JOINT POSITION PAPER

Position on the UNECE Workshop on the

Role of freight forwarders and logistics in intermodal transport chains

The Working Party on Intermodal Transport and Logistics (WP24) will organise an UNECE Workshop, in Brussels on 12 and 13 June, to discuss and review the role of freight forwarders and logistics in intermodal transport chains.

The aim of the workshop is to provide
“Analysis of modern transport chains and logistics that allow for an integration of production and distribution systems providing a rational basis for Governmental decisions on transport demand, modal choice as well as on efficient intermodal transport regulations and infrastructures and taking into account transport safety and security requirements.”

As expected output the following is stipulated:
“Review of technical and legal issues and development of regional implementation tools and measures based on considerations on the role of Governments in this field.”

CLECAT and FIATA, as representatives of freight forwarders on the European and international level, recognise the importance of transport policy which should provide the appropriate regulatory framework, adequate investments in transport infrastructure and ensure that the required skills for private and public actors are available. If these imperatives are properly satisfied transport policy can provide the basis for efficient, sustainable, safe and secure freight transport and mobility as well as contribute to ensuring a level playing field for all industries affected.

With this in mind, CLECAT and FIATA look forward to participating in the Workshop/Group of Experts meeting in Brussels and are pleased to submit their comments on the paper received from the UNECE Secretariat in preparation of this meeting and briefly presented by the UNECE at the FIATA HQ meeting on 22nd of March.

CLECAT and FIATA welcome the fact that the paper recognises the importance of logistics:
“Efficient supply chain management has become a crucial tool for the industry to stay ahead of its competitors and the transport of freight is a very important component of such chains.”

Indeed, supply chains are increasingly complex and schedule-dependent, with shippers organising production and distribution around just-in-time delivery made available by modern logistics. Transport infrastructure and transport services have to perform to increasingly high levels of reliability to meet these demands. Goods move rarely by one mode of transport only: they move in a global market by using ships, trains and then trucks and vans, for reaching the final customer; for this reason freight forwarders think about supply chains in a holistic way and make them connect better. This takes place at a time when scale of globalisation and inter-connections has increased profoundly, increasing complexities and volatility. Choices are quick, and sometimes hard to make.
Therefore, freight forwarders and Logistics Service Providers (LSP) need a smart and seamless network of interconnected corridors and hubs allowing efficient logistics operations and supporting supply chains. In doing so, they seek to add value to the international supply chain by reducing costs and increasing efficiencies, always evaluating service models that customers need and demand and patterns for the long term.

This is however a long, now historical, process. Continuous changes starting from the end of the ‘80’s of last century all along the way into the 1st decade of this millennium have changed the face of trade and with it, of logistics. The importance of logistics and strategic resource planning connected with trade transport policy is described in paragraph 2 of the UNECE document as something of the future, whilst it is definitely something of the past into the present day. Those countries that have been wiser in their strategic investments are now reaping the benefits of the choices made 10, 20 or more years ago in their growing economies.

Both FIATA and CLECAT have noted that the 2000 Millennium Development Goals missed opportunity to highlight the importance of logistics connectivity has conditioned the development of some areas, especially in the developed world, where the emphasis shifted from investments to containment. There is an extraordinary opportunity now with the review of the Development Goals under the post-2015 agenda (SDG) to fill the gap that was left open in the first part of this century. This is an opportunity that cannot be missed and FIATA is working hard on promoting the adoption of logistics connectivity amongst the priorities. This is a rare opportunity for governments to seize and thus avoid their policies to become “marginal, ineffective and even counterproductive”.

With a view to providing other supply chain stakeholders and the public with information on what logistics services and freight forwarding services mean, FIATA and CLECAT have adopted the below description of services, which might assist those in need of clearly understanding the meaning of freight forwarding services. The description runs as follows:

‘Freight Forwarding and Logistic Services” means services of any kind relating to the carriage (performed by single mode or multimodal transport means), consolidation, storage, handling, packing or distribution of the goods as well as ancillary and advisory services in connection therewith, including but not limited to Customs and fiscal matters, declaring the goods for official purposes, procuring insurance of the goods and collecting or procuring payment or documents relating to the goods. Freight Forwarding Services also include logistical services with modern information and communication technology in connection with the carriage, handling or storage of the goods, and de facto total supply chain management. These services can be tailored to meet the flexible application of the services provided.’

