ECG News

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ECG – The Association of European Vehicle Logistics

Issue 15.32, 10th –14th August 2015

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ECG & other industry events

►**ECG Board Meeting**, **on 8th September**, in Munich, Germany

►**ECG Eastern Regional Meeting**, **on 17h September**, in Istanbul, Turkey

► **Shortsea Europe Conference**, **23-24th September**, in Bremen, Germany
ECG members will receive a preferential rate when registering at the event (€545 as opposed to €695).
Interested members should contact Wiliam Bixby and quote the ECG/INV reference code.
More information here.

► **ECG Maritime & Ports Working Group Meeting**, **29-30th September**, Port of Bristol, UK

►**ECG Annual Conference**, **on 15-16th October**, Vienna, Austria

►**ECG Academy Alumni Meeting**, **on 6th November**, Berlin, Germany

►**ECG UK & Ireland Regional Meeting**, **on 12th November**, London, UK

►**Automotive Supply Chain Global Awards**, **on 12th November 2015**, London, UK

NEWS FROM BRUSSELS

Brussels has allocated €238m to Latvia for the ''Rail-Baltica'' Project

(Source: Baltic Course, 13th August 2015) Brussels has allocated €238m to Latvia for implementation of the first round of the standard gauge railroad project Rail Baltica. The largest part of the amount will go to construction of a railroad connecting the Riga Central Railroad Station and Riga Airport, according to Edvins Berzins, member of the board at Baltic joint venture RB Rail which was set up to co- ordinate implementation of the Rail Baltica project, cites LETA. By 2020, the Baltic States will receive a total of €442.2m (co-funding of 81.82%) for this project by the EU. According to Berzins, the funding for the first round of the Rail Baltica project in Latvia will be used to build a railroad between the Riga Central Station and Riga Airport between 2018 and 2020. The Transport Ministry has also signed agreements on a research project for building a logistics centre near Salaspils and draft designs for potential reconstruction of the Riga Central Station. The station will serve as a multifunctional hub, connecting the Riga International Coach Terminal, 1,520 and 1,435 mm gauge stations. ''Whether the funding allotted thus far will be used for reconstruction of the station depends on the latest estimates. As soon as we get to know the technical solutions and layouts for the railroad, we will have more accurate figures''. According to the technical specifications, the updated research must be ready by the end of 2016. This is an enormous project – it concerns not only cargo and passenger turnovers of all three Baltic States, but also port and airport growth, global development, as well as the Russia factor. An analysis of costs and benefits will have to be submitted in order to receive the European Union's co-funding for the next round," the company's representative said. As reported, the Rail Baltica project deals with construction of a new 1,435 mm standard-gauge railroad in the Baltic countries. The implementation of project could cost € 1.27bn to Latvia and €3.68bn to the Baltic States altogether. The European Commission could co-fund 85% of the project's costs. The request for funding was submitted to the European Commission in the spring of 2015, so construction of the railroad could begin in 2016. Further funding for the project is to be provided as part of the next financial period that will begin in 2020.

***ECG Note**: This year's **ECG Conference** (Back to the future, Are you ready for the journey ahead?) will have a look at how the changes in data information sharing will shape the future of the automotive industry. The four panels planned for the event will cover the future mobility trends, intelligent transport systems and the implications of all this for the finished vehicle logistics industry. The ECG Conference will be held on 15-16th October in the beautiful city of Vienna.*

AUTOMOTIVE INDUSTRY

European vehicle sales growth tops predictions, but Greece causes concern

(Source: Europe Autonews, 7th August 2015) Europe's first-half vehicle sales grew by a stronger-than-expected 8.2%, a gain that was double even the most optimistic full-year forecast made by analysts at the end of 2014. Nearly every automaker – 85% to be exact – competing in Europe increased year-on-year sales during the first six months. There are questions marks, however, on whether the upward trend will continue during the final six months of 2015. Industry watchers continue to warn that the current level of discounting in Europe is unsustainable and they fear that the instability resulting from the Greek crisis could start to slow vehicle sales as early as this month. Returning to the good news: Europe's overall sales in the first half grew by almost 600,000

ECG Academy

Course 10 will start in October!

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in honour of their outstanding performance we gladly present this certificate to

for completion of the course requirements.

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Benefits:

- Acquiring a vast wealth of knowledge in an accelerated timeframe, but in as much depth as it is required
- Unique networking opportunities. Each course brings together around 20 individuals representing companies from across Europe
- The course culminates in the award of a Certificate in Automobile Logistics Management, which is an accredited qualification.

