

*International Press Workshop IAA**Slight market decre*

Every two years, the German automobile industry federation - the VDA - brings together the heads of HGV manufacturers and the international press to review the evolution of the market. Following the atmosphere of optimism recorded at the 2006 event, 2008 has noted the slight slow-down in the European market, but without any great cause for concern.



Some of the speakers at the seminar: Göran Simonsson (Volvo Trucks), Stefan Schaller (VW Nutzfahrzeuge), Håkan Samuelsson (MAN), Guido Reinking (moderator) and Andreas Renschler (Daimler).

The second half of 2008 will record a slight downturn in sales in Europe, and the whole of 2009 is likely to see a very small decrease in the European market too. But

“After over-heating in 2007, the European market will return to a normal, though high, level in 2009.”

because all the manufacturers are first and foremost global players, active on at least three continents, this slowdown is being seen in its wider context.

The weight of the BRIC...

The worldwide market for HGV's has been making steady progress since 2005. This global increase is the result of the strong move forwards by the Asiatic markets (excluding Japan), the whole of Europe (especially Eastern Europe), and the Latin American markets. On the other side of the coin, a decrease has been seen in Japan and, in particular, in the North American market, which has lost 32% in two years, and which will come in below the European market in 2008 for the first time for 17 years.

From 2007 to 2008, the increase in the worldwide market for trucks of over 6 tonnes will be 2%. The most

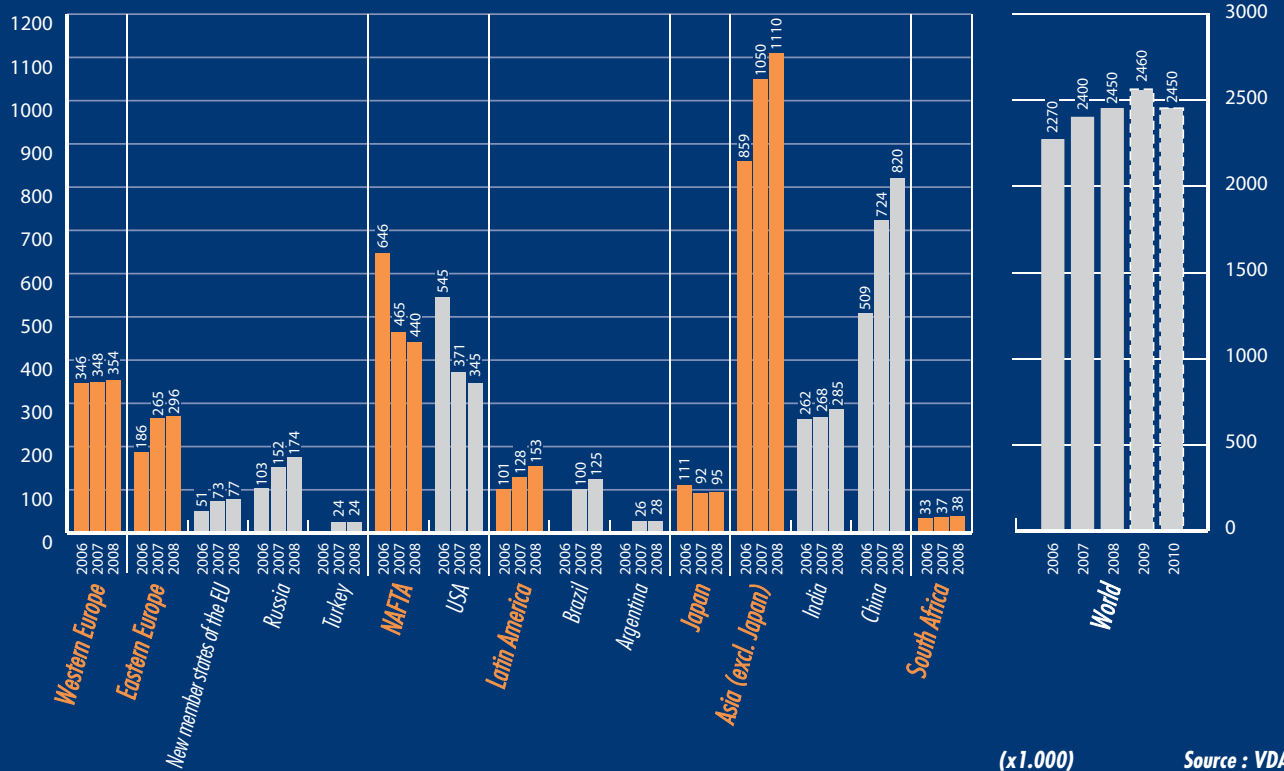
dynamic markets are Brazil (up 24%), Russia, (up 14%), India (up 6%) and China (up 13%), the four markets known by the acronym BRIC, and which now account for more than 1,3 million new vehicles a year, which is more than 50% of the world market.