There is one point that is and has been at heart within our constituency for a long time. As echoed in paragraph 7 of the UNECE Secretariat’s document efficient logistics is one of the main elements of trade competitiveness. However logistics efficiency heavily depends on investments, first and foremost in transport infrastructure and to a significant degree in trade facilitation instruments. Many countries, especially in Europe, have not managed to keep up with the required efficiency and have significantly dropped in their transport infrastructure performance as well as in their overall facilitation approach.

Following some further statements on the importance of logistics the paper continues to focus predominantly on road transport.

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“Road transport’s overwhelming dependence on oil and the necessity to mitigate greenhouse gas emissions, has and increasingly will result in further increases in costs for this mode of land transport that, in the short term, will be very difficult to avoid.” (Par 9) This is a somewhat surprising statement; it should be noted that the energy prices will increase for all modes of transport and transportation in general depends on oil as no alternatives have become available so far.

In paragraph 10 the analysis continues to refer to other ‘challenges’ for the road freight sector: referring to the issue of congestion, and coupled with a shortage of qualified drivers and crew members (partly due to new and better enforced regulations on working hours and rest periods in road transport), the supply side of the European transport sector is said to be ‘under considerable pressure.’ For the very reasons listed in paragraph 10, we are of the view that the pressure is more likely to be felt on the demand side than the supply side.

It should be noted that the current road freight sector is not yet facing a shortage of drivers, because of the economic crisis, which had significantly curbed demand, especially in Europe and in the areas covered by the scope of UNECE. Having said this, if trade resumes growth, this is likely to return. Therefore, the challenge remains in making use in the most efficient way of the current assets in terms of infrastructure and vehicles. The challenge of shortage of skilled labour applies to all modes of transport, and to logistics more in general, it not exclusive of road transport. A public approach to logistics to make the sector more appealing to the younger generation would be really helpful and would contribute to mitigating the dire consequences of depicting logistics as a sort of “unwanted evil”. Logistics make trade and prosperity possible, and this is a convenient truth to remember.

In this respect we would like to point to a number of points, on which we will further elaborate in our submission:

- Under-capacity of infrastructure is certainly an important element, but the optimisation of processes and the introduction of trade facilitation instruments and IT all play a crucial role. This being said the statement made at paragraph 13 cannot be shared. It is not only necessary that transport infrastructure follows the predicted transport increase by updating, upgrading and new construction, but this is also to be seen as an extraordinary opportunity of development in regions that need economic stimuli.
- Continued efforts to introduce new business models (horizontal and vertical cooperation) that seek to take out ‘waste’ out of the supply chain (empty trucks, waiting times, paper documents) are happening and should be encouraged, in particular by removing regulatory bottlenecks, an exercise where the policymakers could adopt a more daring attitude.
- Continued efforts towards standardisation of processes are laudable and should be encouraged, but following appropriate guidance in the relevant bodies, such as UNCEFACT.

As stated above, addressing the challenge of the expected growth is crucial, and the language used to remind governments of the fact that they do make the difference is more than welcome: “transport infrastructure will simply not be able to follow the predicted transport increase for ecological and financial reasons, the existing transport infrastructure must be better used, transport volumes may need to be consolidated and intermodal transport solutions must make optimum use of all transport modes and capacities at all places and at all times. This is a challenge for the private sector (supply chain managers, logistics service provider, terminal and transport operators, etc.), but also, and in particular, for Governments.”

Finally, what we miss in the analysis are the problems that freight forwarders face when they try to give rail a more substantial role in the supply chain. Unfortunately, rail freight transport in Europe continues to fall behind its potential. A number of important challenges including low level of competition and excessive red tape are far from resolved and even seem to experience a surprising
backtrack. There is large scope for improvement in reliability, interoperability and smoothness of operation. In short, inefficient organisation, lacking cross-border interoperability, and restricted access to the market have resulted in a decline of a large part of the rail freight in Europe, where some railway undertakings have taken a growing distance from their customers by renouncing the single wagon market without resorting to alliances with LSPs and freight forwarders who might be able to assist in building such services. The proposals made by CLECAT to improve rail freight quality and numbers have sadly not been making a breakthrough amongst the railways.

