ECG News

Truck Ship Compound Train Barge

ECG – The Association of European Vehicle Logistics

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CONTENTS

NEWS FROM BRUSSELS

Energy, telecoms and transport take a hit

(Source: European Voice, 14th February 2013) After the budgets for agriculture and cohesion funding had been spared from deeper cuts, it fell to spending on infrastructure, research and international aid to bear the brunt of the cuts. Cuts to funding of the EU's Connecting Europe Facility (CEF), to support investment in energy, transport and communication infrastructure, were particularly brutal. From an initial budget proposal of €50bn, the CEF was reduced to €29bn. Privately, some European Commission officials lamented the wisdom of cutting by more than 40% areas of the budget with the potential to boost growth. But Günther Oettinger, the European Commissioner for Energy, put on a brave face, saying the amount left in the budget was “at least a door opener,” although Europe would now have to make some tough choices. “For example, we cannot co-finance all grids necessary to connect off- or on-shore wind parks to the big cities,” he said. A spokesperson for Siim Kallas, the European Commissioner for Transport, said: “This is less than we asked for, less than is needed, but more than we have for essential transport investments under the current budget.” She pointed out that the European Parliament might yet make changes. “The CEF, and transport within that, are amongst the Parliament's top priorities for the budget negotiations. We hope they may be able to regain some ground,” she said. The Commission had earmarked €9.2bn in the CEF for developing broadband and digital services. Member States cut this to €1bn. Neelie Kroes, the European Commissioner for the Digital Agenda, said that the plans for broadband roll-out would have to be completely abandoned. Member States would now have to pay for this investment themselves, she said. What the outcome of the budget negotiations suggests is that Member States had no great loyalty to the CEF, which was largely a creation of the Commission. They may be suspicious of the Commission's involvement and sceptical that they can come up with sufficient matching funds that are a prerequisite for EU funding. For several states, traditional cohesion funding is a more attractive option. The cuts to the CEF have a knock-on effect on efforts to tackle climate change. The leaders said in the summit conclusions that climate action “will represent at least 20% of EU spending in the period 2014-2020 and therefore be reflected in the appropriate instruments.” But such “mainstreaming” – the inclusion of overarching goals across policy areas – creates an accounting difficulty. Where a CEF project – for example, the construction of a cross-border smart grid – might have counted in full toward the EU's climate action target of 20%, it is difficult for many sectorial projects to quantify their contribution to the target.

EU irritated by Russia's car recycling fee

(Source: Euractiv.com, 13th February 2013) Europeans are dismayed by Russia's recently-adopted recycling fee on car imports, arguing the measure is a protectionist law under the guise of “environmental recycling.” Fredrik Erixon, Director at the European Centre for International Political Economy think tank in Brussels, called the import fee "blatantly discriminatory" and said Russia was running "highly protectionist" policies. "Russia is going to find itself being sued by a lot of different countries on a lot of issues," Erixon said. In a speech last December, the European Union Trade Commissioner, Karel De Gucht, threatened to settle the matter before the World Trade Organisation, which Russia joined only in August 2012. "Cars imported from Europe are paying higher duties to the Russian government than before WTO accession," De Gucht said, adding that the situation was "clearly unacceptable." It was a disagreement over Russia's automobile market that almost scuttled its marathon talks on joining the WTO, when President Vladimir Putin in late 2010 granted subsidies to encourage “localisation” of auto production. The dispute was resolved after Moscow signed up to a series of tariff cuts, lowering import duties on cars from 30% to 25% from September 2012, on the way to a final rate of 15% by 2016. The new charge

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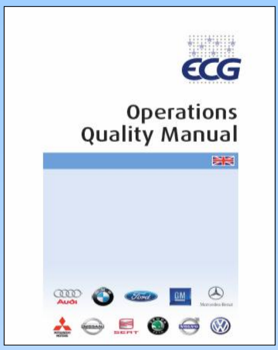

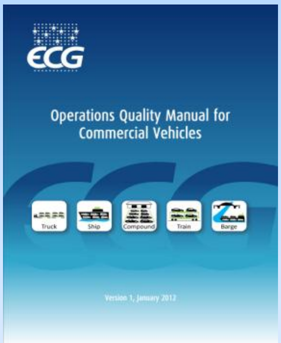

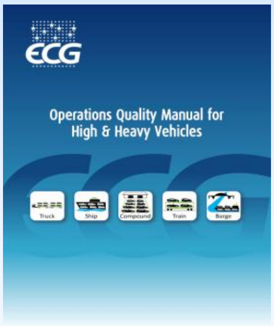

- Written by the Quality Working Group and the H&H Working Group composed of OEMs and LSPs.
- The manuals can be downloaded from: http://www.ecgassociation.eu/PublicationsReports/ECGOperationsQualityManuals.aspx

