

# automotive purchasingandsupplychain

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**Munich - Germany**



## ECG Conference heralds sustainability and technology initiatives

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The recent (October 17 - 18) ECG Conference saw passenger vehicle OEMs, truck makers, logistics providers and association spokespeople debate the importance of a sustainable finished vehicle supply chain and how advanced technology can empower the transport networks of tomorrow.

Wolfgang Göbel, ECG President (*pictured*), started proceedings off with a presentation on the headwinds facing the European car industry; citing the anxiety surrounding the Brexit situation, the knock-on effect of the slowdown in the China market, and the fears of increased tariffs on vehicle imports to the US.

Speaking of the ECG activities, Göbel said that the challenges presented by CASE - Connected, Autonomous, Shared, and Electric vehicles, and other changes in the industry were being addressed by ECG working groups such as the Truck Platooning subgroup, the Autonomous vehicles subgroup, and the Sustainability Working Group.

He said that the actions of climate action groups have helped to bring the issue of emissions and sustainability into sharp focus and

that the ECG's members were responding with many advanced initiatives.

Future distribution of vehicles would be very different to today's finished vehicle transport models he said, citing online sales, direct sales from OEMs, and the disinclination of 'generation Z' to take up vehicle ownership.

ECG has acknowledged these new industry challenges with some new groups:

At board level: a brainstorming session in Graz, facilitated by former Daimler and FCA executive Peter Weiss, at working group level: new groups established with wide support from members, and at secretariat level: a business analyst to be recruited.

## **European Road Transport Policy**

This important area was discussed by Eddy Liégeois Head of the Road transport unit at the European Commission who spoke of the challenges of Brexit and how this might impact the economic perspective in the sector, the continuous increase of the demand for road transport and its impact on infrastructure. He talked of the need for investment and intelligent management of the inevitably increasing congestion on the roads.

Liégeois touched on the environment and climate change and also spoke of the need for a Europe-wide sustainable social policy to protect the rights of workers, something that can be facilitated by technology innovation such as better connectivity of transport vehicles and automation of some tasks. Liégeois went on to cover such topics as the need for more safe and secure parking for loaded trucks, a more coherent tolling and congestion charge policy, and better management of the infrastructure through digitalisation.

## **The market in perspective**

Christoph Stürmer, Autofacts Global Lead Analyst at Price Waterhouse Cooper in Germany gave a market update and spoke of how the downturn in EU economics partially resulted from the worldwide political turmoil and uncertainty. He talked of how the real GDP growth in Germany has slowed down to 0.5%, how Italy has found itself in a deep recession and that real GDP growth in EU has slowed down from 1.96% in 2018 to 1.11% in 2019.

He spoke of how new car registrations in EU were mostly weak and that given the outlook of 2019 economy, it will be difficult for the European car market to bounce back. He said that the EU total car market is expected to decline slightly by 1.9% to 15.3 million units. Speaking on new technology, Stürmer said that the powertrain outlook shows the dying of Diesel and that in order to meet emission requirements, electrified vehicles are expected to gain market share in the near future. He said that by 2025, around 47% of all vehicles are forecasted to have an electrified powertrain, compared to 5.8% in 2018.

## **Future distribution**

Tanja Mattheis, BLG Automobile Logistics took to the stage in Session 2 and gave the ECG workshop feedback on future distribution, speaking about various new models of transport including the Audi, Airbus and Italdesign flying taxi concept. She went on to talk of the increasingly fast R&D employed by automotive companies, citing the possibility of producing a 3D printed car in 44 hours. Mattheis showed a slide illustrating the management summary of distribution challenges, with points such as the change of the Direct FVL Environment, with digital delivery platforms in development, investments into new technology new player standardisation. She spoke of the new platform owners - the OEMs and how they will dictate process and integrate it into the sales process. In the indirect FVL environment she said that changes in legislation would be driven by changes in society, such as car sharing with no delivery required.

Digital logistics was the subject of the next speaker's presentation; Prof. Dr. Ing. Frank Straube, Managing Director of the Institute for Technologies und Management, Chair of Logistics. His talk was entitled Trends & Strategies in Finished Car Distribution and covered future developments in logistics on the way to autonomy and Smart Logistics. He said that a combination of IoT, services and cyber

physical systems would make the logistics of the future 'smart' and 'adaptive'. Straube stressed that solutions may well be found outside of the carmakers' own experts and encouraged them to look to their logistics providers for help.

## Sustainability

After lunch, Filippo Rizzi Ariani of Grimaldi Group and Dorian Wöhr from MOSOLF presented the ECG workshop feedback on Sustainability, with comments on the actions of OEMs and the supply chain that are working towards a more sustainable future.

Jörg Walther of the German automotive OEMs' association, the VDA presented next and showed slides of the Digitalisation of FBU Logistics, a joint project of ECG, Odette and VDA. He said that each LSP needs a specific interface for each OEM customer. He talked of how new business relationships take a long time to set-up, how maintenance processes are complex and time consuming, and how manual processes take more time and are prone to errors. He spoke of the need to cover the full distribution chain from manufacturer to dealership via all modes of transport and showed slides on a timeline for the progress of the initiative.

