ECG News

ECG – The Association of European Vehicle Logistics

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NEWS FROM BRUSSELS

Railways: paving the way for more growth, more efficiency and service quality in Europe

(Source: European Commission, 19th June 2014) The Commission adopted on 19th June its in-depth report on the railway sector – the Rail Market Monitoring Survey (RMMS). The report confirms that passenger railways have experienced tremendous growth rates since the mid-nineties in countries like the UK (+70%), Sweden (+42%), France (+37%) and Belgium (+26%) and highlights the importance of high-speed services that represent a quarter of all traffic in the EU. International passenger traffic is growing and the main European railway groups are not purely traditional state-owned public monopolies anymore but more and more international railway groups with more than a quarter of their turnover generated outside their home country. Railway freight is also growing and is now generating almost half of its traffic from cross-border services. New entrants in the sector are employing some 120,000 persons and already have a 21% market share of passenger rail and a 28% of rail freight. The report finds that prices are lower where there is open competition between railway companies and passengers get a better service. For example, on high-speed lines fares are lower where there is competition. Prices on the Rome-Milan route, where two rail operators compete, are 25-40% cheaper than Madrid-Barcelona which is not yet open to competition. Frequencies on the Italian route are double which shows a positive correlation between frequency and open competition which currently mainly exists on high speed lines and long distance inter-city services. On the other hand, the report also shows that the railway sector is (still) significantly reliant on public subsidies (some €36bn in 2012), almost as much as its sales revenues and that the growth of rail freight is lagging behind the growth of other transport modes. It also underlines that ports like Rotterdam and Antwerp could do better in terms of rail freight traffic and that satisfaction with rail travel and stations has still much room for improvement (58% of satisfaction). The Commission's proposals for a 4th Railway Package, currently under discussion, will oblige Member States to put these contracts out to public tender in order to deliver better quality rail services and better value for money. For the same reason, it will impose open competition on high speed and inter-city lines. Taxpayers get a better deal when there is public tendering to choose the company that will run commuter services, according to the report. For example, commuter routes in the UK, where the market has been opened to competition, are seen as more frequent and more reliable and cost the taxpayer less than in Belgium and France, where the markets are still closed. For this reason, the Commission's 4th Railway Package will require increased tendering for public service contracts.

The Rail Market Monitoring Survey can be downloaded from this website:
http://ec.europa.eu/transport/modes/rail/market/market_monitoring_en.htm

Shifting journeys from road to rail

(Source: European Voice, 19th June 2014) In its White Paper on transport issued in 2011, the European Commission set a goal for shifting journeys – both of people and freight – from road to rail. At least half of road freight journeys longer than 300km should make the modal shift from road to rail, the Commission said. For passengers, the White Paper sets a goal of tripling high-speed rail by 2030. The Commission has since sought to make transport funding available for such projects through its Connecting Europe Facility (CEF). However the idea of 'modal shift' has been challenged by carmakers, who see it as a betrayal of the co-modality commitment that the Commission gave back in 2006, when it said different transport modes should work in co-operation with one another rather than compete. "No mode is per se friendlier for the environment than another," says Erik Jonnaert, Secretary-General of the European carmakers' association,

ACEA. "Contrary to what some policymakers seem to believe, rail is not, by definition, more energy-efficient than the other modes in general, or than road in particular. In any case, in freight transport, modal shift is not an option. The goal of generally shifting road freight over 300km to rail is not supported by any of the most recent independent scientific research as being any better for the environment, and it doesn't make sense from an economic perspective." Jonnaert says the White Paper's goal of tripling high-speed rail does not square with economic reality. He points to recent research in Sweden and the United States that concludes that the carbon footprint of the massive infrastructure on these projects sometimes erodes the environmental advantages that they deliver. Environmental campaigners, however, say that shifting goods and people from road to rail is clearly beneficial for the climate. They condemn recent EU policy that seems to work against the goal of modal shift – for instance, the experiment to allow the use of extra-large lorries to cross borders between some EU countries. The Confederation of European Railways (CER) has also come out against this change, saying it will discourage modal shift, and even move some freight off the railways and back on to the roads. For the car industry, EU policy that sets a goal of modal shift is retreating from earlier commitments. For environmental campaigners and the rail industry, treating different transport modes even-handedly is to ignore the goals set by the 2011 White Paper. Both sides will be looking for the next European Commission to offer clarification: should the EU be encouraging modal shift, or remaining neutral?

