ECG News

Truck Ship Compound Train Barge

ECG – The Association of European Vehicle Logistics

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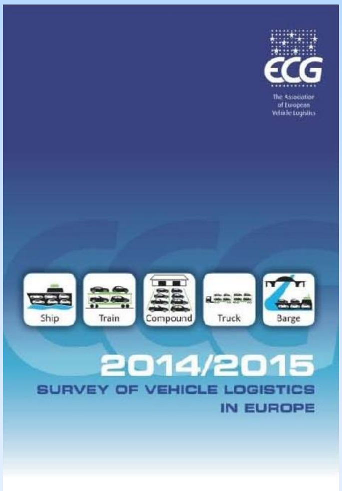
NEWS FROM BRUSSELS

Italy asks for a moratorium on ECAs in Northern Europe

(Source: Ship2Shore, 30th June 2014) "Italy is asking Europe a six-month moratorium on the enforcement of the EU Directive 2013/33 which mandates, from January 2015, a 0.1% threshold on sulphur content of marine fuels for ships sailing in the Emission Control Areas (ECAs) of Northern Europe and the Baltic Sea," said the Chairman of the Italian shipowners' association (Confitarma), Emanuele Grimaldi, at the Green Shipping Summit of the Port & Shipping Tech Forum held in Naples during the Naples Shipping Week. More precisely, the delay the Italian shipowners are requesting should target the vessels that would have demonstrably ordered by June 2015 a retrofitting at yard in order to be fully compliant with IMO regulations. Besides Grimaldi himself, with subsidiary shipping company **Finnlines** of Naples-based **Grimaldi Group**, many other Italian shipping companies are engaged in trades in the northern seas, like Genoa-based Grimaldi Holding, Visemar, and Finbeta. In his speech the Confitarma's head went further, criticising various facets of the international regulations on emissions: "Unfortunately, while the enforcement of even stricter ceilings on sulphur contents is about to happen, we are facing the risk that neither the products are available on the market nor adequate bunker infrastructures for LNG in place, not to mention the increase in price of low-sulphur fuels and the volatility of LNG prices. In my opinion LNG isn't a viable solution for the moment, especially in Italy, as we have no adequate offer of this fuel," stressed Grimaldi. The Chairman of the Italian shipowners then tackled the issue of ECAs in the Med, advocating the essential prerequisite that the matter be settled through an open debate between shipowners and the administrations involved, taking into account the needs both of the trades and of environmental safeguards: "We're in no way trying to circumvent the forthcoming rules on environmental safeguards but we must be given the right conditions in order to comply with them. Let me state it clearly: if an administration mandates the use of a specific fuel, then the product must be available. In case there's a true, demonstrable lack of it, you cannot hold the shipowners responsible for the consequences," he pointed out, maybe hinting at the case occurred some time ago to a Finnlines ship in Northern Europe entailing a lawsuit still pending. On the matter, Andrea Molocchi, partner of ECBA Project and scientific co-ordinator of the Green Shipping Summit, announced that "within a few months we'll get in Italy the full regulatory framework for investing in LNG-fuelled ships. Supply infrastructures (including bunker stations) and vessels are the key elements to drive the momentous shift of maritime transport towards a more sustainable mode, not only compared with other transport means but within the wider context of the other industrial and economic activities." Grimaldi concluded his speech at the Port & Shipping Tech Forum emphasising that, as to emissions at sea, "the cure might turn out worse than the illness itself as we're risking to bring back to road goods presently travelling on the motorways of the sea." He also asked that regulatory decisions be entrusted to the International Maritime Organisation (IMO): "The shipping world can operate thanks to the rules arrived from within the IMO. In their absence we'd have dangerous market distortions and, most of all, much lower safety and environmental safeguard levels. The introduction of IMO conventions resulted in a steady transformation of ships into transport means increasingly safer, eco-friendly and efficient," recalled the shipowner. Confitarma brought also to the fore the amazing fact that the various administrations involved have still to take a clear position on the implementation of sulphur thresholds in maritime fuels and the possible local exemptions to the international Ballast Water Management Convention, not yet enforced or ratified in Italy. Finally, turning to Koji Sekimizu, IMO's Secretary-General, Grimaldi stated his and the other shipowners' "wish that the IMO member states be able to answer these issues within the current year in the interest not only of the shipping industry but of all and everyone."

Advertising opportunity in the ECG Survey of Vehicle Logistics in Europe 2014-2015

ECG has started working on the latest edition of its **Biennial Survey** on vehicle logistics for 2014-15! It is the most important publication of ECG, covering every two years and representing the reality of the industry in each country across Europe, including Russia, Ukraine and Turkey.



The Biennial Survey will be officially launched at the ECG Conference in Amsterdam, on **16-17th October**. It has a genuine two year shelf-life and reaches a very wide audience across the whole vehicle logistics sector.

If you are interested in advertising your company in this ECG publication, please contact us at temp@ecgassociation.eu. Looking forward to hearing from you!

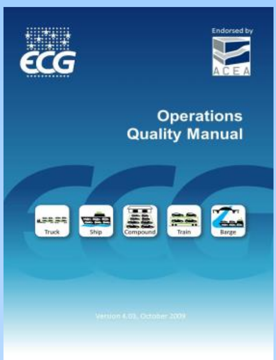
Special rates for ECG members!