## Safety for drivers and handlers

Steve Thomas, General Manager of Toyota Motor Europe presented next, showing slides and discussing the success of the ECG Health & Safety Working Group in areas such as 'Method + Man' - how to standardise process, effective training and audit, control of the working environment to minimise variation, and the creation of safe environments across all transport hubs. He spoke of the importance of accident sharing - reporting every incident to all members of the association through the working group, to prevent accidents and injuries in the future.

## Low sulphur and cleaner steaming

Climate and Shipping was the subject of Martin Dorsman, Secretary General of the ECSA - the European Community Shipowners' Association. Dorsman talked of low sulphur fuel and other environmental topics, and how the ECSA contributes to EU policy making and the execution and enforcement of existing regulations on many topics such as competitiveness, trade policy, environment, safety, security and social affairs but that the greatest challenge facing shipowners was to bring their fleets into line with increasingly strict emissions legislation. He said that the long term IMO initial strategy was to peak GHG emissions from international shipping as soon as possible and to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008. He talked of the short term measures now being discussed, and how they would enter into force before 2023, and how important the EU revision of the ETD exemption of taxes on bunker fuels was and that there was more to come - such as an OECD carbon tax.

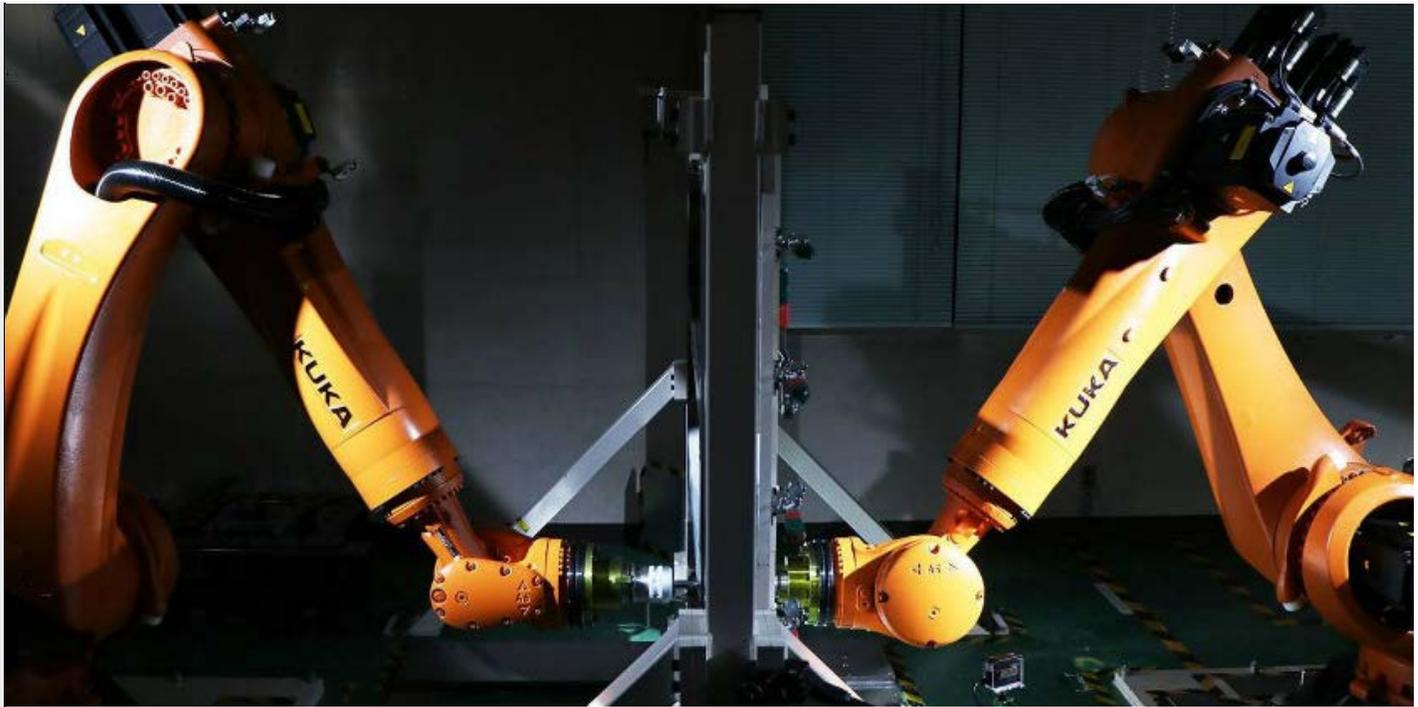
## The OEM view

Dr. Monica Schmickler, responsible for transportation procurement within Daimler's Worldwide Transportation organisation for cars, vans and trucks rounded off the presentations with illustrations of the importance of collaboration, to help all parties succeed in what she said is the biggest transformation process so far in the automotive industry. Schmickler talked of the intentions of the Daimler transportation network, saying, "We aim at long term cooperation with our partners to generate a genuine partner situation and in this we challenge an ambitious pricing policy. We expect reliable and high-performance and service and we welcome a future-oriented and innovative mindset."

She said that the main drivers in the industry today are, "Supply chain and price volatility Along with external factors such as rising trade tensions and protectionism. Supply chain leaders should plan for increased trading costs and risks by establishing alternative supply strategies to hedge against rising tariffs and other cross-border 'friction'."

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