AUTOMOTIVE INDUSTRY

Europe's carmakers face new CO_2 emission headache

(Source: Automotive News Europe, 16th June 2014) European carmakers, already battered by the region's economic downturn face a fresh financial headache if the European Union implements, as planned, a new way of testing CO_2 emissions from cars starting in 2017. The EU wants to replace the New European Drive Cycle (NEDC) test, which measures CO_2 emissions and fuel economy of new vehicles, by a more accurate United Nations-sponsored test cycle called the World Light Vehicle Test Procedure (WLTP). The move means that automakers will have to invest more heavily in solutions to boost fuel efficiency to meet tougher EU emissions limits, but it could also boost electric car sales and bring new business to suppliers, industry watchers say. Exane BNP Paribas estimates that using the WLTP standard could add nearly €1,000 to the cost of buying a car, a blow to mass-market automakers that already often resort to heavy discounting to encourage recession-hit consumers to buy new vehicles. Carmakers want the test's implementation delayed until 2020, BMW CEO Norbert Reithofer said when presenting the company's 2013 financial results in March. The EU goal of introducing the test by 2017 is "incredibly ambitious," Erik Jonnaert, ACEA Secretary-General, told *Automotive News Europe*. Jonnaert said carmakers will pass on to car buyers the cost of implementing the test. Additional costs will vary depending on manufacturers and their own processes and vehicle types, he said. The WLTP test reflects modern driving conditions better than the NEDC procedure that was introduced in the 1970s to measure smog-causing nitrogen oxide (NO_x) emissions, with CO_2 and fuel consumption tests added later. The technical and driving pattern assumptions made at the time are outdated today and emissions results from real-world driving may be 20-30% higher than results from the NEDC test, Exane BNP Paribas estimated in a report in April. Brussels-based environmental lobby group Transport & Environment (T&E) says independent driving tests show that CO_2 emissions and fuel consumption are an average of 23% higher than the official figures reported by carmakers. Automakers selling cars in Europe already face the challenge of reducing CO_2 emissions to an industrywide average of 95g/km by 2021 from about 130g/km now. They claim the new test will make the target harder to achieve. The WLTP

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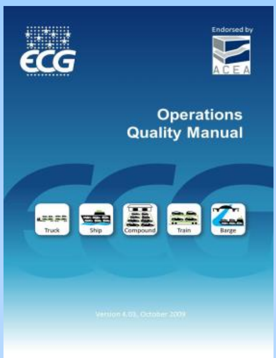

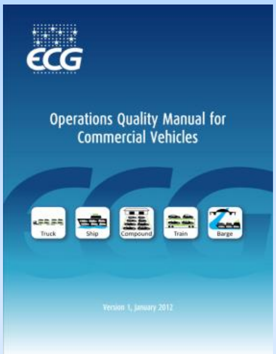

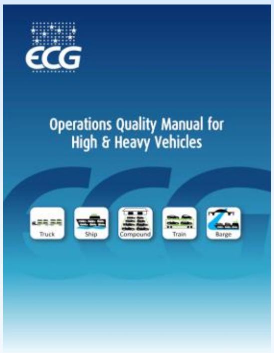

- Written by the Quality Working Group and the H&H Working Group composed of OEMs and LSPs.
- The manuals can be downloaded from: http://www.ecgassociation.eu/PublicationsReports/ECGOperationsQualityManuals.aspx

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test results will be used to set emissions levels and therefore determine the annual progress of automakers in reducing their emissions to meet the EU target. Carmakers are on track, to varying degrees, to meet the 95g/km target using the NEDC test after spending billions of euros to develop new technology such as stop-start, more-efficient engines and electric cars. The WLTP test, however, would in effect move the goal posts. Exane BNP Paribas analyst Stuart Pearson said introducing the WLTP test could double the CO_2 reduction required by many automakers and cost the industry billions. “Should the new test cycle lead to emissions say 20% above that on NEDC, then assuming a €30/g cost of CO_2 technology, the incremental cost for the EU industry would be around €11bn,” (assuming 14.3 million cars are sold in 2020), Pearson wrote in the report. That breaks down to about €800 per car, which is “a huge sum for any OEM, but particularly mass makers that typically make only €500 per car in a good year,” Pearson said. Automakers such as Renault, PSA Peugeot-Citroën and Fiat, which already have margins well below the likely incremental cost of compliance, will be hurt more than German automakers, according to the analyst. But there will be winners. Suppliers of parts that make cars more fuel efficient, such as Continental, Plastic Omnium and Faurecia, will gain business, according to the Exane BNP Paribas report. Sales of electric and plug-in hybrid cars may also accelerate but diesel sales may suffer as NO_x output also rises under the new test.

Russia could ban state purchases of imported cars

(Source: Automotive Logistics News, 18th June 2014) Russia has said it will ban all state agencies from purchasing imported vehicles unless they are produced locally from complete knockdown (CKD) kits with a localisation level of at least 50%. The move, announced by Denis Manturov, industry and trade minister, is aimed at further stimulating foreign carmakers to increase the level of local production in Russia. It is also aimed to placate the concerns of carmakers and spare parts producers in Russia over the worsening political relations between Russia and the West. According to Manturov, despite the good progress made in this direction in recent years, the national average level of locally sourced content on foreign import brands currently stands at 45%, while the spare parts sourced locally for foreign imports stands at 20%. “However, despite this, I am sure that currently the industry could benefit from the macroeconomic situation – in particular, from the depreciation of the rouble,” said Manturov. “As the result cars produced in Russia will become more attractive to consumers.” At the same time Mikhail Babich, plenipotentiary envoy of Russian president Vladimir Putin, said that the increase in the demand on localisation was necessary because carmakers and spare parts producers had “legitimate concerns” about the outlook for the Russian car industry. “Some companies have already begun to cancel or restructure their development plans,” he said. “The reason of such uncertainty is the worsening political relations between Russia and Western countries.” A number of carmakers have already reacted to the new initiative proposed by the government. Daimler has said that it is looking at the potential of local production of Mercedes passenger cars in Russia and confirmed that it has held a number of discussions, while representatives of Volkswagen also indicated they were expecting such a step, having discussed it with Russian authorities for some time. According to a spokesperson for the German carmaker this was one of the reasons why Volkswagen launched the production of several Audi models at the Kaluga plant in May 2013. These included the A6, A7, A8L, Q5 and Q7. This is not the first attempt by the Russian government to encourage foreign carmakers to launch or expand assembly capacities in the country. In 2011 it approved an industrial assembly incentive, which provided preferential treatment to companies that started CKD production there with an annual production capacity not less than 300,000 cars per year and a level of localisation not less than 55%. According to industry experts, the current step is aimed primarily at German companies who have expressed uncertainty about further plans for localisation following the Ukrainian crisis and the consequent political tension. According to

