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IVECO on tour with METALLICA ...Sustainably ***"Nothing Else Matters"***

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ECG continues to deliver efficiencies and initiatives across FVL sector

Successful Spring Congress in Italy welcomes over 300 delegates

ECG Board and Secretariat members. L-R: Andreea Maria Serbu, Senior Manager External Affairs; Mike Sturgeon, Executive Director; Wolfgang Göbel, President; Mark Hindley, Vice-President; Frank Schnelle, Executive Director

ECG - The Association of European Vehicle Logistics, is continuing to go from strength to strength. The Association, which represents participants of the Finished Vehicle Logistics (FVL) sector, held its annual General Assembly & Spring Congress in Baveno, Italy, with a record-breaking nearly 300 members in attendance.

President, Wolfgang Göbel of Mosolf SE & Co. KG, who received a new mandate for a further two-year term at the General Assembly, said that the organisation is continuing to champion initiatives that foster co-operation, standardisation and improved efficiency at a time when the automotive sector is experiencing rapid change and development.

"The willingness to collaborate across the industry, on areas that will deliver efficiencies and improvements for all, is more evident than ever before," he said. "This bodes extremely well for the future of our sector."

The General Assembly also saw Mark Hindley of BCA Automotive elected as the incoming Vice-President, replacing Bjorn Svenningsen of United European Car Carriers (UECC), who had served as ECG Vice-President since 2018.

ECG has been to the fore in developing tools to aid its members and industry participants, including the FVL Index to provide transparency on industry-specific cost developments. More recently an ECG Sustainability Working Group (SWG), has been active since November 2019 developing emissions calculation and reporting in FVL, looking at all modes of transportation represented within ECG with the aim of defining a standard way of calculating and reporting emissions. In February 2023 ECG started a project with VDA and other European OEMs which has

produced the first standard methodology for automotive supply chain emissions calculation and reporting and is now published.

Speaking to journalists attending the event, Wolfgang Göbel noted the progress made in such projects: "We are in the middle of the roadmap on various topics. For some like the CO₂ standards reporting, we have to do the last steps. We could easily say as an Association together with VDA that we have brought it to a status where everybody can use it. But we are also very operational as an Association, and we are like acting in this respect a bit like a company. The thing is done when it is working, when it is implemented and when it is established. We have to finalise things, make them 100% complete and then we can start with new projects. For me that is one of the challenges for the future but when you look at all the instruments we have put on the table starting with the Cost Index, with the Calculator for Emissions, then with the tool which might come in future with OEMs supporting us, this is a closed loop where you can easily find out where are the best investments for companies and for OEMs in future to be efficient, to be more green in our supply chain and in our industry."

Looking at the state of the market in 2024, Wolfgang noted that inflation is still there, and is impacting people's purchasing powers. Commenting on the current challenges for electric vehicles he envisages that buyers will stay for longer with hybrids, and sees greater use of HVO for trucks. He noted also that the European elections, taking place a couple of weeks after the Assembly, could well see challenges emerge to the green agenda, depending on who is successful.

A series of presentations at the

Spring Congress focused on some of the key issues affecting the sector in 2024.



Justin Cox, GlobalData

Looking at the outlook for the Automotive industry for 2024 and beyond, Justin Cox of GlobalData noted that inflation remains the big bugbear in the economy, but is now falling to expected target levels. The global light vehicle market recovery remains robust though the momentum seen in 2023 has slowed again in 2024. The European market is still about 19% below pre-pandemic levels whereas China and non-mature markets have recovered beyond this level. Supply issues have now largely been resolved for Europe, though factors such as the Red Sea attacks are causing a certain amount of disruption.

The BEV market remains fractured, Justin noted, due to affordability, uncertainty and a tough consumer environment. There's a notable split in take-up geographically, partly because smaller cars dominate in Southern Europe, while media backlash in some markets is also having a negative effect.

Looking at production forecasts, Q1 2024 was 1% down, with the same predicted for Q1, but 5% growth in Q3 and 2% in Q4 are expected giving a total market of 18 million units. China is continuing to grow as a major export hub, with over 4 million units in 2023,

a year on year increase of over 60%. A key area of interest is protectionism and whether Europe in particular is going to impose tariffs against Chinese manufacturers.