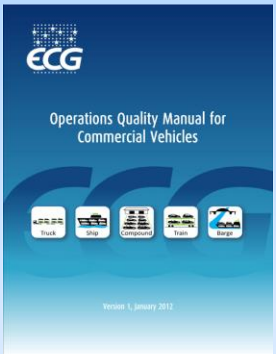
ECG Note: *More articles related to the shipping sector's efforts to comply with the looming 1st January 2015 deadline for SECAs within the EU can be found below in this ECG News issue.*

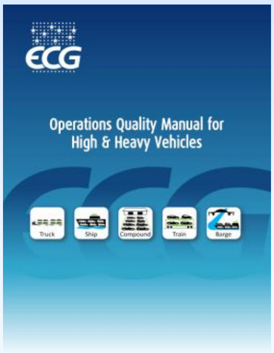
Draft EU road machinery law omits PM limit and emissions count

(Source: EurActiv, 27th June 2014) The draft Directive on Non-Road Mobile Machinery (NRMM) will not oblige large diesel-powered machines responsible for toxic emissions in Europe's urban areas to limit emissions of ultrafine particulate matter (PM), or even report and measure their CO_2 emissions. Diesel fumes are one of the principal causes of cancer according to the World Health Organisation, and a major contributor to the 400,000 premature deaths each year in Europe caused by air pollution. In major cities such as London, pollution from machines used in roadside labour accounts for 15% of nitrogen oxide (NO_x), and 12% of PM emissions, with construction workers exposed to the highest levels. But while the draft NRMM Directive limits NO_x emissions to 0.67 grams per KiloWatt hour (g/KWh), it exempts the largest and worst-polluting diesel engines – with a power rating of more than 560 KWh – from the obligation to filter some of the most dangerous forms of particulate pollution. The Commission held a stakeholder consultation last year and in its submission EURELECTRIC [*the Union of the Electricity Industry*] requested that the NRMM not be extended to stationary engines "to avoid duplication of environmental regulation" such as the Industrial Emissions Directive. Examples of machinery likely to be covered by the new directive include: generators, bulldozers, fork-lifts, pumps, construction machinery, garden equipment, industrial trucks, and mobile cranes. Diesel-powered small inland waterway vessels are exempted from PM emissions restrictions in the draft directive, although they are heavy emitters. Larger vessels though would be covered by the proposed law. The European Barge Union [*EBU*] in its stakeholder submission said that the renewal or retrofitting of engines in its legacy fleet was "only acceptable on a voluntary basis". "A mandatory renewal of this fleet would lead to a distortion of competition with regard to non-EU fleet (i.e. on the lower Danube) and most of all with regard to other modes of transport where emission standards are only applicable for new engines," their contribution said. Particulate number limits - as opposed to the particulate matter mass limits in the legislation - would oblige the fitting of diesel particulate filters which can reduce emissions of the most dangerous ultrafine diesel particles that penetrate deep into the lungs and enter the bloodstream. They can also reduce the output of black carbon, a powerful contributor to climate change, as well as a health concern for its ability to carry a wide variety of combustion-derived chemical cocktails to sensitive organs such as the lungs, the body's defence cells and possibly the systemic blood circulation. The NRMM Directive was a "Brussels' response" to an increase in the amount of stationary construction machines, many of which fell beyond the aegis of existing legislation. The oft-amended laws covering engine exhaust emissions were seen as overly-complex and ineffective. While emissions standards for road vehicles became more stringent, due to health and climate concerns, equivalent measures for diesel machines lagged behind. But the new draft law does not impel equipment manufacturers to report or even measure their CO_2 emissions until at least 2025, when the clause will be reviewed. In the interim 15 years, accurate fuel efficiency analysis of the road machinery sector would be unlikely. Campaigners also complain that the draft's requirements for in-service checking of machines to ensure they meet the required NO_x limits are "inadequate and unclear" and that compliance lead-in times stretching to 2021 for some classes of machine are too long.

The ECG Operations Quality Manuals for PCs and LCVs, CVs and H&H are available on-line!







- 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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AUTOMOTIVE INDUSTRY

