

# Sectoral Workshop Logistics and the Internal Market

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European Business Conference, College of Europe, 18 March 2010



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# A Single Market for the 21st Century

- **A stronger, deeper, extended single market is vital for growth and job creation. However, current trends show signs of integration fatigue and disenchantment regarding the single market. The crisis has added temptations of economic nationalism...**
- **... but a new momentum - a genuine political commitment - is needed to re-launch the single market, through a quick adoption of the initiatives mentioned below...**
- **At EU level the Commission will work: To ensure that transport and logistics networks enable industry throughout the Union to have effective access to the Single market and the international Market beyond.**

Europe 2020 - A strategy for smart, sustainable and inclusive growth, Communication from the European Commission, March 3rd 2010

# Deutsche Post DHL (DP DHL)

- The postal service for Germany. The logistics company for the world.
- 5% of global trade run through our books
- € 46 bn revenue in 2009
- 500.000 employees worldwide
- 350 airplanes
- 120.000 ground transport vehicles

# DP DHL Logistics Services

- Express
- Freight & Global Forwarding (DGF)
- Supply Chain Services (DSC)
- Provide seamless global supply chains, incl.
  - transport, warehousing, industrial assembly
  - re-call, recycling, repair shops, etc..

# Single Market in the 20th Century

- Industry "owned" supply chains, warehouses, manufacturing, retail shops
- Distribution was labour intense, costly through owned assets (trucks, etc.)
- Creation of Single Market stimulated cross-border trade in the EU
- Full liberalisation of services sector failed
- Trade-lanes with emerging global markets often "bi-lateral"

# Logistics 2.0 and Economy in the 21st Century

- Outsourcing of supply chains, warehouses, manufacturing
- Customer care, value-added services move to logistics
- Retail shops serviced by logistics providers
- Growth of new services industry (i.e. e-commerce)
- Former "owners" focus increased on R&D, marketing & sales
- Single Market remains incomplete and hampers competitiveness

# Key Drivers in 21st Century Economy

- Technology: RFID, Internet, e-commerce
- Globalisation/Emergence of BRIC
- Off-shoring vs. near-shoring
- Urbanisation
- But 2 Bubbles: Dotcom and Real estate/financial markets



# Logistics 2.0 and Single Market in 21st Century

- Backbone of all European industries (cost reduction)
- Trade facilitator of European industry
- € 1 trillion annual direct revenue 2008
- High-tech industry (RFID, GPS, ITS, Software)
- EU transport done by 800.000 SMEs

# Challenges for DP DHL in the Single Market of the 21st Century

- Intense competition - low margins
- Crisis impact severe in EU & USA - Asia much better
- Climate Change: EU binding targets (20-20-20)
- DP DHL's corporate target for CO2 efficiency improvement: 30 % in 2020
- BUT: Single Market barriers create high costs due to complexity
- **10 - 30 % less complexity = €100 - 300 bn less cost for industry!**

# "Smart, Sustainable and Inclusive Growth" (EU 2020)?

- DG CLIM GHG reduction target for transport 85-90 % in 2050!
- "Reduction of demand for transport & increase prices for transport"

## **BUT**

- Growth = more trade = increase of demand of transport
- How to de-couple economic growth from growth of transport?
- Price Regulation or Completion of Single Market?
- ANSWER is Efficiency Improvement through removal of SM barriers

# Single Market Efficiency Improvement for Aviation (Case 1)

- **Single European Sky II** - 10 % less CO<sub>2</sub>/congestion, saves fuel
- ETS for aviation in 2012 - 5 % CO<sub>2</sub> reduction
- Member States delay implementation of SES II
- 2015 or 2017 operational?
- Completion of European aviation area (3rd country flights)

## Single Market Efficiency Improvement for Road (Case 2)

- Cabotage restricted to 3 out of 7 days (EU adopted in 2009)
- 30 % or more empty trucks on European roads!
- How to tackle night drive bans?
- No harmonisation of penalties for driver's rules
- Need to harmonise social rules for drivers
- Internalisation of external costs to tackle congestion (EuroVignette)?
- 80-90 % of congestion caused by passenger cars not by trucks!