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effectively takes import charges back up to 30%. Moscow has shown no sign of changing behaviour deeply rooted in an autarkic Soviet-era mindset, its critics say. Tensions with the United States have escalated over a Russian ban imposed this week on meat products containing the additive “ractopamine.” Russian car sales reached 2.9m units last year, worth €57.3bn, and the country is on course to overtake Germany as Europe's biggest auto market in a few years. More new cars will mean – eventually – more cast-offs. Moscow's central streets are jammed with premium models like the Mercedes favoured by top apparatchiks, but Russians typically still keep their cars on the road for far longer than drivers elsewhere. A third of the 35m cars on the road in Russia were at least 15 years old as recently as 2011, market researcher AutoStat has estimated. Annual scrappage rates run at 1-3% – less than half the 6% average in Europe, according to data from PriceWaterhouseCoopers (PwC). Scrap dealer Vorontsov scrapped 12,000 cars in 2010 under a state-sponsored “cash for clunkers” scheme created to fight recession, where car owners got a voucher towards a new car when they scrapped the old. But that scheme expired in 2012. Now, when Russians do get rid of their cars, they have no incentive to go to regulated yards because of the red tape and extra cost involved, said Stanley Root, Automotive Industry Leader at PwC in Moscow. Scrapping is "becoming an urgent question,” says Root, both to support the car industry's growth and to deal with the expected increase in unwanted old cars as rising incomes encourage middle-class Russians to trade up at a faster rate. "If you want to secure the long-term sustainable growth of the car industry here, it is high time that attention was focused on implementing a scrap system," Root said. The Russian government says the fee on imported cars, which ranges from €430 for a small car to €150,000 on a heavy construction vehicle, is one of the measures it is taking to address the issue. But while the Trade and Industry Ministry has said the money will be used to set up state-sponsored car scrapping infrastructure, it has not given details of when and how this will be done. Cars manufactured in Russia will not be hit with the fee as long as producers set up drop-off points at their own expense to collect old vehicles for recycling. Home-grown firms such as AvtoVaz, the maker of the iconic Lada brand, that is now majority owned by a Renault-Nissan joint venture, stand to benefit the most. Importers will have to pay up-front fees worth around 5% of a car's sticker price. "This levy is offsetting, clearly, the reduction of customs tariffs which has started since the accession to the WTO," said Frank Schauff, Head of lobby group the Association of European Businesses (AEB) in Russia, which backs the development of a regulated, but not state-controlled, scrappage industry. Foreign carmakers say it is Russian consumers who will ultimately bear the cost. "Across the entire industry the end consumer will suffer from this policy," said John Steck, President of Volvo Car Russia, which imports every car it sells in Russia. Denis Manturov, the Minister of Trade and Industry, said that the government would not drop the fee. He added: "We are ready to consider the possibility of creating conditions for establishing recycling centres for foreign producers, but it will certainly take time."

AUTOMOTIVE INDUSTRY

Automakers exploit loopholes to boost green credentials, EU report says

(Source: Automotive News Europe, 10th February 2013) European car manufacturers are exploiting test loopholes to exaggerate their vehicles' green credentials, an official European Commission (EC) study has found. The report is likely to stoke already heated debate on carbon dioxide emissions standards. It found that cars are more polluting and a lot less fuel-efficient than their automakers claim. Simulations used to test new cars have never perfectly reflected actual emissions. However, the EC-commissioned analysis by three consulting firms found "flexibilities" squeezed consumers, benefited

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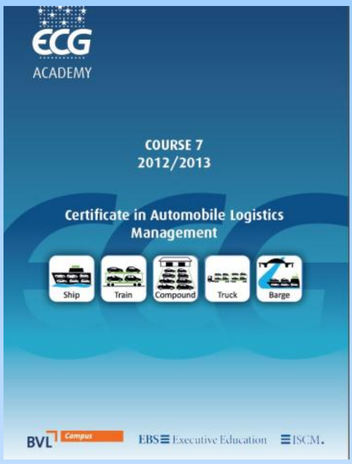

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manufacturers and jeopardised European Union environment goals. Test techniques such as using tyres with extra traction or driving on an unrealistically smooth road surface could account for about a third of the recorded drop in average carbon dioxide (CO_2) emissions across the European Union between 2002 and 2010, the report said. "Frankly, people should be absolutely outraged. This is just taking money out of people's pockets. The industry is running rings around this procedure," one EU source said. CO_2 emissions were 167.2g/km in 2002 and 140.4g/km by 2010, figures in the report showed, giving a total average reduction across new EU cars of 26.8g/km. The study attributed 9.1g/km, or roughly a third, to the way testing was performed, rather than improved technology. "This means that vehicles do not deliver end-users the promised fuel cost reductions, leading to consumer misinformation," said the report carried out by the Netherlands Organisation for Applied Scientific Research (TNO), British-based AEA Ricardo and IHS Global Insight. Already widely used, the flexibilities could be exploited further as debate continues in Brussels on implementation of a 2020 target to cut average emissions across the EU fleet to 95g/km. In addition to the 2020 goal, the Commission is revising testing law, but it is not expected to close all the loopholes. Globally, the United Nations is working on new standards. The Commission said new tests from around 2016 should "mitigate" the effect of these flexibilities on the gap between actual and regulatory CO_2 emissions, though "some tolerances are necessary for practical reasons." EU consumer organisation BEUC calculated that the flexibilities meant that consumers paid up to 135 € a year more in fuel, based on current fuel prices and 14,000km of driving in a car bought in 2010. British Liberal Member of the European Parliament (MEP) Chris Davies said he was working on amendments to tackle testing standards as part of the 2020 cars emissions debate. "The cheats are confounding the lawmakers and deceiving the public," he said. Another British Liberal European politician, Fiona Hall, is calling for conformity tests after cars have entered service. One of those involved in the report, TNO Consultant Richard Smokers, said that such tests would help and that Europe's use of flexibilities was more pronounced than elsewhere. The United States already has in-service tests and Japan is culturally scrupulous, he said. "What we have heard from people in the field is that there is a cultural reluctance to exploit flexibilities. It's the difference between the spirit and the letter of the law. In Europe, we have a tradition of finding and exploiting bandwidths and loopholes," he said. The VDA, which represents the German auto industry, said in a statement that a unified testing cycle was necessary and that the car industry is "working actively" on reform.

