

CHALMERS



Transport purchasers view on environmental issues

Results from an interview series with CPMs member
organisations

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SUMMARY

This report summarises the results of a series of interviews that were held in the spring 2005 with logisticians and transport purchasers at CPMs member companies. The aim was to make a compilation of the transport planners and purchasers' knowledge, experiences and opinions of the transport related environmental issues.

The findings from these interviews were used as input to a workshop that took place in April 14th 2005 with representatives from these groups and the environmental departments. The outcome of the workshop is also summarized in the report.

1 BACKGROUND AND AIM

The aim of the sustainable transport project is to initiate a process among CPMs member companies to work with sustainable transport and environmentally preferable logistics in a long term perspective. In the short term perspective this means to increase the knowledge at the company about environmental preferable logistics and to identify relevant and feasible actions within the area to ensure the companies long term economic strength in a shrinking environmental space.

A second aim is to initiate a dialogue between the environmental-, the sales- and the logistics departments within the companies to increase the understanding of how, decisions that are made at the different departments affects the environment and the possibilities for the transport planners to chose environmentally preferred logistic solutions.

During the spring 2005 conducted Peter Lysell and Magnus Blinge a series of interviews with logisticians and transport purchasers at CPMs member companies. The aim with this activity was to make a compilation of the transport planners and purchasers' knowledge, experiences and opinions of the transport related environmental issues. This material was used as input to a workshop that took place in April 14th 2005 with representatives from these groups and the environmental departments. The purpose of the workshop was to initiate a better communication between the departments, and a better understanding of the daily work situation at respective department.

2 RESULTS FROM THE INTERVIEWS

The responses from the interviews showed that although there was no absolute consensus, there were several similarities in the answers and the opinions about how the environmental issues affected the logisticians work. In order to ensure the integrity of the interviewed persons has some editing been made by the authors and the responses has been summarised in the headings shown below. Please note that the headings are not put in order of importance.

- **There is a genuine interest for the environmental issues. Everyone wants to do the right things and want to improve the situation and to be a part of the improvement process. It is regarded as an important area that will grow in importance in the future. Transport- and environmental costs will increase in the future.**

It was clear from the interviews that the environmental issue was regarded as one of the most important issues to deal with for the transport sector in the future. It is an engaging subject and all of the interviewed people were willing to discuss the issues from their perspective. There was a sense of frustration in their answers, that they wanted to know more, do more, but they felt hindered by the economic constrains. It's a tough competition, and being localized at the outskirts of the greater markets, lean transport and logistic systems is regarded as vital for the companies' competitiveness. If the customers don't accept higher prices due to environmental initiatives, will the producers and the transport companies not pay for them either. Any substantial changes must be initiated by the politicians.

It was also clear that the transport planners and purchasers saw the increasing transport demand as a problem and that higher road transport prices due to congestion and environmental constraints were to be expected.

- **It is the management who sets the basic rules and priorities at the companies**

To ensure market competitiveness the management focus on low costs and high service level and gives the task to the logisticians to create a sound balance between those two. Environmental issues are regarded as important and are treated with high priority. However, when it comes to business decisions, environment doesn't seriously affect the choice of transport mode or transport provider.

- **Environmental projects are, naturally, easy to start when there is an economic- and environmental win-win situation. For other situations it is much harder, but not impossible.**

All companies are seeking for projects and ideas that lead to environmental and economic win-win situations. In many cases is resource efficiency the same as both cost- and energy efficiency and, in the extension, lower environmental impact. For most companies is this the only way to get acceptance for environmental initiatives.

There were, however, logistic representatives that answered that they felt that they had the support from their management to start environmental projects even if it costs money for the company, within reason of course.

- **Transport purchasers have relatively good knowledge about environmental issues. However, they claim to need even better knowledge, more information and better tools to work with**

The interviews showed that the transport purchasers and logisticians had a rather clear picture of the problem and of the most commonly suggested solutions. They felt that they weren't sure if the measures and initiatives that they did and that came from the environmental department really were environmentally effective and if it was worth the effort. They wanted more information, more knowledge about this complex area. They also wanted tools and easily communicable measures.

