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INTERVIEW 23 April 2008 WITH:

*Mr. Roland Dachs
Vice President
European Logistics Association (ELA)*

PM Content:

Since the establishment of the European Logistics Association, it has become a key player in the logistics and transport industry. Mr. Dachs, as its President, could you please give the 2.1 million readers of The Daily Telegraph your introduction to the ELA and its role as a catalyst for cooperation in the European logistics sector?

Mr. Roland Dachs:

It is important to point out that the European Logistics Association is a federation which is composed of approximately 27 members. We have founding members as well as associated members. Its membership covers most of the countries in Europe. In addition to these, we also have some members which are from other countries such as Taiwan.

The European Logistics Association was founded during the 1980's and basically has two missions. One of these is to support and networking the ELA members from the various countries. If one counts all of the members of other logistics associations such as the *Centro Español de Logística* (CEL), ASLOG, or The Chartered Institute of Logistics and Transport in the U.K, then this logistics community represents about 60,000 people connected to ELA. This is a considerable network.

Another aspect of our mission is to provide the industry the support it requires in terms of intensive logistics training. There is a program called ELA Certification which allows us to certify junior, mid-level, and top management personnel in the logistics industry. Quite recently this diploma was available in each country in the local language. This program and exams was a little different depending on where one was. A year ago we decided to push the program to be one European certification with one or two exams a year on the same content.

It would not matter if one is in Poland, Portugal, Greece or any other place because it is now the same diploma; based upon the same content. The team of ELA's ECBL (the training arm of ELA) has done a great job in terms of developing and improving this program. It is currently being tested by 6 countries. During the remainder of 2008-2009 it will become common practice in the logistics industry. It represents an improvement upon something which was already good and that we will continue to support.

PM Content:

Could you comment on your entity's important role in promoting vocational qualifications and best practices in order to ensure the availability of capable logistics professionals throughout the continent?

Mr. Roland Dachs:

In recent years logistics has developed into a very interesting function as far as enterprises are concerned. The sector has grown considerably. Accompanying this growth as logistics becomes increasingly important; it also requires more brains and people to be trained. Previously there were simply not enough of them coming out of the university. If you take the last 10 years as a benchmark; there were many places in Europe which should have been producing logisticians. However, this was simply not the case. Even if universities are providing good talent; there are people who are already working in the industry and they would like to certify themselves during the course of their careers. It is recognition of the work that people have done, the training they have undergone, and therefore a means for them to subsequently acquire a better job. We need these things to happen in order to ensure that people in the field are becoming certified and receiving an education in logistics.

PM Content:

Logistics is commonly defined as the management of the flow of goods and resources, including energy and people, between the point of origin, and the point of consumption to meet the needs of consumers. The discipline has its historical origins in the military's need to supply itself. Mr. Dachs, what would be your definition of logistics, why is it such an essential part of everyday life, and a core component of effective commerce and industry today?

Mr. Roland Dachs:

The definition you mentioned is a very original one because it entails moving goods from point A to point B. However, the logistics industry has evolved beyond moving goods. Today we also provide the information to move the goods and satisfy the customer. The information needs to be properly managed from the order to the point of delivery. In the same way one can manage all of the payment information. Therefore logistics has evolved from simply managing the flow of goods, to managing the flow of goods and all the related information that companies require. On top of that logistics has become a strategic element for companies in terms of how you define your supply chain and how one makes sure that the service is constant. It is vital to not lose orders in order to retain turnover and margins by ensuring that the goods are there. The logistician must satisfy the customer in order for him to come back to your product and that will also maintain or improve their margins in the long term.

Right now there are a number of things happening which are having a direct impact on the logistics industry. These include: fuel prices, the cost or scarcity of raw materials, water, and the management of risk in one's supply chain. These are all factors which will drastically change the way that we are doing logistics. In that sense I would argue that we

are at the edge of a new definition of logistics which takes into consideration the things that civil society cares about such as CO2 emissions and other environmental considerations. The way logistics professionals structure their strategies is increasingly factoring in these aforementioned elements that people care about. Logistics companies can be a part of the solution but also part of the problem. This is a great challenge that requires companies to have well trained logistics professionals. They need to consider what they have done in the past that worked well when energy and resources were more plentiful; as well as the new more challenging landscape. This is a very interesting topic for logistics people and for the strategy of companies in order to involve all stakeholders so they can adapt to an industry that is becoming increasingly complex & sophisticated.

PM Content:

The freight transport and logistics industry in Western Europe is fundamental to the competitiveness of European industry. Road, rail, and sea infrastructure facilitate economic growth and provide a gateway to worldwide trade. Mr. Dachs, could you comment on the contribution of the European logistics industry towards the overall dynamism of the global economy?

Mr. Roland Dachs:

If one considers European GDP figures available from the European Union, there are 1,000 billion Euros spent every year on logistics. This represents more than 10% of European GDP. All of this revenue is derived by importing & exporting goods and their subsequent distribution throughout the EU. The phenomenon is enormous and it has grown certainly alongside the overall growth of the global economy. Europe has expanded its imports and exports and today many companies have localized production somewhere else. All of this has been made possible because logistics companies provide the

warehousing and means to move goods by air, road or sea transport. All of these have been developing at a very high speed and this growth has actually been much faster than that of European GDP.