PSA bank unit gets temporary EU OK for bond guarantee

(Source: Automotive News Europe, 11th February 2013) PSA Peugeot Citroën's finance arm was granted temporary European Union approval to receive a French government guarantee backing the issuance of €1.2bn of new bonds. France must submit a restructuring plan covering the entire PSA group within six months to win final approval for the guarantee for Banque PSA Finance bonds, the European Commission said on Monday 11th February in an e-mailed statement. The guarantee covers three-year bonds issued by the unit during the next six months. While France agreed in October 2012 to shore up PSA's ailing banking unit with €7bn in guarantees, it has only asked the EU to authorise the €1.2bn guarantee so far, Antoine Colombani, Spokesman for EU Competition Commissioner Joaquin Almunia, told reporters in Brussels. A final decision by regulators would cover "all the aid given" to the company, Colombani said. France must also justify the aid with the restructuring plan to show how the group and the unit plan to become profitable. PSA, Europe's second-largest carmaker, after Volkswagen, needs the French guarantees to keep down borrowing costs, which impact the financing rates paid by customers. Peugeot said that net debt rose in the second half of 2012 to €3bn from €2.45bn at the end of June. This approval from the Commission "will allow the bank to pay back this year's maturities of July and September – €500m and €750m," said Pierre Bergeron,

ECG AGENDA

► **ECG Annual Dinner Debate** on **19th March 2013** in the European Parliament in Brussels, Belgium

► **ECG Board Meeting** on **20th March 2013** in Brussels, Belgium

►**ECG office closed** on **1st April 2013**

►**ECG UK & Ireland Meeting** on **09th April 2013** in Birmingham, United Kingdom

►**ECG Eastern Europe Meeting** on **18th April 2013** in Cracow, Poland

►**ECG office closed** on **1st – 9th & 20th May 2013**

►**ECG Spring Congress & General Assembly** on **23rd & 24th May 2013** in Dublin, Ireland

► **ECG Board Meeting** on **26th June 2013** in Stuttgart, Germany

► **ECG / ACEA Meeting** on **27th June 2013** in Stuttgart, Germany

► **ECG / ACEA Meeting** on **10th October 2013** in Berlin, Germany

►**ECG Conference** on **10th & 11th October 2013** in Berlin, Germany

Credit Analyst at Société Générale in Paris. "Now one needs to know what the Commission will ask in terms of restructuring for the group and this remains unclear," he added. The EU must approve large government payments to companies and can impose conditions, including asset sales, to counter the advantage the aid gives the company over rivals. It can require that companies repay state aid if they do not follow the terms of the approval. PSA's plan to eliminate 11,200 jobs and close a factory in Aulnay are on hold after a Paris court said in January that the automaker cannot cut the positions until Faurecia, 57 %-owned by PSA, fully informs its workers about the impact of the carmaker's restructuring. Automakers have announced more than 30,000 job cuts in Europe since July 2012. French Budget Minister Jerome Cahuzac recently floated the possibility of the government buying a stake in the automaker after it announced second-half write-downs of €4.13bn.

PSA will move Peugeot brand upscale in bid to return to profit

(Source: Automotive News Europe, 13th February 2013) PSA Peugeot Citroën laid out plans to move its namesake Peugeot brand upscale to help the automaker return to profit after the company posted a record €5bn net loss for 2012. Peugeot cars will be upgraded to differentiate them more from Citroën models and average volume will double through the automaker's alliance with General Motors, CEO Philippe Varin said on Wednesday 13th February at a Paris press conference. "In 2013, the positioning of our brands will be supported by a very rich range of products and 17 vehicle launches," Varin said. At the same time, Citroën will not become a low-cost brand, the CEO said. PSA wants to raise the number of premium-marketed vehicles from the 18% of total deliveries last year, Varin said. Chief Financial Officer Jean-Baptiste de Chatillon said Peugeot has been charging more for its vehicles this year, and pricing in Europe will probably be stable throughout 2013. Philippe Houchois, Analyst at UBS, said giving the Peugeot brand a more upmarket image will be difficult. "It is easy to add content in a car to make it more attractive, but the time for the customer to respond to that can take years," he said. PSA's 2012 net loss reflected €4.74bn in write-downs and mounting industrial losses as the company's European car sales plummet. Losses at the struggling auto division increased to €1.5bn from a €92m loss a year earlier and group revenue fell 5.2% to €58.4bn, according to PSA. Varin said PSA's recovery plan is on track after the automaker achieved savings of €1.18bn, ahead of its €1bn goal. "The results of the cost reduction and asset disposal plans have exceeded our targets," he said. "The foundations for our rebound have been laid. We are going to focus our investments, actively restore our profitability in Europe and reap the benefits from our investments in growing markets," he added. The carmaker is targeting 50% of its deliveries outside Europe by 2015, Varin said. He reiterated the company's aim this year to halve negative operating cash flow, which amounted to €3bn in 2012 including €2.5bn at the auto division. PSA said €900m in new cuts are targeted for 2013 and the company plans to raise €300m from property sales this year. Pooled vehicle development with GM will generate a further €600m in savings for 2013, de Chatillon said. He also said that the carmaker's Faurecia parts division is not for sale. PSA's 2012 operating loss was €576m compared with operating profit of €1.09bn a year earlier. The company's net debt at the end of 2012 decreased €211m from a year earlier to €3.15bn. PSA employs more than 100,000 workers in France. The automaker is the worst casualty of a European auto sales collapse that has been especially brutal in the company's core Southern Europe markets. PSA's passenger car sales fell 13% to 1.47m last year in the EU and EFTA countries in a total market down nearly 8% to 13.6m, according to industry association ACEA. The company's market share dropped to 11.4% from 12.4% in 2011. European auto demand is likely to fall a further 3% to 5% in 2013 and remain depressed "for the foreseeable future," PSA said. The automaker aims to reach the break-even level by 2014 and profitability in 2015. Analysts said the 2012 loss was not as bad as expected. PSA shares jumped as much as 5.6% to €6.30, the biggest intraday gain since mid-January 2013. The stock has gained

Events in Brussels

Information Session on Project Bonds by European Union Road Federation (ERF) in the European Parliament on 19th February 2013.
ECG will attend