**Addressing the role of Governments in the design and management of Freight Transport**

The paper notes in par 14 that “Logistical processes organized and optimized by the private sectors do not necessarily constitute optimal solutions for the overall economy or the country as a whole. Governments need to set and maintain the institutional framework as well as the rules of the game to ensure that the design and management of freight transport and intermodal transport services are carried out in line with national transport policy objectives and do respect also other economic, social, environmental and spatial policies, rules and regulations set and enforced by public authorities.”

CLECAT and FIATA would want to express their serious concern with this statement. The associations are of the opinion that the path to increased sustainable freight transport rests largely with the ability of industry to optimise its transport and logistics requirements in line with the wider supply chain needs, which are dictated by markets and customers, not by the expectation of setting the rules of the game. In most areas industry itself has progressed largely through private initiatives, sometimes by sidestepping “marginal, ineffective and even counterproductive” old rules and measures that remain often in place to protect particular interests and are not in line with rational logistics requirements. This paragraph also seems to suggest that the public hand would “know best” even in dealing with items that are typical of the entrepreneurial initiative such as the provision of logistics services. Both associations take the view that there is no evidence in this direction; on the contrary much evidence exists to discourage harbouring any such expectation.

This is explained by the fact that the providers of freight services seek to adapt their operations in order to continually meet the needs of customers and the efficiencies they need. Working together, business parties can find the economically and environmentally sustainable solutions. Policies from government are only needed where there are impeding barriers. In doing so, legal, technical and operational barriers need to be removed and incentives for development, investment and implementation of more sustainable technology and processes implemented. This is the area where transport policy would do best to focus on, as well as on making sure that sufficient and appropriately maintained infrastructure is in place, as is correctly and importantly noted in paragraph 15 (“They are also responsible for the provision of adequate infrastructures”).

Many policies have demonstrated that efforts that try and artificially force change by placing restrictions or penalties in the way will inevitably fail, whilst policies which provide incentives and facilitate industry and operators in moving to the sustainable options (e.g. through the removal of regulatory barriers) they need will be a success. In the absence of meaningful public guidance, there is a proliferation of industry initiatives to measure emissions in freight transport logistics. However useful such initiatives might be it is obvious that a reliable system that is commonly shared would be an advantage. In this light it is worth mentioning FIATA’s position published in 2012².

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With more understanding of good practice, technological developments which enhance the visibility of activities and performance within the logistics and supply chains, and better understanding of indirect consequences of certain activities upon the supply chain, behaviour and practices can be modified or replaced in order to improve efficiency and optimize the use of transport and transport infrastructure. So this shows that industry initiatives are already driven by a wish to improve logistics performance, and to offer a better quality of service. In this area more courage from the side of governments, with appropriate leadership and guidance, would produce the required results.

Governments should also support industry with grants (for innovation), fiscal incentives (carrots, not sticks) and trade facilitation measures to innovate or implement new practices, freight transport technologies and IT which accelerate the achievement of lower emissions, reduced transport requirements, greater freight transport efficiency and lower costs.

At paragraph 17 the paper rightly identifies the areas where there is a role for governments to be effective: “transport and infrastructure policies, and research, education and raising of awareness”. We would like to comment that this paragraph says it all. This is precisely the area where the public hand is required, where it can do the most and where it would be praised for any improvement achieved.

A. Transport policies

It is a fact that today’s supply chains do not stop at national or regional borders, they are often created with a view to overcoming frontiers and make use of comparative advantages of different national economies and, often, different tax and regulatory systems. Like it or not, in the long run this paradigm contributes to approximating social and economic differences and improving the life standards of less developed areas.

In general, CLECAT and FIATA do believe that insufficient recognition is given to the importance of identifying the policies that affect the operation of supply chains as a whole and assessing to what extent policies (or the lack thereof) are the source of supply chain chokepoints.

Matters are complicated by the fact that such policies are not limited to those of the national (and local) government. The policies of other countries can also significantly affect supply chain efficiency and may impose costs on firms that are so high that they suppress business activity.

