



The European Freight and Logistics Leaders' Forum  
in co-operation with the Economic Commission for  
Latin America and the Caribbean

# “Sustainable Freight – Creating a Joint Vision for Business and Legislators”

F&L and ECLAC Position Paper on  
“Efficiency – a Key Ingredient in Sustainable Supply Chains”  
presented to International Transport Forum’s Annual Summit of Ministers in Leipzig  
on 21 May 2014

“In May 2008 the ITF Summit of Transport Ministers concluded that it was a *priority to move to a low-carbon transport system as soon as possible*” said **Gavin Roser**, F&L Secretary General, welcoming around 100 top level participants to the European Freight and Logistics Leaders’ Forum (F&L) side session in Leipzig. “We have made limited headway but progress must continue as top priority”.

Announcing the launch of F&L’s report with United Nations ECLAC (Economic Commission for Latin America and the Caribbean) on “Efficiency – a Key Ingredient in Sustainable Supply Chains”, Mr Roser pointed out that *sustainability is essential for long term competitiveness and profitability* and that maximising efficiency goes much further towards this than some believe.

“We are part of a dynamic global economy” said Gavin Roser “and there is no point in pretending that we can operate in a silo. The world has 7 billion people - soon 8 billion – and emerging economies will be responsible for 30% of global purchasing power by 2025. While the instrument of government is a very complex affair across many countries and we recognise the difficulties, *freight needs to be addressed with the same level of importance as passenger transport because we have to feed people and we need infrastructure to sustain the growth of our communities. It is critical that freight can play its part sustainably*”. He added “it will be important in coming years that legislation can move with the speed and intensity demanded by the international business community”.

“The traditional geography of production and consumption is

changing” explained **Dr Gordon Wilmsmeier** of ECLAC. “By 2025 the part of the world population belonging to the consuming class will be - *for the first time in history* - greater than the group living in conditions below consuming class. In addition the global consuming class will have grown by 75% between 2010 and 2025”.

“Most of the population belonging to the consuming class in 2025 will be living in the countries today considered as emerging markets” he confirmed.

**Given the current paradigm of growth, the question is how far can we transform traditional logistics and supply chain strategies into more sustainable approaches which are ready to cope with future challenges?**

*“Sustainability and efficiency go hand-in-hand: indeed sustainability is an enabler, and if you apply it in the right way and have the right legislation then it acts as a multiplier which can help industry expand”* agreed the audience.

“Sustainability is a global challenge and is interpreted differently in different parts of the world” declared **Mats Bolles** Director Transport Policies VOLVO representing European automotive.

*“But there is common agreement everywhere that sustainability is a major enabler of growth and welfare”*.

He emphasized the importance of paying equal attention to the economic, social and environmental parameters of sustainability and said that “sustainability is not a downgrade or a sacrifice but an enabler of efficient transport systems”.

*“The majority of the CO<sub>2</sub> footprint for MARS (and perhaps for all FMCG) is in the sourcing of raw and packaging*

*materials (56%) and in inbound / outbound transport (25%)”* explained **Andreas Georg** Head of Global International Transport MARS.

Discussing capital efficiency Mr Georg reminded businesses to procure equipment which consumed less energy and less water and which produced less waste. “Companies can also generate renewable energy to compensate for CO<sub>2</sub> emissions which cannot be eliminated”.

*“Now there is huge scope to focus on operational efficiency which is the ‘low hanging fruit’ of sustainability”* he said:

- Optimal utilization of all transport vehicles (containers, trucks, wagons, barges) and management of inventories on behalf of retailers. “Sending a vehicle with one pallet to a store to meet a half hour window is not sustainable”.
- Network analysis every two years of current customer base, sales markets, whether production areas are affordable and close to customers, and performance of inbound/outbound international supply.
- Avoiding inter-depot transport (regardless of who the depot belong to) results in massive savings and adds no value in the first place.
- Urban distribution of small parcels will become a very significant issue and **F&L will produce a report on Smart City Logistics with a new cross-modal, cross-industry and cross-country working group.**
- Save time/stress by setting strict “green” criteria for LSP tenders



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including driver training, up-to-date fleets and an auditable sustainability agenda for example.

