



SCANIA

# Driving Us to Make Dollars out of Sense

The price of recklessness goes above, and beyond the cost of repair. This holds true in terms of operating vehicles to piloting your business. ANDERS GUSTAFSSON of Swedish transport manufacturer SCANIA explains how going for the clean, premium option will save an arm and a leg, rather than cost you a fortune.

By CARLOS FRANCISCO MAGNO

**H**heavy commercial vehicle manufacturer Scania is an icon in the logistics industry for pioneering green transport solutions.

In doing so, the company performs a significant part of Greater China's war on pollution, one of the bigger culprits of which, is transport.

Profit and growth have never so much been under the watchful eye of public concern than today, when the rapidly deteriorating environment has hardly anyone else to blame but big business.

Making the switch to environment-friendly processes however, is not button-press simple. An operational overhaul is highly complex, time-consuming, and expensive, and thus neither feasible nor practical. Scania offers a solution that proactively encourages participation; that makes it easy for the industry to profit from reducing its carbon footprint.

Managing Director Anders Gustafsson is well aware what a tough sell healthy alternatives in the heavy industry is. Nonetheless, under his watch, Scania's Hong Kong office has made great strides.

## Challenges to Overcome

State-mandated environmental practices follow international norms, and as far as trucks and buses go, the European Emission Standards serve as the guiding voice. Scania's machines are compliant with the current Euro VI tier, with drastically reduced hydrocarbon and nitrous



Anders Gustafsson: "The heavy transport business is bracing for green solutions."

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oxide limits.

Truthfully, it has not been the sexiest item in a pitch. "From a customer's point of view, 'why should we buy a cleaner vehicle, when we don't get any extra out of this?' Of course for my children it would be better...for the majority of the customers it is difficult to get them into this."

Euro VI diesel engines use a chemical component to achieve emission reduction, which, in terms of purchasing price, makes for bigger costs. Repair and maintenance remain the same, but the higher initial cost becomes quite the hurdle. Government subsidies have contributed to market penetration; thus, garnering state approval is crucial to growing market share.

Business values also differ from customer to customer, says Gustafsson. "We have many customers that are quite mature. Our customers also have their customers - some want their suppliers to have green transport. Of course, everyone has to have a good bottom line, otherwise they would not be in business."

It is given that potential clients will always defer to their existing cost structures before bothering with the notion of a brand new truck or coach. Still, since its launch in May 2014 at Hong Kong Science Park, Scania's Euro VI machines have been well received; its new clients include schools and tour companies. Besides, the new machines come with a number of slick upgrades in design and functionality.

## Crossing Borders

The Hong Kong government's 2013 Scrapping Scheme is well on its way to junk around eighty-thousand old and environmentally hazardous heavy transports, a well-accepted measure that has boosted the market by about 20%, according to Gustafsson.

Many newcomers have subsequently arrived, particularly from the mainland, putting pressure on Japanese brands that have held a relatively similar price point. However, with the rationale for the massive truck scrap being deteriorating air quality, Scania has a marketing edge over the cheaper entrants. "We are more on the premium products and premium services, more on value."

China on the other hand, is another story. The mainland only requires Euro IV compliance from its operators, thus deeming Scania's trucks unnecessary; the caveat of which is that Chinese Euro IV trucks are barred entry into Hong Kong,

whereas newer Hong Kong trucks can come and go.

"The mainland China truck and coach market, in a general perspective, is not as advanced as the Hong Kong market. It's the biggest market in the world but about ninety-eight percent of the products are dominated by cheaper Chinese manufacturers. But it (the demand for premium products) is growing, it just takes time."

To remedy this, Gustafsson looks to approach it organically, as was done in Hong Kong. "We have built a new workshop in Guangzhou, which is the first privately-owned workshop in China. It took a long time to get all the approvals...in the end we had to get nearly 65 licenses. [This goes to show that] we are serious about the implementation and introduction in China."

## Attainable Sustainability

In order to aid potential clients in pulling the green switch, Scania has created a comprehensive finance program that allows them to avail of brand-new vehicles while easing the brunt of the initial cost. Since the beginning of March 2014, around seventy contracts have been signed, so far.

"Hong Kong is the forty-fourth market in the world in which we launched financial services. It is quite a big operation." Gustafsson explains how this is the best choice. "We have a very good offer, good interest, and the reason behind this is we are sure that we know our customers best, compared to banks. We would like to have a closer connection with our customers."

Investing in a truck costs about HK\$1 million - trivial only to the opulent few. The returns for a small truck, to put in perspective, can come to at least one thousand dollars a day, and depending on the distance, payload, purpose (such as in construction projects) and other particulars, these vehicles make much more money, as long as they're on the road. The brand new machines accrue very minimal to zero downtime, ergo, spend far fewer days parked or in the shop.

"Another important thing, which is not always easy to explain...is the difference between buying and selling price." Shouldering the depreciation, as well as fuel and maintenance costs, are in total an immense burden on an operator, but under Scania's finance services, one only pays a fixed cost per month, for a period between three and five years, renewable thereafter. There is little left to worry about.

## Help to Buy

Also an essential part of Scania's finance program is insurance. A joint endeavor with Aon/Allianz, this set of all-inclusive plans covers accidents, damages to third-party liabilities and other relevant matter. The insurance partners handle the claims, while Scania takes care of the paperwork.

"From a customer point of view, when they buy a vehicle, first of all they need a finance company's approval, insurance company's approval, and then after that they make the orders. We can do all of this together since we have all of the information of the customer anyway. We help out with the applications to make them all feasible," he says.

Each plan costs around two thousand dollars monthly, depending on the price of the vehicle. A highly competitive plan, it charges a much lower installment than conventional insurance, and combined with special packages from Scania's finance services, offers an impressive number of discounts. Since it was introduced in May 2014, more than fifty contracts have been sold.

## Transform and Roll Out

On top of state-of-the-art green technology and comprehensive financial services, Scania continues to push for driver efficiency - a major determining factor for safe, timely and fuel-efficient transport. To this end, they hold their annual driver competitions, which in 2014 signed seven hundred participants in Hong Kong from a variety of contractors. Intensive driver education, in the company's viewpoint, maximizes the utility and profitability of their machines.

One way or another, responsible and clean industry practices will be the norm - and the rule - throughout the region, and while somewhat ahead of its time, this company has made great strides in taking companies that direction. By offering incentives to the industry to embrace this new, profitable and environment-friendly approach in business, Scania is actively contributing towards making Hong Kong a more competitive city for commerce, lifestyle, and overall quality of life. ■

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