

LOGISTICS FOR EUROPE

TOWARDS RESILIENT AND COMPETITIVE SUPPLY CHAINS

23 NOVEMBER 2022, RESIDENCE PALACE, BRUSSELS

The European Freight Forwarders Association (CLECAT), the European Shippers' Council (ESC) and the European Logistics Association (ELA) welcomed more than 150 participants, keynote speakers, and panellists at the Logistics for Europe event, organised jointly to debate the challenges of European logistics and the need for enhanced collaboration between parties in supply chains.

In the 'set the scene' Christa Sys, holder of the BNPPF chair transport, logistics and ports and professor of maritime economics/maritime supply chains welcomed the Presidents of the three associations **Roman Stiftner**, (ESC), **Paolo Bisogni** (ELA), **Willem van der Schalk** (CLECAT). They all expressed their will to collaborate to align their objectives, to build resilience & strengthen competitiveness.

SETTING THE SCENE

Koen De Leus, Chief Economist, **BNP Paribas Fortis** spoke about the economic outlook of Europe with the need to accelerate energy transition and digitalisation to sustain Europe's economy at times of uncertainty. High inflation, elevated energy costs, raised interest rates and a lack of labour are the forecasts for 2023, and the logistics industry will need to demonstrate its resilience again. Inflation has peaked and may settle and hover around the 2%-3% mark. While US interest rates are rising, they are expected to settle at around 5%, with the European interest rates just below that. He noted that inventories are now at their highest levels ever, with stocks at 95% full, adding that the pandemic had shifted the logistics paradigm from just-in-time to just-in-case. He expected that warehouses will be restocked in a development he called 'robust redundancy'. Mr de Leus also noted that companies are increasingly moving towards 'friend shoring', manufacturing and sourcing components and raw materials within a group of countries with shared values. Favouring the friend shoring of supply chains to trusted countries could allow for the extension of market access to trusted trade partners, which is particularly important at times of crisis when regular supply chains fail to operate.

Szymon Oscislawski, Deputy Head of Unit, **Maritime Transport and Logistics**, **DG MOVE**, gave some insight on how the European Commission seeks to respond to the challenges of the sector. The Commission aims for the development of a policy framework which provides European industry with sufficient time to decarbonise and digitalise its operations whilst increasing efficiencies. He referred to the upcoming Green Freight Package which is expected to be adopted in Spring 2023 and ongoing initiatives developed by the Digital Transport and Logistics Forum.

Steven Pope, Group Head Trade Facilitation (Go Trade) at Deutsche Post DHL Group presented the latest trends in Global Trade. The DHL Trade Growth Atlas 2022 shows the resilience of global trade through crisis, such as the COVID-19 pandemic. To support global trade growth, Mr Pope called for and open EU trade policy to diversify EU trade relations; full implementation of the WTO Trade Facilitation Agreement (TFA) to streamline customs processes at the border; a comprehensive impact

assessment to accompany any potential proposal to revise the Union Customs Code (UCC) and a realistic implementation deadline to ensure a smooth implementation of the current UCC.

SESSION 1: MAKING SUPPLY CHAINS FIT FOR FUTURE

Jordi Espin, Secretary General, Spanish Shippers' Council & Strategic Relations Manager of the ESC opened the panel discussion on energy transition, sustainability, digitalisation and labour force challenges, at times of geopolitical disruptions. At this time of disruption collaboration amongst stakeholders is important. Mr Espin referred to some of the campaigns of shippers including the Bill of Cargo Rights, the IRU-GSA charter to improve drivers' conditions and the Responsible Shipper Certification, piloted in Spain, to demonstrate good behaviour of shippers towards stakeholders in the logistics supply chain.

Nicolette van der Jagt, Director General of CLECAT presented the results of a survey amongst the membership companies of CLECAT and ESC to gain more insight on the current challenges in their business. She noted that what mostly worries freight forwarders and shippers in Europe are the high energy prices and high inflation rates in Europe, finding skilled personnel, labour shortage and the ongoing unreliability of supply chains. Increased business and logistics costs and supply chain disruptions, due to sanctions implemented following the war in Ukraine, is also a concern. In response to questions on how companies respond to these challenges, most of the companies replied that they are planning to increase prices, reduce energy consumption and reduce investments. When it comes to measuring the GHG emissions of their supply chains, a large part of companies had not yet started to measure them, and a small percentage of the respondents have committed to a net zero deadline. A large part of the sector believes that collaboration, better sharing of data and information within the supply chain is the best way to improve resilience and schedule reliability. These would ensure efficiency, better planning and steering. Concerns with data sharing were largely related to cybersecurity, data privacy and governance.