To move upscale, Fiat seeks labour peace in Italy

(Source: Automotive News Europe, 30th June 2014) Fiat Chrysler Automobiles CEO Sergio Marchionne made a surprise return to Italy from the United States last week to solve a labour dispute at the Grugliasco car factory near Turin, where the carmaker is boosting Maserati production as part of a strategy to move upscale. When Maserati workers entered a conference room at the plant on 23rd June, they were expecting to discuss with the plant manager how to meet booming demand for the Ghibli compact sedan. Instead, the employees found Marchionne sitting at the table. The CEO warned the Grugliasco staff that a 16th June strike risked creating negative publicity in the US, where he's moving Fiat's main stock market listing later this year. Marchionne showed the group a video of Rich Boruff, local Head of the United Auto Workers at the Tipton plant in Indiana, praising Marchionne for saving Chrysler's factory. Marchionne's relations with unions have been better in the US than in Italy, where he often clashes with labour groups on his campaign to boost productivity with more flexible rules. "This meeting showed how important the Italian plants are becoming to Marchionne's new strategy," said Roberto Di Maulo, Head of the Fismic union, one of the largest representing Fiat's 62,500 workers in Italy. "Italian car workers have suffered for years." Marchionne met with the Grugliasco workers for more than an hour before announcing production changes at the Maserati plant. He bowed to the union's request and reversed a decision taken a week earlier, giving the green light for the transfer of 500 laid-off workers from Fiat's main plant at Mirafiori to Grugliasco. The CEO wants to build eight new Alfa Romeos and four new Maseratis by 2018 at the carmaker's Italian factories. These models will be sold mainly outside Europe as part of his plan to boost deliveries 61% to 7 million cars by 2018 and increase net income fivefold to €5bn with a wider offering of luxury vehicles. "While Marchionne wants to lure US investors to invest in the carmaker, he needs to reassure them he has a full grip over operations in Italy, where he will carry the most risky part of his investment plan," said Vincenzo Longo, strategist at IG Group in Milan. Grugliasco is the only Fiat plant in Italy which is currently operating at full capacity because Maserati is on pace to double sales this year. Maserati and Ferrari deliveries have almost tripled in the first five months globally, while Fiat's have dropped 1% in Europe. At Grugliasco, a plant Fiat bought in 2009 from the bankrupt Italian manufacturer Bertone, Marchionne's decision to add Saturday shifts and cut a week of vacation in August prompted 11% of the almost 2,000 workers to strike for an hour on 16th June. The protest, a week before Marchionne's surprise visit, cut Maserati production by 11 cars. "Working conditions at the Maserati plant are getting tougher because of the peak of demand," said Federico Bellono, a leader of the Fiom-Cgil union who joined the strike. He credits the protest with highlighting the need for better labour relations. "He came from the US to retract his decision" on transferring staff to Grugliasco, said Bellono, whose union won a legal battle against Marchionne at Italy's highest court last year to get its members accepted by the carmaker. Now, Marchionne must find a breakthrough on stalled wage talks after eight months of negotiations. Unions are asking for an annual increase of €300, while Fiat has countered with an offer of €250. Marchionne argues that Fiat's unprofitable car production in Europe make salary increases difficult. "We need to sit down and find a solution on the wage contract renewal," Di Maulo said. Marchionne made another trip to Grugliasco on 30th June, when attended the annual meeting of the local employers' lobby that took place at the Maserati plant.

Logistics to play important role in Renault-Nissan control of AvtoVaz

(Source: Automotive Logistics News, 2nd July 2014) Renault-Nissan has completed a deal to take full control of Russian carmaker AvtoVAZ, which makes the Lada brand of passenger vehicles, in a deal worth $742m. Renault initially

paid around $1bn for 25% in AvtoVaz back in 2008 and agreed to take majority ownership of the Russian carmaker in December 2012. The Alliance now has a controlling 50.1% stake in AvtoVaz through its purchase of a 67.1% stake in the Russian carmaker's holding company – Russian state technology conglomerate Rostec. The joint venture is called Alliance Rostec Auto BV, and Rostec retains the remaining shares in AvtoVaz. Renault-Nissan Alliance said there was no official statement other than to confirm it had taken the stake in Alliance Rostec Auto BV as announced two years ago and that the deal was closed on 18th June. However, speaking at last week's Automotive Logistics Russia conference in Moscow, Erik Barenthein, director of AvtoVaz, acknowledged that logistics and supply chain would have an important part to play in the Russian carmaker's transformation. Avtovaz plans to improve its payment terms to suppliers and partners, improve its warranties and spare part distribution and switch its production to a customer-order based 'pull' system to avoid overproduction. The carmaker is also planning ten launches or redesign of vehicles over the next 4-5 years. While the immediate focus will be on reversing Avtovaz's losses and arresting its decline, the carmaker has ambitious growth plans, including to gain 20% market share (it is under 17% today), increase exports by 50%, have a 6% profit margin and to transform its brand image. That transformation also includes the loss of 7,500 jobs, equal to 11% of the workforce and mainly in the manufacturing part of the business. Barenthein also hinted that there would be much closer collaboration between Avtovaz and its alliance partners, in so far the Russian OEM has run separate purchasing, supply chain and logistics operations to Renault Nissan. It has also had separate contract terms and standards, something Barenthein recognised was inefficient. "We will leverage the Renault Nissan alliance 100%," he said. "We will unify contracts and we want more global contracts across the brands." In October last year the two carmakers announced the establishment of a common purchasing organisation in Russia modelled on the Renault-Nissan Purchasing Organisation (RNPO). That agreement had a defined scope of purchasing for Renault, Nissan and AvtoVaz joint activities related to industrial equipment, powertrains and vehicles based on common platforms.

