



“ Dear Customer,
 You are welcome to this first issue of Volvo Logistics newsletter. We have learned that our customers ask for more information about us and therefore we intend to distribute our newsletter on a regular basis to keep you updated on ongoing activities within Volvo Logistics. I hope you enjoy reading this newsletter, and we are grateful for all feedback to improve.

Åke Niklasson, President and CEO, Volvo Logistics

deliveries

NEWSLETTER
 FOR VOLVO
 LOGISTICS'
 CUSTOMERS

JUNE 2006



GENERAL VLC NEWS

Partnership saves millions

Volvo Logistics has entered into a partnership with the paper manufacturer Stora Enso which will result in annual savings of several million Swedish kronor for our customers.

VLC and Stora Enso are using the same shipping line to transport paper in one direction and cars in the other.

The idea for this partnership was put forward by the Contracting and Outbound Departments in Göteborg.



Annika Bratt and Karin Nilsson are offering Stora Enso a profitable partnership

Successful Project with Volvo Buses

By combining forces, Volvo Logistics and Volvo Buses have succeeded in improving delivery precision from the plant in Borås. Within the period of six

months the figures improved from 70 per cent to 90 per cent. The project analysed the flow market by market, from order to delivery to the body-builder.

OPERATIONAL DEVELOPMENT



The Customs department at Inbound

OD-project saved millions

By actively chasing up various kinds of documentation from customers, the Customs Department at Inbound Region Scandinavia & Overseas saved more than SEK 3,5 million last year.

“Both we and our customers are saving large sums of money as a result,” says Lena-Britt Jonsson, OD leader for the group.

Improved packaging process

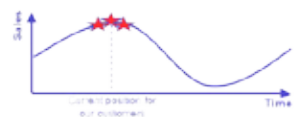
An OD team in Region North America came up with the idea that it might be possible to cut customers’ costs by using an improved packaging process and improved packaging. They made this possible with increased transport utilization and reduced damages. The OD-team identified USD 411 k through the improved packaging process.

STRATEGIC ISSUES & VISIONARY WORK

Business Cycle Management

With very few exceptions Volvo Logistics has experienced rapid growth for the last 10 years. This rapid growth has supported Volvo Logistics in continuously improving logistics systems for its customers, while achieving efficiency gains. Since 2001, Volvo Logistics’ customers have experienced ~MSEK 1 500 in confirmed cost improvements.

As most customers are close to the peak of their business cycle, they are preparing for a future downturn. To support VLC’s customers’ Business Cycle Management, VLC is heavily involved in cost improvement initiatives. Most initiatives are based on changing logistics requirements and very close collaboration between VLC and its customers is needed for success.



VLC has also initiated its own Business Cycle Management initiative in which VLC reviews its internal efficiencies. VLC is aiming to increase its internal efficiency. In order to succeed new ways of thinking and rapid growth are needed.

MOST RECENT DEVELOPMENT

RFID/telematics

VLC has initiated and is participating in a number of projects in different parts of the supply process, such as container management, racks management, security and yard management. VLC is also planning to add an RFID application to its distribution system (A4D) yard management module. VLC is co-operating with a university in Ghent, and the government, on the issue of “wireless technology for the positioning of vehicles and goods”.

NGIL (New Generation Innovative Logistics)

VLC is supporting and participating in the NGIL project, which is being co-ordinated by Lund Technical University and is being funded by the Swedish Government institute, Vinnova. The project focuses on “Adaptive logistics”, “Supply chain risk management” and Visibility.

ATLAS – the latest developments

The first release of ATLAS, the new IT-system for the Inbound process, has been in production since October 2005. The roll-out teams are now implementing it at suppliers and carriers, and there are currently 300 suppliers in Sweden and Belgium



and Belgium creating transport booking requests and six carriers receiving transport bookings in Atlas. The next areas for implementation will be the UK, the Netherlands and the Göteborg area in Sweden. Release 2, starting in May, will focus on delivering an end-to-end process solution to RNA and its customers.

VLC OFFERINGS – NEW AND EXISTING

Evaluation of blue boxes

Several potential customers are now evaluating Volvo’s blue box system. Presently many OEMs and automotive suppliers are using a non-nestable small box system. Non-nestability creates extra costs when it comes to the transportation of empty boxes. The cost reduction potential is about 60% if the customer goes for a nestable system, a figure which is very interesting for companies focusing on cost savings. The environmental effect is also an important parameter.



Nestable boxes has a cost reduction potential of 60%



Global Logistics Centre finished

A Global Logistics Centre project has been finalised. We are now well prepared to support our customers’ emerging market sourcing initiatives.

Autologistics in Montreux

VLC participated for the first time with a stand. Åke Niklasson was one of the speakers and he invited every one in this business to find new solutions together in order to reduce today’s problem of mobility. It is important for VLC to attend these conferences as they are significant marketplaces where contacts can be established.

BUSINESS INTELLIGENCE

New transport legislation in the EU

The EU Commission has proposed a new legislation to secure land transport within the European Union “SEC (2006)251”. All the players in the supply chain carrying goods within the EU must be certified.

The plan for this legislation is to come into force in 2009.

There is still uncertainty regarding how the proposed legislation should be implemented and who should pay the cost of EUR 50 million – the member states, European transportation companies or the end customer?



VLC can currently see four trends in the logistics industry

Trends

- Intensed price pressure
- Congestion
- Rapid globalisation
- Increased focus on quality, safety and environment

Logistics providers’ response to these trends

- Cost reduction initiatives e.g. low cost driver sourcing.
- Trying to build up capacity. Viewing Europe as one market.
- Developing other modes of transport /logistics systems.
- Rapid consolidation (M&As). Extended capability to operate locally in global companies.
- Imposing demands on transport.
- Development of offerings.