For more information please have a look at the ECG website **and contact** info@ecgassociation.eu

units – equivalent to the annual capacity of four average-sized car plants – and 13 of the 32 brands tracked by European automaker association ACEA grew faster than the market. Just five brands recorded a first-half sales decline compared with the first six months of the previous year. The big winners based on percentage growth were Jeep (+174%), Smart (+60%) and Mitsubishi (+52%). The brands that made the largest volume increases were Volkswagen (up by 71,074 units), Nissan (+52,664), Renault (+48,640) and Mercedes-Benz (+36,613). Those four brands accounted for 37% of the overall market's growth of 561,819 unit sales to 7,414,958. What's next? ACEA's forecast for the rest of the year is that the pace of EU sales will slow from the 8% seen in the first half to 5% for the full year. That prediction, however, is still more than double its original EU car-market outlook for 2015, which was a 2% gain. ACEA's forecast excludes the markets that make up the European Free Trade Association (Norway, Iceland, Switzerland and Liechtenstein). Last year the EFTA countries accounted for 455,680 sales. Through six months, sales in the EFTA countries were up 7.1% to 244,974. Analysts at IHS Automotive forecast that European vehicle sales will increase more than 4% to almost 13.1m units this year. One reason that its outlook is more cautious than ACEA's is its concerns about the effects of Greece's troubles on the wider market. In addition, IHS has noted that demand from private buyers is likely to flatten or decline for the rest of the year despite a buoyant June, when sales rose 15% to 1.41m units. The analyst said the June rise was partly due to dealers and manufacturers pushing registrations in order to reach or exceed their quarterly targets. Market watchers at EY expect growth of 3% to 5% for the full year. One factor that led the firm to predict that growth could be as low as 3% was that it believes self-registrations and heavy discounting continue to distort the true level of demand in many European countries. The other factor was Greece, which EY automotive & transportation global analyst raised concerns over "a decline in economic confidence." Evercore ISI head of global automotive research Arndt Ellinghorst said in a note to investors. That would represent a full-year sales rise of 7.7%, he added. Ellinghorst is optimistic because June gains by Europe's five largest markets (Germany, UK, France, Italy and Spain) combined with growth in ancillary EU states suggests "a solid European recovery is underway." A closer look at Europe's half-year numbers provides some additional insights.

• VW is the unrivaled No. 1 brand. With 901,452 sales, 12% of all vehicles sold in the first half had the VW badge.

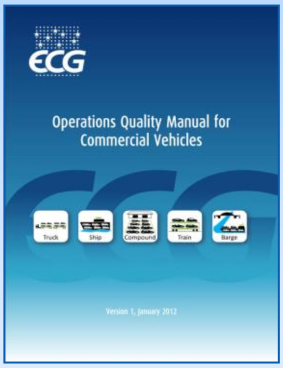
• The battle for No. 2 tightened. Ford's lead over Renault narrowed to 21,000 units in January-June from 36,000 in the same period last year.

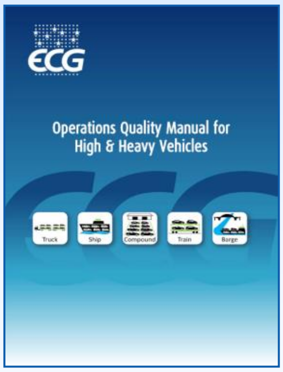
• Nissan used strong Qashqai sales to pass Toyota by 10,000 units to become Europe's No. 1 Asian brand.

• Audi remained Europe's top-selling premium automaker but its main rivals continue to grow at a faster pace. Mercedes-Benz increased sales 11%; BMW was up 7.4% while Audi rose 4.2%.

• For years, Hyundai has worried that sister brand Kia was going to pass it. The chances of that lessened slightly in the first half as Hyundai increased its lead over Kia to 37,000 units from 33,000 in the same period the year before.

