



# The European Freight and Logistics Leaders Forum Outcomes of F&L LONDON

8-9<sup>th</sup> November 2012

**Highlight photos on F&L homepage** (full set photos and all presentations available to members)

## How Sustainable is Sustainability?

**INDUSTRY AND POLICY-MAKING KEY PLAYERS MEET IN LONDON TO DISCUSS, DEBATE AND AGREE KEY MESSAGES FOR THE LOGISTICS INDUSTRY IN THE NEXT 5 YEARS**

“There is now a genuine commitment amongst key stakeholders to find lasting and more environmentally friendly logistics solutions” agreed members at F&L’s 36<sup>th</sup> conference, held in London on 8<sup>th</sup> and 9<sup>th</sup> November 2012.

“The sheer intensity and scale of this event is hard to describe” said Gavin Roser, F&L Secretary General. “We are operating in an uncertain and increasingly smaller global environment with rising costs, and the availability of core commodities will challenge our most fundamental expectations in coming years. Yet we have had key players from industry and policy in 19 countries here in London, and the discussions over the two days have been nothing short of inspirational”.

“Logistics infrastructure fosters economic development” said F&L President **Frank Arendt**, Associate Director of Logistics Purchases WE Procter & Gamble, referencing an impressive presentation from **Dr Gordon Wilmsmeier** (Infrastructure Services Unit Natural Resources and Infrastructure Division UN-ECLAC).

“Access to natural resources and high volumes of primary products in global trade, combined with factors like changing consumption patterns are having a significant effect on the

supply chain” said Dr Wilmsmeier, asking “What is a sustainable price for commodities?” and “Are we willing to change the relationships and foster human capital, knowledge, and improve institutions?” He added, “if the logistics performance gap is so significant, what are our possibilities to enhance trade and reduce costs?”

Secretary General **José Viegas** of the International Transport Forum OECD agreed that economic uncertainties, societal improvements (supply chain contribution to cost of goods, costs of safety), and energy use all contribute to global freight volumes which suggest continuous uncertainty.

“Infrastructure investments are necessary but not sufficient” he said, “reliability is critical to customers and changing our own behaviour is perhaps the most important thing we can do”. He stated “Own company actions’ are the most important source of delays and it is easier to pay someone to move goods faster than to change internal procedures and habits. This has to change”.



In a later ports and waterways panel discussion with **Frank Robotham** ABP and **Mike Mundy**, Mrs **Karla Peijs**, European Commission and Queen’s Commissioner for the province of Zeeland was keen to maximize unused potential. “How can we convince you to put more of your freight on inland waterways?” she asked, agreeing with Mr Viegas that **speed is not necessary if you are organised and this has obvious benefits for the environment.**

“F&L is like “The Perfect Storm” where a unique combination of essential elements achieves maximum impact. A pragmatic and dynamic agenda, a passionate leading team, knowledgeable and committed members and a well-balanced programme”

We do have some challenges to resolve remarked **Professor Erik Fridell** (IVL Swedish Environmental Research Institute). “Emissions from international ship traffic are responsible for external costs related



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to impacts on human health of **€58 billion per year (7% of the total health costs in Europe in 2000 increasing to 12% of total health costs in 2020)**.

While the sulphur content of ship fuel is certainly responsible for some of these health costs, **the competence (and future) of shipping in Europe is uncertain** if planned regulations are implemented over the next 5-10 years” said **Antti Vehviläinen**, Vice President, Logistics Counsel Stora Enso. “We need **new ways and co-operation to keep logistics costs** more or less on the existing levels” commented **Markus Karjalainen** CEO of ESL Shipping, Finland.

Pointing out that **member states agreed to the sulphur reductions** (**Brian Simpson** MEP and Chairman of the Transport and Tourism Committee European Parliament) said that it was **IMO’s job merely to implement them**.

**Julian Abril**, Head Facilitation Section IMO, on a shipping panel chaired by **Jim Stewart**, Chairman Maritime UK, concurred and said that IMO had no policing mandate. IMO is keen to enhance maritime trade by minimizing and simplifying formalities and procedures (FAL Convention) he said.

**Mark Brownrigg**, Director-General UK Chamber of Shipping believes that we will see significant difficulties by 2020 if the sulphur reduction plans proceed at current timescales. **“Farming, transport and logistics will all be affected with price increases of as much as 50p per litre (50-85%)”** he said.

The debate went on to

conclude that **regulations should be kept global**. “We need to stand united and call for level playing field for ships of all flags” said **Lars Robert Pedersen**, Deputy Secretary General and Chief Operating Officer BIMCO. **“There are so many players involved in shipping that it is critical to bring them together”**.

“Piracy remains a key issue” said **Mike Deegan** All Leisure Group. “We detect **little appetite to address the problem on a global scale**”. “The shipowners are primarily concerned about seafarers” said **Philip Naylor** Director Maritime Coastguard Agency. “We must **deal with the root cause of the problem**, not pass it down the to another ship”.