Alessandro Pitto, Managing Director of forwarder Casasco & Nardi and President of Fedespedi highlighted the difficulties his company was facing in attracting personnel, teaching them the right skillsets, and retaining them within the company. He said it was important to align the needs of the company with the expectations of prospective personnel in a 'candidate-driven market'. He referred to initiatives from Fedespedi, the Italian Freight Forwarders Association, to try to make the logistics sector more attractive. The sector needs in particular people with IT skills and is competing on this with other sectors. He concluded by noting that in today's market it is important for forwarders to develop data-driven initiatives that contribute to increased efficiency.

Bart de Muynck, chief industry officer at project44 referred to the mission of the company to make supply chains work through its trusted end-to-end visibility platform that tracks more than 1 billion shipments annually. This allows shippers and carriers to get greater predictability, resiliency and sustainability, the last being a great opportunity. He noted that the use of data collection has grown drastically in the past years, and it will continue to grow. Consumer demand is not linear which makes predictability difficult, so data sharing is instrumental for this.

Robert-Frans Niers, Group Director at Zeelandia noted that sustainability is one of the three CSR pillars of Zeelandia, and that the company was investing in the green transition which was required from its customers and increasingly from the current and future workforce. The company ambitions to install solar panels on all warehouses and to solely use green energy sources. The company has been showing willingness to electrify its fleet, but this would require huge investments in the charging infrastructure. He also highlighted the importance of the due diligence for shippers in logistics who want to take control of the various steps in the logistics chain. In addition, predictability is very important and improved data sharing along the supply chain would improve this.

Sophie Chapellier, Project Manager at FRET21 explained the purpose of the FRET21 initiative, which was initiated by AUTF (French Shippers Council) and ADEME to help companies better integrate environmental issues into their logistics strategy. The initiative enables all types of companies to implement concrete actions to limit the climate impact of their transport. Strongly involved in the economic and environmental performance of the different modes of freight transport, AUTF seeks to federate the community of shippers on the need to reduce their carbon footprint with the support of FRET21. To this end, ADEME's expertise and success in defining and providing tools to enable economic players to control their energy consumption and limit their environmental footprint were decisive assets in the construction of the voluntary FRET21 commitment programme. Ms Chapellier noted that FRET21 was now working with over 260 companies.

Marc Cottignies, Expert engineer in the Transport and Mobility Department of ADEME, explained how ADEME is seeking to support companies by providing neutral and technical expertise to companies to help them to be part of the ecological transition. He highlighted that cooperation is key and that ADEME develops and provides tools to business, emphasizing on the need for collaboration between public authorities, companies, as well as other organisations.

Danielle Tap, Director of Partner Programs for Digital Container Shipping Association (DSCA), explained that the DSCA seeks to establish standards for a common technology foundation that enables global collaboration. The goal of DSCA is to make shipping services easy to use, flexible, efficient, reliable and environmentally friendly. Ms Tap argued for standard setting for the whole supply chain, as it would provide efficiency and transparency, which would lead to more trust among actors.

Martijn Vermunt, Supply Chain Manager at Shell Chemicals Europe argued that digitalisation is necessary to improve sustainability in the supply chain, also supporting data standards in the industry to facilitate transferring information about orders. He added that investing in different modes of transport is a question of affordability and legislation. He insisted that users and consumers should become more aware of the costs of transport including external costs.

Szymon Oscislawski, Deputy Head of Unit, Maritime Transport and Logistics, DG MOVE, closed the session noting that the issues under discussion were reflecting the discussions which were held by his services and the DTLF where the Commission and stakeholders were looking at transport and logistics from a system perspective. He also referred to the creation of 'data spaces' such as the European Mobility Data Space (for logistics) which will allow for safe and secure data sharing also in the area of logistics and transport which will be one of the drivers to facilitate the exchange of data between stakeholders.