Foreign governments may apply a variety of restrictive policies. Such restrictions range from escalating tariffs – making it more profitable to import raw materials as opposed to processed products from locations where such processing is conducted more efficiently – to redundant testing and inspection at borders. There are also cross-border restrictions on trucking companies picking up loads on the return trip. Other obstacles include: bilateral treaties that distort competition by guaranteeing a share of the market to a less competitive local industry through freight sharing agreements; sabotage restrictions (banning foreign firms from shipping consignments within a country; non-recognition of professional accreditations; and security requirements).

A key problem is that “bad” policies artificially “break” the supply chain by introducing discontinuity and reducing reliability. Such policies include those that are enforced at the border (such as customs, health and security), as well as those affecting service delivery. They fragment and lower the quality of service by imposing barriers to entry, specific freight regulations, national monopolies (e.g. postal service) and a lack of competition in the provision of key infrastructure services, like port operations.
In this somewhat disquieting picture, both FIATA and CLECAT welcome the adoption of the WTO BALI agreement on trade facilitation. Both associations take the view that the instruments afforded by the binding BALI agreement can become a significant game change, if properly implemented. Needless to say both organisations are available to assist in the process both directly as well as its regional and national bodies.

On the possible role of governments with regards to the use of transport mode we would like to make an important acknowledgement: we refute suggestions that policies should force industry to use rail or maritime alternatives to road freight transport, for example. EU policy has shown that these policies have not produced meaningful results despite the significant resources they have benefited from.

B. Transport infrastructure

On infrastructure the paper notes in par 21 that “Governments are responsible for the provision and maintenance of adequate transport infrastructure and for the rules and regulations for their use. In addition to road, rail and inland waterway networks, Governments are responsible for land use planning and for the provision of suitable locations for ports, intermodal terminals, trans-shipment and distribution centers as well as freight villages.”

CLECAT and FIATA believe that governments should continue the support and the close monitoring of the advancement of big transport infrastructure projects focusing on freight (such as cross-border rail freight corridors). Governments around the world are investing significant resources in developing logistics clusters: agglomerations of logistics service providers and business logistics functions of shippers. Such clusters are supported by significant infrastructure investments in ports, airports and intermodal yards, as well as water, rail and highway connections.

The financial crisis has spurred interest in new sources of private finance for transport infrastructure at the same time as exposing the scale of liabilities that off-balance sheet financing mechanisms can create for taxpayers. Many governments seek to attract private finance from a broader spectrum of investors through new models of partnership in order to maintain investment at the same time as limiting public spending. Others are struggling to make payments due for roads delivered under existing public private partnership (PPP) contracts, agreed when the economy was growing more rapidly. Whichever side one looks at this situation, a lack of investment often appears to be the reason of insufficient progress.

These elements seem to conjure the exceptional opportunity for governments to impose the obligation of connectivity, as a business opportunity, on those concessionaries that benefit from the concession; in other words these freight infrastructures should be conceived with the additional requirement to ensure IT connectivity for all users through standardised Single Windows and such requirement could be included in the essential elements of the bid.

C. Research, education and awareness

The following statement reflects indeed current practices of governments trying to refrain from looking at logistics in modal/silo way. “In cooperation and with the support of professional organizations, Governments are also in charge of research activities to better understand the impact of supply chain management and logistics on transport services, transport demands and modal choice.” (Par 23) Both CLECAT and FIATA are pleased to take note of this statement and are ready to cooperate at all levels to support governments, and intergovernmental organisations, in their activity.
In regards of paragraph 24 CLECAT and FIATA are of the opinion that in order to unlock the potential of IT solutions for reporting and clearance, governments should link robust IT solutions for tracing and tracking allowing visibility of the supply chain to simplified border management and regulatory processes, e.g., customs and security risk assessment for inbound and outbound cargo before the cargo arrive or leave the UNECE countries or lower physical security checks. The necessary public investment in IT systems should be made in order to foster Business-to-Administration data flow. Governments should, however, without further delay upgrade their ICT system to enable a more efficient Business-to-Administration and Administration-to-Administration data flow for the benefit of both them and the business. Access to real-time public data should be made easier as it could bring efficiency gains to the business.