In a two hour live debate between the F&L Think Tank members **Andreas Georg** Head of Global International Transport at MARS, **Martin Kvych** Director LKW-Walter, **Rainer Mertel** Director Kombiverkehr, **Armand Toubol** Vice President NEWOPERA, **Jürgen Hasler** Director Imperial Logistics International and **Brian Simpson**, **Lord Tony Berkeley** Chairman of the Rail Freight Group UK, **Cesare Bernabei** European Commission and **Peter Brunner** DG Climate Change, discussion revealed widespread agreement that:

- 1. Member states have to give up their national interests related to infrastructure and make JOINT efforts to overcome the difficulties;**
- 2. Member states should earmark taxation revenues generated by infrastructure and use them for infrastructure projects;**
- 3. Small, targeted investments are better than large isolated projects.**

Although UK Parliamentary Under-Secretary of State for Transport **Stephen Hammond** was unfortunately delayed at the last minute by parliamentary business, the Think Tank group will meet with him and with the European Commission and the European Parliament to discuss how they may be able to assist with any of these issues. **“F&L can and should play a significant role in Europe’s future competitiveness by using its industry experience and neutral non-lobby position to discuss key issues with policymakers across Europe”** said Frank Arendt, F&L President.

Further discussions on the role of road and rail highlighted a doubt that modal shift can be forced. **“Can share of modes be directed by the White Paper or should it be market-driven?”** asked one participant.

“There is a lot of talk about a more diversified modal split but **potential winners - first of all rail – are doing nearly nothing to be more attractive for the shippers**” said **Miklós Horváth** CEO Mased, Hungary. “How much more does green logistics cost than gray?”

A spirited response from road and rail companies Russell Group, Stobart Group, DB Schenker UK and Europorte pointed to over-regulation along with a lack of commitment from regulators on appropriate infrastructure for the next 20 years which make investment more difficult.

**Kenneth Russell**, Director Russell Group said **“If rail is to have a significant part in future supply chains, the rail industry needs to**



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become more flexible and embrace customer service and innovation. Rail can no longer consider itself a commodity purchase”.

Armand Toubol agreed. “For rail freight to regain market share it is compulsory to make an urgent technological step change towards more interoperable, reliable and competitive services introduced rapidly on the network and that it is a very tough challenge”, he said.

“You must have faith” urged Brian Simpson, “the white paper is a long term vision for 2050 and if we look back over the last 38 years we can clearly see the pace of development. We went to the moon 43 years ago, yet taking a train across national borders in the EU still presents a challenge” he said, earning laughter and applause. He urged participants to “push forward efficiencies across the logistics chain; this makes a fantastic difference”.

Earning further applause, **Joe Carthy**, Group Environmental Manager at Tesco announced that “survival of the fittest is the answer to ‘how sustainable is sustainability’”. Delighted to hear the imperatives behind transport procurement decisions from Mr Carthy, **Simon Polmear** Transport Strategy and Development Manager at Sainsbury’s, **Jo Wakefield** Shipping Manager Bakkavör Foods, Frank Arendt Procter & Gamble, **Raf Nagels**

Director Supply Chain Integrated Logistics YARA and **Kari Lundell** Senior Vice President Logistics Metsä Group, participants were keen to ask questions.

“Driving costs down improves sustainability” said Frank Arendt, who also referred to becoming more efficient internally as suggested by ITF Secretary General José Viegas.

The meeting extended its discussions at the Lucerne meeting (10-11 May 2012) on risk. “Even insurance needs to be sustainable” said **Andrew Kemp**, Regional Director EMEA at TT Club. “Undeclared dangerous goods shipments are not restricted to the maritime industry and there is responsibility through the supply chain to prevent accidents which occur in the middle of the ocean and often start hundreds of kilometres inland”.

“What could break your business model?” asked **Vicky Kubitscheck**, independent advisor on risk. “Is your sustainability question ‘enterprise wide’ enough?” Further discussion will follow.

Filling in some detail for the future and fascinating the audience by outlining **3 possible scenarios for maritime transport in 2030**, **Ilkka Rytkölä** Wärtsilä Group said that shipping would continue and that fresh water would become more valuable but that there were a host of other uncertainties including trade/economic growth, response to climate change and geopolitical issues.

The meeting was honoured to welcome Panama Ambassador to the UK, **Ana Irene Delgado**, who is also the permanent representative of Panama at IMO. “Panama will be a transportation and logistics hub of the Americas” she said, speaking on the expansion programme currently underway in the Panama Canal. Ms Delgado explained that 12,600 TEU vessels would be accommodated and that ports in Panama were also developing fast.

While megatrends in global transportation affect Europe: Panama expansion, North-east passage, North-west passage, crisis areas spreading (Suez), vessel size growth, slow steaming, global environmental directives, new modes of combustion, cost of energy... there is much to cover yet.

**Next F&L meeting 22-24<sup>th</sup> May in Istanbul.**

F&L’s London meeting was sponsored by DWF Biggart Baillie (headline sponsor), John G. Russell Group, TT Club, Associated British Ports and DP World Southampton. Thanks are also due to Lord Tony Berkeley for hosting a superb networking dinner in the House of Lords on Thursday 8<sup>th</sup> November.



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