SESSION 2: THE CASE FOR MARITIME COMPETITION REGULATION REFORM

The second and final panel moderated by **Anne Federle, Partner Competition & EU Law, Bird & Bird LLP** discussed developments in the container shipping market structure affecting the global maritime supply chain.

Mike Garratt, Chairman and Founder, MDS Transmodal, provided an outlook on the containership market based on an interpretation of various market indicators. He demonstrated that service reliability had continued to decline, as well as direct connectivity. Spot rates from Shanghai to both North America and Europe are continuing to fall but have not yet returned to pre-pandemic levels (Q3). The price indices reported by Container Trade Statistics were also falling but at a slower pace, suggesting that the majority of the largest shipping lines were now deriving most of their revenue from longer term contracts. With regards to market concentration, Mr Garratt noted that on the main trade routes from/to Europe, several consortia were exceeding the 30% combined market share threshold to benefit from the CBER safe harbour. In conclusion he noted that the evidence from trade

and ports data suggest that underlying trade volumes are declining only marginally in Q3 of this year. Liner service quality is currently stabilising. Carriers are likely to adjust their capacity to the level of demand at higher rates than what prevailed in pre-pandemic times.

In his online introduction **Olaf Merk, Project Manager, Ports and Shipping, International Transport Forum** argued that the EU Consortia Block Exemption Regulation (CBER) is a tool of competition policy which should offer consumers a fair share of benefits. It should not permit the elimination of competition in a substantial part of the relevant market. Mr Merk argued that the EU Consortia Block Exemption Regulation defines a 30% threshold for consortia: if the market share of consortia exceeds this threshold the CBER no longer applies to this consortium. Currently, half of the consortia in the trades to/from Europe exceed the 30% threshold, so are no longer covered by the CBER. This means that the CBER is no longer in line with actual developments in liner shipping. He then explained how it is possible that the sum of the combined market shares of consortium members on a trade route can be more than 100% by considering the interlinkages between carriers and consortia. Mr Merk went on to note that this situation requires a policy response. Competition authorities and regulators should reconsider competition arrangements for liner shipping and improve competition monitoring (cross-border). He also referred to the need for more attention to fair competition in the door-to-door container transport.

A panel debate followed discussing whether the CBER is still fit-for-purpose in view of industry trends such as concentration and vertical integration.

Henrik Mørch, Director of Services, DG COMP, European Commission, noted that as the evaluation of the CBER was still ongoing, therefore there was not that much he could reveal, apart from the process and earlier observations made by the Commission. As such he noted that the EC had monitored the market closely and started in December 2021 a fact-finding exercise amongst carriers, gathering up-to-date information about the economic context in which consortia operate, following the impact of the Covid pandemic. He added that the Commission had not received any indication of anti-competitive behaviour from shipping alliances aimed at increasing freight rates. The conclusion of the Commission's monitoring exercise was that the high increase of freight rates could not be explained by collusive behaviours from shipping companies and that therefore the reasons for these rate increases had to be found in other causes. Mr Mørch also mentioned that DG COMP, over the past two years, had looked into vertical integration and whether there were any risks of foreclosure in view of mergers, either input foreclosure or customer foreclosure. For self-preferencing or discriminatory conduct to be anti-competitive, one condition to be fulfilled is that the carrier in question holds a dominant position on a given market. The Commission has not so far received sufficiently precise and concrete indications of an abuse by a dominant carrier.

With regards to the evaluation on the CBER, Mr Mørch noted that the call for evidence for the evaluation of the CBER had closed on the 3rd October. Preliminary conclusions as to whether the CBER should be prolonged/amended/repealed were expected to be published in Q1 2023 in a Commission Staff Working Document.

Lennart Heip, Global Modal Leader International Trade Operations at DOW, indicated that during the pandemic, the huge challenge for shippers like Dow was that even without a minimum level of predictability, supply chains had to be organised. He noted that the company, like other shippers, had to deal with this low level of predictability from March 2020, and that they had to address this with all sorts of initiatives to seek a certain level of resilience in their supply chains. This included enhancing internal and customers communication and seeking to make use of data streams on transit times to reinstall a certain level of predictability in supply chains. By providing more frequent updates, even if a cargo is late, he argued, 'you can still score good points' with customers.