- Secure full truck loads by co-operating with competitors and using shared warehouses and distribution networks. Legal support and appropriate infrastructure is fundamental to success of these initiatives.

"Transport for a changing world is a very apt title" said John Riley Vice President Global Accounts CHEP stating that *"the need to move more goods and more people faster and further will only increase"*.

### We need to protect future generations' ability to make their own decisions and we can do this through being sustainable

*"What we see and what our research shows is that not everyone accepts the efficiency/sustainability link. There is often a disconnect between senior management and supply chain managers. By demonstrating the efficiency/ sustainability link we will get more people engaged in the sustainability agenda"* he said.

Mr Riley pointed to the cumulative effect of all businesses adopting some of the simple measures identified in F&L's report and to the massive effect this would have on the combined sustainability agenda.

He added "we need:

- **Clear and simple sustainability benchmarks** for supply chain practitioners so that they can improve performance.
- **One common definition of sustainability** to eliminate confusion, improve decision making and achieve maximum benefit across industry and country borders".

*"Supply chains are global and most supply chains already involve emerging economies"* said Dr Gordon Wilmsmeier. *"We need to understand how to do business with other cultures and jointly develop strategies, set goals and*

*implement solutions to make supply chains more efficient and sustainable"*.

"The Government in Finland is *improving intelligence in transportation to improve efficiency of the whole system"* said **Antti Vehviläinen** Director General Finnish Transport Agency explaining that the current maritime sulphur regulations due 1 January 2015 will cause traffic to move back to road which will increase congestion.

"You need a long term vision and to sacrifice short term profit to be sustainable, but how do you get people to focus on this issue?" asked **Ekaterina Ilina** Master Project in International Trade and Logistics at the University of Gothenburg.

"The balance between short and long term thinking is as much an issue for governments as it is for industry and *we need to see more long term planning"* said **Kenneth Russell** Director John G. Russell Transport Ltd.

**Sophie Punte** Executive Director of new global NGO Smart Freight Centre said it was necessary to bridge the gap between Europe, Asia, US, Latin America and everyone else.

*"We must come to a very strong industry vision of what sustainable freight is and how infrastructure which allows the transport of goods in the most fuel and carbon efficient way looks – and then find out how we can achieve that together. Unless we take this global starting point as a basis we will find it very hard to get the rest of the world engaged"* she said.

**Dr Lauri Ojala**, Professor and Chair of Logistics at the Turku School of Economics and co-author of the World Bank **Logistics Performance Index**, said *"The new 2014 LPI gives a very broad indication of how easy a country is to organize trade and logistics with"*.

He said Germany is currently top and many countries were doing better than their economic level would imply.

"Transport is an enabler of sustainable development" said **Jens Hügel** Head Sustainable Development at the International Road Transport Union. "You can increase the efficiency of transport through longer heavier vehicles but *the relevance of transport and logistics should be reflected in integrated*

*and complementary transport and logistics policies that advance towards more sustainable development"*.

**Nicolette van der Jagt** Director General of CLECAT called for harmonisation, standardisation and liberalisation. Insufficient infrastructure capacity is equally an important element, but the *optimisation of process and the introduction of trade facilitation instruments* all play a crucial role in increasing efficiencies in sustainable supply chains.

"How can we change the perspective of the customer?" asked **Marie Alderman** Master project in International Business and Logistics University of Gothenburg.

"Shippers need one universal way of measuring emissions that everyone understands and consumers need a universal clear label that shows the carbon footprint of each product" agreed the audience.

**F&L and ECLAC will continue their sustainability work and hope to host a further freight side session at ITF 2015 Annual Summit of Transport Ministers.**

### Playback the session

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