

Microchip shortage threatens finished vehicle carriers, warns ECG

By Jason Dunn | 21 September 2021

The Association of European Vehicle Logistics (ECG) has warned that the “very existence” of finished vehicle carriers is threatened by the ongoing global microchip shortage.

The association cited depleting inventories, factory suspensions and closures, declining volumes and a lack of government support as culminating in a perfect storm facing the industry.

“Components are manufactured worldwide and delivered to the automotive industry via global supply chains involving highly complex planning,” said ECG president Wolfgang Göbel. “The problem is not the lack of planning competence of the companies, but the fact that other industries are competing for the semiconductor products and global demand exceeds supply for the foreseeable future.”

According to the ECG, the carmakers should take all possible steps to support their outbound logistics suppliers. The group recommended measures such as the suspension of *bonus-malus* performance schemes (those that reward or penalize companies), the postponement of tenders until markets have regained some stability and the sharing of production schedules in real time. It also called for reviews of lead times and shipping frequency as necessary responses to the crisis.

The automotive industry has never before been so unpredictable, said the ECG, with supply chain visibility in vehicle manufacturing almost non-existent in the lower tiers. That has made planning impossible, [which in turn has made the provision of volume forecasts to logistics operators very difficult.](#)

Term contracts with our customers narrow the operational planning scope for us. We need more accurate information for planning certainty to ensure our efficiency and avoid significant additional costs that are not offset by customers,” said Göbel. “Our member companies are happy to deliver but the industry must



Frank Göbel, president of the ECG and chief sales officer at finished vehicle logistics provider Mosolf

also let them.”

Pushed from all directions

Like many industries, vehicle logistics continues to be affected by the Covid-19 pandemic and the global microchip shortage is now compounding the problems the sector faces.

The ECG said that the finished vehicle logistics sector not only lacks government support but the last 18 months has seen the sector lose an estimated €4.5 billion (\$5.28 billion) in turnover.

OEMs have suffered from supply chain issues [since the end of 2020](#), gradually getting worse in Europe and North America, and increasingly impacting plants and OEMs in Asia, particularly following issues at suppliers in South-East Asia.

Most OEMs and dealers were able to meet demand recovery from excess vehicle inventory up until the second half of the year, while most manufacturers have expected

to compensate for lost production
by the end of the year or early into

2022.

Some vehicle manufactures have also begun to prioritise production of higher profit vehicles over those with lower margins, as well as removing certain electronic features from vehicles in order to offset shortages.

The sector is also being affected by the massive transformation taking place as carmakers switch to the production and distribution of electric vehicles, which have their own specific requirements when it comes to delivery.

Making vehicles cleaner is being mirrored by the pressure to rapidly decarbonise the supply chain, exemplified by the European Commission in the 'Fit for 55' targets to reduce emissions by 55% by 2030 in the European Union.

Significant investment in people, assets and systems is therefore required and the ECG said that protecting the industry from the impact of these converging crises needed external support.

