

Open dialogue between car manufacturers & logistics providers on the way forward to restore confidence and capacity

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Car manufacturers now open to discussing minimum volume guarantees and inflation rate clauses to support operators in the Finished Vehicle Logistics sector as capacity crunch bites

ECG welcomes the open dialogue on dealing with the capacity shortage in Finished Vehicle Logistics (FVL) started between car manufacturers and operators in a meeting ahead of ECG's 25th Anniversary celebration held in Brussels.

Significantly reduced output in 2021 and 2022, with no guarantees from car manufacturers has resulted in a significant contraction of capacity in the sector and lack of confidence in future volumes. ECG has regularly warned against this danger: since the beginning of 2020, there's been no truce for operators. Covid and material shortages created so much uncertainty that investment effectively came to a stop. Additionally, skyrocketing inflation and operating costs have resulted in many carriers operating at a loss for much of this time.

"There is no point in producing cars if no-one can move them around" noted one of the car manufacturer representatives during the meeting, gaining consensus from the others in the meeting.

Car manufacturers are open now to discussing with their suppliers possible solutions to restore confidence and build back capacity. Minimum volume guarantees and inflation

rate clauses, amongst others, are seen by ECG as an essential step towards achieving this. This also needs to be accompanied by adequate forecasting methods to allow efficient and sustainable planning.

Wolfgang Göbel, President of ECG, noted *"Guarantees on volumes and inflation adjustments are essential, however, it is not possible to restore capacity in a flash"*. Lead times for industry assets are still very high. At least 12-18 months for a new truck and 4-5 years for new ships. Additionally, road transportation is plagued by a chronic driver shortage which has been exacerbated by the war. *"An open dialogue will allow providers to bilaterally address common challenges with customers"* continued Göbel.

Mike Sturgeon, Executive Director of the trade association, noted that across Europe ECG members operating car transporters had reduced fleet sizes, often by as much as 30-40%. Further, these reductions mostly result from the scrapping of older transporters meaning the capacity has been lost to the industry completely. He stated *"As volumes start to recover even if confidence was restored overnight the long lead times to source trucks, combined with the extreme driver shortage, mean it is likely that demand will exceed supply for a number of years."*

Following this meeting, ECG will now develop and publish a European index indicating the main parameters and costs for the different modes of transport in the industry and key services provided by operators in this sector.

The Industry Meeting is a high-level meeting organised regularly during the year between the ECG Board and car manufacturer representatives. This time the meeting was held ahead of the Association's [25th anniversary](#) celebrated along with almost 200 of its members, supporters, and industry friends at a special event in the Autoworld Museum in Brussels. Keynote speakers included the first president of ECG Richard Lawson, Daniel Mes, Member of the Cabinet of Executive VP Frans Timmermans, Leon van der Merwe, VP of Toyota Motor Europe.

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