The version 5 of the ECG Operations Quality Manual for PCs and LCVs now is 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 the ECG Website

For comments or inquiries please contact:
info@ecgassociation.eu

Calais crisis could fuel freight price hike, warns Rhenus

(Source: Automotive Purchasing, 10th August 2015) **Rhenus** Logistics UK, one of Britain's leading freight forwarders, has warned that freight prices could rise significantly in the next few weeks, unless the ongoing crisis at Calais is resolved. David Williams, Managing Director of Rhenus UK, is concerned about the operational impact the French strikers and migrant incursions is having on UK import and export trade. Williams said: ''Having coped with Operation Stack for several weeks now, we're seeing drivers resigning from this route, due to the stress of queuing for hours and the hassle of getting through the port. In addition, the risk of stowaways and the potential for fines and involvement with the authorities is a huge disincentive for both drivers and hauliers to continue with the Calais option. The decision by drivers to step away from this route has already seen a number of freight businesses introducing surcharges of between 1-2%. The rise in costs - due to increased fuel bills, man hours and required rest breaks – is now becoming a very serious issue for the logistics industry.'' While Rhenus continues to resist passing on these costs to its customers, it confirmed that the company cannot continue to soak up additional operating costs for much longer.

''Without a rapid and practical conclusion to this situation, unavoidable freight prices will rise across the board'', added Williams. He concluded that other export route options, on the North Sea and western channel, simply do not have enough capacity to cope with demand created by the problems at Calais. Williams said: ''While there has been a fair amount of exaggeration from businesses wanting to make a political point about the Calais situation, things are now getting serious. The Calais crossing is operational, but the exodus of drivers will inevitably force prices up.''

EUROPE

Calais chaos hits European freight companies

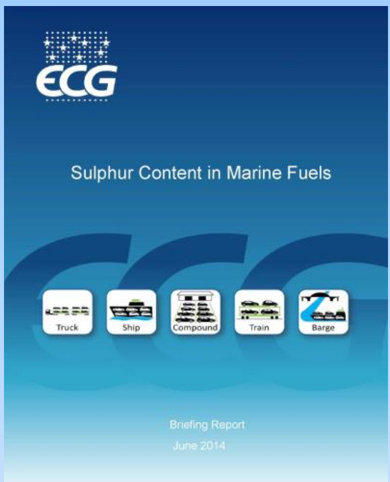
(Source: DW, 4th August 2015) Hundreds of billions of euros worth of goods are transported through the French port of Calais every year. But a migrant crisis and striking port workers have made business for freight operators there much harder. In Calais, hundreds of migrants - often young men - crawl under fences and onto train tracks every night, waiting for a chance to stow away on freight trains traveling to England via the Eurotunnel. Others try to hop on the back of delivery trucks or ferries headed the same way.

Both methods are risky. Out of the hundreds of people that try their luck, only a handful ever succeed. Some even die trying.

But there is still little that would convince the migrants to stop striving to reach England, where they hope for jobs and a chance for a better life. Many of the wannabe stowaways already risked their lives at least once in dangerous sea or land journeys to Europe.

But as the situation continues unresolved, the costs for all sides - especially logistics and transport businesses active around the English Channel - keep growing. Those companies have complained of lost revenue as delays, cancellations and accidents pile up. Periodic striking by Calais port workers have only made things worse. The Freight Transport Association (FTA) trade body said the British freight industry is losing £750,000 (€ 1.07m) per day as trucks get stuck on the British side of the English Channel. That doesn't factor in the cost of perished or undeliverable goods. The UK's Fresh Produce Consortium said at least £10m worth of food headed to Britain had to be thrown away between January and June. "This can't be allowed to continue," Chris McRae, the FTA's manager for rail freight policy, said in a statement released Monday. "Businesses are losing money day after day because of delays and cancellations to services caused by the migrants and strikers." On the other land, German Logistic companies are also in danger. Adolf Zobel of the German logistics trade

Briefing paper on the sulphur content in marine fuels updated



As the Regulation on sulphur content in marine fuels came into force on 1st January, ECG has updated its Briefing paper to better inform our readers.

The new rules will affect companies that operate routes in the Sulphur Emission Control Areas (SECAs), i.e. the North Sea with the English Channel and the Baltic Sea. In these zones the sulphur content of the fuel can't surpass 0.1% which is a great technical and financial challenge for these operators.

The Briefing paper contains IMO and EU regulatory background and analysis of the latest developments, as well as a glossary of terms.

Download your copy from the ECG website!

http://www.ecgassociation.eu/publicationsreports/ecgpositionandbriefingpapers.aspx

association BGL has warned of the "existential threat" to some logistics and transportation firms and called the circumstances at Calais "unsustainable."