European Railway Award by the Community of European Railway and Infrastructure Companies (CER) and the Association of the European Rail Industry (UNIFE) on 26th February 2013.
(http://www.europeanrailwayaward.eu/)
ECG will attend

Hearing on Social Conditions in Road Freight Transport by Nordic Logistics Association (NLA) in the European Parliament on 27th February 2013.
ECG will attend

"Long and Heavy Trains: The Way to EU Rail Freight Competitiveness" by FERRMED in the European Parliament on 6th March 2013.
(http://www.ferrmed.com/?q=en/conferences/eu-parliament-march-2013)
ECG will attend

10th Annual Road User Charging Conference 2013 "Equitable, efficient and economic routes to better infrastructures" on 5th & 6th March 2013. A 20% discount is offered to ECG members, please contact the Secretariat.
(http://roaduserchargingconference.co.uk/)
ECG will speak

12% this year, valuing the carmaker at €2.18bn. Juergen Pieper, Analyst at Bankhaus Metzler in Frankfurt, said the results were not quite as catastrophic as the market expected because cost reductions and sales fell less than estimated. "The outlook is certainly not great, but it seems that maybe the most negative points have been passed," he said. However, analysts are sceptical about PSA's recovery plan. "Rebound 2015 is built around a stable market at the 2012 level and a 13% market share for PSA. Both look unlikely now," Credit Suisse Analyst David Arnold said in a note. PSA CEO Varin's contract will be extended "without a doubt" when the board takes up his reappointment in May 2013 according to PSA Co-Vice Chairman Jean-Philippe Peugeot. The Peugeot family, which controls the manufacturer, backs the recovery plan and understands that it may take some time to complete, he said.

Renault 2012 earnings beat estimates as debt is eliminated

(Source: Automotive News Europe, 14th February 2013) Renault eliminated debt at its auto manufacturing unit in 2012 for the first time since its tie-up with Nissan as it held back on spending and refrained from cutting vehicle prices. Releasing 2012 financial results on Thursday 14th February, Renault said its automotive unit's net cash position was €1.49bn at the end of 2012 compared with net debt of €299m a year earlier. Earnings before interest, taxes and one-time items were €729m for 2012, the company said. That beat the €698m average of 15 analyst estimates compiled by Bloomberg. Renault's performance and outlook contrasted sharply with PSA Peugeot Citroën which unveiled a day earlier a €5bn loss bloated by write-downs, including a €1.5bn deficit at its auto division. "In a contrasted global automotive market, Renault benefited from the growth outside Europe," CEO Carlos Ghosn said in a statement. "In the difficult environment in Europe, and especially France, the group led a rigorous sales policy," he said. "The Renault group is pursuing its strategy of global growth while strengthening its financial situation," he added. Renault hopes that eliminating debt at its manufacturing unit will improve credit ratings for the parent company and its RCI Banque financing unit, Chief Financial Officer Dominique Thormann said. Renault's debt is one step below investment grade at Moody's Investors Service, Standard & Poor's and Fitch Ratings. José Asumendi, Analyst at JPMorgan Chase & Co., said: "These are good results. The outlook of positive operational free cash flow and positive operating margin is reassuring for the investors." Sascha Gommel, Analyst at Commerzbank, said: "It's clearly positive to have a net cash position as it should have a positive impact on refinancing rates which is crucial in the automotive industry." Renault's auto operations posted a loss of €25m after a profit of €330m a year earlier. Asset write-downs at the unit totalled €279m, CFO Thormann said. Reorganisation costs last year totalled €110m and currency effects cut €184m from operating profit, Thormann added. Renault lost market share in Europe in 2012 to push growth in Latin America and Russia. Sales in its home region tumbled 19%, the biggest drop in Europe and outpacing the regional industry's 7.8% contraction. The company said new models such as the revamped Clio and budget Dacia Sandero and Logan will lift its flagging European market share. The automaker pledged to increase full-year global sales, which fell 6.3% to 2.55m vehicles in 2012, and to restore its core auto division to profit. Renault expects that the European market will fall at least 3% but said the worldwide car and light-truck market will expand 3% this year, with growth of as much as 11% in India. The Renault-Nissan alliance is proceeding with creating a small-car platform in India targeting first-time auto buyers, Rachel Konrad, spokeswoman for the partnership, said. Gerard Detourbet, who helped lead the Logan's development, will lead the project. *The Economic Times* reported that investment in the platform will total $371m and annual capacity will amount to 300,000 vehicles. Renault said operational free cash flow at the division was €597m in 2012. That contrasts with negative operational free cash flow of €3bn for 2012 that PSA reported a day earlier. "That can only be described as magic when we see a car company facing falling sales," London-based Credit Suisse Analyst David Arnold said. Renault said net income declined

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15% to €1.77bn. Sales fell 3.2% to €41.3bn. Renault said it would propose a dividend payment of €1.72 increasing last year's €1.16 payout, largely reflecting income from its 43.4% stake in Nissan and its 6.55% stake in Volvo Trucks sold in December 2012 for €1.48bn. Renault said CEO Ghosn would temporarily give up part of his bonus this year as the company cuts jobs and seeks union concessions in a new nationwide labour deal. Ghosn's pay, which came to €2.8m last year in addition to his salary as Nissan CEO, has drawn French government criticism in recent days as the company pushes through 8,200 job cuts over three years. Renault is asking unions to sign up for a pay freeze, more working hours and increased flexibility in return for commitments to increase domestic production and avoid factory closures. Renault is willing to increase production in France by 15% once a labour deal is reached. Renault's French factories may build 80,000 more vehicles a year by 2016 to supply partners, including Nissan and Daimler, the carmaker said in January. Payment of 30% of Ghosn's bonus, or some €480,000, will be postponed until 2016 and conditional upon the production commitments, the company said. Renault is trying to broaden its product range by reviving the Alpine sports car label and developing the Initiale Paris insignia into a full-fledged luxury brand. To push growth outside Europe, Renault signed a final agreement, together with Nissan, in December 2012 to take control of Lada maker AvtoVaz in Russia. The alliance partners will invest $765m in the venture. Renault is sticking to a “medium-term” target of earnings at 5% of sales, though it won't reach that figure in 2013, Ghosn said.

