Graham Inglis Lunch Event – Strasbourg 7th July

Logistics and the Single Market of the 21st Century
- A win-win for Competitiveness and Greener Supply Chains

INTRODUCTION

Graham Inglis introduced himself – CEO for DHL Supply Chain EMEA.

Introduction to DP DHL – The postal Service for Germany. The Logistics company for the world

- 5% of global trade run through our books
- Euro 46bn revenue in 2009
- 500,000 employees worldwide
- 250 airplanes
- 120,000 ground transport vehicles

Logistics service providers like Deutsche Post DHL play an important role in European competitiveness:

- by contributing to an open market and growing employment opportunities,
- by lowering logistics costs and thereby final product costs,
- by enabling customers to grow in foreign markets,
- by increasing the speed and responsiveness of supply chains, and
- by connecting manufacturers and retailers in a direct and quick supply chain.

As DHL Supply Chain our objective is to "*create competitive advantage*" for our customers.

This means that we deliver more than transport and warehousing services. We provide a vital "backbone" function in supporting macro-economic processes and the operation of markets, critical infrastructures and distribution to both business and consumers.

For instance,
- British Airways: management of entire in-flight Supply Chain service from kitchen to cabin;
- British Gas: installations and maintenance of more than 16 million smart-meters for 12 million customers.

Deutsche Post DHL is active across multiple sectors like automotive, aerospace, engineering and manufacturing, energy, consumer products, life science and healthcare and retail. We are at the core of the development of e-commerce, and can also play a valuable role in making public sector services more efficient, and thereby play a part in reducing government debt.

For instance, NHS supply chain in the UK where DHL runs the contract to centralise and standardise procurement for the NHS and to manage and improve operations at six existing

NHS logistics distribution centres across England, whilst generating savings for the NHS. DHL maintained the existing workforces, reorganised procurement teams to be focused around product groups, renegotiated supplier contracts to drive cost savings and adopted new purchasing methods to leverage aggregated procurement and to generate further savings, integrated logistics facilities to reduce inventory and introduced new products to generate revenue. To date we have saved the NHS £200 million.

Today most of top 20 global logistics market leaders are European companies. Like us, they help European companies to stay competitive in global markets.

The logistics industry accounts for roughly € 1 trillion annual revenue p/a in the EU.[1] Unfortunately its importance in the economy and its role for the other sectors are not well perceived and understood. So let me try to fill the gap.

Like the shippers, we do not favour any particular mode of transport but rather use a particular mode or combination of modes depending on several criteria. These criteria include the type of freight, the distance of transport, required lead times and customer service the suitability and/or reliability of the modes of transport, and of course cost – and increasingly also carbon footprint.

Where the infrastructure and reliable transport service are there, modal shift is possible:

- 30% reduction of Sanofi-Aventis carbon footprint by transferring 5 container units each week from road to inland waterways network from Mainz to Rotterdam or Antwerp
- 70% reduction of Bosch Siemens carbon footprint by shifting 13,000 TEUs from road to rail each year (today 120 trucks used weekly)

The supply chain design plays a critical role for efficiency and sustainability. While the logistics sector is partly responsible of the climate change, it can also be part of the solution: today Deutsche Post DHL is in a position to improve the carbon efficiency of its customers by optimizing supply chains and the energy balance of warehouses as well as modernizing corporate processes with technologies (such as the use of RFID, Track & Trace systems, intelligent route planning and greener vehicles).

Internally, all employees from the Board to the postmen are committed to reduce by 30% carbon emission for each letter, parcel or container by the year 2020 compared to 2007. With our program **GoGreen** we are improving our carbon efficiency with abatement levers in three main areas:

- **Vehicles**: driver training, hybrid and electric trucks, teardrop trailer will be the DHL standard trailer for the UK ; this gives a CO2 reduction of 10-15%
- **Real Estate**: deployment of efficient lighting and heating systems, solar panels, smart meters, water management (new warehouse in Pozzuole-Martesana – Italy – should save about 10 to 20% energy costs and emit 30% less CO_2 per area unit)
- **Network**: consolidation points such as Packstation in Germany or consolidation centres to deliver a particular city or a big economic centre (e.g. Heathrow airport); route optimization, modal shift where possible, load factor and capacity optimization.

[1] cf. '*The Top 100 of Logistics 2008/2009*' by Klaus and Kille, ed. DVV Media Group

For instance, at the consolidation center in Bristol started in 2004 and funded by the EU, electric vehicles now serve 63 retail outlets. With no administrative burdens, the following benefits have been achieved:

- 76% reduction in delivery trips
- 100% on time delivery

Now those vehicles use bus lane and offer additional services, e.g. waste and recycling.

The upcoming European Commission's White Paper on the Future of Transport, in connection with the EU 2020 targets and the Recommendations of the Monti-Report on a new Strategy for the Single Market will be an opportunity to create the fundamental changes required for a sustainable growth of logistics supporting industry across Europe.

