



## War against Ukraine dramatically increases risk to vehicle logistics

On top of the semi-conductor shortage the exploding fuel prices and rising inflation as well as further parts shortages are bringing production to a stop

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### **Crisis after crisis**

Our industry stands shoulder to shoulder with Ukraine and probably employs more Ukrainian citizens than most in Europe. ECG is raising funds to support those of our members who are very actively engaged in the growing humanitarian crisis. At the same time the sector is experiencing extremely serious impacts on several fronts which need to be mitigated. The result is a third successive year of crisis following Covid and the microchip shortages.

### **Supply chains in tatters**

Yet again global supply chains are being severely tested and are found wanting once more - the automotive industry is now seen to be heavily dependent on Ukraine for the sourcing of various parts and raw materials. The most immediate and serious issue

appears to be wiring harnesses, which were manufactured in huge numbers in Ukraine by a large workforce that will not be easily or quickly replicated elsewhere. Whole factories are already being shuttered as a consequence, and with no reopening date in sight. Manufacturers are talking in terms of months rather than weeks.

### **Commercial agreements not designed for times like this**

Inflation, rocketing before the conflict began, is now being driven ever higher by energy and raw material costs. It is energy prices in particular, fluctuating wildly and close to record high levels, causing the industry problems. Widely-used fuel and bunker clauses cannot cope with these changes and compensate operators, as they are designed to do. Bunker prices have doubled in 6 months, increasing costs for some vessels by more than \$25,000/day! In Italy where the market is characterised by many owner/drivers – so called padroncini – it is reported that many have simply stopped working rather than accept rates which would lose them money. Many companies, that are unable to act in this way, are rumoured to be citing war as a reason to trigger ‘force majeure’ clauses in order to negotiate reasonable solutions. And fuel is just the most significant issue, huge increases in raw material costs are already feeding through to drive up the prices of assets whether it be ships, rail wagons or car transporters. Inflation generally is driving up wages. Every cost an operator faces is rising fast. ECG’s Executive Director, Mike Sturgeon, said “Extraordinary times call for extraordinary measures and, unless contracts are revised quickly, what is left of the industry will grind to a halt as cashflow issues strangle operations. The OEMs and other clients need to immediately amend contracts to allow a much faster adaptation to changes like fuel prices, and they need to be fully transparent with their suppliers about future volumes so capacity can be planned.”

### **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.**