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state orders in particular, excluding police and emergency services, about 65% of all purchasing is accounted for by German brands. “This step is directed exclusively at the German brands and aims to keep them on their way to increase the localisation of the Russian capacities,” said Russian market analyst Denis Potapov. “In Russia, the unique tradition amongst the representatives of the state administrations, regional governments, state government, all the public services and state officials is almost always to choose German brands. And the most popular in this case is a Volkswagen with a share of about 40% of the total sales.”

EUROPE

Paragon and JLR to enhance green fleet management model

(Source: Automotive Purchasing, 17th June 2014) Oxfordshire-based **Paragon Automotive**, the UK’s largest vehicle processing supplier, has announced the extension of its relationship with Jaguar Land Rover following the contract renewal to manage the UK’s largest premium automotive employers’ fleet. The latest development will see operations centralised in Upper Heyford, a move that will save over 277 tonnes of CO_2 in the contract term, thereby becoming a centre for excellence that will set new standards in the industry with technology used to save transport costs and reduce carbon impact. As Mike Pilkington, Managing Director at Paragon Automotive, explained: “We hope our work with Jaguar Land Rover will drive up standards across the industry. The new hub at Upper Heyford is an example of how we have put innovation at the heart of our business with the aim of creating greener and more efficient fleets.” Paragon will provide PDI services for company cars, demonstration and buy-back fleets. It will also cover demonstration services, integrated with Paragon’s own iDemo system that supports vehicles sales at corporate and events programmes from mobile devices. The programme will also re-engineer the movement of vehicles around the UK to create a more efficient service. Paragon will use its iSight system, which allows real time access to inventories to ensure optimum management of vehicles.

Rail strike in France threatens automotive sector

(Source: Automotive Logistics News, 18th June 2014) A strike by the French rail provider SNCF, involving its freight division along with passenger services, is now in its second week with no sign of a resolution. The situation is forcing shippers, including carmakers, to reorganise their transport and logistics plans. June is a busy month for freight shipments in France and road haulage capacity is reported to be tight, which is exacerbating the situation. So far the action is estimated to have cost SNCF €80m in lost revenue and refunds, according to Guillaume Pepy, head of the company. According to local press reports the reforms are intended to tackle the rail sector’s debt, which stands at more than €40bn and is set to almost double by 2015. The strike is being held in protest at proposed government rail reforms that are under debate in the French parliament. Included in those discussions is the proposal to unite SNCF with the RFF (Réseau Ferré de France) rail network, which could open up the French state-owned rail network to competition. Fret SNCF workers in CGT and Sud-Rail unions fear that the reforms will lead to a fragmentation of the company and the subsequent loss of jobs, as well as the loss of security associated with state rail employment. There are also concerns about the risks to quality of service. A spokesperson for Fret SNCF acknowledged the wide impact of the strike on the rail network across France, as well as the automotive industry. “The strike currently affecting rail transport in France has of course operational consequences for all industry sectors, which operate traffic on rail, whatever the operator,” she told *Automotive Logistics*. “As such, automotive is affected as much as other sectors are. Fret SNCF is doing its best efforts to limit the impact as much as possible on its customers.” The company provided no further detail on those efforts. The latest

ECG AGENDA

►**ECG Eastern Regional Meeting in September (date & location TBC)**

►**ECG Land Transport Meeting,** in Hannover, Germany **in September (TBC)**

►**ECG Maritime & Ports Meeting,** in Le Havre, France **in September (TBC)**

►**ECG Board meeting** on **16th September** in Turin, Italy (TBC)

►**ECG Conference** on **16th & 17th October 2014** in Amsterdam, the Netherlands

►**ECG UK & Ireland Regional Meeting in November (date TBC)**, in Birmingham, UK

►**ECG Maritime & Ports Meeting,** in Zeebrugge, Belgium **in November (TBC)**

►**ECG Dinner Debate in the European Parliament,** in Brussels, Belgium on **19th November (TBC)**

action follows a similar 36-hour national strike by workers at Fret SNCF in December last year. French-based carmakers, including Renault-Nissan and PSA Peugeot-Citroën, are reserving comment on the impact to their inbound and outbound deliveries. While Renault-Nissan refused to comment, a spokesperson for PSA said only that so far the strike has had a limited impact. The impact on inventory levels at the carmakers does indeed seem to be limited so far, with no reports of an escalation in priority shipments of inbound parts suggesting inventory at the carmakers was not yet affected. "At the moment there has only been a very marginal increase in requests for France and it is difficult to say whether this is related to the action by SNCF," said Neal Williams, group Managing Director at emergency logistics provider Priority Freight. "We have not been advised that there has been any disruption of inbound components to any plants yet." Priority Freight is handling in the region of 400 expedited movements a day across Europe for most OEMs and tier suppliers. "We should be in a position to learn about any significant production supply pressures quickly," added Williams. The company did record a significant amount of premium transport during the first week of the strike, though that resulted from rail disruption caused by storm damage in Germany according to Williams.