Worldwide sales are set to increase again in 2009 - by 4% - thanks to a resurgence in the American market where many orders are expected before the new EPA10 anti-pollution norms come into force. And in 2010, finally, the worldwide market is forecast to drop slightly, back to its 2008 levels.

Asia is now the number one outlet worldwide. In four years, sales here have increased by 54%, mostly influenced by the Chinese market

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EVOLUTION OF THE PRINCIPAL WORLD MARKETS



which represents 63% of the Asian market. The increase in sales of HGV's of over 14 tonnes is particularly strong in China. This situation is naturally to the benefit of Chinese manufacturers (FAW, Dongfeng, CNHTC, Shaanxi and Beiqi Foton in that order) who have once again seen their sales increase - by 37% - over the first five months of 2008. By contrast, the Japanese market slumped by 17% in 2007 and does not now even represent half of the Indian market, which is also growing rapidly.

Europe stabilising

In Western Europe, the peak will be reached in 2008, with a slight increase of 2% compared to an

exceptional 2007. According to Matthias Wissmann, president of the VDA, sales set off very well at the beginning of the year (especially in France, Italy and the UK) but will slow down in the second half. In two key markets (Germany and Spain) this drop was anticipated for the first half.

Whatever happens, the period of economic uncertainty allied to the rapid increase in road transport cost prices, was identified by all speakers as the principal cause of this phenomenon. The rate at which industrial activity picks up following the summer holidays will also in large part determine the degree of confidence demonstrated by manufacturers over the coming six months. There is obviously still a wide gap

SECURITY, BEYOND THE GADGETS

An important part of the seminar was given over to security. As Matthias Wissmann (VDA) recalled, the frequency of accidents involving HGV's compared to the number of kilometres driven has decreased by 70% in Germany since 1970. Yes but... there are a lot more kilometres driven today.

And although passive security has reached a very high level, it is active security which enables accidents to be avoided. The number of systems is impressive, and their effectiveness has been proved... but their cost still remains prohibitive for buyers, particularly in the economic conditions of 2008.

To encourage the purchase of safer vehicles, the industry is counting on both the insurance companies and the authorities, as we were reminded by Håkan Samuelsson (MAN). In Germany, some insurance companies are lowering premiums for vehicles equipped with optional active security systems. Why not extend this practice to the whole of the sector?

Another way forward could involve a variation of kilometre-based taxes depending on the level of equipment. Another facet of the enormous dossier entitled 'internalising external costs' to get the Commission to find out about...

between sales figures and registration figures. These were still on the up during June, as the long delivery delays experienced in

2007 have not completely been cleared. This situation still risks leading to cancelled orders, or resale on the recent second hand



Matthias Wissmann, VDA: *“More ecological vehicles are of no use if they are stuck in traffic jams.”*



Håkan Samuelsson (MAN): *“Insurance companies should encourage the purchase of safer trucks.”*

market of new equipment when vehicles ordered sometimes up to 15 months ago are no longer required when they are finally delivered.

In Germany in particular, the delivery of multi-axle tractor units and semi-trailers has stayed fairly close to the Ifo confidence index for some ten years. Since the second half of 2007, the registrations curve has continued to rise while the Ifo index has been falling, which risks increasing the trend for lower order levels at the end of 2008.

Within the new member states of the European Union, the explosion in sales recorded in 2006 (up 31%) and 2007 (up 43%) will shrink considerably in 2008 to an increase of just 5%. According to Håkan Samuelsson, president of the executive board of MAN AG, this drop is in particular due to the increasing difficulty of finding finance.

And finally, the markets of Eastern Europe will continue to grow, by 12% in 2008. The Russian market is clearly playing the role of leader here, up 14%, while the Ukraine, Turkey and Belorussia are seeing more modest increases.

No single norm yet

For the seven European manufacturers, the European market obviously remains a priority, but nobody can any longer neglect markets as important as South America, India and China. The regulatory frameworks imposed on them are a handicap, however. As Göran Simonsson (CEO for the Central Europe region, Volvo Trucks), explains, development cycles are no longer determined by client demand, but rather by anti-pollution legislation. There are till three norms: the EPA norms in force in the USA, Brazil and Canada, the Japanese norms confined to the archipelago and the Euro-norms in force in Europe, as well (with a certain delay) as in Russia, China and India. A few other markets of less importance, including Australia, South Africa and Mexico, accept European and American norms.