The final statement of paragraph 24 is one of crucial importance. Freight transport and logistics have been considered by policymakers mainly on two different grounds. Raising revenues through taxes and excise is the evergreen topic of all governments and we all know where our fiscal balance would be without the significant contribution of the transport sector, which should go to its credit. More recently the issue of emission and environmental damage has taken the lead. Without the least intention to diminish this crucial point, on which both CLECAT and FIATA are fully and publicly engaged, both associations take the view that the important contribution of logistics to development, growth, job creation and in the end to our improved lifestyles has been seldom recognised, more readily in the developing world than in the more developed areas, which are the ones that more than others have benefited from its advantages from a historical perspective.

**Governmental action**

**A. Activities at national level**

Referring to the fact that many governments are now trying to enhance the perception of the economic significance of freight transport and logistics CLECAT and FIATA support the suggested activities. The importance of logistics is also recognised by the EU with a strong support for logistics policies at EU level. China is also an area where logistics has definitely entered the highest level of the political agenda.

Much can be achieved by improving education. Awareness programmes could be created with a view to improving the perception of the “logistic specialist” job. The main policy objective on freight transport personnel and training should be to make the industry more attractive and diverse with a special focus on younger people, apprentices, scholars and people re-entering the labour market. Awareness raising and launch of capacity building campaigns can help improve the image of the sector, and such programme could be coordinated with institutional donors.

In particular on education, FIATA could assist with its successful vocational training programmes that are delivered in nearly 100 countries in the world and ensure the only existing common qualification standards that are conducive to a portable “competency certificate” in logistics. This ensures that a qualified professional trained in one country can be recognised and accepted as a qualified employee in another, if labour market conditions allow.

**B. Activities at sub-regional level**

Reference is made to the 2007 Freight Logistics Action Plan and to the bottleneck exercise.
CLECAT considers that such an exercise has been helpful as it has identified the important regulatory burden on the industry. Cutting red tape should be the top policy action for the logistics sector. The paper omits to note that the 2007 FLAP is under review and that the results of the actions are being assessed. On the downside, as mentioned in paragraph 30, it must be noted that as soon as the bottlenecks exercise (focal points) uncovered the possibility to actually remove a number of bottlenecks in the EU and revealed that many of them were created either by lack of MS’s investments or by enduring legislative barriers the exercise was discontinued, probably because MS’s did not feel comfortable with the results and it was unpalatable to put the patient on the slab. This observation raises the issue of what is sometimes actually achievable and what is not, in the perspective of international cooperation.

Paragraph 31 which reads ‘Finally, by the end of 2008 a number of “green corridors” are planned to be identified on which short sea shipping, rail, inland waterways and road transport complement each other to enable environmentally friendly transport solutions’ shows that the paper needs some further updating or additional explanation.

UNECE possible initiatives

In a final page the paper makes the following suggestions in the field of international transport policy and regulatory measures:

(1) Monitoring and analysis of national measures to influence the design and management of freight transport with a view to enhancing the use of intermodal transport and preparation of a toolbox of policy measures and mechanisms that, depending on national circumstances, could be utilized to this end. Relevant ECMT resolutions on combined transport should be taken into account.

(2) Review and possible amendment of the 2005 “Model” Action Plans and Partnership Agreements, including performance parameters for the development of intermodal transport, with logistical requirements, benchmarks and responsibility parameters.

(3) Analysis of the Rotterdam Rules and review civil liability regimes and provisions for intermodal land transport in a pan-European context.

CLECAT and FIATA would remind the WG that the work on a multimodal liability clause or scheme in a pan-European context has been quite difficult over many years. Experience tells us that, if it extremely difficult to come to conclusions, as sometimes conflicting international standards and agreements come into play and their approximation has been attempted several times without success. Both associations have lived through several attempts in this direction and have participated in the, sometimes time consuming, discussions at UN level that continue since the ’70’s of last century or even earlier. Just as a matter of interest the FIATA Multimodal Bill of Lading was created after the UNCTAD/ICC rules that were adopted in 1992 after the monumental work of the UN Multimodal Convention did not come to fruition. The more recent attempt to address this problem with the so called “Rotterdam Rules” at the moment seems to proceed with similar pace.

