Fourth Annual Stakeholders' Conference
29th November 2018, Brussels

How can multimodal connectivity and digital platforms turn trade into a growth engine ?

On November 29, Feport held their fourth annual stakeholders' conference in Brussels, which focussed on the theme of whether multimodal connectivity and digital platforms can turn trade into a growth engine. During the conference, speakers underlined the need for an increased multimodal strategy. Moreover, another key theme of the event concerned the need to improve digital connectivity. In this regard, several participants outlined the importance of data sharing between actors in the logistics chain to improve efficiency, cut transportation costs and increase reliability. Please see below for a full summary of the conference.

Welcoming speeches

Dr Armin Hartmuth, Representation of the Free State of Bavaria to the EU, opened the conference and welcomed participants. He noted that, in 2017, Bavaria exported €194 billion worth of trade in 2017 and highlighted that Bavaria relies on quality transport across Europe, such as an upgraded road through the Brenner Pass. Going forward, multimodal connectivity and digital platforms will be crucial and he highlighted the EU's role in helping to foster better digital connection. On logistics and transportation, he underlined that speed, reliability and timing were key to the sector. He then gave the floor to Mr Bonz for his introductory remarks.

Gunther Bonz, FEPORT President, welcomed guests to the fourth annual stakeholders' conference and thanked the Bavarian representation for hosting the event. Europe is an area where regional identity remains important but it must also be a united, interconnected sphere. On European parliamentary elections in 2019, he said the logistics sector must be vocal when it comes to giving input regarding needs in such areas as increased connectivity. Concerning today's conference, he hoped for a broader perspective and new insights. Following this, he gave the floor to the moderator for the first session.

Moderator Lamia Kerdjoudj-Belkaid, FEPORT Secretary General, introduced the first keynote speaker, before giving him the floor.

Opening Speech - Getting multimodality right to facilitate transport and trade

Matthew Baldwin, Deputy Director General, DG MOVE, stated that the world is volatile and rapidly changing; old certainties are dissolving and nationalism and protectionism is challenging broadly open markets and multilateralism. Moreover, digitalisation poses a new set of challenges which must be addressed. Ports are at the forefront of economic development and they are often the starting point of development and they remain the gateway to Europe.

On transport, the Commission will continue to fight for open markets. He said that Europe must control what it can; for example, integrating ports into the logistics sector. Better integration of ports with their hinterlands requires physical infrastructure connects, including 'last mile' connections.

Regarding digitalisation, he stressed that the integration and sharing of data from ports with traffic management is one way of optimising infrastructure and equipment. Becoming smart and connected is crucial to driving economic growth.

Commissioner Bulc dedicated 2018 as the year of multimodality. This was done to raise awareness of the opportunities of multimodalities and challenges in this area. Regarding roads, there are natural boundaries to expanding infrastructure and resources are limited. As such, better use must be implemented. In this regard, multimodality, such as moving from road to rail can be profitable as congestion costs Europe one per cent in GDP each year. In particular, rail must be used to attain results.

Moreover, transport accounts for about a quarter of EU greenhouse gas emissions and multimodality can also tackle this issue. The goal should be to use road transport when it is most needed and not as the default mechanism. Furthermore, the standards transport approach must treat multimodality as a core of the system, whist also prioritising investments in the system and the roll out of digitisation.

Multimodal leads to value added systems and multimodal option should be properly available to the market, in addition to being environmentally sustainable. He asked why it was not happening if so many people agreed on its important. However, alternatives to road transport, such as rail, are not as efficient and effective as they need to be. A level playing field is required but many cannot yet agree how to decide on the exact nature of the level playing field.

Another obstacle is a lack of connectivity and interoperability. True connectivity between modes is required for multimodality, such as transhipment nodes. Data is the new gold and will be the fuel of transport. It will allow for physical infrastructure to be better managed and he stressed that the Commission would encourage all sectors to share data.

On the Commission's proposal on the single window which aimed to address shortcomings regarding European harmonisation, he noted that the industry called for the Commission to go; however, the proposal on the table was at the limit of what national markets could take.

Regarding the electronic freight information proposal would guarantee that all authorities accepted electronic documents provided certain criteria are met. By 2040, the industry could save from €20-30 billion in administrative costs. He stated that both files were progressing well and hoped that they would be adopted before elections in 2019. These files over goods from import to final destination and would pave the way for a fully paperless logistics environment. In addition, he hoped it will establish a harmonised data model to approve efficiency.

The work on digital freight continued to flow from the Digital Transport and Logistics Forum *(*DTLF*)*, which he hoped would receive a prolonged mandate. A priority is to define the technical and governing rules on accepting data and the right kind of collaborative and trusted environment must be established for sharing data, which would lead to a joint data exchange infrastructure, both enhancing B2C trade and B2B trade. Emerging trends such as blockchain and artificial intelligence (AI) will be scrutinised in this regard.

