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Dear Customer,
You are welcome to Volvo Logistics newsletter.

In order to continue to be successful, Volvo Logistics needs profitable growth. Therefore we have started the Business Cycle Management, "BCM"- project in which we will focus on our internal efficiency. I am convinced that this initiative will make Volvo Logistics more competitive in the marketplace and improve our proactiveness together with customers.

Åke Niklasson,
President and CEO, Volvo Logistics

deliveries

NEWSLETTER FOR VOLVO LOGISTICS' CUSTOMERS



OCTOBER 2006

GENERAL VOLVO LOGISTICS NEWS

Success in China...

Volvo Car Corporation has now started production at its plant in Chongqing, China.

As a result, Volvo Logistics is very busy distributing the Volvo S40 to Chinese dealers.

"So far, things have gone really well. We have an extremely professional team which has been working on business operations both here in China and in Gothenburg," says Viking Johansson, Volvo Logistics' site manager in China.

"We are here to safeguard vcc's interests. It is our job to distribute cars to the 45 dealerships in different parts of China and to handle the supply of materials to vcc's part of the plant," he explains.

The cars are transported by truck, train or barge. According to Viking Johansson, the infrastructure in China is a major challenge for Volvo Logistics.

"The distances to the different dealers are enormous. What's more, the roads and means of transport vary tremendously. We are going to have to work hard to enhance the quality," he says.



Andrew Zhang, Volvo Logistics Chongqing.

...and challenges in India

L Ganapathi is Volvo Logistics' ambassador in India. It is his mission to put the company on the map and develop business.

"We have to create an image for ourselves and show what we can offer," he says.

L Ganapathi will be responsible for the entire logistics chain to and from the plant in Bangalore. Volvo Trucks builds some 600 trucks a year using CKD (Completely Knocked Down) kits, most of which are packed at the truck plant in Sweden and sent to India for assembly. Volvo Buses produces around 300 bus chassis using CKD kits that are sent from Sweden. The different vehicles are then transported to dealers all over India. Some trucks are also sent to Korea.



Mr L
Ganapathi

One of the many challenges L Ganapathi envisages is the way expectations differ in Europe and India.

"There is a huge gap between what suppliers in Europe expect and what the transport system in India can deliver. We have to reduce this gap using more knowledge and training and by developing the infrastructure in India," he explains.

L Ganapathi adds that small trucks account for more than 90% of transport in India.

The reason for this is that the roads are unable to accommodate large, heavy vehicles. This then results in delays, congestion and a less-than-perfect environment, among other things.

"If we can help to develop the transport system, we can also cut costs significantly for our customers," he says.

OFFERINGS NEW & EXISTING



Have you seen this ad in the latest issue of *Automotive Logistics* (Sep/Oct)?

Upcoming Events

2006-10-10

Odette Sweden and F&K Conference in Gothenburg. Darya Anisi (Business Development Manager). For more information www.odette.se

2006-10-17

Global Automotive Logistics (GAL) in Antwerp Conference. Bruno Van Damme (Business Developer Manager) and Dan Geyer (VP Corporate Outlook Development) will speak. For more information, www.globalautologistics.com

2006-11-21

Environmental Conference (Miljöteknik – Sustainable Innovation) in Gothenburg. Kjell-Åke Hvittfeldt (Vice President Global Purchasing) and Caroline Sjöberg (Environmental Manager) will speak. For more information www.miljoteknik.com

**STRATEGIC ISSUES
AND VISIONARY WORK**

**Future flows
to be explored**

Volvo Logistics participates in the Advisory Council of the MIT (Massachusetts Institute of Technology) Centre for Transportation & Logistics project, Supply Chain 2020. (MIT SC2020 Project)

It is a multi-year research effort to identify the factors that are critical to the success of future supply chains. This pioneering project will map out the process innovations that will underpin successful supply chains as far into the future as the year 2020.

The research is multi-industrial and covers industries such as automotive, logistics, retail, pharmacies, IT & communication and food. This diversity is one of the strengths of the research, which will support a holistic and global Supply Chain approach.

The automotive and logistics industries are represented, besides Volvo Logistics, by companies such as UPS, Deutsche Post, GM and Daimler Chrysler. Ericsson is one of the participants from Sweden.

MOST RECENT DEVELOPMENTS

**Increased transport
safety with Cassandra**

Volvo Logistics, Volvo Technology, Ericsson and Chalmers University of Technology in Gothenburg are working together in a Vinnova funded project called Cassandra.

The objective of the Cassandra project is to create a service-based system solution for increased transportation security and transport efficiency. The project includes development of techniques for intelligent goods, intelligent trucks and transport and goods management.

The aim is to have a demo that shows all of the capabilities found in the Cassandra project such as system and information architecture, automatic identification of drivers, supervision/surveillance of vehicles and goods, dynamic route guidance and geofencing.

CORE VALUE

Customers generally satisfied...

... but ask for increased proactivity

Volvo Logistics has for the fifth time carried out the Strategic Customer Survey which is an important tool to help the company develop customer relations. The results indicate that our customers are satisfied with our services and that they appreciate participating in the survey.

81 % of the respondents are satisfied with Volvo Logistics' work and believe that the company is committed to developing the relationship with them. As many as 90 % of the interviewed customers express that they have confidence in Volvo Logistics as a company. Our knowledge in logistics and operative skills were pointed out as strengths.

The result, however, indicates a slight decline from last year.

One of the areas pointed

out was proactivity; both in operations and in logistics development. It is important for Volvo Logistics and the customer to reach a common view upon proactivity for recognition and enhancement. There are numerous actions ongoing and planned to meet customer demands. The survey also gives substantial input to our long term improvement work.

Volvo Logistics is now following up the survey with individual meetings that identify concerns and tasks and will also initiate Volvo Logistics common actions that focus on proactivity and customer relationship management. Volvo Logistics' operative customers will be surveyed in October.

**Customers Confidence
in Volvo Logistics**



**Volvo Logistics launches
environmental tool**

Volvo Logistics has developed its own tool for environmental calculations.

The tool has been used for 35 environmental calculations, helping our logistic develop-

pers and customers to choose the best alternative from an environmental point of view.

For questions about or a demonstration of the tool, please contact the Environmental Manager, Caroline Sjöberg, caroline.m.sjoberg@volvo.com

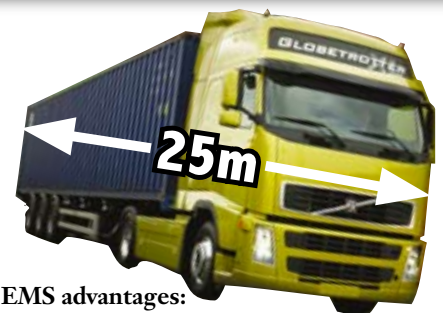
EnvCalc

BUSINESS INTELLIGENCE

**New regulations allow for
larger transport volume**

According to the German magazine DVZ, the Netherlands will allow the EMS (European modular system) nationally from 1 June 2007 on main routes. EMS contributes to more efficient transport actions by allowing the usage of longer vehicles (25 m instead of 18 m).

—Hopefully the EMS trend will spread to neighbouring countries, such as Belgium, which would considerably improve Volvo Logistics' logistics set-up.



EMS advantages:

- Higher road safety
- Reduced fuel consumption
- Additional loading capacity
- Improved transportation flexibility through "modular combinations"