EUROPE

Ro-Ro providers dealing with fragmented trade flows

(Source: Automotive Logistics News, 26th June 2014) Ocean carriers providing services for vehicle import and export to Russia have a lot more to think about in the current climate. Global trade routes continue to fragment, there is a growth in intra-regional supply and vessel sizes are increasing as the industry seeks greater efficiencies by moving larger volumes. There is also the looming impact of imminent IMO sulphur emission laws around the North European and North American coasts. As **WWL**'s president of the Europe region, Eric Noeklebye, made clear at this year's Automotive Logistics Russia conference held in Moscow, the business model for ocean shipments has and will continue to change quite dramatically. The average life expectancy for a deep-sea car carrier is between 25 and 30 years but a vessel built in 1985 is moving on a far more complex network of trade routes these days. Japan once accounted for 85% of deep sea shipments, with the majority made up exports to North America, according to Noeklebye. That is down to 30% now and 40% of trade is moving out of and between other Asian markets. Carmakers are manufacturing on all continents and volumes are moving between them. Central and North Africa is one recent example, with manufacturing starting to take off in Nigeria and Morocco. Noeklebye said the challenge now, when investing $100m in a deep sea vessel, is planning where it is going to be used for the next 25 years. Lessons learned from China means this is by no means clear. WWL had expected to be exporting around 1 million vehicles out of China by now when plans were

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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 **on 29-30th September**

►**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 on 12th November**, in London, UK

►**ECG Maritime & Ports Meeting,** in Zeebrugge, Belgium **on 20-21st November**

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

discussed in 2006, he admitted. As it turned out the industry now exports nearly 1 million units from Europe to China instead, while exports out of China remain modest. That all comes into play when contemplating the complex prospects of moving volumes into Russia. There is a lot of local sourcing from Europe but the fragmentation of supply routes there now means vehicles are coming from various clusters in eastern Europe, Germany, the UK, Sweden and Spain to name a few, and that is something that is going to increase. “Looking at the next five years, in 2014 there are 430,000 units from European manufacturing locations going into Russia,” said Noeklebye. “By 2018 we expect this to grow to nearly 600,000 light vehicles moving into this market.” This is also largely one-way traffic, he added. Such imbalance is also a concern for short sea operators, such as **Finnlines**, which operates almost exclusively around the northern coast of Europe. Blasco Majorano, Finnlines’ Traffic Manager, North Sea and Biscay, noted the imbalance in trade to Russia which made offering regular services difficult. Nevertheless, he said the company was focused on developing business there and that it was trying to enlarge the number of ports it visited and expand its presence on the market. “It is a key point to be efficient in the operation and avoid waste, which impacts the service,” said Majorano. “We are investing in vessels that are more flexible and not focused on one market.” Short sea providers offer a useful service to deep sea carriers like WWL. It is inefficient for larger vessels, such as the post Panamax vessels now coming into service, to make as many individual port calls around the Black Sea and Baltic ports of entry as the short sea operators do. Noeklebye envisaged a move to a more of a hub and spoke setup, with WWL relying on short sea operators such as **UECC** to handle onward regional delivery. That being said, those regional providers are also now investing in larger vessels to make their own efficiency gains as costs increase. UECC, meanwhile, has ordered two pure car and truck carriers to add to its 23-vessel fleet that are capable of being powered by both LNG along with heavy fuel or marine gas oil, according to Björn Svenningsen, Head of sales and marketing. One of the influences moving them in that direction is the cost associated with investing in the fuel and technology to meet new sulphur emissions laws that are coming into force at the beginning of next year around the coast of northern Europe. IMO’s MARPOL rules (International Convention for the Prevention of Pollution from Ships) coming into effect for 2015 restrict the sulphur content of bunker fuel to 0.1% in the Baltic and North Seas and the English Channel. WWL is looking at a number of options, including LNG and abatement technology (scrubbers). But it is also looking upstream to solutions that the refineries themselves could offer. The company has a bold roadmap to have a completely emission free fleet by 2040 said Noeklebye. Finnlines is committed to the use of scrubber technology and Majorano said the company would have the technology on all its vessels next year. “Next year will be a challenge but we are confident that the scrubber technology is the way to improve,” he said. He added that the drive for efficiency was also down to intermediate steps to reduce fuel consumption such as the re-blading of vessel propulsion systems, which it was also doing.

Discount for LNG-powered ships in the Port of Gothenburg

(Source: Ship Management International, 2nd July 2014) From 1st January 2015, conditions for shipping in the Baltic and North Sea will change with the introduction of new, stricter regulations governing sulphur emissions. In response, the Port of Gothenburg will revise its port tariff. Ships that maintain a high level of environmental performance will be recompensed. Two indexes will be applied as a basis for discounting – the Environmental Ship Index, which is used by many ports around the world, and the Clean Shipping Index, which is an environmental index where the freight-owners’ make demands on the shipping industry. At the same time, ships that switch from oil to LNG will receive a further discount. Ships powered by liquefied natural gas, LNG, can expect a substantial reduction in the port tariff when they call at the Port of Gothenburg. The discount, which will come into effect in 2015 and will continue for four years, is aimed at inducing more

Events in Brussels

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

shipping companies to switch to cleaner fuel. Magnus Kårestedt, Chief Executive at the Port of Gothenburg, said: "It has been our firm belief for a long time that LNG is the fuel of the future. This initiative is entirely in line with our ambition to reduce the environmental impact of shipping and create a sustainable Scandinavian freight hub." LNG-powered ships receive a total tariff discount of 30% when they call at the port and the discount will apply until December 2018. In one year alone this would represent a substantial saving for ships that call at the Port of Gothenburg on a regular basis. There are considerable environmental benefits to be gained from using LNG in shipping and industry with sulphur and particle emissions reduced to almost zero, nitrogen emissions by 85-90% and carbon dioxide emissions by 25%. Carl Carlsson of the Swedish Shipowners' Association highlighted the leadership demonstrated by the Port of Gothenburg and their close understanding of the situation facing the shipping companies: "It's not technology that is the limiting factor, it's the financial considerations. Working within the framework of the Zero Vision Tool project, we will attempt to convince other ports in the Baltic to offer the same type of support." Preparations are currently being made for the construction of a terminal at the Port of Gothenburg that will supply both shipping and industry with liquefied natural gas. The terminal is part of a collaborative venture between Rotterdam and Gothenburg to build an infrastructure for LNG, an initiative that is also supported by the EU.