Finland to force sulphur emissions from shipping by 2015

(Source: Finnbay, 14th June 2014) Finland is preparing to introduce stricter provisions on sulphur emissions from shipping by the beginning of 2015. The move is part of the implementation of new environmental protection provisions approved by the International Maritime Organization (IMO) and by the EU in its Sulphur Directive. The objective of the new provisions is to improve air quality, especially in coastal areas, and the state of the marine environment. From 2015 onwards, the sulphur limit for marine fuels will be cut to 0.1% in SO_x emission control areas (SECAs) in the Baltic Sea, the North Sea and North America's sea areas. Ships shall meet the new criteria by using low-sulphur fuel, installing scrubbers or shifting to the use of alternative fuels, such as liquefied natural gas (LNG). Emissions from shipping will be monitored by the Finnish Transport Safety Agency (Trafi), the Finnish Border Guard and the police. According to Finland, the price difference between high and low-sulphur fuels should be considered illegal financial gain that the violator must forfeit to the government. This will be more tangible than fines or other penalties. The same would also apply to shipping companies. The exact extent of the cost impact of these sulphur provisions will only be known after the provisions enter into force, at which point it will become clear what the price of low-sulphur fuel will be. A cost estimate by Trafi in 2013 found that the sulphur provisions will increase the costs of maritime transport to Finland by approximately €460m each year, if ships only use low-sulphur fuel and by €120m a year, if scrubbers are installed in ships. The government has planned to halve fairways dues and suspend railway infrastructure tax for all cargo transport from 2015 to 2017. Finland's corporate income tax was cut at the beginning of 2014 from 24.5% to 20%. The government has also issued an extension on regional transport subsidies spanning to the end of 2017. In 2013 and 2014, the Ministry of Transport and Communications granted subsidies for the procurement of scrubbers.

Bunkering industry considers methanol as alternative marine fuel

(Source: Port Technology, 16th June 2014) Participants at the International Methanol Producers and Consumers Association (IMPCA) conference in Porto, Portugal (12th-13th June) said that the use of methanol as an alternative marine fuel in the European bunkering industry remains a distant possibility. The main factor driving methanol is the reduction of the sulphur limit in emission control areas, as well as the global cap pushing ship owners to move away from residual fuel oil. There are a few options available for ship-owners as they tackle compliance issues with tougher regulations on emissions: switch to cleaner but more expensive marine fuels like gasoil, retrofitting to using LNG or methanol as

Events in Brussels

The European Commission organizes the Sustainable Energy Week **between 23rd and 27th June**
http://www.eusew.eu/

The European Commission hosts a debate event on "Decarbonising road transport: The path to 2050" on **24th June**
http://tinyurl.com/nc9ss3b

The European Commission holds a stakeholder workshop on 'Developing Combined Transport' on **27th June**
http://tinyurl.com/nqjr2wh
ECG will attend.

NGVA Europe, the European Natural Gas Vehicle Association holds the 5th NGVA Europe International Show & Workshops **on 8th July** on the theme of 'bio CNG & LNG – the green, affordable and real alternative for all transport modes'
http://www.ngvaeurope.eu/what-happens-next-month
ECG will attend.

The European Commission holds the third public hearing on Advanced Manufacturing **on 10th July**
http://tinyurl.com/ntmgj5x

CLECAT organizes the '2014 Freight Forwarders Forum, Envisioning the Future of Logistics: Challenges and Solutions Explored' **on 6th November**
http://tinyurl.com/nc4bsv5

fuel, fit exhaust-gas scrubber systems or invest in new ships that run on alternative fuels. A European producer said: "We are not upbeat on marine fuels. There are several pricing issues, the cost of retrofitting the ship, and the practical and convenient storage of methanol." Methanex, the world's largest producer of the product, said: "Methanol as a marine fuel is not tried and tested yet, but once you see that it works, it would spur further investment in this area." According to *Lloyd's Register*, the main advantage that methanol has over LNG as a marine fuel is the cost – estimated to be at least 20% lower when it comes to retrofitting engines for use with the fuel.