PM Content:

You mentioned earlier the issue of fuel costs. In recent months crude oil prices have broken all records and surpassed 123 USD per barrel. This is due to geopolitical factors such as instability in the Middle East, Nigeria, and Venezuela, economic ones including booming demand from rapidly emerging economies such as China and India, as well as insufficient refining capacity. What impacts do you think that the increasingly high energy costs are going to have on the profitability of the logistics industry in the near future?

Mr. Roland Dachs:

I would argue that the story is not finished. There are some parts of the world which will grow at 10% a year and consume a great deal of energy. We are presently in a situation where demand is more than the available supply. That is going to be structurally the case for the near future at least. Although we could say that OPEC may produce some more; the overall trend will remain the same. Now we are in a position whereby the imbalance between the demand and offer will create a much larger discrepancy than it ever did in the past. Many of these oil & gas resources are located in The Middle East so there is an inherent geopolitical risk.

The most important factor affecting the energy landscape is the inversion of the demand/production structure. You may have noticed but it was recently published that the fuel stocks in most western economies are sufficient for approximately 120 days. In the recent past this number has decreased even further to only 100-60 days. But after 60 days then what happens? So you can imagine that this fuel situation

is far from finished. In the transport industry regardless of whether it is fuel being used for private cars or for transporting goods, the challenge in the foreseeable future will be the high costs of fuel. We need to be able to achieve productivity by incorporating innovation, better & bigger trucks, or transporting goods by rail.

PM Content:

Could you comment on some of the technological innovations underway in terms of integrated logistics management which companies in your sector are utilizing to strengthen their competitiveness and ensure a reliable supply chain throughout their operations?

Mr. Roland Dachs:

A great deal of focus has been placed in recent years in the area of information technology. Today through information technology and scanning it is possible to track & trace everything throughout the planet. Not everybody is able to do it but the technology is there. I believe that a greater emphasis will have to be given to the assets technology in terms of physical means. I am referring to double-deck barges, high-speed vessels, feeders, bigger trucks, trains, and inter modality transport. A large part of the trucking is done within 300 kilometres. Sometimes it is difficult to transport goods via rail or water; for this reason it is important to have adequate trucks and ground transport infrastructure in place. The technology is there and we can share warehouses, transport routes, as well as redesigning the infrastructure to best utilize the existing hubs. I would call these adjustments a re-engineering of the physical supply chain to create productivity. If we are smart enough and carry out this process quickly, then the price of fuel will be offset in a way. But what is certain is that the way we have established logistics architecture in the past is something which will

need to change because of fuel costs, material prices, risk and environmental or regulatory changes.

PM Content:

How do logistics operators in Europe compare with regards to their American or Asian counterparts?

Mr. Roland Dachs:

In terms of quality and their effectiveness I believe that many European logistics companies compare very well. Whether they master more or less the flows of goods coming from the Far East is another matter. The companies active in European logistics have all made a great deal of progress and each company has its own strength in either maritime or road transport. We have many good companies who support the dynamism of the logistics industry. Each aspect of the logistics sector has its own problematic. You cannot compare aircraft logistics with that of food products. It is important to have the people trained in the basics of logistics. Then they need to work in sales or production to acquire some of the skills which make you a good logistician. The key is one's capability to integrate and work together with others. A logistician never exists in isolation; instead he succeeds by having a good relationship with the other functions of the enterprise.

PM Content:

Mr. Dachs what have been some of your biggest personal and professional satisfactions throughout your career in logistics, and now as President of The European Logistics Association?

Mr. Roland Dachs:

When I came out of university I had never heard much about logistics. But I was working in marketing, production, manufacturing, purchasing, and IT. Through this experience I was the right guy to be in charge of the supply chain because I knew something about all of these aspects, and acquired a large business sensitivity. That has been a great satisfaction for me because it has allowed me to work in exciting businesses, in various countries and I was never bored. There were always new countries and business challenges to be overcome.

The other thing that I would like to see is to have more young people embracing logistics through their dedication and a career path in the sector. Also, I would like to see many more women working in logistics jobs because Supply chain, logistics and transport is still too much of a man's world. When women enter this job they show great capacity and we should encourage more of them to join.

PM Content:

What would be your final message to the 2.1 million readers of the Daily Telegraph, and particularly those active in the U.K. logistics industry to consider the ELA as their partner in European Logistics today?

Mr. Roland Dachs:

I would say to the readers of The Daily Telegraph that people are interested in logistics because we need the service and to have goods delivered on time. We need to continue to pay attention to reduce costs, and improve service but we need also to reduce pollution & congestion. In the coming years the people involved in logistics enterprises must take these factors into serious consideration. The people should be interested in whether we are moving in the right direction. Are we

tackling the right problems? Logistics is a diverse & multidisciplinary sector. A newspaper such as The Daily Telegraph can help people to understand the logistics industry. It does need to be thought about carefully with real facts and not emotions. Everybody is interested in logistics in one way or another...sometimes without their even knowing it.

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Thank you very much for your time and comments and we wish you the best of luck.