Jens Roemer, Regional Managing Director, a.hartrodt, noted that in his view the vertical integration in the shipping sector and the evaluation of the CBER are closely connected. He added that the crisis which had disrupted maritime supply chains over the last three years had unfortunately also polarised the views of the different stakeholders on its causes and impacts. He added that the freight forwarding industry had been able to rescue the global supply chains with huge efforts from its workforce. The constant changes in vessel schedules required the freight forwarding industry to constantly check on the latest updates and consequent cancellation and rescheduling of container transports. He referred to the lack of information from the shipping lines, which had compelled freight forwarders to use their phones to get information on arrival times, which made planning extremely difficult. Also, windows to pick up or deliver containers from and to the terminal has become smaller which made that the human resources within the freight forwarding industry had experienced great pressure during the height of the pandemic. Communication and dialogue with other stakeholders, he argued, remains necessary to address supply chain issues, such as data sharing. However, ownership of data which is commercially sensitive must be addressed and discussed first.

Anne-Sophie Fribourg, Vice-President of Global Ocean Freight at Zencargo, recalled the many disruptions that have occurred in recent years in the maritime logistics chain, referring to the lack of available space on vessels as well as the lack of equipment. She argued that for the future it is essential to gain visibility and predictability on supply chains, adding that the sharing of data between all actors is essential. The maritime sector needs to be regulated at European level, she noted referring to the alternatives that could be pursued by the Commission, which would provide adequate legal confidence for shipping lines, but which are also targeted at delivering the desired outcomes, such as transparency and confidence of customers.

Anne Federle then asked the panellists to elaborate on their positions with regards to the CBER which is under review by the Commission.

Damian Viccars, World Shipping Council Brussels Representative, highlighted WSC's submission to the EC's Call of Evidence, documenting the efficiencies generated by the CBER and calling for it to be prolonged without modification. He claimed that the CBER is a 'transport policy issue dressed as a competition policy regulation' and noted that 'the transport policy question was whether we wanted to repeal the CBER and undermine vessel-sharing agreements that had provided low-cost and efficient shipping over the last 30 years.' He then asked the panel their vision on what should come up afterwards, as without a clear answer, it was important to be careful in unpicking a transport efficiency tool that was needed now more than ever.

Philippe Corruble, French of-council lawyer at Stream and professor at Ecole de Management Normandie, argued that this industry has been characterised by a double movement of vertical and horizontal concentration, with increased collaboration between competitors. He further argued that the collaboration between carriers and the way they are regulated is a global issue where different countries have different rules. He hinted that oligopolies encourage anti-competitive behaviour regardless of the absence of collusion. International regulation was necessary in his view because the maritime industry had an oligopolistic structure, with low transparency and high entry barriers that offered carriers powerful market influence through alliances.

Jens Roemer answered that, for the freight forwarding industry, 'more competition is better' in a market which is competitive, as it would normally improve service. However, competition should be fair and there should be a level playing field between the parties. There are currently arguments to be made to say that this is not the case with carriers benefiting from an exemption from normal competition rules in the EU. Referring to the ongoing economic regulatory reform of liner shipping in the US he asked the question, 'why is the US Congress changing the Shipping Act if there is no dominance in the market?'

Furthermore, he argued that ‘worrying about what might replace the CBER was not a good argument for keeping things as they are’, adding that control mechanisms or KPIs would be necessary. At the end of the day, he noted, ‘it is in all our interests to make a good, healthy maritime supply chain function.’

Philippe Corruble argued that there is a necessity of some rules on vessel sharing cooperation. However, the Commission is currently not informed on the content of vessels sharing agreements, where some of them involve collaboration in commercial and strategic areas. He proposed that a notification system could be put in place to make it more accessible and transparent ‘to those who need to know’. He concluded noting that data sharing is important, but who will have control of it needs to be addressed first.

ELA AWARD CEREMONY

Roman Stiftner, Vice-President of ELA, handed the ELA awards. The ELA Award 2022 for Project of the Year went to E.LECLERC & WITRON. More details on the other finalists and the projects are available [here](#).