- **The people in the environmental departments don't fully understand the business, and the people in the transport- and logistics departments don't fully understand the environmental issues.**

First, we must stress that all the interviewed people had an honest respect for the work that were carried out at the environmental departments and that they all thought that the co-operation worked very well. The same impression goes for the other way around. The only negative remark that we could find in some of the interviews was the following:

Some of the initiatives that comes from the environmental departments, e.g., use of special chemicals, use of special washing facilities, recycling of certain packaging materials, etc., can have counter productive effects in the supply chain. It can lead to usage of twice as much of a similar chemical, induce longer transport distances or longer empty haulages. The transport and logistics departments find it strange that the whole system sometimes is not included in the environmental analyses. On the other hand, the environmental departments stresses that the environmental work must be pragmatic and easy to implement and follow. This means that some drawbacks must be accepted in a complex reality and that the actions taken leads to continuous improvements in the long run.

If this is a problem in some organizations it can easily be corrected with better communication.

- **The single most important activity to reduce the negative environmental impact from transport is to improve the efficiency in the transport system.**

In all interviews was improving transport efficiency, i.e., fully loaded trucks and vessels, reducing empty haulage, shortest possible transport distance, etc., regarded as the best way to reduce the environmental impact from transport activities. As this activity in most cases also implies improved economy, it was also regarded as the most likely measure to be successful to work with. Thus, improving the transport efficiency within the limits of an appropriate service level to the customers is top priority for all companies.

- **The attitudes towards railways are basically based on emotional grounds.**

It was a rather common, that when asked what environmental activities that they have done or tested, the first comment from the interviewed logisticians was that they have tried railways, but it didn't work. It was either too expensive or too inefficient. This came up without having discussed railway previously in the interview at all. This implies that railway has a reputation of being the most environmentally friendly transport mode among logisticians, but also that it is unreliable from a logistic point of view. When asked a follow-up question on examples, only a few of them had personal experience with the railways bad performance. It was often (but not always) reputations that were related to incidents that happened several years ago.

It was interesting to hear this common opinion, mostly based on emotional grounds. Railway is often a better environmental alternative compared to other transport modes, but not always. A diesel-powered train, or a poorly loaded electric train run on electricity produced from a central European grid mix, is not better than a modern lorry or a ship equipped with a catalytic converter and powered with low-sulphur marine bunker. A lorry is often a faster and more reliable transport mode compared to railway, but not always. One interviewed logistician claimed that for their products was the railway faster, cheaper and more reliable than road transport.

- **It is difficult to measure and to follow up improvements or other consequences of different initiatives, and there is a lack of usable tools.**

The problem of not having sufficient information or tools came up several times during the interviews. The feeling of not knowing if they were doing the right things and not being able to measure the consequences of any changes made or were strong. The fact that it is difficult to communicate improvements in a reliable way contributes to the feeling of uncertainty both internally within the company and externally.

- **The measures that are used today are primarily fossil CO2 and ton-kilometer.**

The measures that are used are generally very basic. Fossil CO2 is widely used as a single indicator for the environmental performance of the transport activities. It is sometimes complemented with one or two other emissions to air. The “functional unit” used is normally ton-kilometer. Other measures exists of course, but these are the most common.

- **None of the companies have “definite deal-breaker” environmental demands on the suppliers, e.g., on tyres, fuels etc.**

Putting environmental demands on the suppliers is a commonly used measure among the companies. Most of them have demands on their suppliers to be ISO 14 000 certified. Other demands on e.g., tyres, fuels, ecodriving, etc., also exists. However, none of the companies allows these demands to jeopardize the business. A supplier will not be replaced if it disturbs the service level or significantly increases the transport costs. A dialogue will start instead to help the supplier to improve their environmental work.

- **There is no clear picture on what the driving forces are for the environmental issues.**

The question on what was the driving force for starting the environmental work within the transport departments differed between the companies. Examples are:

- The ISO-14 000 initiative started the work.
- A successful environmentally induced project paid off well also economically, and then we started looking for more.
- An internal environmental program.