Andreas Renschler (board member at Daimler AG) explains it like this: “The fact of having to undergo three test cycles and of having to conform to three different limits means we have to develop each

engine three times. At the end of the day, this is no good for the manufacturer, but neither is it good for the buyer or the environment”.

Göran Simonsson believes that a single norm would enable costs to be reduced by half in the domain of Research and Development. But in the meantime, some manufacturers are sharing the investment, including MAN with International in the USA. “This type of cooperation is perfectly possible for technical elements such as axles, and will be more commonplace in the future”, predicted Håkan Samuelsson.

There is still no real prospect of these norms being brought together, but as Sam Burman (Vice President of Iveco) explains, several initiatives of the UN and the application of standards set by the two main regulating markets (Europe and the USA), have already rallied emerging markets behind one or the other norm: “There certainly remains a delay between the time when a norm is applied in Europe and in China, but this delay is now tending to reduce”. Burman therefore believes in the develop-

ment of future Global Technical Regulations. Limits set by the future Euro-6 norm (2013) are, for example, based on a harmonised test cycle, which represents a step in the right direction. By contrast, as Simonsson reminded people, there is still no harmonised norm on fuel quality, or on coordinated policy towards alternative fuels. This does not prevent the European Union from continuing to regulate all over the place. Between 2007 and 2008, there were thus no less than 39 directives or regulations which will be applied to subjects as important as the Euro-6 norm, fuel quality, the recyclability of vehicles... not to mention lesser items including... door hinges (sic).

Europe-Asia competition

Under these conditions, access to the European market is virtually impossible for new players. And none of the speakers believes in the arrival of the Russian Indian or Chinese manufacturers in Europe, except perhaps on the LUV market of under 6,5 tonnes.



Andreas Renschler (Daimler): "We accept our responsibility for developing clean vehicles, no ifs or buts..."

Göran Simonsson (Volvo): "We can't put new engines into production if there are no norms for their fuel."

Heinz Löw (Commercial Director Europe, Renault Trucks), nevertheless recognises that the arrival of heavy Chinese ranges in Russia, for example, took everyone by surprise in 2006. In 2008, Chinese manufacturer CHNTC therefore managed to get hold of 3,3% of the Russian market. In the Ukraine, the position of the Asians is even stronger: 7,2% for Tata, 4,8% for Dongfeng and 3,3% for FAW. In this country, the leading European manufacturer, Mercedes, only has a 4,5% share...

At the same time, European manufacturers are putting their faith in emerging markets. Iveco has been putting its stakes on China for a long time, particularly with the Daily. MAN now produces HGV's in India in a joint-venture with Force Motors, and Daimler will follow suit in 2010 in partnership with Hero Group, as may Volvo later with Eicher. MAN, once again, will produce mechanical parts at VW in Brazil.

As for Russia, it will see the opening in 2009 of the Volvo Group assembly plant (10,000 Volvo's and 5,000 Renault's per year) at Kaluga,

TYPES OF ACCIDENTS AND ACTIVE SECURITY SYSTEMS			
Type of accident	Percentage of accidents	Security systems	Accident reduction potential
Head-on collision	18,9 %	ESP and Lane Guard System + Active Lane Correction	15 %
Leaving the road	12,1 %		
Side collision	8,7 %		
Other	5,5 %		
Rear-end collision	26,5 %	Adaptive Cruise Control, Emergency Braking System	7 %
Collision with stationary vehicle	6,7 %		
Accidents at junctions	16,6 %	Change of direction or lane assistance	?
Accident with cyclist or pedestrian	4 %		
Collision with another object	1 %		

while Scania (10,000 units per year) and Daimler are also planning a new local factory. Only Paccar, in fact, has not yet announced initiatives of any size in the BRIC countries, except for a new sales office in Shanghai and a development centre in India.

The challenge of the infrastructure

At the IAA show in Hanover, there was no doubt that we were witnessing a new demonstration of the

capacity of the European industry to respond to challenges it faces in terms of the environment, security and the profitability of transport. But this technical prowess will be of limited effect if it is not combined with investment programmes for road infrastructures. A call in this direction was sent out by Matthias Wissmann (VDA) and by all speakers at the seminar. A call directed at the European Parliament, which has to consider the 'green package' of the Commission (see elsewhere in this issue), but also at all

member states. Germany cannot be said to be setting the best example, despite lobbying from the powerful VDA. And even though the 'Maut' toll tariffs are set to increase on January 1st next year, investment in the roads is scheduled to diminish from 2011.

Claude Yvens ■