## Single Market Efficiency Improvement for Rail (Case 3)

- 100 % liberalisation of rail freight since 2007?
- Commission needs to go for further enforcement
- Need adoption of cross-border rail freight priority
- Open infrastructure management up for competition
- No sufficient harmonized/inter-operable infrastructure
- EU policy of subsidies not demand-driven

# Single Market Efficiency Improvement for e-commerce (Case 4)

- Growth sector for transport & logistics during crisis
- Consumer confidence & data protection
- Cross-border shipments need to be improved (postal liberalisation only in 2011)
- Increased e-commerce reduces individual traffic/transport for shopping
- Block exemption: brick & mortar shops required

## Single Market Efficiency Improvement and Social Harmonisation (Case 5)?

- Protectionism of local jobs vs. market forces
- 30 % CO<sub>2</sub> and 7 % cost reduction by re-aligning warehouses
- Wages differ between "old" and "new" Member States, but for how long?
- Before crisis: 50.000 - 100.000 scarcity of drivers
- Enforcement and harmonisation - not protectionism (Cabotage!)



# Integrated Policy Approach

**EU needs an integrated approach to enhance sustainability for logistics**  
**Improving our industry's efficiency – with the support of an integrated EU policy approach**

**EU Logistics sector equals €  
1 trillion annual revenue**

**with a 10 to 30 % efficiency improvement equals  
€100 - 300 bn less annual cost for industry**

## **Complete Single Market for Transport**

- Speeding-up implementation of Single European Sky II (12 % CO<sub>2</sub> reduction in aviation)
- Over 30% empty trucks but EU restricts Liberalization of Road Cabotage
- Need to fully liberalize cross-border rail freight to make this mode attractive to customers

## **Tackle congestion at its real source**

- 80% of congestion caused by passenger cars but EU price regulation only for trucks
- Get rid of night ban for trucks instead and avoid discrimination
- Re-invest revenues into road infrastructure
- Overcome myths on truck measures (EMS)

## **Incentives & Research for ITS**

- Incentives for ITS (Intelligent Transport Systems) and ICT solutions
- Research for solutions which will be affordable for industry
- E.g. supporting the development of solutions related to Galileo

# BACK-UP SLIDES

## Rationale for going green

## On the way to a low-carbon economy DPDHL is part of the solution

Our purpose: The Logistics company for the World

Rising energy and emission costs

Customers ask for green solutions

Globalization: to be organized sustainably

First logistics company with a quantified CO<sub>2</sub> efficiency target:

- Improving CO<sub>2</sub> efficiency of DPDHL and subcontractors  
**30 % by 2020\***
- Intermediate target: Improving our own CO<sub>2</sub> efficiency  
**10 % by 2012\***

**GOGREEN**

\*compared to 2007

## Our Green House

## Leveraging the potential of DPDHL, GoGreen improves CO<sub>2</sub> efficiency and sets leading-edge standards in green logistics



### I Provide transparency regarding CO<sub>2</sub> emissions

#### Carbon accounting & controlling:

- Accurate group footprint
- Local management of CO<sub>2</sub> emissions
- Customer & product footprint

### II Increase CO<sub>2</sub> efficiency (10% by 2012, 30% by 2020)

- Develop, pilot and implement **abatement levers**
- Integrate CO<sub>2</sub> into **subcontractor management**

### III Mobilize management and employees across the Group

- Raise **awareness**; make them understand why their **contribution** is crucial
- **Integrate** CO<sub>2</sub> in regular business **decisions**

### IV Create value @ the market with CO<sub>2</sub> efficient logistics

- Transfer customer requirements into innovative and profitable **products and services**
- **Position** DPDHL as the **leader** in CO<sub>2</sub> efficient logistics

### V Shape the political agenda

- Evaluate **risks and opportunities** in regulatory development
- Engaging in **shaping future** policy framework and regulation