Shipping firms face £300m fuel bill

(Source: The Telegraph, 17th June 2014) Shipping firms face paying £300m more for fuel next year because they have not been given enough time to comply with new European Union regulations on sulphur emissions, industry leaders have warned. In a letter to *The Telegraph*, the heads of 19 major UK maritime organisations say they will be forced to switch to low-sulphur fuel on routes to Europe and Scandinavia after new restrictions come into force in January. The result will be a rise in the cost of low-sulphur fuel, including diesel sold on forecourts, as well as increased carbon emissions due to more freight on roads, the shipping experts said on 17th June. Another option for the industry would be to retrofit engines with new sulphur-extracting technology, but it would be impossible to upgrade a substantial proportion of the UK fleet before the deadline. The signatories, including senior executives at the UK Chamber of Shipping, P&O Ferries, Brittany Ferries, Stena Line UK and Associated British Ports, call for a grace period to allow the technology, known as scrubbers, to be fitted across the fleet. "When European shipping shifts to low sulphur fuel, costs will rise by up to 30% for passengers and freight," they say. "The impetus is to reduce sulphur by use of technology that is only just ready, and which could take two years to fit to all our ships. But, the EU's new regulations come into force in January 2015." They claim that switching to low sulphur fuel could lead to the loss of 2,000 jobs in Britain and £300m in additional costs to shipping operators, as well as the arrival of thousands more lorries on Britain's roads and 12 million tonnes of additional CO_2 emissions. "We urge the government to undertake urgent action to prevent these damaging consequences by insisting that the EU allow pragmatic transitional arrangements," the letter states. The new regulations are based on measures agreed by the United Nations International Maritime Organisation (IMO) to cut sulphur emissions, but the deadline of January 2015 has been imposed by the EU. Passenger ferries and shorter freight routes stand to be worst hit by the rules, which only apply in specified waters around Europe, including those off the eastern and southern coasts of the UK. Any increase in operating costs would likely be passed on, resulting in higher prices for ferry passengers and businesses exporting goods to the continent.

The letter, along with its signatories, can be read here: http://www.telegraph.co.uk/comment/letters/10907192/The-costs-of-switching-to-green-shipping-fuel.html. For related coverage, please see the ECSA press release under the heading "Press Releases" in this ECG News issue.

Northern Ireland has no HGV levy enforcement in place

(Source: Commercial Motor, 13th June 2014) No enforcement of the Heavy Goods Vehicles (HGV) Road User Levy is currently taking place in Northern Ireland (NI) and officials at the Department of the Environment (DOE) in the province do not even have the power to enforce the charge for foreign-registered trucks using roads in the UK. Northern Ireland Minister of the Environment Mark Durkan confirmed the lack of enforcement at a meeting of the Northern Ireland Assembly last month. He said in response to questions about enforcement of the levy, that as discussions about exempted routes were still under way and subordinate legislation relating to the levy had not yet gone through: "DOE officials do not have the power to enforce here, and therefore are not enforcing."

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He continued adding that the DOE has not yet even agreed to be the enforcing body in NI. “The Department for Transport (DfT)’s plans have been based on the premise that my department, through the Driver and Vehicle Agency (DVA), will enforce it in Northern Ireland, including through the use of fixed penalty notices and deposits. That is not a position that I have agreed to,” Durkan stated. “At present, therefore, the levy is by law in place throughout the UK and any haulier, regardless of country of origin, is required to pay for the use of roads in the UK, including in Northern Ireland. However, in the absence of the necessary agreements for DOE staff to undertake enforcement and my making secondary legislation through the Assembly to enable fixed penalty notices to be used for the offence of not paying the levy, the DfT has a limited range of means by which to enforce payment of the levy,” said the Minister The DfT and its agencies can still arrest drivers caught not paying the levy and bring a prosecution, stressed Durkan. A decision about the DfT’s request for the DOE to handle enforcement of the levy in NI will be made once discussions about a possible exemption for the A5 have been concluded, he added. Reacting to Durkan’s comments, Jack Semple, Director of policy of the Road Haulage Association (RHA), said that the current lack of enforcement “displays a very disappointing lack of support for the haulage industry in Northern Ireland”.

REST OF THE WORLD

Argentina and Brazil parts deal expected to restore trade flows

(Source: Automotive Logistics News, 17th June 2014) The governments of Brazil and Argentina have signed a one-year deal to regulate the trade in vehicle parts between the two countries. The deal will allow Brazil to export $150 worth of cars for every $100 worth of automobiles it imports from Argentina, without paying tariffs, according to industry analyst IHS Supplier Business. Under the previous deal Brazil had a 1.95:1 ratio, which Argentina found unfavourable. Argentina proposed a 1.3:1 ratio, to which Brazil would not agree. A spokesperson for VW Argentina told *Automotive Logistics* that the company welcomed the latest deal and backed up the point that it removed restrictive conditions and aimed to revert the trade balance with Brazil. According to a *Reuters* report, vehicles make up half of the $36bn in trade between Argentina and Brazil, and the tariff impasse has been dampening production and exports for both countries since the previous agreement expired. As quoted by IHS Supplier Business, Brazilian Minister for Trade Mauro Borges said: “The key issue is the volume of trade, and the ratio agreed favours the free flow of commerce between both countries.” The agreement also calls for a freezing of the countries’ relative market shares, which means Brazilian cars cannot account for more than 44% of sales in Argentina, and Argentine cars cannot represent more than 11% of sales in Brazil. According to IHS Supplier Business the latest deal will take some pressure off the declines in production and exports both countries have been facing in 2014. Argentina saw domestic vehicle production drop by 36% in May, down to below 51,000 units according to the Argentine automotive association (ADEFA). Sales were down more than 40% in May compared with the same month last year. Exports were down to 30,130, down 39.2% compared to May 2013, and down 7.2% from April, representing 59.2% of the production. “In the first five months of 2014 vehicle production has been severely affected by the fall in demand from export markets and sales in the local market,” said ADEFA in a statement. Production volumes were also seen to be affected by supplier conflict that has led to the temporary suspension of activities in several associated facilities. GM, Honda and VW have also variously halted production at their plants in Argentina because of parts shortages recently. However, the change does not impact on the other headwinds each country faces according to IHS. “Argentina is struggling with a devalued peso, as well as having instituted a new higher tax on most vehicles in January, which is affecting prices and sales; the government is considering putting price

controls on the industry," said the analyst in a statement. "Brazil has also increased taxes and a higher specification for standard safety equipment is driving up vehicle costs. Brazil also seems to be impacted by tightening credit, which its government has opted not to address, though talks are ongoing. The banks point to consumer indebtedness and lack of confidence in the economy and do not want to increase lending, which reports indicate is down 8.1% compared with April 2013."