- **The environmental issue is important in the Nordic countries; it is on the agenda in Europe, but practically not an issue in the rest of the world.**

There is a clear difference in how important these issues are regarded in the world. The logisticians get a lot of questions in the Nordic countries and in the northern European countries. In the rest of Europe is the environmental issue on the agenda, but not a serious one. The further south you come, the less interest there is. In the rest of the world is it not really an issue.

3 RESULTS FROM THE WORKSHOP

The results from the workshop can be summarised in the following bullet points:

- *A need for better information.*

The decision makers are not fully aware of the consequences of their decisions. They need more information as well as more and better information material to get acceptance and understanding of their decisions.

There is a need for measures that are communicable to the whole company, not only the logistics and environmental departments. It is difficult to communicate why (or why not) we shall report emission data from transportations when it is the transport company that produces the emissions.
- *How do I know that I make the right decisions?*

It's hard enough to plan your own operations and even harder to give relevant information about it to others. How does it work when it works well? We need more information to be able to influence the situation. We need information e.g., on:

 - Present and future laws, regulations and taxes.
 - Plans on infrastructure investments, prioritised regions, future problem areas (congestion etc).
 - How to connect the environmental impacts to monetary costs.
 - Positive examples from other companies. How do other work?
 - How and what shall we measure and how shall we present it in an easily read and popular way.
 - What will happen in the future and how can we prepare for that?

What is being discussed in Brussels and at the Swedish authorities?
- *Improved tools and measures*

We need tools that show results that are comparable with other companies' results. A common methodology. How do we, for example, measure load rates and system utilisation in a common way? It would also be good if the tool was compatible to serve the ISO 14 000 system and was accepted by environmental auditors

(e.g., DNV). It's hard to measure environmental effects and to know how the environmentally related costs will develop. We also need measures that indicate how good we are at buying transport services as such, not only environmentally related measures.

- *Suggested improvements*

One suggestion is that if we plan better and give the forwarders more time to plan and consolidate goods, the utilisation of resources will increase. One more day of lead time may give the opportunity forwarder to consolidate one more time. However, there seems to be a very low interest from the forwarders for this help. They prefer to keep to their regular system. Even if 2-3 days time window for picking up goods is offered, the forwarder will probably plan the transport 1 day before deadline anyway, as that is the way they normally do it. Thus, the present system will thus not lead to any improvements. The forwarders are not customer oriented enough in these matters. They strongly promote the own company's regular products. They are very unenthusiastic to offer co operations or specialized solutions. The really "perfect" forwarder doesn't exist!

Prognoses are good. It is an important tool to find positive improvements in the logistic system. However, it is only relevant on a weekly basis. Monthly based prognoses are only reliable for a very limited number of companies.

One suggestion is to create a commonly used system to classify transports in a similar way as Lorries (Euro II, Euro III etc.)

- *Who shall do what?*

There is a lack of initiatives from the forwarders. They do not promote any environmentally adapted solutions. Maybe the forwarders have become "burned" by environmental initiatives. They have low margins and their customers are (in most cases) not prepared to pay extra for environmentally adapted transport services.

Who will pay? Who will benefit and who will lose on new regulations and economic means of control that will be introduced by the authorities? Polluter Pays Principle is a good starting point,

but will we ever find a fair and neutral system for that? It will be the customers who will have to pay in the end but how do we get there, and how can we get their acceptance? It is the lowest price that decides what the consumers buy. The public doesn't understand or do not see the connection between lower prices and more transport. With their buying behavior they induce longer transport distances and lean production and logistics. The industries that are closer to the consumers have a greater role to play.

Who is responsible for the emissions produced from the transport activities? The producer of the products? The transport companies? The end consumers?

- *Scenarios, what will the future look like?*
What is a sustainable society? What is sustainable transport system? What realistic scenarios can be predicted and how will the transport systems develop in these scenarios? Taxes, fuels, fuel prices, emission levels, capacities for the different transport modes, etc.

At what price do we reach breakeven, when it is no longer profitable to move production to e.g., China?

Which are the trends within the automotive industry? What solutions do they foresee and when will they come?

A better understanding of these questions will be of great help when projects, products and concepts are discussed and developed together with suppliers and customers.