



FVL Cost Index shows increase across transport modes and compounds

By Marcus Williams | 07 March 2023

Costs associated with the provision of finished vehicle logistics services in Europe increased by around 54% between January 2019 and September 2022, according to the first of a new cost index series of reports published by the Association of European Finished Vehicle Logistics and analyst PwC Austria.



Costs

Tight capacity on ocean ro-ro vessels has driven vessel charter rates to an all time high

associated with ocean services have seen the greatest increase in costs, up more than 113%.



The FVL Cost Index, which was [first announced last November](#), will be published on a quarterly basis going forward, with the aim of providing information for both users and providers of finished vehicle logistics. The index is divided into four logistics segments: road, rail, ocean and compounds. Regionally it covers eight European countries: Belgium, France, Germany, Italy, Poland, Spain and Sweden.

The qualitative and quantitative data on which the index is based is compiled from a number of sources, both publicly available and through interviews with experts in the finished vehicle logistics industry. The period of coverage – January 1, 2019 to September 30 2022 – was chosen to reflect the impact of global issues such as the Covid pandemic, the increase in raw material costs and rising inflation.

[The authors of the cost index paper just released](#) said an industry-wide instrument to gauge cost developments was needed, and there was a greater need for transparency on cost developments in the sector because of the expected surge in global automotive production, expected to be equal to more than 6% in 2023.

“For the first time in more than 40 years, we are facing unprecedentedly high and persistent inflation levels,” said Wolfgang Göbel, ECG president. “ECG and PwC Austria are working closely to provide an FVL Cost Index aiming to monitor cost developments and to provide transparency.”


Tight capacity at sea

In the segment focused on sea logistics, the cost index stands at 213.7, equal to an increase of 113.7% for the period. The index report shows that the increase in costs is predominantly caused by the tight capacity available on the pure car and truck carrier (PCTC) vessels, which is driving vessel time charter rates to an all-time high. The value of PCTC new builds is also increasing. There are more larger PCTC vessels being ordered, those able to carry 6000+ car equivalent units (CEUs). The cost index results show that the newbuild price of a 7,000 CEU vessel increased by roughly 40% over the period of analysis.

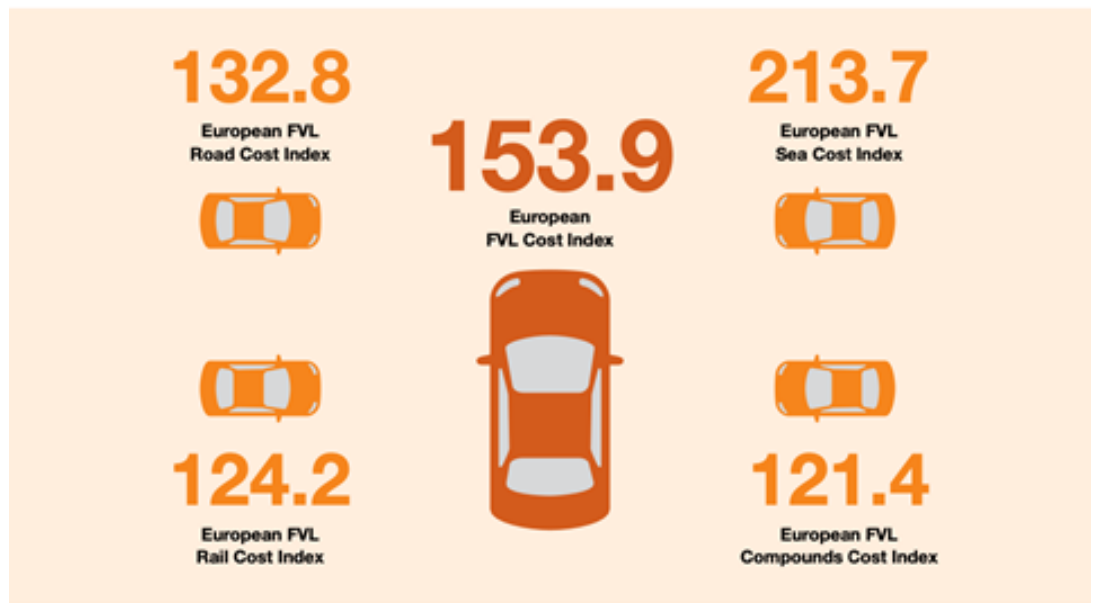
The strong market demand for PCTC vessels has also slowed existing vessel recycling initiatives because of environmental regulations introduced by the International Maritime Organisation (IMO), according to the paper’s authors.

In addition, the conflict in Ukraine and the sanctions on Russia following its invasion of the country have “massively impacted the availability in an already under-supplied market for fuel, with prices spiking throughout Europe”, said the report. By way of example, the report points to the 32% increase in the price of marine fuels at the port of Rotterdam.

Land levies

 In the road logistics segment, the cost index amounts to 132.8, meaning an overall cost increase of is

up +32.8% over the period. The report states that there is a wide-reaching shortage of heavy-duty truck drivers across Europe and a simultaneous increase in driver wages (up +33.8% in Poland).



FVL Cost Index results for period covering January 2019 to September 2022

That has coincided with a dramatic spike in diesel prices averaging

69% in the first seven months of 2022. One of the biggest cost drivers for road haulage of finished vehicles was this increase in fuel prices. There was a surge in demand for crude oil when Europe emerged from the pandemic lockdowns in the second half of 2021, which tightened supply. That situation was exacerbated by the conflict in Ukraine. Carbon pricing premiums aimed at reducing emissions have also helped to elevate fuel prices. Diesel prices across the countries studied increased by an average of 40.6% over the period of the index study.

Raw materials for truck assets, such as steel, have also increased in the last few years.

On rail, meanwhile, the cost index stands at 121.4, indicating an overall increase in costs of 24.2% over the period measured. The index report shows that the rise is the result of wage rises, which have increased by nearly 11% on average across the countries studied, fuel and rail asset costs.

Finally, in the segment covering compounds the cost index stands at 121.4, showing an overall increase in costs of 21.4% between January 2019 and September 2022. Those cost increases are caused by compound land and labour costs, which are linked to the Consumer Price Index and represent the high levels of volatility over the period.

Finished vehicle handling requires a qualified and well-trained staff, including those performing value-added technical services, meaning that labour costs are a factor in the overall increase in operational costs. The FVL Cost Index also points to the increase in utility prices at compounds.

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