

ENVISIONING THE FUTURE OF LOGISTICS: CHALLENGES & SOLUTIONS EXPLORED

6 NOVEMBER WCO BRUSSELS

The CLECAT Freight Forwarders Forum 2014 took place on 6 November at the WCO Headquarters in Brussels, under the theme of “Envisioning the Future of Logistics: Challenges & Solutions Explored.” Participants discussed topics including the way forward for logistics towards 2030, challenges and opportunities for logistics in the coming years, and the benefits of digitalisation for supply chain visibility and trade facilitation. The below summary provides a full overview of the discussions.

Introduction

The President of CLECAT, **Marc Huybrechts**, welcomed attendees and introduced the topics for discussion, which would cover what the logistics industry may expect in the years ahead from a customs and policy perspective. Mr Huybrechts told attendees that revolutions can be expected across the board, which the logistics sector will have to deal with. The more holistic debate promised by these changes would be a valuable opportunity for the logistics industry, which covers all transport sectors, rather than thinking in silos. This will allow forwarders and logistics service providers to take every aspect of the policy debate into account.

Key Note Opening Session – Logistics in 2030: The Way Forward

The moderator of the first panel, **Prof. J. Rod Franklin** of Kühne Logistics University, introduced the keynote speakers, telling participants that the Chinese saying “May you live in interesting times” was certainly appropriate for the logistics sector in the years ahead.



The first keynote speech was given by **Mr Sandro Santamato**, Head of Unit for Maritime Transport and Logistics at the European Commission DG MOVE. Mr Santamato noted the timeliness of the event, at the beginning of a new political cycle for the European Union, which represented an ideal time to take stock and reflect on new priorities for Europe and for industry.

He told participants that the first four priorities of the new European Commission President, Jean-Claude Juncker, were of particular significance for the logistics sector, namely:

- **A new boost for jobs, growth and investment**
Infrastructure investment, via the Trans-European Networks for Transport and the Connecting Europe Facility, will be especially relevant to the logistics sector. €12 billion is now available in the first call for TEN-T projects. Priority is given to multimodal platforms, cross-border links and innovative, sustainable transport projects. Freight transport will greatly benefit from the new approach.
- **A connected digital single market**
Information is one of greatest resources in the modern economy, and while a lot is gathered in transport, its use is not maximised. The European Commission intends to cooperate with national authorities and industry to promote a digital transport agenda, offering the necessary coordination and legislative framework – such as standardisation for electronic documents, access to data, confidentiality and liability issues etc.
- **A resilient energy union and a forward looking climate policy**
New vehicle technology will be a key aspect of the EU's efforts to reduce carbon emissions, as will ensuring greater efficiency through multimodality. The logistics sector is best placed to consider transport as a system rather than a collection of individual modes, and this way of thinking must be adopted by the whole transport sector and policy makers. The goal must be to make individual modes as efficient as possible, through infrastructure, ICT and open markets.
- **A deeper, fairer internal market with a strengthened industrial base.**
Legislative proposals currently on the table regarding weight and dimensions of vehicles, cabotage and combined transport will go towards meeting this objective, where rules should be as simple as possible and make it easy to address social concerns. If Europe wants a strong manufacturing industry, it needs to be well integrated into the global economy with access to consumer and input markets – the logistics sector is central to this.

Gesine Meissner MEP presented her views on the importance of transport in people's everyday lives



and for the economy, whether for travelling, commuting or moving goods, particularly in light of the e-commerce revolution. She said that logistics is often an underestimated sector, and that many people don't think of individual modes as part of a chain – improved connections should be a key EU priority in the coming years. Ms Meissner also expressed her support for the European Commission's proposal to allow longer and heavier trucks, in cross-border transport when appropriate, as well as for the other priority actions referred to

by Mr Santamato in his speech.

Jeroen Eijnsink, CEO of DHL Freight Germany, presented his thoughts on boosting logistics through the



completion of the EU Single Market. According to Mr Eijnsink, DHL and the logistics sector have been highly successful as a result of the single market, bringing greater connectedness and prosperity to Europe. Presenting the results of DHL's Global Connectedness Index 2014, Mr Eijnsink demonstrated the high connectivity of European countries, underlining that a successful logistics sector is both a cause and effect of greater connectivity with the rest of the world, and the prosperity which comes with it.

In his [presentation](#) Mr Eijnsink outlined three areas where further action is required in order to boost European connectivity and competitiveness:

- **Completion of the EU Single Market:** customers want seamless delivery across borders, and barriers to this must be removed. This includes the restrictions on larger and heavier trucks, as discussed by Ms Meissner, as well as rules on cabotage, railway liberalisation and the lack of a Single European Sky.
- **Removing red tape in transport and logistics:** customs and security rules should be consistent across EU countries, regarding declaration processes and simplifications for legitimate trading partners. The growing volume of cross-border e-commerce trade should be accommodated in regulations such as de minimis.
- **Boost supply chain sustainability:** carbon emissions can only be improved if properly measured. As the logistics industry makes wide use of subcontracting, an independent industry-wide platform for carbon calculation is required, in order to have an accurate picture of emissions performance.