Namrita Chow, ECG Business Intelligence

This was a topic explored further by Namrita Chow from the ECG's Business Intelligence Group who compared the international trade models of laissez faire and protectionism. The question of whether Europe applying tariffs on Chinese brands will mean more expensive cars or whether the OEMs will absorb the cost is a key one, but Namrita noted that many of these OEMs are already actively setting up factories in Europe which would enable them to avoid such tariffs. She pointed to Turkey which last year introduced a 40% tariff, the result of which is three manufacturers talking about building factories there.



Andy Golding, Smart Freight Centre

Andy Golding of Smart Freight Centre presented on the future challenges and opportunities in sustainable freight. The key to reducing greenhouse gas emissions is, she said, collaboration and education. This can be achieved by driving transparency and setting clear standards, and through globally recognised reporting methodology such as the GLEC framework.

As one of the world's largest OEMs, having an efficient supply chain is critical for Toyota, explained Jean-Christophe Deville - Vice President Supply Chain, Toyota Motor Europe. The company employs around two thousand people working on its supply chain in Europe alone. Jean-Christophe explained that the pillars for its strategy for 2030 onwards are Network, Digitalisation



Jean-Christophe Deville, Toyota Motor Europe

and a Green Future. That includes an optimised routing across its delivery network, visualisations of stock, and reducing the number of kilometres needed to be travelled. Toyota is also looking at loading efficiency by developing a model on how to best load a container. Solutions in study and at trial stages include the use of fuel cell trucks, BEV, bio-fuel, train and novelty solutions. Overall Toyota is aiming for its supply chain to be carbon neutral by 2040, while emitting 33% less CO₂ by 2030.



Thomas Windhager, PwC Austria

Thomas Windhager, a Partner with PwC, presented the latest European FVL Cost Index. The FVL Cost Index report was launched in March 2023 and updated figures have been published every six months since. The FVL Cost Index is an industry specific index that provides indications for transport-mode specific cost developments in the European FVL industry across the four logistics segments of road, sea, rail and compounds, and across eight representative European countries (Belgium, France, Germany, Italy, Poland, Spain, Sweden and the United Kingdom). The index uses a benchmark figure of 100 from Q1 2019.

The most recent figures published are from Q4, 2023, and show a downward trend in costs compared to the previous quarter of 161.7 versus 164.2. Figures for Q1 2023 and Q2 2023 were 157.8 and 158.7 respectively.

Particularly in relation to the announcement by Volkswagen Group Ireland on its plans to move to an agency model for selling vehicles, an interesting presentation and follow-on discussion

centred on the retail options available to OEMs in today's market. Presented by Ben Waller, Associate Director with ICDP, a research and consulting organisation specialising in automotive retailing, these vary from the traditional dealership to the direct sales model favoured by the likes of Tesla, to the agency model



Ben Waller, ICDP

which a number of brands are actively considering or moving to. Depending on market these include the likes of the Stellantis Group, Mercedes-Benz, Volvo Cars and Nissan, as well as Volkswagen Group, while BMW is already utilising this model in some countries.

While rationalising dealerships and reducing distribution costs remains a key focus for most OEMs, Ben noted that agency rollouts have been a learning curve for OEMs, and the scale of systems changes, and more importantly, cultural changes, have meant a rethink towards slower, more gradual transformation. Observing that agency strategy was designed in the period of short supply, not in anticipation of oversupply and higher interest rates, he quoted one OEM who said: "Problems were exposed by the shift away from short supply alongside agency implementation as "the tide went out on the high prices and margins earned over recent years".

Notably Ford has recently announced that it is retreating from plans to adopt the agency model, while Jaguar / Land Rover and Honda have also shelved plans for now. Major brands still committed to the traditional franchise model include Renault / Dacia, Hyundai, Kia, Toyota / Lexus, Mazda and Suzuki.

Ben noted that regardless of what retail model is used, the return of supply and higher stocking costs should prompt a rethink of FVL chain strategy, in a market where ports are full of vehicles and storage capacity is becoming more of an issue. However OEMs with agency markets will be under most pressure to centralise inventory as they do not have dealers to hold stock.

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