EXPERT PANEL SUMMARY

Supply Chains: Green and More Efficient

Wednesday 26 May 2010

Background

The session focused on innovative approaches that would make freight transport more efficient, reduce environmental impacts, and ensure environmental performance becomes part of freight business decision-making. The session examined the potential role of government and political leadership in delivering better outcomes across supply chains and discussed changes in individual behaviour, particular that of consumers, to reduce environmental impacts.

The Panel

- Moderator: Zoltan Kazatsay, Deputy Director General, Coordination of Transport activities and Transport Security Matters, Directorate General for Mobility and Transport, European Commission.
- Sean Doherty, Associate Director, Head of Logistics and Transport Industry, World Economic Forum
- Petra Kiwitt, Executive Vice President, DHL Solutions & Innovation
- Stewart Oades, President, UK Freight Transport Association
- Enno Osinga, Senior Vice President, Cargo, Amsterdam Airport Schiphol
- Henry Posner III, Chairman, US Railroad Development Corporation
- Declan Supple, Partner, Global Supply Chain Management, Accenture

Conclusions

Outsourcing the production process on a global scale means that the complexity of supply chains has dramatically increased over the recent years. At the same time, the transport industry as well as many manufacturing plants have committed themselves to high emission-

reduction targets. The expert panel discussions included many examples of the private sector working towards reducing carbon emissions, and indicated an intent to make environmental protection a business opportunity. One example cited showed that it is possible to reduce transport and logistical costs, while keeping a high-level of service delivery, and simultaneously reducing environmental damages. In this case, information flows between the different actors of the transport and supply chain was critical, therefore, highlighting the importance of connecting each actor in the transport chain and sharing information using a platform that all actors can access. Using an agreed information platforrm is part of making every shipment movement easier to handle, notably from an intermodal perspective. Several key ideas emerged from the discussions:

- There is a need for an end-to-end processes evaluation that includes consideration of procurement through to after sales customer service.
- A total-life-cycle approach for all goods consumed— by transport operators and individual users — must be considered in relation to creating greater efficiencies. For example, improving packaging design, recycling of different material, reuse of some parts (including packaging used for transport purposes) should be considered when looking for efficiencies. Raising consumer awareness through labelling and education regarding energy use in the home when using the products versus the energy used in the supply chain to delivery the same products were highlighted.
- Carbon-reporting schemes have to be developed and used consistently across the industry. An example of a voluntary fuel reporting scheme, whereby the fuel usage is calculated into a carbon emission measurement was cited as a way for road transport to measure their carbon impact. But credibility rests on consistency.
- Use of modes that are most efficient for freight movements remains a valid concept.
- The political dilemma is to put in place the right economic incentives and regulatory measures that encourage efficient, cost effective transport services for all users. In the environmental debate, the price signal is very important but is not the sole element available to policy-makers. Reducing regulations that make it difficult to either implement or simply test new schemes is essential.

An audience intervention challenged the panel in relation to pricing to incorporate carbon emissions suggesting that pricing should integrate all external costs. While this is recognised as valid there is an issue of measuring external costs that can be singularly attributed to freight transport.

There is also the question of allocating infrastructure capacity between freight and passenger transport, which also adds complexity to the issues relating to pricing of transport. In some instances this has been addressed through higher prices for specific transport options, for example congestion charges for road use in cities.

The session concluded noting that there is still a long way to go in addressing the key ideas mentioned above. The way forward is to work towards a close collaboration between all levels of government —from urban planning through to transport regulation— and the transport industry actors, which span borders and transport modes.