

ECG Conference 2019,
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by Przemysław Myszka

This year's instalment of the autumn gathering of the European Finished Vehicle Logistics Association (ECG), its partners, customers, and friends once again took place in Germany. Alike in the past, the 2019 edition revolved around the evergreen topic of digitalisation, this time very much putting the emphasis on how deeply consumer behaviour of the digitally-born generations will impact future vehicle distribution. Insights included the fact that a considerable portion of young people would prefer undergoing a root canal treatment than visiting a car dealer... In result, one in four automobiles will be sold online in just a couple of years' time.



The conference took off with the welcoming speech of the ECG's President, Wolfgang Göbel (also Chief Sales Officer, MOSOLF), who said, "Wherever we turn we are told that change is upon us and that the industry will change more in the next five years than it has in the last 100. The reality is that indeed every aspect of what we know today will change – and fast. The cars are changing with a rapid move to electrification, the way that people buy cars will change with the long-awaited transition to online sales starting to develop at last, the business model underpinning the dealer networks will change with a corresponding reduction in the number of dealers, how people are using cars will change as various ownership and rental models develop." The future of the industry, according to the ECG President, will hence take the shape of an autonomous, electric, connected, and shared vehicle (logistically taken care of with the use of trucks embodying the same features and aligned in a platoon for greater efficiencies, cost- and eco-wise, and to



remedy Europe's never improving issue of lorry driver shortage).

As the patchwork of market circumstances and regulatory requirements continues to be in flux, the Association has undergone a few changes itself, Göbel noted. To underline that new times have indeed arrived upon vehicle logistics service providers, the ECG has refreshed its logo and website. More importantly, however, the Association has actively started to investigate future trends. Earlier this year, it organised a brainstorming session aimed

to shock its members, in an informative way that is, just how profoundly their businesses might be disrupted by the ongoing digital revolution. In the near future, in turn, the ECG team will grow with a business analyst, a person specifically hired from outside the industry to mark out the perils, but also opportunities that the industry may stumble over or take advantage of in its effort to defy or embrace technology. In order for the latter to come to pass, the Association's Academy has grown with the Innovation Lab, set up to wrap the young

managers' heads around future issues. Two new working groups have been established, too, on sustainability and future distribution. Last but not least, ECG will become a member of the International Road Transport Union (IRU) in 2020.

To play its part

Since the year 2019 witnessed EU elections, the new European Parliament and Commission will shortly sit together to update the EU transport policy, including revision of the *White paper 2011 – Roadmap to a Single European Transport Area*. According to Eddy Liègeois, Head of Unit Road Transport, DG MOVE, European Commission, the focus will be placed on policies protecting the environment (incl. measures to green the EU truck fleet such as introducing road tolls based on CO₂ emission performance to internalise the cost of pollution, increasing the availability of alternative fuels, or changing legislation to make it possible to produce more aerodynamic lorries); strengthening the internal market; securing proper social conditions for transport workers (i.a., prohibiting long rests in cabins, developing a list of standardised and certificated parking lots that are safe and secure); and increasing the transport infrastructure capacity by adding a digital layer to it.

Next, two long-lasting friends of the ECG shared their insights. Christoph Stürmer, Global Lead Analyst, PwC Autofacts, was





21.6% in 2025) the European market in favour of various e-solutions, be they hybrid or purely electric vehicles.

Peter Weiss, Principal, PW & Partners LLC, and the man behind the aforementioned ECG brainstorming session, delivered a snapshot presentation of the biggest challenges the car and vehicle logistics industries face now, including climate change and its crippling impact on transport infrastructure and cargo flows; total fleet overhaul in the light of the carbon footprint reduction targets and possible issues with battery availability should carmakers decide to go (fully) electric (which is possible); digital transformation and what it means to connect everything; and how the biggest (Amazon, Costco, and China en masse) have started selling vehicles online, with all the features of e-commerce included, such as virtual showrooms and customer reviews.

Session 2 picked up the ball and ran with it. Tanja Mattheis, Key Account Manager, BLG Automotive Logistics, said that the dealer of the future won't sell products but services, some of which, e.g. test-driving, might be provided by logistics companies and not your typical brick-and-mortar car seller (if they'll even exist in the near future). To this Bernhard Mattes, President, the German Association of the Automotive Industry (VDA), added that while young people seem to prefer car/ride sharing over ownership, the 'motorisation' rate of younger generations is on the rise, propelled by the demand coming from China and other emerging markets. Car electrification is the future, no doubt about that, he also said, and up to 90% of all vehicles will be either fully electric or hybrid by 2050. The appetite for on-demand mobility, with the use of autonomous