Fiat will build the 500 for global markets in Poland

(Source: Automotive News Europe, 11th February 2013) Fiat plans to concentrate global production of the next generation 500 minicar in Poland, ending output of the model for North American markets at Chrysler's Mexico plant by 2015. The move provides additional work for Fiat's Tychy factory in Southern Poland, which has struggled since the automaker shifted production of the Panda to Italy. The new 500 is due in 2015 and will be sold worldwide. Despite being almost identical in styling, the European and North American 500 are structurally very different. Building a new 500 with global specifications in one plant will allow Fiat to avoid duplicating engineering and tooling costs it incurred with the current car. Fiat invested €300m to launch the European 500. Chrysler, which builds the North American 500 under license from Fiat, invested $550m to add 120,000 units a year of capacity for the North American variant in Toluca. "A single production site looks like a logical move when making the next 500 a global model," said Massimo Vecchio, Financial Analyst at Mediobanca Securities in Milan. Building the next 500 only in Poland will help Fiat increase capacity utilisation at Tychy as well as free capacity in Toluca for Chrysler's core products for the North American market, Vecchio said. The Tychy plant is suffering from Europe's five-year slump in car sales and even more so from losing production of the Fiat Panda, which has been Europe's top-selling minicar since 2004. Declining sales of the other three models built in Tychy, the 500, Lancia Ypsilon and Ford Ka, forced Fiat to reduce production to two shifts from three and lay off 1,450 of the plant's 4,900 workers. Production at the Tychy plant peaked at 605,797 units in 2009 but declined to about 300,000 units in 2012. Production is expected to decrease to just 250,000 units in 2013. Job cuts in Tychy, a plant that achieved gold standards in the Fiat World Class Manufacturing system, were painful for Fiat-Chrysler CEO Sergio Marchionne. "We had to make a choice about how to balance the allocation of the remaining volumes across the large manufacturing footprint that Fiat has," he said. Marchionne admitted that moving the Panda from Tychy to Pomigliano was not a "rational decision" and that it was made to protect jobs in Italy, where labour costs are higher. At the Detroit auto show in January, Marchionne said that Chrysler's North American manufacturing footprint was nearing its full capacity. He also confirmed that Chrysler plans to build about 2.8m units globally in 2014, up from 2.4m in 2012. Marchionne added that before opening any new plant in North America, he wants to meet demand for Fiat-Chrysler vehicles by fully utilising capacity at Fiat's European plants.

Toyota will build Fortuner in Kazakhstan

(Source: Automotive Logistics News, 13th February 2013) Toyota will start building its Fortuner medium-sized SUV in Kazakhstan in 2014 following a memorandum of understanding recently signed with the government. The vehicles will be assembled at a facility owned by local vehicle builder Saryarka AvtoProm, located in Kostanay near the border with Russia. They will be built from semi-knockdown kits shipped in from Toyota's Ban Pho facility in Thailand. The company said it will produce around 3,000 units a year and Toyota Tsusho will be handling the shipment of knockdown kit parts. Toyota has been importing and selling Toyota and Lexus vehicles in Kazakhstan through its sales and marketing subsidiary, Toyota Motor Kazakhstan (TMK), since 2008, but this is the first time it has worked with Saryarka AvtoProm. The Kazakh vehicle builder was established in 2010 and currently makes the Kyron as well as six other models for Ssangyong. It also assembles the Chance model for Ukrainian vehicle maker ZAZ. The agreement with Toyota was signed at a ceremony held in the capital Astana and attended by Asset Issekeshev, Kazakhstan's Deputy Prime Minister and Minister of Industry and New Technologies, and Toyota Motor's Senior Managing Officer, Didier Leroy, who is also President and CEO of Toyota Motor Europe. "This project is an important milestone for Toyota and Kazakhstan, and is a product of our strong and co-operative relationship with the Kazakh government," said Leroy. "We strongly believe that the potential for economic growth and a strong automobile market here is excellent." Later in February a fuller contract will be signed that Toyota said would define the roles of the participating companies. Toyota is to provide technical guidance and assistance to Saryarka AvtoProm for production, while its local subsidiary TMK will handle vehicle sales. "Once this made-in-Kazakhstan true off-roader begins coming off the line here, we will be able to offer an extended model line-up, including ten imported Toyota models such as the Camry and the Land Cruiser, as well as seven Lexus models," said TMK President Shingo Kato. In 2012, Toyota began assembly of the Fortuner in Egypt with subcontractor Arab American Vehicle (AVV), again from semi-knockdown kits. Toyota is also aiming at an output of 3,000 vehicles a year there, with Toyota Motor Engineering Egypt (TMEE) managing vehicle quality control, supply and demand management, as well as overseeing logistics services. TMEE is a joint venture established in June 2011 by Toyota Motor, Toyota Tsusho and Toyota Egypt SAE, Toyota's independent vehicle distributor in Egypt.