Rotterdam promotes LNG as shipping fuel

(Source: Port Technology, 2nd July 2014) In a bid to allow seagoing vessels to bunker LNG, the port of Rotterdam has made further steps in its plans to promote LNG as a shipping fuel. The Port Authority has worked intensively with other ports to achieve a legislative amendment which enables LNG-fuelled vessels to bunker from an LNG bunkering vessel. Harbour master René de Vries said: "That was a major condition of the general introduction of LNG. In the ten hours they stay in the port of Rotterdam, container ships should be able to bunker at the same time as they transfer cargo. This is only possible, if it happens ship-to-ship. And that is now possible." The new rules are based on national and international safety studies, laws, regulations, standards and best practice guidelines of other ports. A subsidy of €40m was awarded at the end of last year by the European Union to stimulate the use of LNG as a shipping fuel in European waters. The aim of the Port of Rotterdam Authority is to promote the use of LNG as a shipping fuel and to become a leading LNG hub.

Website focused on LNG as shipping fuel launched

(Source: Maritime Professional, 1st July 2014) The World Ports Climate Initiative (WPCI) LNG Fuelled Vessels Working Group, led by the Port of Antwerp, has launched the website www.lngbunkering.org, which features Liquefied Natural Gas (LNG) as a shipping fuel. The website provides a detailed overview of the use of LNG as ship fuel and illustrates the technical requirements for ships, bunkering infrastructure, vessels under development, and the business case. The website was developed for interested parties including port authorities, fuel suppliers and shipping companies that are considering LNG as fuel for ships. LNG is a clean and cost competitive fuel allowing the maritime industry to meet the upcoming International Maritime Organisation (IMO) regulations. LNG as a shipping fuel can help significantly reduce the environmental impacts of maritime transport, most likely without increasing costs. LNG is obviously the ship's fuel of the future and ports are preparing to offer safe storage and bunkering of LNG for shipping lines in or near their port areas. The WPCI LNG working group under the auspices of the International Association of Ports and Harbours (IAPH) has developed harmonised LNG bunker checklists for known LNG bunkering scenarios: ship-to-ship, shore-to-ship and truck-to-ship. These checklists reflect the extra requirements of ports with regard to LNG bunkering operations in or near their port environment. By using bunkering checklists, a high level of quality and responsibility of the LNG bunker operators can be ensured. Implemented harmonised bunker checklists will be of great benefit to the vessels bunkering

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LNG in different ports, as this will reduce the potential for confusion caused by having to comply with different rules and regulations in different ports. Focusing on the use of LNG as a marine fuel, the LNG Fuelled Vessels Working Group has developed guidelines for safe LNG bunkering operations, providing ports around the world to pursue this technology. In addition, the working group has aimed to create LNG awareness in ports by producing this website. The Working Group has worked in close contact with industry stakeholders currently using and/or handling LNG, as well as government agencies.

Strike disrupting European Ro-Ro freight traffic to Corsica and North Africa

(Source: Lloyd's Loading List, 2nd July 2014) Ro-Ro freight traffic between Marseille and Corsica as well as to Morocco, Algeria and Tunisia, continues to be seriously disrupted by strike action of the staff of heavily loss-making French ferry company Société Nationale Corse Méditerranée (SNCM), with the action spilling over to affect other operators at the port on 1st July. Marseille's forwarding community will be hoping the strike at SNCM will not further escalate and lead to attempts at blocking the port, which has benefited from a lasting labour peace on the quaysides over the past couple of years. The strike is in response to union claims that SNCM's majority shareholder Veolia-Transdev and the French state (which has a 25% stake) are dragging their feet in the implementation of a rescue plan unveiled 18 months ago for the company. This makes provision for the axing of 500 jobs out of a workforce of 2,600, in return for the acquisition of four vessels. Last month, Veolia-Transdev appointed the former head of DHL Express France, Olivier Diehl, to the post of chairman of SNCM - whose remit is widely seen as preparing the company for sale.

