



# The European Freight and Logistics Leaders Forum

## Multi-industry logistics leaders convene in Prague 12-13 June to discuss “Technology, Best Practice East West and Rail / Intermodal / Road”

### How do we get today where we want to be tomorrow?

“We need to look at logistics as **value-add and not as a cost centre**” said **Miroslav Skorepa** Vice President of F&L and Logistics Director EMEA Bacardi as he welcomed F&L members and participants to the conference. With three themes:

- Economics priorities of the Czech Republic;
- Implications of technology on the global supply chain;
- What can a cross-industry, cross-modal, cross-country group learn from each other?

F&L’s latest event was set up in the format of the British House of Commons to maximize debate and interaction.

#### ECONOMIC CZECH PRIORITIES AND KEY DRIVERS IN THE EU STRATEGY FOR TRANSPORT CORRIDORS

The 2008 crisis hit the Czech Republic badly *“but crisis is not always negative – it forces industry to concentrate on core business, increase productivity, cut unnecessary costs and explore foreign markets”* said **Radek Špicar** Vice President for Economic Policy at the Confederation of Industry and Transport Czech Republic.

Growth of at least 2% in the region this year is expected with new EU and foreign market (Latin America, South East Asia and North Africa) contracts.

“The Czech Republic is the third most open economy in the world” continued Mr Špicar “but CEE countries are all different. Whereas Poland focuses on agriculture and domestic consumption is key, Czech is the most industrialized country in EU 28 (>30% of Czech GDP). In addition Czech exports form 80% of GDP with 83% of exports currently going to other EU countries”.

*“Logistics will be more important than it has been in the past, and transport infrastructure [for ease of business and willingness of investors] is critical for the economic development of all countries”* said Mr Špicar, adding that he was optimistic about the European Union and its future including the Euro which is important for investors.

“Transport has an effect on economics, social issues, safety and the environment and it is financially very demanding. It is not possible to restrict transport only into territory bound by state borders and so *links to international transport are essential*” said **Olga Kastlová**, Department of Strategy Czech Ministry of Transport.

*“Czech priorities are first highways, second rail and third inland waterways”* agreed Radek Špicar and Olga Kastlová showing dramatic figures on road freight usage at more than 400% of rail, and waterways at significantly less.

*“The market is willing to invest and will set priorities, but it cannot make investments if there are going to be continual bottlenecks in infrastructure. It is the role of Government to address this”* said **Ralf-Charley Schultze** Director-General UIRR (International Union for Road-Rail Combined Transport).

Supporting his statement *“It’s not easy to enter a new market as a private railway undertaking”* said **Edin Sose** Chief Commercial Officer of AWT, largest private provider of rail freight services in Europe.

“Green logistics and the shift from road to rail is one thing” pointed out **Christian Müller** Category Head Transportation & Indirect Spend Europe & International Mondi Group, *“but it does not make sense that rail should be more expensive for long distances – for example Poland to Spain – then a truck”*.

“Customs can improve matters by being more efficient” said **Jan Skalický** Head of International Development General Czech Customs Directorate. *“We want to provide a service for our clients and need a partner attitude to the supply chain”*.

*“It’s ridiculous, all the transport modes are in competition with each other”* said **Lord Tony Berkeley**, Chairman of the Rail Freight Group UK describing current European political issues which have set rail liberalization back 20 years.

He stated *“Unless there is some change from the European Council or Parliament, new entrants to rail operations will find themselves up against state-run monopolies with no transparency, no right of access to the tracks and no ability to provide better service quality and innovation. Access to terminals will sometimes be impossible – so customers may well end up with no choice of operator: the state one or nothing”*.

*“What can we all do together to promote our market?”* asked **Cesare Bernabei** Policy Co-Ordinator Directorate General for Mobility and Transport European Commission, clarifying that a regulation means something must be immediately adopted by a state with no argument.

*“We will have a core network by 2030 and we now have a powerful incentive for member states to comply because they will lose European contributions if they do not”* he said, referring to a long standing issue with



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member states implementing agreements in different ways and at different times.

*"We have some hope for competition and seamless corridors rather than a patchwork"* said **Ralf-Charley Schultze**, "but senior legislators and civil servants need to understand and equally prioritise freight the way they understand and prioritise passengers".

