary North American logistics provider for Nissan vehicles, is a great honour for all of the Union Pacific employees who work hard every day to deliver great service. Our goal is to anticipate our customers' needs and continue to add value." Union Pacific serves vehicle assembly plants and connects to West Coast ports and the Port of Houston to accommodate import and export shipments. The railroad operates or accesses more than 40 vehicle distribution centres, covering most major western US cities.

Suppliers struggle with Indian power blackouts

(Source: Automotive Logistics News, 01st – 07th August 2012) India has been hit by a series of power cuts this week that have knocked out electricity grids in the north and east of the country affecting around 600m people and be disrupting production at the country's tier supplier facilities in the region, which could have an impact on vehicle production. On Sunday, India's northern power grid collapsed and was restored briefly before going down again on Monday. On the second occasion the outage was followed by a similar collapse on the eastern grid. The north-eastern grid was reported down shortly afterwards. The combined power failure has affected at least 13 states in India and led to disruption across half of the country. Areas in the north affected include Delhi, Punjab, Haryana, Uttar Pradesh, Himachal Pradesh and Rajasthan. In the east, West Bengal, Bihar, Orissa and Jharkhand were also all affected. Carmakers, including Tata, Mahindra and Maruti Suzuki, with facilities in the affected areas, have been fairly insulated from the impact of the shortages because they are able to resort to agreements with State Electricity Boards for uninterrupted supply, according to VG Ramakrishnan, head of automotive practice for India and the MENASA region for business analyst firm Frost & Sullivan. However, he went on to say that those feeling the most impact would be the tier two and tier three vendors. "Power shortages cause production disruption as these companies are unable to afford costly power from gensets [power backup generators]. While the grid failure is a temporary issue and is expected to be resolved within the next couple of weeks, the larger issue involves the reoccuring shortage of supply. The power failure has been blamed on the affected states drawing excessive power from the national grid, which has been reporting deficits of more than 8% in recent months. For Maruti Suzuki, which has two plants in Haryana, the impact has been lessened because its Manesar plant is on shutdown following the tragic events reported last week, in which an eruption of violence amongst the workforce led to the death of one man and the injury of around 70 others, as well as

substantial damage to the facility. However, it could mean production losses at the OEM’s other plant in Gurgaon, or when the Manesar plant comes back on line, according to Ramakrishnan. “Maruti labour unrest and subsequent shut down has reduced demand [at Menesar] momentarily but when production comes on stream there could be production losses due to unavailability of power,” he said. “To avoid loss of business, automotive companies are investing in power back up for ensuring uninterrupted supply to their production units. This predominately happens at tier one suppliers.” Maruti Suzuki did not respond to requests for information on current or potential disruptions to production as a result of the power outage. The wider consequences of the power failure also include high transmission and distribution losses, coupled with bankrupt State Electricity Boards (SEBs), according to Ramakrishnan, who revealed that the SEB's sell power to certain section of customers at lower than cost of production and give it away for free to farmers in many states. “With demand soaring, each state withdrew more power than they were entitled to leading to imbalance and finally grid collapse,” he said. India’s industrial growth has led to increasing demand on the power infrastructure, which has been unable to meet that demand and without substantial investment and better discipline on usage it will be unable to do so. This week’s breakdown is reported to have been hampered further by a weak monsoon season that has lowered hydroelectric generation while keeping temperatures higher, leading people to make greater use of electricity as they attempt to keep cool. Hundreds of trains were affected by Tuesday and road transport thrown into greater confusion that affected logistics because of the impact on infrastructure, including the loss of power to traffic control systems. Without substantial investment in power supply, of which there is no sign, further power failures are expected. This could be a problem for carmakers intent on setting up new manufacturing facilities in the Gujurat region, for example, which is attracting a lot of attention from both domestic and foreign carmakers, but which also has a less developed supplier base. “Continued power shortage or worsening of the situation will impact production at OEMs and force them to source from other vendors who may have a production facility in other locations,” said Ramakrishnan. “This would add to cost of transport, additional stocking and temporary adjustment to supply chain.”

Maruti Suzuki mulls options to remain India's No. 1

(Source: Automotive News Europe, 30th July 2012) Maruti Suzuki India Ltd. is weighing options to restore output of its most popular models as recurring labor disputes at one of its plants threaten the company's lead in Asia's third-largest car market. The next two to three weeks will be crucial for the automaker as it decides if it needs to shift manufacturing to its other plant in Gurgaon after rioting on 18th July shuttered its Manesar facility, Chairman R.C. Bhargava said in a telephone interview on 28th July. Violence that erupted this month resulted in the death of a manager at the factory, which accounts for about 40% of Maruti's output including DZire sedans and Swift hatchbacks. The unit of Japan's Suzuki Motor Corp. on 28th July reported profit dropped for a fourth straight quarter -- even before this month's riot -- as it battled a weaker rupee, intensifying competition and cooling demand amid the slowest pace of economic expansion in almost a decade. Boosting output in Gurgaon is key to stemming any erosion in market share and revive earnings growth, according to Deepesh Rathore, managing director at IHS Automotive in New Delhi. "Getting Manesar back on stream is definitely on top of the agenda as the company is crippled at the moment," said Rathore. "But, that is easier said than done. Shifting production to Gurgaon is an option because only the Swift and DZire are really bringing in the numbers for Maruti."