Most European SMEs missing export opportunities, study finds

(Source: Lloyd's Loading List, 7th August 2015) More than 60% failing to operate internationally, despite over three quarters recognising the potential of cross-border business. The majority of SMEs across key European markets are missing out on the benefits of exporting according to the new European SME Export Report, conducted by Harris Interactive and commissioned by FedEx Express. Findings show that more than six out of 10 (62%) SMEs are currently not exporting despite over three quarters (78%) recognising the potential of international markets and customers. The report examines current export behaviour and attitudes among the region's small and medium-sized businesses, which are widely acknowledged as having a major role to play in driving growth, opening new markets and job creation. It highlights clear differences between the individual markets researched, with exporting behaviour ranging from more commonplace in Spain, where almost half (47%) of SMEs are internationally active, to 41% in Italy, with French and German SMEs reporting markedly lower levels at 32% and 31% respectively. Those SMEs that are exporting to other markets tend to do so on a 'local' level, with only a quarter (24%) exporting outside of Europe. Spain leads the way with a third (32%) of SMEs taking advantage of US and LatAm markets in particular, compared with just a fifth (19%) of German SMEs, which are more focused on near-neighbours in Europe including Austria, Switzerland and France. Exporting SMEs appear to be reaping significant financial benefits from being internationally active, with fast-growing SMEs growing at 11% p.a. or faster (52%) almost twice as likely to export compared to SMEs that are static in growth or in decline (28%) in revenue terms. Exporting SMEs are also more optimistic about their revenue prospects over the next 12 months, with 60% expecting growth compared to 48% of non-exporting SMEs. While most SMEs expect more growth in international than domestic revenue, only 23% across these key EU markets have firm ambitions to grow their international base, strongly indicating that SMEs are not completely sold on the benefits of exporting just yet. Indeed growth of the SME export market is projected to be steady, with 50% of European SMEs anticipated to export in five years' time compared with 38% today, rising only to 55% in a decade. David Binks, president for Europe at FedEx Express, commented: "Our research shows that SMEs across Europe are missing out on additional revenue, lacking in confidence to think beyond their own country borders, largely because they perceive the barriers of trading internationally to be too great. Many are reluctant to explore lucrative export opportunities because they are concerned about the practicalities of ensuring they get paid and handling queries and returns without a presence in-market as well as lacking technical know-how around legal processes such as customs procedures." Harris Interactive, on behalf of FedEx, carried out 2005 online interviews with senior executives in SMEs in four EU markets: France, Germany, Italy & Spain from in March.

REST OF THE WORLD

Höegh Autoliners opens vehicle terminal in the US

(Source: World Maritime News, 31st July 2015) Höegh Asia made the maiden call at the Horizon Terminal, the newly built Vehicle Facility at the Port Freeport, Texas, USA, on June 29. The terminal is operated by Horizon Terminal Services LLC, a wholly owned subsidiary of Norway's **Höegh Autoliners Logistics** AS and has been developed between Horizon Terminals and Port Freeport. Per Folkesson, President of Höegh Autoliners Inc and Director of Horizon Terminals, said: "We have been calling in the U.S. Gulf now for a number of years, mainly carrying project and heavy cargoes in to the area. Given the supply chain

challenges facing the North American market we saw an opportunity to build a first-of-a-kind multi-user vehicle facility which will greatly increase efficiency to the Automotive Industry for exports and particularly for inbound flows.” The terminal will have two processing centers, a VPC handling the Automotive market, and an EPC handling the Heavy Equipment market. ”The current development of phase 1 and 2 has an annual throughput capacity of about 135.000 vehicles while the expansion depending on future demand can be built out for another 500.000 vehicles annual throughput,” Folkesson said. ”Thus the capacity potential is significant. Beyond these two factors, we operate 24/7 in a non-TWIC environment, we have put in place a sheltered delivery infrastructure which gives the market a kind of VIP treatment delivering products to the terminal and we are currently working with the port planning a new and improved rail infrastructure on the terminal.” Horizon Terminals have entered in to agreements with Amports of Jacksonville for management of the VPC and Red Hook Terminals of New York for management of the EPC and Terminal Operations.