France scales back lorry toll

(Source: Transport & Environment, 27th June 2014) France's Assemblée Nationale approved a scaled-down toll for lorries, which will do little to improve logistics efficiency as well as lorries' environmental and health impacts. The decision goes against a wider trend of expanding or introducing ambitious lorry km-charging schemes in other countries like Germany, Poland, Austria and Belgium. The original plan was to cover a 15,000km network of local and national roads, which now has been shrunk to just 4,000km of main roads only. The km-charge will be around €0.13/km. Compared to the initial plan the approved law creates a yearly shortfall of nearly €600 million for the national funding agency for transport projects and local governments to maintain roads and promote sustainable transport. This French U-turn, which follows fierce protests by farmers of the Brittany region, runs counter to successful road charging schemes in Germany, Poland, Austria and, as from 2016, in Belgium. The German lorry toll, the Maut, was introduced in 2005. It provides €4.5bn of revenues for the federal government, part of which is used to improve and maintain transport infrastructure. Contrary to what was feared prior to its introduction, transport prices hardly increased, but the charges encouraged German transporters to drive cleaner and fuller lorries, over shorter distances. Lorelei Limousin, transport & climate campaigner at Climate Action Network France (RAC, in French), said: "In addition to their climate impact, trucks cause enormous damage to roads and emit toxic pollutants that ruin people's health. The fair and smart way is to let polluters pay as they do in Germany; the French way apparently is to let citizens pay." Road charging is a key element of the EU's strategy to make road transport more sustainable and the European Commission is looking to phase-in mandatory infrastructure charging. Km-charging for lorries is a smart way to reflect the cost lorries impose on infrastructure (user charging) and charge hauliers for the congestion, pollution and accidents they cause (external costs). Road tolls also provide a powerful financial incentive for fleet managers to maximise the tonnage carried per km travelled or consider greener alternatives. William Todts, Senior Policy Officer at Transport & Environment (T&E), said: "The European Commission is right to place road charging at the heart of its transport

policy. Too many European lorries are still running empty, drive too many kilometres, and create unnecessary pollution. France's decision is disappointing; but we know that all countries that introduced lorry charging were content about the results and expanded the tolls. So in that respect this is just a first step." The watered-down toll will take effect in January 2015 to lorries weighing more than 3.5 tonnes after a trial period of three months.

ECG Note: *For more on the French road toll system, please visit this website (in French):* *http://www.developpement-durable.gouv.fr/Remplacement-de-l-ecotaxe-par-un,39914.html*

REST OF THE WORLD

WWL wins bid to operate Webb Dock auto terminal

(Source: Automotive Logistics News, 2nd July 2014) **Wallenius Wilhelmsen Logistics** (WWL) is reported to have won the bid to operate the new Webb Dock automotive terminal at the port of Melbourne in Australia following the submission of a bid back in 2013. Earlier this in year, in February, it was announced that WWL and Australian Amalgamated Terminals were the two finalists in the tender process. Prior to an official announcement by the port of Melbourne, WWL would only comment that in pursuit of the bid the company "leveraged its experience of operating in Australia for over 100 years, as well as the group's ownership [and] operation of 14 terminals around the world." WWL already has a $19m technical services centre approximately 15km from Webb Dock West, which it opened in 2008 to support its increase in Ro-Ro activity in the Oceania region. The company carries more than 100,000 cars, agricultural units and industrial units to and from Australia every year, making 400 port calls. The port of Melbourne is investing AUS$400m ($411m) to expand its vehicle terminal at the West Webb Dock to handle annual capacity for 600,000 vehicles and add on-site, pre-delivery inspection facilities. It is the largest commitment to an automotive terminal in Australia. The plans at the automotive terminal are part of a bigger AUS$1.6bn ($1.42bn) expansion of Australia's largest port. The expansion of the automotive terminal at the Webb Dock will be entirely funded by the Port of Melbourne Corporation. That includes development of the ports container facilities. A proposal to move automotive Ro-Ro trade to the neighbouring Victorian port of Geelong, about 70km south west of Melbourne, was rejected in 2012 because of opposition by automotive stakeholders and a lack of suitable land.

Hyundai Motor to boost production at Brazil plant

(Source: Automotive Purchasing, 30th June 2014) With an expected annual output to reach about 185,000 vehicles by the end of 2014, Hyundai Motor has confirmed it will be expanding production capacity at its São Paulo plant from this year, largely buoyed by the soaring demand for its Brazil-only compact, the HB20. Officials at the Korean carmaker said on 30th June that the company has decided to build some 5,000 more cars at the plant per year, increasing its annual output to 185,000 vehicles from this year. With the planned production expansion, the carmaker hopes to meet the growing demand for its hot-selling flex-fuel hatch HB20, the first model developed exclusively for the Latin American market. "Hyundai is considered a premium brand here. Customers see the HB20 exceeding their expectations about quality," said Eugenio Cesare, Executive Director of production at Hyundai Motor Brazil. Hyundai started operating the $700m factory, located in Piracicaba, São Paulo, in September 2012, with an aim to grab more market share in Brazil, the last "BRIC" nation for the Korean carmaker to deepen its presence. Following the adoption of the two-shift system just one month after launching operation, the plant implemented the three-shift system in September last year, hiring 700 more people. Currently, 2,700 people are working at the facility. According to Mauricio Jordao, Communications Manager of Hyundai's Brazilian unit, this case is "really unique for the Brazilian history. Most of the plants here start slowly then increase capacity. But the whole process was really fast for us." Currently, the plant is rolling out the hatch and sedan versions of the HB20 and a sport utility vehicle, the HB20X. The carmaker is also considering building a new compact crossover in the near future. In a sign that Hyundai's efforts are paying off, its market share has also surged over the past few years. Before the launch of the HB20, Hyundai was the ninth-largest carmaker in the Brazilian market, which was dominated by Volkswagen, General Motors, Fiat and Ford. But last year, the company jumped to become the No. 5 player in the market. In the first four months this year, the HB20 was one of the top-selling models in the highly competitive compact segment with 43,800 unit sales, after the Volkswagen Golf, Fiat Uno and Palio. Hyundai Motor Group, which owns the Hyundai and Kia brands, is expected to continue attempting to strengthen its foothold in the emerging Latin American market. Adding to Hyundai's production expansion in Brazil, its affiliate Kia Motors also recently announced its plan to build a new plant in Mexico. The new plant, capable of producing 300,000 vehicles per year, will be built in the city of Monterrey, some 200km from Texas. The carmaker plans to start construction in early July for completion by 2016.

