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TRANSPORTATION SUMMIT 2011 **EXAMINES BEST PRACTICES SHAPING GLOBAL LOGISTICS**



TRANSPORTATION SUMMIT 2011: BEST PRACTICES SHAPING GLOBAL LOGISTICS

By MELISSA EDWARDS

Benchmarking, collaboration could turn silos into 'orchestra,' conference told



Remove the silos

KIERAN RING



Let's not reinvent things

RUTH SOL



Transshipment opportunities

BOB WEST



Imaginary corridors

JEAN-PAUL RODRIGUE



Take a leadership role

RAFAEL SAPIÑA GARCIA



Alongside our partners

ROBIN SILVESTER

Photos: Lorne Nukina for WESTAC

Too many stakeholders in the global supply chain are acting as soloists when, with the right direction, they could be playing as an "orchestra" and capitalizing on the efficiency, said Kieran Ring, a feature speaker at Transportation Summit 2011: Best Practices Shaping Global Logistics.

Mr. Ring is CEO of the Global Institute of Logistics (GIL), a U.S.-based not-for-profit supply chain research group, which partnered with Canada's Western Transportation Advisory Council (WESTAC) to hold the conference in Vancouver.

"If you are a well-paid soloist, being asked to join an orchestra is a big move," Mr. Ring said. "Everyone in their silo is doing a great job. But the value gets trapped in the handover."

Mr. Ring said point-to-point thinking and a system built on an old-fashioned "legacy" model has resulted in 8.9 cents out of every dollar being spent on logistics in the U.S. In China, where the cost is as high as 20 cents, a new five-year plan is in place to get the cost below the U.S. figure.

"We can get our cost down by half if we remove the silos," Mr. Ring said.

He told the crowd that the only question left in the move toward orchestration is: Who will act as band-leader?

Mr. Ring's organization is in the final stages of a four-year research proj-

ect on best practices in global logistics.

WESTAC president Ruth Sol told Canadian Sailings that the idea for the summit arose after her team met with GIL in October. "They just blew us away. They had so much information," she said. "When resources are limited, let's not reinvent things. We can find a better way with the best of what others already know."

GIL began its research process by forming global committees for each silo (shippers, logistics professionals, port authorities, terminals, shipping lines, information technicians, warehouses, distributors and customers), as well as regional cross-silo chapters with links to government, academics and service providers. Mr. Ring said GIL set out with the idea that terminal operators might be well placed to take a leadership role in a collaborative system, so it undertook a three-year study of terminal hubs such as Yantian in China.

The research culminated in the creation of GIL's Container Terminal Quality Indicator (CTQI) trademark. GIL examined factors such as gross moves per hour, equipment age, truck calls, throughput and other metrics,

and created benchmark figures against which terminal quality can be improved. Those who meet the benchmarks can earn CTQI status.

Mr. Ring hopes that GIL can expand this benchmarking process to other parts of the supply chain. "Everyone who touches (the container) should have a quality indicator," he said.

While the benchmarking process made the research worthwhile, the lack of transparency inside the gates of the terminal meant the operators were not "the white knights" GIL had set out to find, Mr. Ring said. "But then we found the port authority. The new generation (of port authority) is moving beyond being landlords to become economic strategists. They're not competing, because the collective performance of their stakeholders leads to better performance for the port."

Caribbean ports racing to capitalize on new Panama Canal

Bob West, principal strategist for ports and maritime at engineering and project management company Worley-

Parsons, spoke on how the widening of the Panama Canal and other shifting market forces are changing the dynamics of the supply chain. While Mr. West acknowledged these changes make collaboration in the supply chain difficult, he continued the summit's orchestra theme by saying the "notes" of buying, making, shipping and selling must be in tune with each other.

Mr. West said the new Panama Canal will make it cost efficient to serve 63 per cent of the U.S. population by a water-only route to the U.S. East Coast, compared to the current 46 per cent. The Caribbean will become an important hub for this traffic, but only a few ports are ready for larger post-Panamax ships that carry between 8,000 and 12,600 TEUs (20-foot equivalent unit containers).

"By 2012, 64 per cent of capacity will be in just 30 per cent of the ships. That's an amazing change," Mr. West said.

The new ships will make money only while steaming, so efficient ports will be the most valuable. Ports that are currently well placed include Caucedo, Freeport, Cartagena, Colon – and Kingston, which is now 300,000 TEUs short but investing to increase its capacity. Cuba, which has a naturally deep shoreline, could also be developed to have the capacity within three years.

"Any one of these could be the new transshipping hub," Mr. West said.

He said the current cost per TEU for transshipping (\$908 one-way, including tolls) will go down \$123 after the new canal opens – though some of that savings will be offset by increased tolls.

'Cluster' governance depends on orchestration

Jean-Paul Rodrigue, an associate professor in the Department of Global Studies at Hofstra University in New York, spoke next on the difficulties of setting up effective governance models for cohesive transport.

"A whole series of actors are active in this process: port systems, maritime shipping systems, inland freight systems," Dr. Rodrigue said. Insurance, finance and stevedoring companies all have different aims in integration. Risk mitigation and "last regulatory mile" need to be established, he said, to unite these interests.

Dr. Rodrigue said issues of governance have more questions than answers. "How can you build up a governance structure that helps them play, but not to a false tune?" he asked.