From a more pragmatic view, dematerialising the transport and accompanying documents should be promoted. It will be a cost efficient solution while also improving the speed of delivery, the traceability and reduces administration paperwork. Other global industry associations - like IATA for aviation with its ‘e-freight’ project - should take the lead of e-documents projects and work closely with states. The EU should support those projects as much as possible. FIATA itself has launched a project to make the FIATA Multimodal Bill of Lading available in electronic format. The electronic version exists and the transactions have been successful. The project has however showed that the most important obstacle in the wide adoption of the new system is posed by the lukewarm attitude

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of shippers. Ensuring the participation of shippers in the pilots has been a challenge and this is the area where our efforts will focus in the future.

Paragraph 36 stipulates that “In the field of international transport infrastructure and performance measures:

(1) Review of the existing infrastructure and performance standards in the AGTC Agreement, including its Protocol on inland water transport with a view to raising interoperability standards and establish benchmarks for an efficient design and management of freight transport and international intermodal transport services. The difficulties and costs in modifying such standards should be taken into account.

(2) Review of AGTC minimum standards for terminals with a view to optimizing transhipment and logistical procedures and inclusion of mechanisms for the optimum location, construction and operation of terminals, freight villages and distribution centers, border-crossing and gauge interchange stations as well as ferry links/ports.

(3) Inclusion of logistical requirements into the AGTC (also possibly AGR and AGC) to increase capacity and efficiency of port hinterland transport services.

CLECAT and FIATA would welcome performance indicators for infrastructure and border management processes. These instruments should be developed, including for instance transit and waiting time and clearance time. It would help to increase reliability and quality of services in particular and the efficiency and competitiveness of the supply chain in general. The indicators should be available to the public as well as the private sector.

Support is given to the following suggested initiative listed in paragraph 37: “In the fields of exchange of information on research, education and awareness:

(1) Exchange of best practices on new concepts, design, weights and dimensions of intermodal loading (transport) units taking account of existing weight and dimensional limits enshrined in national, international and sub-regional (European Union) regulations.

(2) Exchange of best practices in the preparation and implementation of national logistics action or master plans.”

However it must be registered that important interests play a role in still preventing cross border operations of equipment and quite often artificial regulations still impede the completion of the transport single market, even in free trade areas such as the European Union. This suggests that further approximation and liberalisation are objectives that will remain on the transportation and logistics agenda in years to come.

In conclusion, CLECAT and FIATA are thankful to UNECE for hosting this comprehensive debate on freight logistics, as sector providing jobs to millions of people and representing an important sector of our economy in terms of added value. We have also sought to highlight that logistics has a key role to play in increasing the competitiveness of our economies in a sustainable way. In reading our observations it is easy to see that we have very clear ideas on where authorities can play a role in creating the appropriate framework conditions for an activity which is primarily business but equally on where governmental intervention could become, marginal, ineffective and even counterproductive.” Having said this, we believe that a continued commitment of our sector to work in partnership with governments and civil society will lead to tangible benefits for the continued economic and sustainable growth.
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About CLECAT

CLECAT was established in 1958 in Antwerp as ‘European Liaison Committee of Common Market Forwarders’ – also "Comité de Liaison Européen des Commissionnaires et Auxiliaires de Transport du Marché Commun" (CLECAT). It is now based in Brussels with a permanent secretariat and offices close to the European institutions. CLECAT is representing the interests of more than 19,000 companies employing in excess of 1,000,000 staff in logistics, freight forwarding and customs services. European freight forwarders and Customs agents clear around 95% of all goods in Europe and handle 65% of the cargo transported by road, 95% of the cargo transported by air and 65% of cargo transport by ship. More information on www.clecat.org

About FIATA

FIATA, the International Federation of Freight Forwarders Associations was founded in Vienna, Austria on May 31, 1926. It is a non-governmental organization that today represents an industry covering approximately 40,000 forwarding and logistics firms, employing around 10 million people in some 160 countries. FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL). It is recognized as representing the freight forwarding industry by many other governmental organizations, governmental authorities, private international organizations in the field of transport such as the European Commission (through CLECAT), the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU), the World Customs Organization (WCO), the World Trade Organization (WTO), etc. More information on www.fiata.com