Infiniti, Mercedes-Benz will build together in Mexico

(Source: Automotive Logistics News, 2nd July 2014) The rush to Mexico continues apace, with the Renault-Nissan Alliance and Daimler the latest to announce plans for a plant in the country. The carmakers, which have had a global alliance since 2010, will divide investment of €1bn for a new plant in Aguascalientes, in central Mexico, that will build compact vehicles both for Nissan's premium Infiniti brand by 2017 and by 2018 for Mercedes-Benz. The plant, which will be located close to existing Nissan facilities in Aguascalientes, will have capacity to build 300,000 vehicles annually by 2021, the companies said in a statement. A well-developed supply base, speed to market and good logistics links have all been cited among the reasons for choosing to build vehicles in Mexico. Infiniti and Mercedes-Benz join a slew of brands, including Honda, Mazda, Fiat Chrysler and Audi, all investing in new plants in Mexico. In November last year, Nissan opened the first phase of $2bn investment at Aguascalientes, which was already the carmaker's second plant in the city and third in Mexico, raising its production capacity in the country to 850,000 units annually. While Daimler builds trucks and buses in Saltillo, Santiago Tianguistenco and Garcia, this would be its first plant for Mercedes-Benz passenger car production in Mexico. It already builds SUVs at its plant in Vance, Alabama, where it will also start building C-Class sedans this year. In a press conference, both Dieter Zetsche, Chairman of the Board of management of Daimler and Head of Mercedes-Benz Cars, and Carlos Ghosn, Chief Executive Officer of Renault Nissan, stressed the cost savings, faster times to market and economies of scale that would come from working together in Mexico. Zetsche said that the NAFTA region is the biggest market for both Mercedes-Benz and for Infiniti, with expectations that the premium compact segment will grow further. "The plant in Aguascalientes will help us to serve this demand faster and more flexibly," he said. Zetsche added that Mexico's free trade agreements with the EU and the Mercosur bloc in South America were also significant, allowing the carmakers to export vehicles at lower duties. Ghosn and Zetsche highlighted the maturity of the Mexican supply base, logistics and trade links as key factors in choosing the location. Zetsche said that Daimler would benefit from having access to a highly developed network of suppliers in Mexico, and that Nissan's existing plant in Aguascalientes was "a big advantage in terms of logistics and in terms infrastructure". Carlos Ghosn said that the carmakers would work together at every stage of engineering, design and production on the vehicles in Mexico. While the companies have not yet specified whether this collaboration would include or exclude any areas of inbound, in-plant or finished vehicle logistics, officials at both Nissan and Daimler have told *Automotive Logistics* that they are working on clarifying statements on this matter. The growth of other premium manufacturers in Mexico should help support this localisation as well. Mercedes-Benz and Infiniti join fellow German premium carmaker Audi, which will open a plant in San José Chiapa in Puebla state in 2016. There are reports that BMW will announce plans for a Mexico plant as early as this week, while there also press rumours that Fiat Chrysler will build Jeep models in Mexico. Kia is also said to be planning a Mexico plant. Mexico has become one of the fastest growing production and export hubs for vehicles in the world. IHS Automotive forecasts that production will grow from 3 million units in 2013 to around 4.5 million units by 2020, with the majority exported. With the growth in volume and exports, however, there have been concerns about whether Mexico's logistics infrastructure and service capacity is keeping up with the growth, especially for finished vehicle exports by rail or through seaports.

Path clears for Africa's north-south freight corridor

(Source: Lloyd's Loading List, 1st July 2014) A major freight transport infrastructure project in Africa, the North-South Corridor (NSC), has taken a significant step forward following the awarding of a grant by the African Development Bank to finance the preparation of feasibility studies, detailed engineering design and tender documents. The corridor aims to link the port of Durban in South Africa to the 'Copper Belt' in the Democratic Republic of Congo and Zambia and the port of Dar-es-Salaam in Tanzania, and expressions of interest have now been invited for the rehabilitation of five road sections, totalling 700km, in Botswana, Malawi and Zimbabwe. The NSC will stretch more than 10,000km, with total investment costs estimated at around $11bn. It is piloted by three of Africa's Regional Economic Communities – EAC (East African Community), COMESA (Common Market for Eastern and Southern Africa) and SADC (Southern African Development Community). The project is viewed as being crucial to the promotion of economic growth, infrastructure development and trade facilitation across the sub-region in reducing transit times and the cost of road and rail freight traffic.