Panel 1: Challenges and Opportunities for Logistics

Moderator: Prof. J. Rod Franklin, Kühne Logistics University

Jeroen Eijnsink, CEO, DHL Freight Germany

Gesine Meissner, MEP

Astrid Schlewning, Head of Sector Logistics, European Commission DG MOVE

Yves Fargues, President, TLF

Frank Knoors, Managing Director, Logit One

Nik Delmeire, Secretary General, European Shippers' Council

Ms Meissner expressed agreement with the statements made by Mr Santamato and Mr Eijnsink regarding improvement of the single market and the logistics sector as a whole. She called for a better internal market with a better transport network, which TEN-T can go some way to achieving.

Ms Schlewning gave a [presentation](#) on the future of logistics and the European Commission's role. All parts of the supply chain need to be addressed in order to ensure seamless logistics flows, with a systems-based approach at all levels. The Commission's role will be to develop the right framework conditions for industry to operate in, and to develop an integrated transport policy approach, given the inherent multimodal nature of logistics.



The Commission is therefore building a single European transport area through removal of regulatory and technical barriers. It is important to find the right balance between regulation and self-regulation in order to foster the transport industry, Ms Schlewning said, and to ensure the harmonised implementation of European standards. A key question for the success of the logistics sector will be how to collect and exploit data in order to ensure better supply chain management.



Mr Fargues discussed the divide between large and small logistics service providers, noting that the advent of e-business, e-commerce and big data will be good for large companies, who can adapt and thrive, but small companies will have difficulty making the appropriate investments.

Overall, Mr Fargues said, big data is an opportunity for LSPs to improve their efficiency and last-mile performance, and to turn the vast amount of information involved in logistics into a business. High-connectivity remained key for business (SME's and larger LSP's).

Mr Knoors addressed the potential impact of big data on operational efficiency, customer experience and business models.



Transparency across the full supply chain allows logistics service providers to make increasing use of real-time and historic data and predictive analysis. This will allow planning to be more dynamic, synchromodal, preemptive (based on expectations) and collaborative.

Other trends which will have a significant impact on the logistics industry include greater market segmentation, rather than the current one-size-fits-all approach, and the customer being increasingly in the driving seat. This means that the customer will go from simply purchasing logistics services, to being involved in the planning, and being part of a marketplace where customers request tailored options from providers. An opportunity is therefore created for logistics service providers to work together in communities to provide services which others cannot.

In order to exploit these trends, logistics providers will need to identify value-added services with strategic value within their (local/regional) communities, where there is economic benefit from bundling them together. Once established as best practices, this can be followed by global deployment through large-scale data sharing.

Mr Delmeire told delegates that he views logistics as a process with different players, rather than a



sector. For him the common goal of shippers is a logistics process which is “green, green, green”, i.e. only green lights with no barriers, protecting the environment, and profitability, with green as the opposite of being ‘in the red’. Mr Delmeire noted that most shippers are unaware of what logistics providers are doing to improve systems and sustainability, as their purchasing managers only focus on the cost. The big challenge is to therefore talk about the processes undertaken by forwarders and the costs involved in

providing logistics services. Greater availability of transport management systems for shippers will allow them greater insight into costs, cost components and the real transport network, giving them greater ability to choose logistics service providers.

In the question and answer session which followed, **Mr Eijnsink** said that nature should be allowed to take its course in the evolution of logistics service providers – large companies are seeking horizontal integration opportunities while smaller ones are entering into cooperatives. **Ms Schlewings** said that the European Commission was undertaking a lot of activities aimed at fostering these developments, with numerous aspects being researched under the Horizon 2020 framework, however the Commission can only go so far as competition rules must be respected.

Mr Knoors argued that the TTIP free trade agreement with the USA would mean an ever-growing market accelerating the process of information sharing and use. Asked about the impact of the new Union Customs Code for customs simplification, **Mr Delmeire** said that anything facilitating trade would be helpful, while **Mr Fargues** noted the need for vigilance over how Member States implement the code.

In response to a question from CLECAT Director General Nicolette van der Jagt, **Prof. Franklin** outlined the European Technology Platform, named ‘ALICE’ which is aimed at providing the voice of logistics regarding gaps in research, improving collaboration and removing barriers to trade.