Lázaro Cárdenas to benefit from government investment

(Source: Automotive Logistics News, 17th June 2014) In Mexico, Raúl Murrieta Cummings, the undersecretary for infrastructure at the Transport and Communications Ministry (SCT), has announced investment of more than $153m to increase capacity at the finished vehicles terminal at the Port of Lázaro Cárdenas. The investment is part of the state of Michoacán New Plan. The wider plan involves $3.4bn in social and infrastructure programmes across the state, part of a long-term plan announced by president Enrique Peña Nieto in February to "establish conditions of social order and spur economic development" across the state. The investment is needed to keep pace with the growth of vehicle throughput at the port. Last year it increased the number of finished vehicles it handled by 17% to 249,000, of which imports account for more than 182,000. That built on an increase in 2012 of 30%. Capacity is a concern in Mexico along with the frequency of shipping services. According to Bob Wilder, Vice-President Marketing at vehicle processor and logistics provider SSA Marine, the company has bid for a concession to construct and operate what would be the first specialised Ro-Ro terminal in Mexico at Lázaro Cárdenas. SSA expects to offer 600 metres of waterfront area, two berths, and 40 hectares of yard space. "The concession is expected to be awarded later this year. In the interim, we are working the Ro-Ro vessels at the nearby grain terminal facility," said Wilder. SSA Marine also provides stevedoring and processing services at Veracruz, and is developing a new port terminal in Tuxpan, about 300km north of Veracruz. On the west coast, besides Lázaro, it operates at the ports of Manzanillo and Acapulco.

PRESS RELEASES

Latvian "Drive eO" team is ready to attack PPIHC with Tesla racing car

*(Source: **Kurbads un Ko**, 19th June 2014)* A Latvian engineering team has built the "eO PP02" electric car, which is based on a modified chassis of the famous Tesla Roadster model. The "Drive eO" team, helped by a shell of well-known road cars, will try to get attention to their new electric motors built especially for the legendary Pikes Peak Hill Climb race that will take place at end of the June in the USA.

"Every day in the news, Tesla Motors is shown as an enterprise that manufactures the most demanded electric cars, but no one has seen them racing," says one of the engineers, Kristaps Dambis. The Tesla Roadster chassis is easily adjustable to our electronic systems. That's why we chose this option, as our goal this year is not to build a race car from scratch but to test and develop our electric components." The unique electric mobile uses the modified Tesla Roadster chassis that was purchased without engine in Germany. The electric motor and its ECU is entirely engineered and made by the Latvian "Drive eO" team. The "eO PP02"'s temporarily maximum power output is 490 PS generated by a 40 kWh large lithium ion battery pack, which is one third lighter than any competitor in the electric car division. The race pace time of the all-wheel drive "eO PP02" is fifteen minutes – more than enough to go all the distance full throttle.

The "Drive eO" team will use its second visit to Pikes Peak to gain more experience and to try out ideas in a racing environment. "We need this year's race for more knowledge to fulfil our big dream: to build a technically perfect supercar not only to win the electric division, but also to beat all competitors including those with petrol powered engines," the major plan is revealed by chief constructor Andris Dambis, who is well known in the world for his engineered OSCar Dakar rally cars.

The electric race car will be transported to Frankfurt airport by Latvian transport and logistics company Kurbads. An interesting fact is that as a gratitude for reaching the million kilometres mark, the company's driver has received the latest and most advanced vehicle carrier on a Volvo FH13 basis, equipped with Kässbohrer Metago and Variotrans Pro systems. From Frankfurt airport the "eO PP02" will be delivered to Colorado Springs, USA.

Pikes Peak Hill climb races will take place for 92nd time this year. Last time the Latvians did not finish the 20km long race to the top of the hill – the fastest person was rally legend Sebastian Loeb. To drive the "eO

PP02" up the Pikes Peak a particular race craft is needed. Multiple Latvian, Estonian and Baltic touring car champion Jānis Horeliks is the right man for the task.

The "eO PP02" is a long cherished and well planned project. To see a last glimpse of how the car was driven up on a car carrier: http://www.youtube.com/watch?v=vMBUSddwE9o&feature=youtu.be

Implementation of the EU Sulphur Directive must be harmonised and realistic

(Source: ECSA, 18th June 2014) 18th June is the deadline by which EU Member States have to transpose the European Sulphur Directive into national legislation. With the entry into force of the new European sulphur rules for ships in less than six months, on 1st of January 2015, European shipowners issue an open letter calling for fair, realistic and harmonised implementation of the Directive.

