



Who will deliver your next car?

Capacity crisis rapidly developing in finished vehicle logistics

Brussels, Friday 21 October 2022

Vehicle manufacturers logistics management and the ECG Board discussed the capacity crisis currently affecting the industry in the high-level Finished Vehicle Logistics (FVL) Industry Meeting ahead of the record-breaking ECG Conference which took place in Vienna on 14 October. The similar event from 2021 was evoked where Logistics Service Providers (LSPs) were asking for support from car manufacturers as production volumes were unpredictable due to material shortages. Today the tables have turned and manufacturers are seeking to secure capacity in a reduced market.

Operators have not invested in new assets against the backdrop of low and unpredictable volumes, lack of reliable forecasts or any commitment to minimum volumes, driver and material shortages, skyrocketing costs and much more. This now poses a huge challenge to the industry just as new vehicle volumes are expected to start to recover.

Mode by mode, ECG Executive Director Mike Sturgeon, went through issues affecting the industry at the current time. In **road transport**, estimates are that 1/3 less truck capacity is available when compared to pre-COVID times. Many older trucks have been scrapped and drivers have left vehicle logistics to do other jobs or drive in other

sectors. Inefficiency is further exacerbated by OEMs turning to the spot market and disrupting the usual working of the market. *“We cannot run the business on the spot market. We have to get the contractual business working again,”* said ECG President, Wolfgang Göbel.

In **short sea shipping**, older vessels have been scrapped while others are chartered to Asia where demand is through the roof. Steven Van Arsdale, [presenting from PwC](#) at the ECG Conference, estimated the growth of China-built vehicles sold to Europe will almost double by 2025 from 2022! If you order a new vessel today, it will only be delivered in 4 or 5 years. Port congestion and the workforce shortage compound the situation further in this sector significantly.

Rail transport is suffering hugely from a long-term lack of investment in infrastructure and consequent maintenance work. Furthermore, locomotive operators prefer working for more stable and predictable businesses than vehicle logistics. These and other factors have created a shortage of rail capacity of around 35-40% according to some estimations, at least in the German market where there is a chronic impact on the rail network due to engineering works and the [recent decree](#) to prioritise energy as a cargo over anything else. With no obvious solutions available there is no light at the end of the tunnel.

“There is a real risk that you will not have capacity to move your vehicles,” said Sturgeon after his summary of where the industry stands now, adding *“And it will get worse before it gets better”*. ECG has called for stronger partnerships in the sector for many years, but what does it mean? Commitment to minimum volumes and compensation, open ended contracts, better forecasting, compensation for cost increases and enhanced dialogue between the car industry and its suppliers. The ingredients for the perfect recipe are there. It will take some years to restore and rebuild the lost capacity but operators have to regain confidence in the market in order to invest.

ECG will support by continuing to promote, and update, its recommended [FVL forecasting methodology](#) and is also developing a [cost index](#) for the Finished Vehicle Logistics sector and the different modes. Sturgeon added that *“Some manufacturers have understood the problems and are already adapting their contracts and relationships accordingly. Unfortunately some still demonstrate a strong ‘disconnect’ between operations and their purchasing colleagues.”*

In order to improve understanding of the challenges the problems facing the industry ECG has published a [Briefing Report on the Capacity Crisis](#) summarising the issues in more detail.

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 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 in the 27 Member States of the European Union as well as Norway, Switzerland, Turkey, the United Kingdom and beyond. They own or operate more than 360 car-carrying ships, 15,100 purpose-built railway wagons, 22 river barges and around 23,000 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. Today, ECG members have an aggregate turnover of €21.3bn and their economic impact on companies associated with the sector is estimated at €56bn. **More than 93,000 Europeans are employed directly by our members and an additional 224,000 are indirectly employed in the sector.**