## Improving our CO<sub>2</sub> efficiency

**DPDHL tests various new technologies and solutions at an early stage, but there is no silver bullet for efficiency improvement in logistics yet**

Green Supply Chain



Network optimization



Smart Truck

Alternative fuels



Aerodynamics



LED's

Electro Mobility

Capacity optimization

Solar panels

Combined transport



Hybrid technology



Drivers training



Winglets

GoGreen – Improving the efficiency of our fleet

We test and implement a mix of efficient market or future solutions to optimize efficiency for goods' transport on road

BURN CLEAN

FUELS



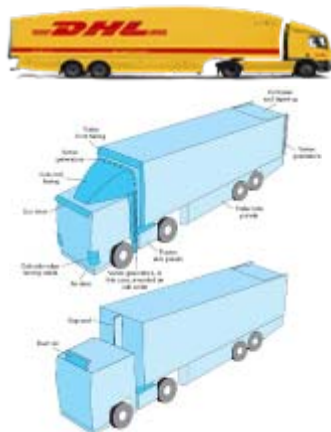
2nd generation 3rd generation 4th generation .....

VANS

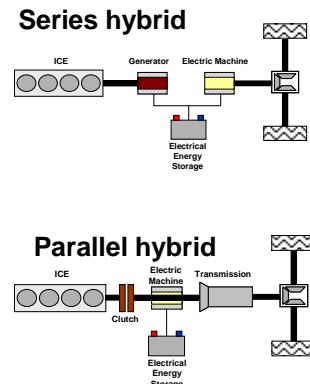
BURN LESS

TRUCKS

AERODYNAMICS



HYBRID DRIVE NEW / RETROFIT



ELECTRONICS

Eco Chip Tuning



Driver assistance/ education

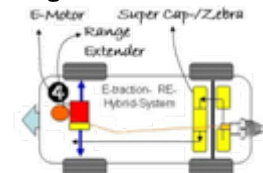


ELECTRIC DRIVE NEW / RETROFIT

Battery electric vehicle



Range extender



## Public policy positions towards COP15

### In 2009 DHL, the Official Logistics Partner of COP15, asked the political decision makers to Seal the Deal in Copenhagen



#### Carbon pricing:

Fast implementation of a global framework for a market based approach (cap and trade) at tangible costs as a fair and efficient mechanism.



#### Transparency and awareness:

Support of the ongoing development of common, industry driven, international standards for carbon measurement on organizational, product and customer levels.



#### Investments in carbon efficiency:

Incentivize investments in efficiency measures across all industries to enable competitive payback times and revenue opportunities.



#### Low carbon transportation:

Public funding for research and development to increase commercial availability of low-carbon powered transportation.



# Innovation in city logistics

## Freight consolidation for London-Heathrow airport

### Highlights

- operated by DHL/Exel since 2001
- now serving 323 retail outlets
- 700 inbound trips consolidated to 300 outbound trips per week
- 218,000 vehicle-km saved in 2008
- 158,000 kg CO<sub>2</sub> saved in 2008



# Innovation in city logistics

## Freight consolidation for Bristol City

### Highlights

- operated by DHL/EXEL since 2004
- now serving 63 retail outlets
- 76% reduction of delivery trips;  
half the retailers save 20" per drop
- 227,000 vehicle-km saved in 2008
- 270,000 kg CO<sub>2</sub> saved in 2008



## Broadmead Freight Consolidation Scheme



Providing a sustainable delivery service for Broadmead



## How do we start with an integrated approach?

### **Integrated Policy Approach – what do we need?**

- **High Level Stakeholder Forum for Logistics**
- **EP Think Tank for Logistics with TRAN, IMCO, ENVI, ITRE, LIBE**
- **Complete a true Single Market for transport**
- **Reduce complex and unnecessary regulation**
- **Incentives for all modes of transport**
- **One EU/Global standard for carbon measurement and accounting**
- **De-carbonising transport can be a win-win for the Climate and the industry**

# AEL represents the entire value chain for logistics



## Members



Deutsche Post DHL



## contacted for possible Membership



Hutchison Whampoa Limited 

