



Photo: European Vehicle Logistics Association

How are Europe's car manufacturers utilising different transport modes? We talk to ECG Executive Director Mike Sturgeon

Mike Sturgeon, Executive Director of ECG - the Association of European Vehicle Logistics, explains that although the automotive industry is keen to use rail whenever possible, Europe's rail freight operators are having to deal with a number of significant disruptions.

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| 21.02.2024

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In 2022, 10.9 million passenger cars were made in the European Union. Together with non-EU countries, Europe as a whole thus represents one of the world's most important regions for vehicle production.

All of these vehicles naturally need to be transported from north to south and east to west and vice versa, with just about every transport mode possible being utilised.

So how does the vehicle logistics picture look at the start of 2024? Are we observing any significant modal shifts, and if so, where?

To find out, we spoke to Mike Sturgeon, Executive Director of ECG – the Association of European Vehicle Logistics.

Automotive industry keen to use rail

When it comes to land transport, Sturgeon stresses that the automotive industry is still utilising rail transport whenever possible, and is “better than most” at maximising rail and minimising road.

“The decision on mode is made by the vehicle manufacturers, the OEMs. The OEMs will tender a route, and they’ll say whether they want to go by road, rail or sea. They design their own networks and generally they don’t use road unless they have to,” said Sturgeon.

Rail freight challenges

However, ECG’s Executive Director added that it is difficult to see how the sector could use rail freight anymore than it is currently doing.

“If you look at how the OEMs maximise the use of rail, and accept that we can’t just lay new railway lines wherever we want, it’s hard to see how the vehicle logistics industry could make any more significant use of rail,” said Surgeon.

The reasons for this, as Sturgeon explains, are many. One of them is the relocation of automotive factories to Central European countries over the last 25 years or so, and a lack of rail lines running from east to west.

More recently, Germany’s plans to upgrade its long-neglected rail infrastructure has been causing a major headache due to different routes being out of service.

“Of course, we’ve really felt the pain in Germany. Volkswagen, for example, a major automotive rail user, were forced to significantly reduce volumes because of the infrastructure projects in the country. The impact of these projects in Germany will likely last for more than 10 years and that’s a disaster for everybody, for Volkswagen and the industry,” stressed Sturgeon.

The disruptions and delays will be something the automotive industry logisticians will have to take into account for the next decade. Sturgeon was at pains to point out the massive impact these infrastructure works are having on rail freight services.

“Trains are having to travel 30% further to get from A to B. We’re looking at a 10-year plus project; the impact is going to be felt for a long time. One unofficial estimate is that at least 50% of the rail track in Germany must be replaced, which will probably cost more than the €100 billion that’s been allocated. I think they’re looking at over 1,000 infrastructure projects where a section of track will be closed for 6 weeks or more. The scale of it is enormous, and if the trains have to travel 30% further, we’ll need 30% more trains, wagons and drivers, which we don’t have.” said Sturgeon.

Elsewhere, there are more long-term challenges in cross-border rail freight caused by different gauges and different voltages. There’s a shortage of locomotive drivers as well. In addition to all of this, there are issues pertaining specifically to the transport of vehicles by rail.

According to Sturgeon, the automotive sector mostly only uses block trains (as opposed to wagon groups), because if there are coal wagons on the end of a train, vehicles cannot be unloaded. This means that rail freight trains aren't often used unless they can be filled – meaning a load of 220 vehicles or so.

Another issue is the cost associated with the loading and unloading of the vehicles themselves:

“In our industry, every vehicle is being driven on and off the train. The loading costs are relatively high as there's a lot of labour involved, so a general rule of thumb is that anything below about 250 kilometres is probably not economical to do by rail,” Sturgeon told Trans.INFO.

There are exceptions though, said Sturgeon, such as shuttle services like those operated from the Mini car factory in Oxford to move vehicles to ports for export by sea.

Another problem highlighted by Sturgeon is that the automotive industry, due to its relatively high level of unpredictability, is not seen as being top priority for rail freight operators. This can often mean that there are limited slot times available.

“No such a thing as ‘reverse modal shift’”

One thing that Surgeon is evidently unimpressed with is the use of the term “reverse modal shift” to describe movement from rail freight back to road freight. The term has been fairly prominent during recent discussions concerning EU policies designed to foster decarbonisation in logistics. A number of rail freight organisations have also used the term in their research.

“There's no such thing as ‘reverse modal shift’. They've formed a whole language around pushing things onto rail. Modal shift can be between any modes, but they only use the term in the sense of road to rail. Why?” asked Surgeon.

Elaborating on the use of the reverse modal shift tag, the ECG Executive Director said that some rail lobby groups are “fighting against anything that makes road freight more efficient”.

Sturgeon added that projected growth indicates that all transport modes will need to be utilised more in order to get freight moved.

“Rail is mostly at capacity in Europe at the moment, and what they don’t understand is, and you’ve only got to go back to the last white paper on transport to see this, the projected growth in freight is such that both road and rail freight will need to increase. Rail can’t handle everything, and yet they’re still trying to prevent road transport from being more efficient. If you look at the numbers, every mode has to carry more to get everything moved.”

Sea freight

Meanwhile, the good news, according to Sturgeon, is that the long term picture on the sea freight side appears a little brighter.

“There’s hundreds of new ships starting to be delivered and they’re already coming to market now. If it wasn’t for the problems in the Red Sea right now, we would probably already be starting to see some balancing up of supply and demand on the deep sea shipping side.”

Sadly, based on the prediction that the situation in the Red Sea could persist for several more months, Sturgeon indicated that it could now be late 2025 before deep sea capacities start to reach some sort of balance.

Road freight

What about road freight then? Sturgeon told Trans.INFO that “road is getting back to a reasonable balance at the moment, partly due to lower demand.”

Another reason is the release in capacity created by the OEMs winding down the level of trucks they had chartered full time:

“The majority of the OEMs chartered dedicated trucks just to secure capacity to get their own product shifted. It has been expensive for them, but they did it due to the lack of resources out there. Moreover, it has impacted the efficiency of the market because those trucks have mostly been full in one direction and empty in the other, which is not

how they would normally operate. That has robbed the market of capacity," said Sturgeon.

Sturgeon continued:

"They're starting to unwind all of those now because they don't need them. The market will thus immediately make the existing capacity more efficient because the empty running will reduce significantly as a result. From the start of this year, we've already started to see that finally happen on the back of slightly weaker demand."

The ECG Executive Director added that many more car transporters are on order which will also help boost capacity.