Russian car sales slump eases slightly on government incentives

(Source: Wall Street Journal, 12th August 2015) Russian car sales dropped at the slowest pace since their slump resumed in January as the government used subsidies and other incentives to counter falling consumption. Sales of new cars and light commercial vehicles declined 28% in July from a year earlier after a 30% decrease in June, the Association of European Businesses in Russia said Monday in a statement. The government has stepped in to coax crisis-scarred Russians into buying a car, offering subsidies on auto loans and discounts for drivers willing to part with their old vehicles. Car sales have withered, contracting during all but one month since March 2013. Since then the economy has lurched into its first recession in six years as inflation soared and high borrowing costs stifled credit demand. The July sales result looks "almost like a piece of good news," Joerg Schreiber, chairman of the AEB automobile manufacturers committee, said in the statement. "The fundamental performance of the automotive market continues to disappoint though, in the framework of a struggling economy and falling consumer incomes."
The AEB last month lowered its forecast for car sales this year, predicting a 36% decline compared with a drop of 24% forecast earlier. "Purchase incentives provided through government programs and by the market participants themselves have proven instrumental in avoiding an ever sharper decline," Schreiber said. Still, they "would need to be enhanced significantly to be able to reverse the trend in a substantial manner."

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Freight volumes fell in July as slow exports, consumer spending weighed

(Source: Wall Street Journal, 12th August 2015) Freight spending and shipments fell in July, reflecting lower export volumes and slower growth in consumer spending, analysts said. Spending on freight shipments in July was down 6.4% from last year, while shipment volumes were also off 1.1%, according to the Cass Freight Index, published Wednesday by Parsons Corp., an engineering firm. In a separate report, the U.S. Bureau of Transportation Statistics found that truck, water and rail intermodal shipments declined 0.6% from the previous quarter, the biggest drop since the third quarter of 2012. The decline comes after a strong run for carriers, with freight spending seeing its strongest growth since the recession in 2014. But metrics like consumer spending and manufacturing haven't continued to expand at the same pace in 2015, a moderation that's being reflected in a softer freight market relative to a year earlier. "We learned some lessons from the big crash and people are being more careful," said Rosalyn Wilson, a supply chain analyst with Parsons. Another factor in the lower numbers this year is the fact that U.S. freight companies are moving fewer exports. Exports are under pressure from a strong dollar, which makes U.S. goods more expensive to buyers abroad, as well as economic weakness among major U.S. trade partners in Europe and Asia. Lower fuel prices weren't a major factor in the lower spending on freight, analysts said, because slight rate increases made up for the dip in fuel surcharges. Still, analysts say shipments and freight volumes have fallen off each July in recent years, and are likely to rebound in August and September.

Driver shortage ripples across trucking industry

(Source: Wall Street Journal,2nd August 2015) The new State of Logistics report says tight trucking capacity may raise costs for buyers of freight transportation. The shortage of drivers is having ripple effects throughout the transportation industry, squeezing carriers with smaller truck fleets and boosting the use of rail freight. As freight volume gained momentum, "the trucking industry edged even closer to 100% utilization," said a State of Logistics report released Tuesday by the Council of Supply Chain Management Professionals. Industry indicators for hauling capacity indicate "that truck capacity has grown extremely tight." But with many Baby Boomer truck drivers retiring and fewer new drivers entering the profession to replace them, a growing driver shortage has made it difficult for companies with smaller fleets to stay afloat. The American Trucking Associations, or ATA, estimating a shortage of between 35,000 and 40,000 drivers, with new drivers entering the profession slower than older drivers are retiring. In this climate, companies with smaller truck fleets are the most vulnerable, in part because it is increasingly common for larger carriers to offer sign-on bonuses that smaller companies can't compete with, executives have said. Smaller companies have also been hit as drivers quit over new federal truck safety regulations that stepped up enforcement of hours-of-service rules and capping the number of miles and money they could earn. Turnover rates for smaller fleets grew to 95% from 90% in the last quarter of 2014, "primarily due to the larger fleets attracting drivers away with higher pay, bonuses and better benefits," the report said. Some 390 companies with an average of 27 vehicles declared bankruptcy in the first quarter of last year. Meanwhile, rising costs for retaining drivers have translated to higher prices for shippers. The effect has been a boon, however, for intermodal shipments, or transportation of containers or trailers using a mix of truck and rail freight. Intermodal volume grew at a record high 5.2% rate last year. Overall rail traffic was up 4.5% reaching a record high of 28.7 bn carloads, containers and trailers, the report said, and the cost for rail transportation increased 6.5% in 2014. That indicated railroads were better at charging higher prices for their transport, said Rosalyn Wilson, the CSCMP report's author. "The railroad industry has been raising rates in markets where they can," she said.