Prof. Franklin asked panellists why there is not more collaboration and transparency in information sharing, given its importance. **Mr Eijsink** responded that logistics providers should cooperate where viable, but competition is also a means of becoming more efficient, so each path should be followed whenever appropriate. **Mr Delmeire** said that industry players are still very price-driven, but logistics will slowly but surely move in an open, collaborative direction. This, however, requires missionary work to persuade shippers and providers. **Mr Knoors** expressed hope that a generational change would speed up progress, as we witness a changing attitude among the younger generation towards sharing and enabling technologies. **Mr Fargues** pointed to the profitability of data as a driving force, and the need for logistics providers to examine how they can make business from data before proceeding.

Panel 2: Digitalisation and supply chain visibility to facilitate trade

Moderator: Ray Schraff, Director of Global Trade Solutions, Hyland Software

- Donald Tan, Technical Officer, WCO
- David Hesketh, Senior Business Officer, HM Revenue & Customs
- Tom Fernihough, Senior Operations Manager, Metro Shipping Ltd.
- Hans Driessen, Director International Trade, Océ-Technologies B.V.

Mr Schraff [introduced the topics](#) and themes of discussion, saying that it is important to not just focus on the data which is in customs and commercial documents – that is the easy bit – but also to look at processes for transmitting data and how to change them. Important factors to consider include the increasing complexity of supply chains and their more frequent transformations, as well as how to facilitate synchro-modality. If more data elements are made available, there will be greater business opportunities and ability to control the supply chain, so logistics providers should not complain when asked for more data, he added.



Mr Tan [presented](#) the WCO’s work on dematerialisation and its objectives. The WCO wishes to enable the use of private sector data for regulator purposes so as to improve efficiency and quality of risk management and other customs services. The WCO’s Recommendation on Dematerialisation aims to ensure only the essential documents are used at the right time, and that providers are trusted as much as possible.



Achieving these goals requires overcoming challenges including IT infrastructure in less-developed countries, different ways of managing risk, and defining which documents are required at the border and which can be examined in post-clearance audit. Computer forensic capabilities must also be improved, Mr Tan said, so as to ensure that information can be properly located and analysed. In order for dematerialisation to work properly, it must be determined that the data and processes are legally admissible, aligned from a commercial and regulatory point of view, that data elements mean the same thing in different countries or between trade and customs, and that IT systems are interoperable.



Mr Hesketh [presented](#) projects on developing data pipelines, linking the seller/consignor and the buyer/consignee and the interested economic operators in between thereby allowing end to end supply chain visibility. Projects include Cassandra, and now CORE - Consistently Optimised Resilient Secure Global Supply Chains. Pipelines enable the buyer to manage commercial transactions to

minimise risk and allow interested parties, including forwarders to contribute and access data. Customs and other border agencies will be sent data at key stages along the supply chain to improve risk management and targeting. This therefore means greater efficiency in processing risk assessment and coordinating border management. Mr Hesketh also noted that data pipelines are transforming the role of freight forwarders into one of global supply chain visibility providers who provide information and develop tailored supply chain management systems. According to Mr Hesketh, the biggest barrier to such innovation is orthodoxy, with many players preferring to do things the way they have always been done.

Mr Fernihough gave a presentation of how Metro has embraced the opportunities provided by data and dematerialisation, setting up a global pipeline which allows all parties involved in transporting the goods to see data through their own systems. Data is extracted at its creation, rather than Metro’s clients being required to input it separately, making the system efficient and effective.



Mr Fernihough detailed key challenges to wider use of systems such as Metro’s, including legislation which requires original documents to be kept and provided when requested, as well as the need to standardise data formats and trusted-trader programmes.



Mr Driessen echoed the sentiments of the previous panellists, highlighting the benefits of the EU as an area of open borders and free movement, and the benefits for trade facilitation of free trade agreements with the USA and Japan. He concluded by calling for a more flexible approach to filing customs data, whereby recognised trusted traders can file their data in one go, through system-based controls at the importer’s site, rather than detailed information being provided on a transaction basis.

In the question and answer session, Mr Driessen repeated the message that larger companies will find it easier to dematerialise, particularly those who trade intra-company. The key opportunity for forwarders will be in aiding those shippers who decide to outsource their digital compliance. **Mr Fernihough** called on organisations such as the WCO to act on inequality between global regions, in order to ensure a global framework which can be complied with everywhere. **Mr Delmeire** reiterated his view that proper digitalisation can only occur when small shippers and forwarders show their willingness to do so, and that work must therefore be done to persuade them of the benefits.



In his concluding remarks, **Mr Huybrechts** thanked speakers, participants and sponsors and noted the recurring theme of trusted-trader programmes which had been discussed in the forum, saying that they are an excellent means of removing barriers to trade and should be embraced by all.