EUROPE

Suardiaz and Setram awarded new trade by GEFCO

(Source: Ship2Shore, 06th February 2013) Flota Suardiaz of Spain has returned to take care of the short sea shipping services which will meet the logistical needs of the PSA factories located at Vigo (Spain) and Rennes (France) thus ending a pause that had lasted for eight years. The resumption of the historic sea trade route between Vigo and St. Nazaire comes after Suardiaz was awarded by GEFCO in December 2012 a 3-year contract to ship new Citroën vehicles and trailers. For the last six years, the contract was first won by Acciona Trasmediterranea and then by CMHF. GEFCO anticipates an annual volume of 45,000 vehicles and 9,000 trailers, significantly reduced compared with earlier contracts. Zeebrugge, Sheerness and Le Havre are served on a weekly roundtrip from Vigo by **UECC** who has chartered the *Viking Change* (formerly the *Viking Constanza*) from Gram. The Spanish ro-ro operator started the service at the beginning of 2013 following an initial pattern of two departures per week from each end and using one of the newest ships of its fleet, the 1,404 car capacity *Suar Vigo*, able to accommodate all types of rolling cargo, and up to 12 trailers and their drivers. "The new line of service strengthens the existing map of trade routes already existing in Northern and Central Europe, the United Kingdom, Iberia, Northern Africa as well as the recently expanded services within the Mediterranean Sea towards Algiers and Libya," says Flota Suardiaz in a note. Grupo Suardiaz is a long established maritime company with its roots originating from Gijon, Northern Spain, dating back to the early years of the past century, and now headquartered in Madrid, with an entire fleet of recently built vessels, and which has been in the ro-ro business since 1973. In parallel, Suardiaz confuted the rumour that they had sold their ro-ro ship *La Surprise* to Norwegian investors for €6m with an 8-years'charter included. Furthermore, GEFCO and Setram agreed on a contract to bring some 17,000 new vehicles manufactured in the Paris region, to the **Port of Barcelona** where they will be shipped to Algeria, thus switching this traffic from other European ports. According to Setram Commercial Director Norberto Duarte, the emerging Algerian market – where French brands are leaders – has become very alluring to car makers, since Algeria does not have a local manufacturer, with a strategic dimension comparable to those of Brazil and Russia. In 2011 this Maghreb country imported 400,000 cars and in 2012 these imports grew by 50%. Still remaining one of the leading maritime port hubs of the automotive industry in the Mediterranean Sea, Barcelona reported dealing with 609,996 vehicles in 2012 (+4.4% compared with 2011), 398,610 of which were exports (+7.2%), 110,224 imports (-23%) and 101,162 in transit (+46.8%).

A bid to clear the air

(Source: LloydsLoadingList.com, 08th February 2013) By January 2015, all vessels operating in an emission control area must have engine emissions that have less than 0.1% SOx. On seas elsewhere, the current 3.5% limit will drop to 0.5% SOx in 2020 – or possibly 2024. The basic choices for ship owners and operators seem straightforward: switch to low-sulphur marine oil fuels, install an exhaust cleaning system or build a new ship to run on natural gas. Classification societies have been talking-up the relevance of natural gas as a fuel and this argument has gained some serious support, with the European Commission announcing it wants to see more than 130 bunkering stations available by 2024 for inland ports and 2020 for coastal ports, with a total estimated cost of €2.1bn. The probability is that, given commercial considerations, this will be a solution for new buildings rather than conversions, and will clearly help with meeting the 2020 emissions regulations. This still leaves owners with the more immediate challenge for 2015. Do owners feel they can trust the technology solutions? Do they really have a choice? Have they looked at the cost of compliance with the 2015 regulations? Owners of vessels today, with vessels operating exclusively or partly in an emission control area, really have to calculate the relative benefits of either switching to distillate fuels, with the expected rise in annual fuel costs, or installing scrubber technology to continue using the fuels they use today. The debate over scrubber technology has moved on from the days of the first systems, notably those seen on P&O Ferries. These systems have now been tested and improved and both sides of the debate, owners and manufacturers, have agreed that there needs to be closer discussion on the use of the systems. There is the acute fact that owners with scrubbers on board will not have seen the return on investment from any early investment in a system ahead of 2015, the year when distillate fuel costs are widely expected to rise at a higher rate than current fuel oils. This is when the financial benefits could be reaped, but owners that could be placing orders are remaining quiet, hoping to win an advantage. Owners are, in the majority, still cautious, and looking for reassurance about the technologies they are being pushed to consider due to regulatory developments. However, smoke and mirrors may be preventing the industry moving on with the debate on costs and return on investment of whichever compliance decision is taken. System makers say there are some owners placing orders, but they have been placing confidentiality agreements into contracts to prevent their identities being disclosed.

Port of Antwerp partners with Rosmorport

(Source: Automotive Logistics News, 13th February 2013) The Port of Antwerp in Belgium has signed a 5-year agreement with Russia's state-owned port developer Rosmorport to collaborate on port development, expansion of transport and logistics networks, and attracting investments in port facilities. Rosmorport is responsible for developing and maintaining Russia's maritime infrastructure and port facilities. The country is aiming to double port capacity over the next 10 years. The collaboration will also target joint improvements to energy efficiency and the use of renewable energy. Russia is Antwerp's fourth-largest trading partner and in 2012 Antwerp Port Authority reported that the total volume of freight carried between the Belgian port and Russia amounted to 8.6m tonnes, 60,000 tonnes of which was accounted for by finished vehicle traffic. Approximately 90% of the total volume moves between Antwerp and the Baltic coast of Russia. In 2012 Antwerp handled more than 1,240,000 vehicles (including used vehicles), up 14.8% on the preceding year. The main brands were Fiat, Hyundai, Kia and Mazda. Its main terminal operators for finished vehicle cargo are **International Car Operators** (**ICO**) and Antwerp EuroTerminal (AET). While a spokesperson for the Port of Antwerp said it was too early to identify the specific benefits for automotive handling, they said it was the first step in a mutually beneficial joint project that will see Antwerp sharing its expertise for the improvement of port development and efficiency at the Russian ports, while in return benefitting from Rosmorport's proficiency. "Through best practice sharing, we also look forward to learning from the challenges Russian ports face," a spokesperson for the Port of Antwerp said. "The Rosmorport organisation and the 60+ ports have a large scope of diverse port activities with many specific expertise and competences to offer, and Antwerp can for sure also learn and benefit from these. This partnership is a two-way street." The signatories intend to support the success of the venture with a greater exchange of information and by organising training courses for Russian port professionals at APEC, the training centre operated by Antwerp Port Authority. Rosmorport signed a similar agreement with global cargo operator Cargotec back in October 2011 designed to share know-how on infrastructure development and modernise port capacity.