Dr. Rodrigue said that changing rules, a need for accountability and "rent-seeking behaviour" make it difficult to establish an efficient process. But he echoed Mr. Ring in saying that the port authorities may be in the best

position to facilitate "cluster" governance. "They may not be at the point of being an orchestra, but they are saying 'let's start a band,'" he said.

Dr. Rodrigue said terminal operators are also in a position to take a leadership role by pushing for better inland shipping corridors. "The main corridors in the U.S. are imaginary, fake, lame," he said. "They're drawn on a map from a political perspective and not a functional perspective." When a more functional gateway and corridor system is established, governance will be possible, he said.

Seaport cluster models: Valencia and Vancouver

In the second session of the conference, Mr. Ring said there is a need for "seaport cluster" governance in the move to create orchestras out of port systems. He said that seaports are classic examples of a cluster, which he defined as a group of independent organizations that are geographically concentrated and linked by shared economic considerations.

Mr. Ring said it is only recently that benchmarks have been developed to measure the performance of these seaport clusters; those that are performing best include Shenzhen; Sydney; Hamburg; Los Angeles; Santos, Brazil; and Walvis Bay, Namibia. But the port GIL chose as the final benchmark



for performance was Valencia, Spain.

Mr. Ring said that the port authority at Valencia is a “cluster champion” that has made itself into an economic strategist. The 180 companies within the Valencia cluster have been independently certified and are able to offer guarantees to meet pre-set service levels. A quality assurance centre within the port pays a fee if those levels are not met.

Rafael Sapiña Garcia, director of liner shipping and port operations for the Port Authority of Valencia, gave a brief history of his port. Historically, he said, the regions surrounding Valencia already operated as economic clusters – wine, textiles, etc. – so the structure was a natural fit.

The work, he said, comes in taking a leadership role and solving problems. “If not, you are just being a committee, which is useless,” he said.

Valencia got its first crane in 1971; since then it has grown consis-

tently, even through recession years, and is now the second largest port in Spain in terms of total traffic and first in container traffic. It is now replicating its model in Peru by providing that port authority with a strategic plan, training and mentoring.

Mr. Ring next introduced the Canadian system, citing the “seminal” 2005 British Columbia Ports Strategy document. “The Canadian gateway initiative doesn’t have a match or an equal in the U.S.,” he said.

Mr. Ring said the challenge for Western ports is to stop “punching below (their) weight” and to shake off a reputation for instability. “You would be amazed at the tonnage you have lost only on the whiff of unreliability,” he said. “It’s a real and terrible challenge.”

Robin Silvester, president and CEO of Port Metro Vancouver, took the stage to give an overview of his port’s move toward orchestration. He agreed that the port still needs to ad-

dress issues about reliability and labour relations.

“Right now cargo is being unloaded in Seattle that should be unloaded here because of (a potential work stoppage),” he said on March 2.

Mr. Silvester said the cargo diversion can be overcome, but the damage to the port’s reputation could still result in a diversion of infrastructure investment.

Despite this, Mr. Silvester said he is proud of the integration his organization has achieved with its stakeholders. “The best way to sustain growth is undoubtedly through collaboration,” he said. “It is the key to meaningful achievement.”

Mr. Silvester said Port Metro Vancouver is seeing record volumes of containers, grain and coal, as well as 380,000 cars and 600,000 cruise passengers annually.

He said advocacy, communication, and infrastructure development

by the Canadian and B.C. governments are the reasons why his port is as competitive as it is. The governments and the private sector have spent \$22 billion on the Pacific gateway (Mr. Silvester added that despite the popularity of the term “cluster,” he still prefers the term “gateway” to define the stakeholders within the port), and Port Metro Vancouver has collectively committed \$9 million itself.

To mitigate risks and better involve the surrounding community, Port Metro Vancouver took three steps, he said. The first was collaborative strategy development led by the port, then joint investment from all stakeholders, and finally the coordination of operational movements, in order to define metrics, drive accountability and maximize economic investments.

“We do not compete commercially – we are alongside our partners,” Mr. Silvester said. “Now we have cred-

ibility and access to government and funds within reason.”

From disaster to evolution

Mr. Silvester illustrated the change this collaborative process has brought by telling the story of “the old days,” when winter delays that were entirely predictable still resulted in 350,000 rail feet of cargo being held up.

“This wasn’t long ago, and our reputation still hasn’t recovered,” he said. But the snafu sparked the creation of collaboration agreements and the formation of an integrated winter planning group that included the railway, the terminal operator and other partners.

The group identified gaps and opportunities, then drafted a plan. “It has resulted in an astonishing improvement in service; night and day from four years ago,” he said.

Other innovations include a truck licensing system, and a forecasting IT

system that collects and analyzes standardized data in advance of shipment arrivals. Environmental sustainability innovations and GPS coordination with trucks are among the next phases.

“Our shared experiences show that we are part of each others’ story and integral to each others’ success,” Mr. Silvester said.

He said port authorities are in a position to be the “thoughtful conductor,” offering “steely but sympathetic guidance” and championing supply chain integration.

The 100 participants and 14 speakers at Transportation Summit 2011 spent the second day of the conference in a series of workshops that took a closer look at case studies in Australia, China and Spain, and addressed issues about the workforce, quality guarantees and communities.