Press release after F&L/FLC Meeting in Bologna, 10-11 November 2011

"Vision 2020 and Possible Scenarios for the European Supply Chain"

10 presentations dominated the agenda. On the supply side for 2020, Tony Berkeley (Chairman Rail Freight Group UK), Gianfranco Sgro (President Southern Europe Middle East and Africa CEVA Logistics), Helen de Wachter (Senior Consultant Strategy and Development Port of Antwerp), Marco Terranova (Managing Director SBB Cargo Italia) and Luc Driessen (CEO Ewals Intermodal). For demand: Frank Arendt (Procter & Gamble), Antti Vehvilainen (Vice President Logistics and New Markets Stora Enso), Jos Marinus (Worldwide Logistic Network Leader Water Division Danone), Ingrid Lundberg (CIO Volvo Logistics Corporation).

Martin Dixon of Drewry Supply Chain Advisors set the scene and his expectations from both supply and demand. After presentations and the intense debate with 140 delegates chaired by Gavin Roser (Secretary General of F&L) and Federico Oneto (Secretary General FLC) Dixon concluded with the following observations. Significantly, both sides of the equation recognise the following:

Supply Wish List

- Shippers must work more proactively in partnership with transport supply on seeking new and improved solutions for congested inner city deliveries and retailers whether large or small must be prepared to take deliveries on a 24x7 basis.

Supply Recognise That:

- Rail and waterway will rise due to a combination of factors including oil prices, drive to reduce supply chain costs, shortage of drivers for trucks and the general political environment which supports modal transfer. However, transport supply recognises they have to improve the quality of their offering in these modes and persuade the demand side that they can deliver a predictable and reliable service. Currently intermodal has its successes with both quality and reliability; however it is

Demand Wish List

- Expectation of 24x7 response and capability from transport supply
- Greater focus by transport supply on risk management strategies for example ash cloud, fuel issues, congestion avoidance and more effective plan B strategies when the unexpected occurs – impacting on predictable delivery cycles. This is critical to a competitive Europe.

Demand is Concerned About

- Truck driver shortage will have serious impact on capacity growth
- There will be an impact in Europe in many forms as yet unpredicted from the emergence of global hubs in, for example, Singapore and Dubai. Sri Lanka is also trying to position itself in this respect. The definition of a global hub – a centre of excellence for IT, tax and fiscal

still not a totally cost-effective solution to encourage more from the demand side to use these services. The issue of trust in intermodal transport is a major if we are to convince demand to use it.

- CO_2 reductions can save cost but the sector needs to improve the science of their offering to ensure sustainable solutions.
- An increase in collaborative ventures between transport supply organisations is anticipated, particularly if suppliers are going to satisfy demand criteria for CO_2 reductions and associated cost savings.
- Recognition that scale innovations are inevitable with longer, faster, heavier trains, bigger trucks and ships, however insufficient attention is paid to shore based infrastructure and delivery networks from this evolution. Many ports are nevertheless ramping up their infrastructure to meet this anticipated demand and are becoming hubs in themselves for inland distribution.

Supply Concerned About

- Top ten 3PLs market share to grow from 22% today to 50% by 2020. The key question is whether scale delivers higher margins over the current industry standard of 2-3% net. Shippers must recognise the need for supply to achieve respectable margins if they are going to deliver the quality of service and sustainable solutions that are required and together with the need to innovate and invest in equipment, facilities and IT solutions. Fragmented intermodal sector ripe for consolidation.

issues, regional HQ provision for MNC's and SMEs in addition to the traditional role of transhipment of physical goods, whether through ports, airports or logistics facilities.

Demand Recognise That

Major shippers in collaboration with transport supply must strategically plan and provide for diverging growth rates between developed and developing economies; in the latter case, Africa, Latin America, Middle East and Asia

In context of sourcing strategies, China export dominance expected to wane and near-sourcing will increase

CO_2 reductions can save cost but the sector needs to improve the science of their offering to ensure sustainable solutions.

Major shippers recognise that when selecting transport supply that success in CO_2 reductions and sustainable systems is a key differentiator in selection. This will certainly be so by 2020.

Demand anticipates a trend well before 2020 where suppliers and distributors will share warehouses for virtual stock transfers

Transport supply must innovate urgently with new solutions for deliveries into congested inner cities in an eco-friendly manner

Growth in e-tailing (e-commerce) will increasingly impact on logistics demands. The supply sector must make provision for this, recognising that this will entail more deliveries to domestic premises which are not consistent with environmental savings. But it is a reality and innovation solutions are required.