"Exciting developments in rail technology mean that longer heavier trains carry *twice the payload using only 20% more network capacity of one train*" said **Franco Castagnetti** founder of F&L and President of Newopera Aisbl.

*"But we need to consider how we can maximize benefits"* said **Theo Zwygers** Director Supply Chain Europe and International LyondellBasell Industries. "These trains should be nonstop – but if they are required to go into a siding to enable friends to pass - then the sidings across Europe must all be long enough. At present we have *different rules across Europe as to what is and is not permitted*".

Referring to a freight line between Rotterdam and Germany Mr Zwygers referred to 7 years disruption in direct contrast to the USA where specialized freight lines run straight.

## IMPLICATIONS OF TECHNOLOGY ON THE GLOBAL SUPPLY CHAIN

*"Consumers are firmly in charge and buy things that they need and love"* declared **Rafael Orta** Vice President Business Performance Europe EBAY. He said technology is making new commerce opportunities possible which affect not only the consumer's purchase process (several electronic devices are typically involved) but also prompt the purchase decision. **Gavin Roser** F&L Secretary General commented that it may be a step too far for consumers to be offered holidays in the sun when all he wanted to do was buy a car parking space at the airport for a business trip and said *"there is a fine line between an opportunity to sell and letting the consumer get on with what he wants to do in the most efficient*

*way"*.

*"Technology is where convenience and shopping interact"* said Mr Orta remarking that *"reverse logistics combined with local city distribution is adding pressure on areas which are already heavily congested, and this is harming the search for sustainable transport solutions - although there are some innovations in customer collection points (railways stations, lockers etc) which will help"*.

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**F&L will re-visit its 1996 report on City Logistics with a new cross-modal, cross-industry and cross-country working group**

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*"We need a flexible system to connect transport with shippers"* said **Patrick Meersmans** Manager Sourcing and Contracting Supply Chain Polymers Europe SABIC Petrochemicals.

Several shippers in the audience raised some IT challenges which can be faced to different degrees. These included visibility in complex transport chains, inflexible ERPs and high cost technology projects and budget overruns.

They also expressed concern about snowballing complexity of technology and the consequent need for ever-increasing qualifications among IT teams, the lack of investment in technology which can sometimes occur in the supply chain, issues with uniformity across Europe, and an occasionally internal optimization focus which could sometimes be bettered by collaboration.

*"There may be a need for a uniform IT logistics platform, like a standardized shipping container"* one shipper commented.

Shippers also agreed that they did not want to invest in long term payback systems which are on par with major infrastructure investments.

A number of observations were made by the technology panel responding to the provocations.

*"We must have intelligent use of infrastructure combined with real time information"* said **Marian Gaidzik**

Founder and Partner HaCon, asking how we maximize visibility across the supply chain and different transport modes when supply chain systems "don't talk to each other?"

*It's the time limit of information which is the most challenging thing. The information exists, we can get integration – but can we get it in enough time to make a difference?"* enquired **Ignacio Escobedo** Global Transformation Logistics IBM (USA) adding that *"real visibility is where you take action, it's not just looking at the data"*.

IT investment in logistics is often not at the same level of other capital / systems investments. Is there a culture of too much inward focus?

*"IT can be a massive internal hurdle"* commented **René Horsch** Transport Business Development Manager IKEA Distribution Services. *"Just bring it when we want it, bring it when we need it"*.

Transparent accurate forecasting and production planning is essential for shippers' supply chain partners. But shippers can find this challenging. Showing a graph of movement in commodity prices between March and June 2014, Gavin Roser asked shippers in the audience how they monitored these price changes and what impact it had on their supply chain strategies. Some shippers observed that their IT systems did not yet take account of this.

*"One of the biggest problems in industry today is that IT systems grow organically based on the priorities of a business at any one time – rather than in the context of a longer term strategy - and usually against a backdrop of tight deadlines and limited budgets"* said **Miklós Horváth** CEO Procurus Hungary. *"Business would do well to regularly invest in refactoring (improving the design of code to make it easier to work with) and to regularly simplify processes and procedures to make their systems much more adaptable as well as more stable"*.

