



## The Association of European Vehicle Logistics

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### PRESS RELEASE

#### **ECG Sounds the Alarm: Profitability Vital for Fleet Renewal**

Europe's automotive industry risks missing out on an eventual market rally as its vehicle logistics providers continue to struggle for profitability, ECG president Costantino Baldissara has warned. Raising the alarm on the consequences of the sector's plight, Baldissara argued that while Europe is inching back to positive growth and its carmakers are generating better earnings, Europe's outbound vehicle logistics companies are still struggling to break even. That in turn means that, after cutting capacity by 20% through the downturn, they are unable to make the pressing investments in fleet renewal and expansion that OEMs will need to meet surging demand in the years ahead. Baldissara noted that in a poll taken at last week's Daimler Carrier Day, just 3% of the carriers present said they were turning a profit, while a hefty 60% said they were losing money. Sadly, there is nothing surprising about these figures. ECG has been tracking the sector's performance this year through its new Confidence and Cost Trends Quarterly Survey.

The latest responses suggest that the sector is still struggling for traction as costs rise and rates come under pressure. "Confidence is also taking a beating, as reflected in our members' plans for investment," he said. Asked at the end of the first quarter how they expect their fleet size to change over the next six months, fully 19% of respondents said they expected their fleet to grow by more than 10%. The latest survey shows that confidence seeping away. While the number anticipating no change or a decrease in fleet size remains roughly the same at 70%, now just 6% expect their fleet size to grow by more than 10%. Access to bank financing does not appear to be the issue, with 92% still able to access funds for investment. Instead, it is the pressure on rates and balance sheets that is taking its toll. Asked what factors, other than access to bank financing, would restrict investment, respondents pointed to four key indicators. The most significant, with 37%, was "lack of confidence in volumes". At the same time, this was down from 51% in the first quarter, suggesting that volumes are now less of an issue.

On the other hand, "lack of confidence in obtaining future viable rates" took 31% of the vote, more than double the 15% registered in the first quarter, and "absence of long-term contracts" took 14%, up from 10% in the first quarter. "Negative return on investment" also edged up from 15% to 17%. "The message is clear," Baldissara said. "Though the OEMs' financial performance is improving fast on the back of rising volumes, their

logistics services providers continue to suffer from low rates and a future precarious enough that they feel unable to invest. It is a situation that cannot hold. “Europe’s carmakers feel confident that they have turned the corner. But they should also realise that their ability to respond quickly to a surge in demand, as well as their ability to make significant cuts in greenhouse gas emissions, depends on access to a modern, efficient, sustainable transport fleet. “Our present difficulties mean that we are unable to finance this necessary process of asset renewal. For the moment, that seems to be of little concern to the carmakers, for which our struggles may even appear to be an opportunity for cost reduction. But demand is coming back, and very soon it will challenge the much-reduced capacity of the transport fleet. “To restore capacity there need to be resources. To secure resources, the sector needs to make a profit. To make a profit, the sector needs the support of its clients. By supporting our sector, they will be supporting themselves and protecting their own businesses.”

**Background for the Editors**

*ECG, the Association of European Vehicle Logistics, has been the voice of the Finished Vehicle Logistics industry in Europe since 1997. ECG represents the interests of some 100 member companies, from family owned SMEs to multi-nationals, and is the major champion of the European vehicle logistics sector. We represent all transport modes at EU level.*

*ECG Members provide transport, distribution, storage, preparation and post-production services to manufacturers, importers, car rental companies and vehicle leasing operators in 24 Member States, Turkey and Russia. They own or operate more than 360 car-carrying ships, 22,000 purpose built railway wagons, 46 river barges and 20,000 road transporters. As a major employer, the industry plays an important role in contributing to the economic success of the European Union. Today, ECG members have an aggregate turnover of €15 billion and their economic impact on companies associated with the sector is estimated at €34 billion. More than 60,000 Europeans are employed directly by the vehicle logistics industry and an additional 160,000 are indirectly employed in this sector.*

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