The new sulphur requirements impose that ships sailing in the SECAs (Sulphur Emission Control Areas: the Channel, the North Sea and the Baltic Sea) use bunker fuels with a sulphur content of maximum 0.1% or that the same level of emissions is reached by the use of alternative fuels or compliant abatement technologies. However, the shipping industry is faced with a number of legal and technical uncertainties, which the Commission and Member States urgently need to address if they hope to lend shipowners a helping hand in preparing for the 1st January 2015 deadline.

In general, shipowners that have made irrevocable investments in good faith to be compliant in time, but are facing some of the uncertainties and problems, should be able to rely on well-defined and strictly limited transitory exemptions, such as extended compliance paths.

"Member States and the Commission need to clarify without delay how they intend to apply and harmonise enforcement policies," remarked Patrick Verhoeven, ECSA Secretary General. "This however cannot be to the detriment of competitiveness. Establishing legal certainty about proper compliance and enforcement together with a fair level playing field between shipping operators and between transport modes are therefore a must."

"European shipowners are committed to fully comply with the requirements of the Sulphur Directive and with the corresponding requirements of MARPOL Annex VI (IMO's International Convention for the Prevention of Pollution from Ships). During this demanding period of change for shipowners, we ask that the rules to ensure enforcement of the EU Sulphur Directive are put in place in a pragmatic way" said Mr Verhoeven, before concluding: "The Commission and the Member States need to be strict but they also need to remain realistic."

To read the open letter, please follow the link below:
http://www.ecsa.eu/news-and-media/latest-news/9-latest-news/147-implementation-of-the-eu-sulphur-directive-must-be-harmonised-and-realistic

ICS discussed SECAs at its Annual General Meeting

(Source: ICS, 16th June 2014) The International Chamber of Shipping (ICS) – the principal global trade association for shipowners representing over 80% of the world merchant fleet – met in Limassol, Cyprus last week for its Annual General Meeting (AGM). Representatives of ICS member national shipowners' associations, from the Americas, Asia and Europe, reviewed the many significant regulatory developments affecting shipping with respect to safety, environmental protection and employment affairs, as well as various legal, insurance and trade policy developments. The discussions were dominated by the pressing challenges associated with the need for ships trading to Emission Control Areas (ECAs), in North America and Europe, to switch to low sulphur fuel, and the serious implementation problems that will be created by the eventual entry into force of the IMO Ballast Water Management (BWM) Convention.

Sulphur ECAs – Governments Need to Resolve Critical Implementation Questions

ICS underlines the shipping industry's commitment to full compliance with the IMO sulphur ECA requirements from January 2015, through the use of low sulphur distillate fuel or alternative compliance mechanisms such as Exhaust Gas Cleaning Systems (scrubbers). However, information collected by ICS members suggests that many governments are not ready to implement the requirements in a uniform manner, in order to ensure the prevention of market distortion. In particular, ICS members identified an urgent need for the Paris MoU on Port State Control – in co-operation with the European Commission and the United States – to finalise harmonised procedures before implementation begins. It was also agreed that port states need to resolve detailed implementation questions on the use of alternative compliance mechanisms for those companies that have chosen to invest in them, as permitted by the IMO MARPOL Convention. “The shipping industry is investing billions of dollars in order to ensure compliance. The huge costs involved could have a profound impact on the future structure of the entire shipping industry and the movement of international trade,” said ICS Chairman Masamichi Morooka. “It is therefore incumbent on governments to get the details of implementation right as we enter this brave new world in which fuel costs for many ships will increase overnight by 50% or more. We only have six months to go and we think it vital that governments clarify all of the details of ECA implementation as soon as possible.”

Ballast Water Management Convention – Time is Running Out to Make New Regime Fit for Purpose

ICS members considered the deep flaws in the IMO Ballast Water Management Convention (adopted in 2004 when the technology required to comply had not been widely tested or proven commercially) and possible solutions to these issues. It is apparent that there is now a greater understanding of these problems amongst IMO Member States which for many seems to be the primary issue impeding ratification. These obstacles include the lack of robustness of the current type-approval process for the very expensive new treatment systems that will be required, doubts about the procedures to be followed during Port State Control, and the need to provide confidence to shipowners that have already installed the new equipment (or are about to do so) that they will be regarded by the authorities as compliant. ICS supports the objectives of the Convention and recognises that its eventual entry into force is inevitable. “However,” explained Mr Morooka “unless these problems are resolved immediately at IMO there is a considerable risk that the regime will not be fit for purpose.” ICS is particularly concerned that port state sanctions could impact unfairly on shipowners who, in good faith, have fitted type-approved equipment, only to be told subsequently that it falls short of the required standard. At the next meeting of the IMO Marine Environment Protection Committee (MEPC 67) in October 2014, governments need to take what may be the final opportunity to act by agreeing some relatively simple changes to how the Convention will be implemented. “Time is rapidly running out.” said Mr Morooka. The ICS AGM agreed in principle to the text of a detailed industry submission that will be made to MEPC 67. This submission will suggest solutions to these complex problems in the form of a draft MEPC Resolution that could be adopted by IMO Member States before the Convention enters into force. This final industry submission will be made in the next few weeks.