*"The reality is that business and IT skillsets need to come together"* said **Luc Smits**, Managing Director Combined Cargo Terminals NV. *"IT*



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*projects take massive investment but everyone is doing it in his own way and it is simply not true that every IT system and the issues each organization faces are unique”.*

He added that it was “*necessary for every person within a business to innovate*” and that “*leaders must take time from day-to-day business to ensure that the long term goals are reached*”. “*The only way we can achieve better efficiency is by all players co-operating more right across the supply chain*” he said neatly leading into F&L’s next topic.

## BEST PRACTICE CASES IN HORIZONTAL COLLABORATION

F&L’s Think Tank described its 12 months of work on “*horizontal collaboration and shared networks*” which will be summarized in a full report for all F&L members.

“The ultimate goal of the CO3 (Collaboration Concepts for Co-Modality) FP7 sponsored consortium is to make European logistics more sustainable and more competitive” said **Dirk ‘t Hooft** CO3 Project Co-Ordinator. “A high level industry Board, operational and legal frameworks and a neutral trustee in an online and offline role to manage the HoCo elements of collaboration can be very effective” he argued adding that “*collaboration with external companies is key to going beyond our internal inefficiencies*”.

He agreed that a forwarder could act as a trustee but stated that the “*forwarder would need to be able to make the synergies*”. Adding that “every party must have an added value from the co-operation”, he said that “*what is key is that shippers agree together to act on a transport lane and that they then work with a limited number of forwarders*”.

Explaining the long term investment and effort in building a network **Martin Kvych** Director LKW-Walter said that “*intermodal solutions must be price AND service competitive.*

*It takes a very long time to build the network but a short time for shippers to move back to road, and for rail and terminal operators to increase rates. We need long term thinking and collaboration throughout the supply chain”* he said.

Christian Müller explained the innovative rail solution of the Scandinavian paper industry (“ScandFibre”) which saw 2 million tonnes and 33,000 wagons transported from Scandinavia in 2013 alone. A small team of 30 dedicated employees manage the network of block trains to Italy, France and the Benelux with single wagons to Austria, Hungary and the Czech Republic.

“*We are reducing transport costs by bundling volumes, sharing risks and by building competences and relationships with infrastructure owners*” he said, adding that a small active sales team was instrumental in securing backlogs.

Transparency and alignment between parties and essential for collaboration and commitment, risk, investment and volumes must be understood in any collaboration agreement.

“*F&L and only a few others were talking about freight at the 2014 Summit of Ministers* run by International Transport Forum in Leipzig last month” said **John Riley** Vice President Global Accounts CHEP. He added “*The link between efficiency and sustainability is still not 100% accepted and those who do not see it are losing out*. Simple and accessible sustainability benchmarks are needed for supply chain practitioners”.

“*Although we had an excellent seminar this year, we have work to do to ensure that freight is higher up the agenda of the 2015 Summit*” said Mr Riley.

“In one session on city design it was stated that trucks should be banned from cities! How will we feed the people?”

F&L will continue its work on improving sustainability of freight transport and logistics with Prof Dr Gordon Wिल्msmeier of ECLAC (Economic Commission for Latin America and the Caribbean) and hopes to host a further freight side session at ITF OECD’s 2015 Annual Summit of Transport Ministers

## COMMON EUROPEAN HAULAGE REGULATIONS

A deep forest of rules and bureaucratic requirements deviating from common practice in other countries can make life difficult for hauliers agreed **Vojtech Hromir** Secretary General ČESMAD Bohemia and **Serge Schamschula** Director Transped Europe.

“*At the higher level there is full free movement of goods*” said **Theo Zwuygers** Director Supply Chain Europe & International LyondellBasell Industries. “*It is at the operational level where alignment is lacking. F&L will make an inventory of deviations at EU level and create for each country a list of “top 5” changes needed to harmonise rules across the EU. In reality there is no disagreement*”, he said, “*just practical implementation*”.

“Effective cargo management is critical” **Andrew Kemp** Director TT Club reminded participants. “*Whether the weight of cargo is contributing to container accidents has long been in the spotlight, but it is actually how you pack the container that seems to be key*”.

**NEXT MEETING: 20-21 NOVEMBER DUISBURG, GERMANY**

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