But the only way to achieve these changes will require the EU to shift to a set of smart policies and smart regulations. We see 7 main areas for change in the White Paper, namely:-

<u>1: taking a pragmatic and results-orientated approach</u>
<u>2. fulfilling completion of the Single Market of Transport:</u>
<u>3. reducing administrative complexity and regulatory burdens to make logistics services cost efficient</u>
<u>4. setting the right incentives to enable industry to develop intelligent, sustainable and market driven solutions</u>
<u>5. securing synergies in research projects and their rapid deployment on the market</u>
<u>6. distributing the EU infrastructure fund on the basis of a cost-benefit analysis</u>
<u>7.facilitating trade with Asia</u>

<u>Let me address each of these now in turn:-</u>

1. **taking a pragmatic and results-orientated approach** :
    - To suitably address the challenges of transport and logistics, there is a need to have a better **integrated European Transport Policy**, not only between the transport modes but also taking into account of the **entire value chain of transport and logistics services** with all relevant parties in the industry from the manufacturers to the end consumers.
    - In road transport, recognition that only tackling freight transport for addressing environment challenges will have limited impact since it represents only 10% of road usage even at peak hours; so whilst addressing freight transport we also need to take a holistic approach to other road users.

2. **fulfilling completion of the Single Market of Transport:**
    - As Professor Monti highlighted in his Report (Page 51) the lack of a **truly harmonized Internal Market for all modes of transport** is hampering a seamless and more environmentally-friendly cross-border transport flow, which at the end cost time, money and energy.
    - In particular, despite full market opening in 2007, the rail freight market fails to deliver satisfactory reliability for cross-border services preventing a larger use of rail freight.
    - Any new regulation should be avoided if market liberalisation and fair competition have not been enforced first.

- In air transport, any further delays in creating a Single European Sky II (SES II) would prevent expected savings of up to 12% of CO_2 emissions

3. **reducing administrative complexity and regulatory burdens to make logistics services cost efficient**
    - Cross-border transport and customs administration is still based on paper and stamps in the 21st century;
    - Digitalisation of multimodal transport and customs documents should be relatively easy to implement by defining interface standards recognized by all sectors and identifying shippers, consignee, consignor along the supply chain
    - Considering that red tape can account for up to 5% to 15% of the supply chain cost, elimination of red tape would lead to significant savings for Europe's economy.

4. **setting the right incentives to enable industry to develop intelligent, sustainable and market driven solutions**
    - Making transport more expensive through taxation does not automatically shift transport to the more environmentally friendly modes of transport or the less congested time zones.
    - Transport patterns are driven by customer's and regulatory demands (e.g. open hours of shops) that can make a shift to cheapest time zone unrealistic. In addition, shifting to rail often has no economic sense due to short distance of transportation – average distance of 109 km for road freight transport in Europe (source: Eurostat doc 66/2008) -, or is impossible due to poor service quality and/or missing rail and intermodal infrastructures.
    - Charging or taxing transport can be one tool for addressing congestion, but should be used in conjunction with other methods such as introducing speed limits for all road users, relaxing and / or removing moving truck bans during weekends and at night.
    - There is a need to develop a global carbon accounting standard to enable benchmarking of supply chain services. In the UK we are working closely with the FTA to this end, but we need to find a way to extend this not only across the EU but also globally.

5. **securing synergies in research projects and their rapid deployment on the market**
    - We see many projects financed by the EU but at the end only very few are deployed on the market.
    - If we are to continue with this research, we jointly need to find a way to use tax payers' money more effectively in this area, to seed fund and trial new ideas, and to link more effectively with industry to turn the ideas into a reality

6. **distributing the EU infrastructure fund on the basis of a cost-benefit analysis**
    - Europe has the best transport infrastructure in the world but some specific bottlenecks exist which need to focus on removing – e.g. the rail connection between Spain and France
    - Develop key main "Green Corridors" for intermodal solutions, based on market demand, working as a single entity, including infrastructure, , equipment and IT solutions

7. **facilitating trade with Asia**

- EU-Asian trade volumes have outpaced EU-US trade volumes significantly; Between 2000 and 2007, imports from Asia to the EU almost quadrupled ,whilst exports more than doubled.
  EU exports to Asia are more than twice those to the US, whilst imports are more than 6 times higher from Asia than from the US:-
- Europe’s economy has a historical opportunity to benefit from the growth of trade with Asia.
- Therefore, while continuing the effort to open trade with the US, EU trade facilitation agreements with Asia countries could certainly have a major positive impact for European industry.

So to conclude, there is a lot of work ongoing – both within DHL itself and within the EU institutions, but we need to keep it going so European businesses can continue to compete with the rest of the world.

Considering the large scope of topics which have an impact on logistics business starting from transport and environment to research and information society, we are convinced that an integrated approach to define policy for the logistics industry is required.

We, therefore, strongly support the Committee on Transport who recognized in its recent report on a sustainable future for transport the need of a more consistent Parliamentary work in areas which affect transport directly, such astransport, environment, climate change, industry, research and energy .

In our view, events like this one also contributes to a better collaborative work among MEPs across Committees.

Thank you for your time

I am happy to answer questions…