Nordic states and Russia in High North transport plan

(Source: LloydsLoadingList.com, 14th February 2013) In a landmark initiative, three Nordic states have entered into a formal joint plan with Russia to develop a co-ordinated transport strategy that focuses on all commercial freight traffic moved by sea, air, rail and roads in the region. The project was initiated by Sweden, Norway and Finland, which all border Russia's High North territories, which include the increasingly industrialised Kola Peninsula and Barents Sea regions. The four countries have appointed a joint multinational expert group to develop the Joint Barents Transport Plan (JBTP). "The objective here is to find common ground and agreement to establish a more co-ordinated transport plan for the High North that deals with inefficiencies and which can lay the basis for the

better integration of commercial freight by rail, road, sea and air," said Torbjørn Naimak, Chairman of the JBTP and Head of the Norwegian Roads Administration's Northern Region. "All four partner countries will work to find an integrated transport solution that meets the challenges we all face in cross-border routes, whether these involve road, rail, sea or air transport," added Naimak. A particular emphasis will be placed by the JBTP on the creation of cross-border freight corridors that better serve freight movements and have the potential to significantly reduce delivery times by road, rail, air and sea. The JBTP is due to present a preliminary report in September 2013, which will include proposals based on the growing economic importance of the region as a producer of forestry goods, semi-refined metals, heavy machinery and the increasing amount of ore being mined in the Barents region. Naimak said: "The JBTP will formulate general strategies as to how an effective, sustainable, robust and multi-faceted transport system should be developed. It will identify bottlenecks and barriers for crossing borders, both on the technical and the administrative side. It will also propose strategies to deal with the development of infrastructure on the basis of predicted cargo volumes in the border-crossing corridors." The broad scope of the JBTP will also address the issue of improving public transport between the Barents High North and the three neighbouring Nordic states.

Important EU grants set to help transform rail freight transport

(Source: TEN-T EA, 13th February 2013) The European Union will co-finance four projects aimed at preparing the implementation of four rail freight corridors across Europe with a total of €5.7m from the TEN-T Programme. The projects focus on establishing fully operational rail freight corridors as required by EU Regulation 913/2010, providing optimal rail freight transport and increasing rail transport competitiveness across the EU. The four projects were selected for funding under the 2011 TEN-T Annual Call. The first project, which will receive €1.3m in EU co-financing, will prepare the managerial structures and activities needed to establish Rail Freight Corridor 2, a trans-national rail freight axis starting in Rotterdam, Netherlands and then, via Belgium, Luxembourg and France, reaching Basel, Switzerland and Lyon, France. The second project, which will receive just over €1.6m in EU co-financing, covers the preparatory studies and activities needed for the organisation of Rail Freight Corridor 8. This axis runs from the key ports of Bremerhaven, Germany; Rotterdam, Netherlands; and Antwerp, Belgium to Kaunas, Lithuania, crossing Northern Europe on an East-West path. The third project, receiving nearly €1.7m in EU support, concerns the establishment of Rail Freight Corridor 6, which runs along the South of Europe from Almeria and Madrid in Spain to Záhony in Hungary, crossing France, Italy and Slovenia. The final project will receive just over €1m in EU co-financing to prepare the implementation of Rail Freight Corridor 4, which runs from Lisbon, Sines and Leixões in Portugal to Algeciras, Madrid, Bilbao, San Sebastián and Irun in Spain and all the way up through Paris and into Northern and Eastern France. The project will undertake the required analyses for the freight corridor and prepare the implementation plan. Establishing the managerial and operational structures of these four rail corridors is of paramount importance as they will have to co-ordinate and bring together all the relevant stakeholders to ensure an improved rail freight flow along each individual corridor, to enhance the interoperability and to foster co-operation among the rail freight corridors. All four projects are set to be completed by December 2014.

EU co-financing to help improve connections to the Port of Hamburg

(Source: TEN-T EA, 11th February 2013) The European Union will provide support of almost €3m from the TEN-T Programme for a project to complete design studies for infrastructure works deemed necessary to improve rail connections to the Port of Hamburg in Germany. The project will complete all the planning documentation for the improvement of the Süderelbe multimodal crossing, including adaptation of major traffic routes. The project, which was selected for funding under the 2011 TEN-T Annual Call, covers all planning work required ahead of the actual construction of a new rail bridge. This will permit the use of the currently bimodal Kattwyk Bridge exclusively for road traffic. The project involves planning the work phase and will look at all the necessary aspects of building this new infrastructure at the Port of Hamburg. Once completed, this development work will improve access to the TEN-T network from the Port of Hamburg both for passengers as well as freight through increased capacities for traffic flow and for the transport of goods. The disentangling of the two modes will also contribute to reducing risks of accidents in the port zone. The project is set to be completed by August 2014.

Navigation study of the upper Rhine River receives EU support

(Source: TEN-T EA, 14th February 2013) The European Union will support with €850,000 from the TEN-T Programme a study aimed at conducting an assessment of the existing and future needs regarding transport infrastructure on the upper Rhine River. The study will specifically target fluvial ports and their connections to the rail and road networks. The study, which was selected for funding under the 2011 TEN-T Annual Call, will analyse three main aspects related to inland waterway transport on the upper Rhine River in France, Germany and Switzerland. First, it will look at the sector's current needs and estimate the evolution for the next decades. Then, it will analyse the accessibility and connectivity of ports located in the area. Finally, it will propose an integrated and

efficient multimodal transport strategy, including the related governance structure and investment planning, for the upper Rhine area. The project is set to be completed by the end of 2014.