the first to enter the stage, updating the audience on the condition of the car manufacturers market. While it's true that the overall economic sentiment has gone down, along with GDP forecasts, the demand for new vehicles is still there. The slumps that occurred here and there, Stürmer said, aren't of a global nature but can be blamed on local circumstances such as Brexit; also the government change in Italy or Spain continuing to debate on whether to introduce new car subsidies gave the potential clients second thoughts. The biggest 'round-the-corner-change for Europe, though, will be toughening of the emission rules, down from the current 130 grams of CO₂/km to 95/81/59 g in 2021/2025/2030. This way, the EU wants to pressure the industry to play its part in greening Europe. According to Stürmer, this move will further de-diesel (44% of market share now,





vehicles, will increase as well, with such positive outcomes as providing better services to more remote areas as well as to the elderly. That said, Mattes underlined, there will be deals to be cut by logistics service providers, as bulk transportation of cars will be still cheaper than having your car drive itself from the compound all the way to the doorstep (since transport is in fact only one of the elements of end car delivery).

However, is the industry really ready to go digital? Dr Stefan Doch, Managing Director and Senior Partner, the International Transport Center for Logistics, voiced some concerns about the automotive logistics' smooth path from greater visibility and connectivity (the now almost commonplace track & trace) along the supply chain to semi- and then full autonomy of their operations (tech-based decision support tools or automated processing of, e.g., the flow of documents). Among other things, he listed, is the lack of standards, product liability, and ailing cybersecurity. On the other hand, Doch comforted the listeners, some are pioneering the use of advanced technologies – Artificial Intelligence for yard and transport management; blockchain for handling documents; and machine learning for forecasting the estimated time of arrival (with the best algorithms achieving a precision rate of up to 86%). “Electrification, there's no way around it,” said Dr Lars Eiermann-Hüser, VP Engineering, MAN. For him and his company, the future will take the shape of e-truck platoons. Thanks to day-long driving routines and electric powertrains, he estimated, cost reduction of heavy-duty road transport can be reduced by as much

as 50% – and that's a gain too tempting for any business to pass on.

Zero accidents

The concluding session on sustainability was preceded by a press conference, the first part of which focused on the UK's departure from the EU. Asked about the ECG members' preparedness for Brexit, ECG representatives answered that due to the huge uncertainty hovering over the whole thing, pretty much everybody has been preparing for the worst-case scenario. However, they added, vehicle logistics companies can do only as much, in critical areas having to rely on other parties, like seaports creating enough buffer parking space or the customs offices enhancing their capacities. Operationally-wise, handling Brexit won't start once a car carrier departs for the UK. The Port of Calais, for instance, doesn't have any procedures to handle non-EU traffic, i.e., also imports from Britain in the future. The general worry, added Costantino Baldissara, Commercial, Logistics & Operations Director, the Grimaldi Group, and ECG's President in the past, is that leaving aside concerns over customs clearance or gridlock seaports, the UK's divorce from the EU has all the chances to depress the economy, hence car sales, hence transportation volumes.

For ECG and its members, one particular and very tangible issue stands out in the debate around sustainability, namely protecting the drivers. That's the reason why Steve Thomas, General Manager, Vehicle Logistics, Toyota Motor Europe, has embarked on a mission to reduce the number of cargo handling accidents from which

the industry suffers – down to zero. The conference saw the première of the first draft of *ECG Guidelines. Safe loading process. Step by step loading instructions*, the Association's round-up of the best practices for load- and unloading vehicles. This standard will be further refined as Thomas and the ECG working group on safety he's leading gather data on accidents (incl. near-miss situations).

The conference ended with another hot topic, the 0.5% cap on sulphur content in ships' fuel, set to enter force worldwide on 1 January 2020. Martin Dorsman, Secretary General, the European Community Shipowners' Associations, put the spotlight on the challenges associated with this regulation as well as with forcing the shipping industry to green in general. As regards the cap, he isn't worried so much about fuel availability (as there will be exemptions made for shipowners that wanted to buy compliant bunker, but the market was unable to meet the demand) as with the quality and safety of different fuels, i.e., whether mixing various compliant bunkers won't cause an engine failure. Dorsman is additionally concerned if refineries and fuel traders won't speculate on the prices. He also talked about the EU's plans to include shipping in the Emission Trading Scheme (ETS), which, according to him, wouldn't be a sound way out, as the ETS is a regional solution, while decarbonising shipping in order to be effective requires a global one. Dorsman also made a reference to the greenhouse gas cutting plan proposed by the International Maritime Organization (at least -50% in 2050 vs 2008 levels). To satisfy this ambition, we should see low/zero-emission vessels entering service already in 2030. ■