



ECG calls for volume guarantees with automotive manufacturers as low and unpredictable production volumes cripple the vehicle logistics sector

Logistics service providers face record losses, putting investments and recovery at risk

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The Finished Vehicle Logistics (FVL) industry is staring into the abyss as further material shortages threaten production schedules that are already volatile.

The FVL industry continues to be decimated by the massive reductions in volume resulting from material supplies that appear completely unpredictable. Many manufacturers have been unable or unwilling to issue production volume forecasts since the start of the year. Few are able to predict with any certainty when the situation will improve. In part, this is no longer simply because of the well-documented global shortage of semi-conductors as further material shortages, ranging from aluminium and magnesium to leather, are now overhanging the industry.

As has become usual in the sector the carriers are left with all of the utilisation risk as a result of unbalanced service contracts for delivery of new cars. ECG President, Wolfgang Göbel, stated “This is not just about the reduced volumes. The unpredictability makes meaningful planning impossible. Efficiency in transport operations has fallen significantly and we are implementing all possible solutions to protect the business including capacity reduction or even reduced days of operation on compounds. All of this is happening at a time when most of our costs are rising rapidly and inflation is rocketing.”

ECG is therefore calling for contractual commitment to minimum volumes by the industry.

Even more worryingly, the current circumstances are resulting in unsustainable reductions in capacity as assets are laid up or disposed of. In the road sector drivers are being lost to other industries and will likely never return to vehicle logistics which will compound the existing driver shortage and make the restoration of capacity almost impossible. Many operators are registering significant losses and will be unable to invest in increased capacity when volumes eventually return. Indeed, pre-determined rates in longer contracts may no longer be financially viable with such rapid increases in operating costs.

ECG Executive Director, Mike Sturgeon, said “It is a fact that the outbound logistics sector is treated completely differently from suppliers in inbound logistics. The OEMs have for years taken advantage of their finished vehicle logistics suppliers with overstated tender volumes, no volume guarantees and with LSPs expected to absorb whatever market fluctuations may occur while still achieving demanding service levels.” He added “I cannot think of any other industry where such a one-sided relationship exists. In my experience the manufacturers work in a true spirit of partnership with inbound suppliers and yet the same people are happy to abuse their relationships with outbound suppliers. It is really quite extraordinary.”

In the short-term viability of carriers is at significant risk while, in the medium-term, the industry will be left unable to respond to the eventual recovery in volume or to invest in decarbonisation and the other challenges that the industry is facing.

Note to editors:

ECG is the established European platform for the outbound automotive logistics sector bringing together logistics service providers, manufacturer logistics managers and suppliers to the sector. ECG aims to facilitate non-commercial collaboration between member companies and assist them in sharing best practices in many operational areas, especially the harmonisation of operational standards.

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About ECG

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 more than 140 member companies and partners, from family owned SMEs to multi-nationals, and is the major champion of the European vehicle logistics sector. ECG represents all transport modes at EU level – road, rail, maritime and fluvial. ECG Members provide transport, distribution, storage, preparation and post-production services to manufacturers, importers, car rental companies and vehicle leasing operators across the EU as well as in Norway, Switzerland, the United Kingdom, Turkey, Russia, Ukraine and beyond. They own or operate more than 380 car-carrying ships, 14,900 purpose-built railway wagons, 28 river barges and more than 27,800 road transporters.

As a major employer, the finished vehicle logistics sector plays an important role in contributing to the economic success of the European Union. ECG members have an aggregate turnover of around €24.5bn and their economic impact on companies associated with the sector is estimated at €64bn. **More than 112,000 Europeans are employed directly by the vehicle logistics industry and an additional 230,000 are indirectly employed in this sector.**