REST OF THE WORLD

GEFCO supports PSA and Ford in South Africa

(Source: Automotive Logistics News, 13th February 2013) Following GEFCO's opening of a subsidiary in South Africa in 2012, the French logistics provider has announced that it has a new contract with Ford to export 30 containers of parts from the carmaker's Struandale plant there to its Pacheco assembly plant in Argentina. This year will also see the company handling transport and logistics operations in South Africa for PSA Peugeot Citroën, which recently sold a 75% stake in the logistics provider to the Russian state rail operator, RZD. The services will include the receipt, storage and distribution of around 12,000 vehicles for dealers located in the country. The company, which has previously operated out of Johannesburg via a sales representation office, said it has been strengthening its commercial relations in the region since 2007 by organising a triangular logistics flow of automotive parts between Portugal, Botswana and South Africa. Since 2009, GEFCO has been importing, handling storage and distributing Peugeot spare parts in South Africa and surrounding countries, namely Swaziland, Namibia and Botswana. These transport moves account for some 750-1,000kg of spare parts transported by air and between four and six containers per month by sea. In December 2012 the company launched a weekly less-than-container load (LCL) maritime groupage service for goods travelling from its European hubs and destined for the South African ports of Cape Town, Durban and Port Elizabeth.

GEFCO develops multimodal services to secure future growth in China

(Source: LloydsLoadingList.com, 14th February 2013) With 18m cars produced in 2012, China has overtaken Europe and the US as the world's biggest automobile market. Among the automotive logistics specialists serving this high-growth market is GEFCO which started operating in China in the late 1990s and subsequently established a joint venture with a domestic partner. It set up its own subsidiary in 2008 and has since established eight branches in China, including one which has just opened in Shenzhen. It also has joint venture operations in Wuhan and Shenzhen to provide extra support for its major customers. GEFCO has experienced steady growth since its entry into the Chinese market. Andrea Ambrogio, Managing Director of GEFCO China said: "Turnover increased by 13% in 2011 compared with 2010, and in 2012 we achieved the same growth rate with revenues reaching around €40m." To secure future growth in China, GEFCO is now looking at developing multimodal services on the back of its recently-established relationship with JSC Russian Railways (RZD). "GEFCO China plans to offer rail freight solutions between China, Russia and Eastern Europe," says Ambrogio. "RZD will support us in setting up international block-trains and single-wagon services between China and Europe. In addition, we aim to invest in logistics facilities in central and Western China. GEFCO China must emerge as one of the biggest subsidiaries within the group. China is very much the place to be, especially given the very poor conditions in core markets in Europe," Ambrogio explains. He believes GEFCO is in a position to meet the growing demands of domestic vehicle makers in China who have expanded their operations abroad. "Chinese-made vehicles are being exported to the rapidly emerging markets of North Africa, the Middle East, East Asia, Russia and Latin America, where GEFCO already has an extensive network and expertise in customs and tax representation," he says. China's freight transport and logistics sector in general has experienced rapid growth in recent years, particularly in the country's major economic centres. Ambrogio believes major logistics groups are now likely to speed up their expansion into central and Western China. "The next five to ten years will be a strategic period for these industry players in consolidating their presence in China's inland regions," he says. While GEFCO's activity in China is linked mainly to auto logistics, Ambrogio explains that the subsidiary is now applying its "unique culture and know-how" in this segment to other areas such as electronics and industrial goods. "For example, last year we launched a new offering dedicated to drinks logistics to help major wine producing regions such as Southern Europe, South America and South Africa, extend their services and products to Asian customers," he says.

PRESS RELEASES

Findus scandal: traceability in transport

(Source: IRU – International Road Transport Union, 11th February 2013) The TIR international transit system, established by virtue of the United Nations TIR Convention in 1959 and revised in 1975, is the only truly global customs transit system, providing trade facilitation and security between 68 countries worldwide.

To achieve this objective of facilitation and security, the TIR System is the only customs transit system requiring duly accredited transport operators, who are subject to strict admission rules, both through their national associations and by their national competent authorities. Moreover, the exchange of goods under TIR can only take place with duly authorised, secure, sealed vehicles.

In addition, all transport operations under TIR, notably on the whole territory of the European Union, are subject to the mandatory electronic pre-declaration of goods to customs. This requirement, met by all TIR operators, provides the customs authorities with all the data concerning the transport operation prior to the arrival of the truck. This pre-declaration therefore allows the customs authorities to undertake the appropriate control of the contents and any other risk assessment – as regards smuggling, for example – as well as proper sanitary checks.

Only the strict application of the above requirements, which are strictly applied in all TIR transport operations, allow the traceability of goods. However, practically none of these requirements exist in the current obligatory transit system imposed by the EU Customs Code for the transport of goods between the 27 EU Member States.

Until 2007, it was precisely the TIR System which was successfully applied to meet all the safety and traceability requirements between big exporting countries like Romania and the 15 EU countries of Western Europe.

However, since the entry of the 12 new Member States, including Romania, into the European Union, the use of TIR, for arbitrary reasons, is totally prohibited for internal movements between two EU Member States, in violation of the text of the UN TIR Convention.

For several years, notably as a contribution by the road transport industry to the EU growth strategy, the road transport industry and the International Road Transport Union (IRU) have been calling for the re-authorisation of the TIR System for movements under customs control between any two points on the EU territory through a simple amendment to the EU Customs Code. Unfortunately, until now, such an amendment has been rejected by the European Commission.

The IRU is convinced that the re-introduction of the TIR System for the transport of goods on the EU territory would again ensure full traceability and increase consumers' safety in the commercial exchange of goods between EU Member States.

To read more about the TIR System see: http://www.iru.org/en_iru_about_tir