Future Regulation of International Shipping

The ICS AGM considered the lessons to be learned with respect to the development of regulations, such as the Ballast Water Convention, that have subsequently turned out to have major problems, as well other technical regulations that have often been taken forward without any consideration of the economic impacts, or of the unintended consequences for regulations that already exist. For the past 50 years IMO has served the industry very well by providing shipowners with a comprehensive global regulatory framework. But there is growing concern that something is wrong with the quality and quantity of recent regulatory changes. All too often ICS sees regulatory proposals by governments being taken forward without any supporting evidence of compelling need. Mr Morooka explained: “Environmental protection is of the utmost importance, and ICS does not question the objectives or good intentions that are usually behind most government proposals. But in the future we believe there needs to be far more emphasis on proper regulatory impact assessments which also take full account of the economic sustainability of shipping. More attention also needs to be given by IMO Member States to the practicality and timescale allowed for implementation of new regulations. This should happen before the rules are adopted, not several years later when it may be too late.” The ICS members recognised that making improvements to the process of regulatory development at IMO is a complicated and difficult topic and that there are no simple solutions. But ICS members agreed that in the year ahead they would seek to develop some firm proposals for discussion with regulators.

IRU calls on President Putin to prevent TIR withdrawal on Russian territory

(Source: IRU, 18th June 2014) The International Road Transport Union (IRU) addressed a letter on 18th June to Russian President, Vladimir V. Putin, to inform him of the negative consequences following the IRU’s legal obligation to stop the issuance of TIR Carnets to Russian transport operators as of 1st July 2014, 00:00 GMT, if no progress is achieved to prolong the current TIR guarantee agreement and fully reinstate the TIR procedure on Russian territory. Furthermore, the IRU also informed President Putin that it would be obliged to invalidate an estimated 70,000 Russian TIR Carnets already in circulation, which would unfortunately prevent Russian operators from performing transport operations under TIR, in any TIR operational country, which would have a further negative impact on Russian trade.

IRU President, Janusz Lacny, wrote, “This situation continues to negatively affect both foreign and Russian trade and transport operators…the IRU would like to appeal once again to Your Excellency, in line with international law and in the clear interest of the Russian economy, to take appropriate steps towards the Federal Customs Service of the Russian Federation (FCS RF) to ensure that the TIR agreement between the FCS RF and ASMAP is extended at least until the completion of the current tender process and that TIR is fully reinstated at all Customs offices of entry into the Russian Federation before 1st July 2014.”

This decision follows a similar call upon the Russian Federation made by Contracting Parties to the TIR Convention during high level sessions of the UN TIR Bodies (WP.30 and AC.2), held last week in Geneva from 10th to 13th June. In his opening address at the AC.2, Acting Executive Secretary of the United Nations Economic Commission for Europe (UNECE), Michael Møller, invited the TIR Contracting Parties to make every effort to ensure the full and unconditional reinstatement of the TIR System on the territory of the Russian Federation, in accordance with the TIR Convention, and in keeping with responsibility to uphold the rule of law at the international level.

Indeed, the Russian Federal Customs Service has continued to extend TIR restrictions progressively since 4th July 2013, in spite of the unanimous opposition voiced by the Russian business community, repeated clear decisions from the Supreme Arbitration Court of the Russian Federation against the FCS RF, as well as appeals from numerous governments and international organisations, including the United Nations bodies.

The IRU remains hopeful that a solution will be found before 1st July and reiterates its readiness to continue working together with all competent authorities of the Russian Federation in order to find a definitive and long term solution to the existing crisis and to ensure the uninterrupted functioning of the TIR Convention in the Russian Federation in the interest of the Russian state, economy and all Russian TIR stakeholders.

Council adopts Shift²Rail Joint Undertaking Regulation to boost rail innovation

(Source: Council of the EU, 16th June 2014) The Council on 16th June adopted a regulation setting up a public-private partnership called Shift²Rail Joint Undertaking. The new entity will manage a research and innovation work programme to support the development of better rail services in Europe. Located in Brussels, it will be officially established in early July, and operations are expected to kick off in early 2015.

Shift²Rail’s goal is to double the capacity of the railway transport system, to reduce its lifecycle cost by 50% and to decrease unreliability and late arrivals by 50%. The innovative technologies and solutions to be developed, demonstrated and validated by Shift²Rail are expected to boost the EU rail sector’s competitiveness vis-à-vis other modes of transport and foreign competition, as well as to create jobs and increase exports.

The new undertaking will manage all rail-focused research and innovation actions co-funded by the EU. It will actively promote the involvement of all relevant stakeholders, including, for instance, manufacturers of railway equipment, passengers’ and freight associations, and the relevant scientific community.

Shift²Rail will be set up by the EU and by eight partners from the industry, which are: Alstom, Ansaldo, Bombardier, Construcciones y Auxiliar de Ferrocariles, Network Rail, Siemens, Thales and Trafikverket. Associated members will be selected through an open call for membership.

The EU’s share of the funding will come from the Horizon 2020 programme, and it will amount to a maximum of €450m over the period 2014 to 2020. Additional funds may be allocated from other EU instruments to support the deployment of Shift²Rail’s innovative solutions. The industry's total contribution will be at least €470m.

Shift²Rail’s mandate will end on 31st December 2024, after which it will be wound up.

For more information, see: http://www.shift2rail.org/