Peugeot confirms fourth factory with Dongfeng

(Source: Automotive Purchasing, 2nd July2014) PSA Peugeot Citroën says it will build a fourth vehicle plant in China with local partner Dongfeng Motor Corp. In response to soaring demand in the country, the factory in Chengdu in Sichuan province will be able to make 300,000 sport-utility and multipurpose vehicles a year, with production starting "in late 2016," the Paris-based company said in a statement on 2nd July. The plant will boost the manufacturers' joint capacity to a million cars annually. China's auto market rose 11% in the first five months of this year, with deliveries by the Dongfeng-Peugeot venture surging 18%. Wuhan-based Dongfeng bought a 14% stake in Peugeot in May to help fund the French company's turnaround efforts, which hinge on expanding in

growing economies such as China, the world's biggest car market. Dongfeng and Peugeot have a target of selling 1.5 million vehicles annually in China by 2020. Peugeot's sales in the country last year jumped 26% to 557,000 vehicles, and the partnership reiterated plans to raise deliveries to more than 650,000 this year. The equity research firm Advanced Research Japan predicted in April that the Chinese auto market will rise 36% from 2013 figures to 30 million vehicles in 2020. Dongfeng is also setting up an SUV factory with Peugeot's French competitor, Renault SA, scheduled to begin production in 2016. Dongfeng and Peugeot opened their third joint assembly plant a year ago in Wuhan to produce four models. Peugeot also has a factory in the country in a tie-up with Chang'An Automobile Group that makes the French company's upscale DS models

PRESS RELEASES

Time and tide wait for nobody: Shipowners and ports call for scrubber clarifications

(Source: ECSA and ESPO, 30th June 2014) Following the plenary meeting of the ESSF (European Sustainable Shipping Forum) on 26th June, European ship owners and port authorities urgently call for the clarification of the rules pertaining to the use of scrubbers. The EU Sulphur Directive is set to come into force in only a few months, on 1st January 2015. 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.

Scrubbers have been identified as one of the few abatement technologies available allowing ships to reduce the sulphur content in their emissions. However, a lack of clarity in EU rules jeopardises their uptake. First of all, EU Member State legislation differs when it comes to discharges of water used by the scrubbers to filter ship exhaust gases. While some countries allow water discharges close to their shore, others don't, while in some others strict conditionality applies.

Moreover, clarifications are urgently needed regarding the classification of the scrubber water discharges in the provisions of the EU Water Framework Directive, which foresees a progressive reduction for some pollutants and a complete phasing out for others. As a result, due to a lack of accurate information on the composition of these discharges, there is currently very high uncertainty on whether the operation of some scrubbers will be allowed in close proximity to the shore.

"Not only does the current uncertainty jeopardise investments already made by operators, it also hampers the commissioning of future installations, while time is dangerously running out," pointed out Patrick Verhoeven, ECSA Secretary-General. "We urge the Commission and the Member States to clarify these points lest some operators start retrofitting their ships too late to be compliant with the new rules by 1st January 2015".

"The Commission is actively promoting scrubbers as one of the solutions to meet the new SECA obligations. It is time though to replace the question marks with clear answers, in particular in the case of open loop systems," says Isabelle Ryckbost, ESPO Secretary General. "Policy makers should work towards a more coherent approach both at EU and national level as concerns the conditions under which this technology can be used in the different Member States."

UK automotive boosts jobs, turnover and cuts out waste

(Source: SMMT, 1st July 2014) The UK automotive industry is in excellent economic, environmental and social shape according to a new report published by the Society of Motor Manufacturers and Traders (SMMT). Key indicators in the trade body's 15th annual Automotive Sustainability Report – which reveals figures from 2013 – show significant improvements that tally with recent growth, investment and efforts to improve environmental performance by the UK's major vehicle and component manufacturers.

In 2013 alone, an estimated 44,000 new jobs were created across the automotive sector, of which 14,000 were in manufacturing. This growth was matched in domestic automotive manufacturing turnover which grew 10.3% to top £64bn, fuelled by extensive investment in research and development – a key strength of the UK – which in itself grew 9.7% since 2012 to £1.9bn a year.

"The UK automotive industry contributes hugely to the country's economic health by building millions of vehicles, engines and components here every year and employing hundreds of thousands of people," said Mike Hawes, SMMT Chief Executive. “The progress made by the industry over the past year alone is hugely important. Growing our skills base and encouraging more automotive suppliers to base their businesses in the UK is now essential for us to maintain this positive momentum.”

Industry analysts suggest that by 2017 the UK could be building more than two million cars a year, breaking the all-time record that has stood for more than 40 years. With continued investment from the world’s biggest automotive brands, the future looks bright for the sector – but the rate of growth and demand for specialist skills has put manufacturers under enormous pressure to recruit and up-skill staff.

Other challenges come with the forecast growth. Supplier capacity can be called into question, so re-shoring more component providers is a vital aspect highlighted in the latest report. In terms of environmental performance, the Sustainability Report highlights major reductions in CO_2 output and waste sent to landfill by manufacturing sites. Carmakers in the UK have cut landfill volumes so dramatically in recent years that, per vehicle, just 3.5kg ends up as landfill waste – a massive 91.3% reduction on 15 years ago when reporting began.

UK automotive was the first industry to report as a sector on sustainability issues in 1999. This year’s report uses year end data from 2013. To read the full SMMT 2014 Automotive Sustainability Report, go to www.smmt.co.uk/sustainability.