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Trailer Remanufacturing Efforts in Europe Driven by Price, Environmental Concerns

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European semitrailer and truck-body manufacturer Schmitz Cargobull has a new recycling program. It's not cans and cardboard the Horstmar, Germany-based company is repurposing; it's old semitrailers.

In a joint venture with DLL, a global equipment finance firm formerly known as De Lage Landen, Schmitz Cargobull engineers disassembled 8- and 9-year-old trailers to see which parts were worn out and which were still in good working condition.

"We found that a lot of parts were in good condition while others were no longer usable, either because over the years some contact points had worn or because design changed during the manufacturing process," said Frits Engelaer, director of sustainability development at DLL headquarters in Eindhoven, Netherlands.

The findings prompted DLL and Schmitz Cargobull to reassess the trailers' life cycle management. "We asked, 'If we're going to manage longer life cycles, which parts should always remain the same so that when they wear out in older trailers, they can be replaced?'" Engelaer said.

Once those parts were identified, DLL and Schmitz Cargobull built a refurbished trailer to set a quality standard for applying the same maintenance as is required for new trailers. "We're piloting this remanufacturing program in Germany

now," Engelaer said. "Pre-owned assets are increasingly viewed by customers as a cost-effective solution."

So far, results are moderately encouraging. The first refurbished trailers reached Schmitz Cargobull's Trailer Store in Kümperstiege, Germany, in January 2014. Since then, the company has sold nine of them, eight to a fleet management firm and one to a start-up transportation company.

With refurbished trailers at a price point that is 60% to 70% of the price of a new trailer, however, the refurbished units are not selling as fast as hoped. Even so, Top Economy trailers, as the refurbished units are known, can be financed and paid for in less time than new units. "Having a refurbished trailer offering helps us add value in a market with limited product differentiation possibilities," Trailer Store Manager Christoph Dehne said.

Rob van den Heuvel, an equipment management spokesman at DLL, offered the background for DLL's remanufacturing efforts. "The world's linear economy is not sustainable," van den Heuvel said. "There's an environmental and commercial need to embrace new, circular business models that reduce pressure on the planet's finite resources through reuse, and stimulate entrepreneurship and business success at the same time."

DLL operates in 35 countries, serving as the financing arm for manufacturers of equipment ranging from trucks, trailers and tractors to construction vehicles and agricultural machinery.

Circular business models "are based on

equipment usage rather than ownership," van den Heuvel said. "Products are designed to be recycled, reused or remanufactured at the end of their first life so that they can be used again in a second life, and possibly a third."

"After 2009, we saw a lot of end users of equipment wanting to shift out of equipment ownership into equipment usage," Engelaer said. "End users either wanted to outsource equipment ownership to a third party or to finance or lease pre-owned equipment." Demand for pre-owned items wasn't limited to trucks, trailers or cars, Engelaer said, but extended to cranes, railcars, appliances and even power tools.

"Before the economic downturn, people invested in new equipment," Engelaer said. "But after the downturn, the value of new equipment depreciated, and a lot of entrepreneurs began investing in secondhand equipment. As a result, manufacturers in Europe now are confronted with users who don't want to own equipment but [rather to] rent it and use it, and use it far longer than usual."

"So, for manufacturers and finance companies, the question has become: 'How do you guarantee the performance of a piece of equipment for its entire life?'" Finding the answer was the foundation of DLL's life cycle asset-management program.

As part of that program, DLL also has a partnership with Freitag, a Zurich-based manufacturer that turns old canvas side curtains used on European trailers into

waterproof messenger bags that are sold in retail shops around the world. Additional DLL partnerships have been cemented with European firms that regroove truck and trailer tires, recycle aluminum and remove and recycle isolation units from refrigerated trailers. But due to plunging global metal markets this year, DLL's work with these companies is on hold. "The moments these markets return to normal, we'll resume our work in truck and trailer life cycle management," Engelaer said.

DLL's remanufacturing progress with truck manufacturers has been slow. "We're getting some interest, but I wouldn't say it's great," Engelaer said. Told of glider kits made in the United States by original equipment manufacturers such as Daimler Trucks North America and independent manufacturers such as Fitzgerald Glider Kits, Engelaer expressed amazement. "Glider kits should be a huge market," he said. "If manufacturers themselves rebuild truck chassis, engines, cabins and drivetrains, it shouldn't matter to them whether someone uses a truck for five, 10 or 15 years, because all the components can be clicked in, taken out and replaced when necessary."

Engelaer said DLL is not yet working with U.S. manufacturers to play an active role managing life cycles of equipment but hopes to do so in the future. Said Engelaer, "We want to work with our partners everywhere to maximize the end-of-life value of all types of equipment." ♦