Funding and financing will be crucial to attain these objectives and the Connecting Europe Facility (CEF) targets digitisation. The Commission had proposed a reinforced CEF and the total budget is more than €42 billion; more than €30 billion of this is to be earmarked for transport. Eligibility should be linked to the entire comprehensive TEN-T network, he stated. He regretted that the proposal on combined transport directive multimodality had been watered down in Council and hoped that the outcome would not be lowest common denominator programme.

Finally, he stressed that the Commission was committed to a multimodal approach. He hoped that shared efforts could continue to focus on multimodality and make it an increasing reality.

Moderator Lamia Kerdjoudj-Belkaid thanked Mt Baldwin for his speech. However, she noted that the industry had been quite disappointed by the Council's position on the combined transport directive. She asked if this was a signal from Member States that there was no future in rail freight.

Matthew Baldwin replied that the issue might be that not many people know how important this file is. He underlined that it was critical to the freight industry and said the Commission would continue to fight for multimodality.

Moderator Lamia Kerdjoudj-Belkaid, on financing and priorities, asked if digital connections would be ensured throughout the EU.

Matthew Baldwin said that hinterlands connections are a vital part of the TEN-T networks. He stated that he was hopeful that the TEN-T core network would be completed by 2030.

Moderator Lamia Kerdjoudj-Belkaid, regarding data and data ownership, asked about data ownership and governance. Was this on the Commission's work programme going forward?

Matthew Baldwin answered that the Commission can really help by developing the right governance network, rather than only passing legislation. He hoped that the DTLF would take this question on so that it could be properly address.

Session 1

Moderator Lamia Kerdjoudj-Belkaid then opened the first session. She noted that there were key challenges and questions for trade to address, such as whether blockchain can offer a new forward. She then introduced the speakers and gave the floor to Dr Stopford.

Keynote speakers

Dr Martin Stopford, CEO, Clarkson Research, said he wanted to give the audience four issues to think about:

- firstly, emissions targets in 2020 and 2050;
- secondly, tomorrow's transport system – regional or global;
- is the European distribution system due for a rethink?
- information and communications technology – progress report.

On emissions targets, Dr Stopford stated that January 2020 will see the introduction of the sulphur cap. Only 2.5 per cent of the fleet of cargo ships have fitted scrubbers. There are also big issues concerning the compliant fuels: MGO, ULSFO and VLSFO. As from 2020, refiners will be concentrating on blending oil to offset sulphur and not viscosity. This means that ship owners will need to ensure that their ships can run on these types of fuels; otherwise, blackouts or breakdowns could occur. There could be a fair bit of disruption in early 2020.

Concerning greenhouse gasses, the IMO agreed on a cut of 50 per cent of greenhouse gasses (GHGs) by 2050 compared to 2008 levels. If current trends continues, three billion tonnes of carbon will be produced by 2050. He stated that there is not enough focus on the production of new technologies for reducing emissions.

Dr Stopford stated that the first solution could actually be to cut cargo; much cargo is currently being shipped because it is cheap. If growth can be restricted in trade volume, but the value added increased, this could still result in profitability. Secondly, sailing at ten knots per hour could cut 40 per cent from the carbon footprint. Thirdly, developing zero carbon propulsion systems, such as using hydrogen in fuel cells, could result in carbon emission cuts of up to 20 per cent. However, the whole organisation structure would also need to be rethought in order to achieve cuts.

Regarding tomorrow's transport system – regional or global – he remarked that imports to Europe only grew 1.8 per cent from 2006 to 2017. He stated that trade to and from Europe had most likely peaked out. He noted that Brexit had made people think about logistics and it showed that global systems carry enormous strategic risks. He believed that the world would move back towards regional trade clusters. The current system was created under different circumstances and he noted that, to ship from Port Harcourt, Nigeria, to Long Beach, USA, goods have to be shipped via Shanghai.

On distribution systems, although transport is being transformed, shipping still concentrates on long routes; there is no decent short sea shipping system in place. 10,000 containers are brought into the south-east UK each day. The majority are then put on lorries and he recommended that ports throughout the country be used to cut costs and journey times.

Concerning information and communications technology, Dr Stopford stated that, with regards to mooring lines, three of four employees are required to moor the ships. There are alternatives to this, such as a suction system. Moreover, autonomous self-discharging cranes on coming on line and he underlined the need for shippers to analyse their data to see how improvements can be made. Finally, on linking all these systems together, a platform is required to ensure efficiencies. He recommended looking into using microservices systems.

Prof Mary R Brooks, Professor Emerita, Rowe School of Business Laureate, Onassis Prize in Shipping 2018, remarked that, over the last 20 years, there has been the development of a lot of Cooperative Working Agreements (CWA). In 1998, of the top 20 carriers, 7 were not part of alliances; for example, Evergreen and MSC. By 2005, Maersk, MSC and CMA were still not aligned. However, 87 per cent of the capacity share of the market is now controlled by the top 20 enterprises and they are now aligned in alliances. This raised the question as to how one knew whether the market was competitive. Strong indicators can show this. This is difficult to know for sure, however, as there is a lot of traffic operating on smaller shipping lines. The information that the competition authorities are using to determine if a market is competitive is often not available. In addition, data is often collected on market capacity and not market share and thus it is not possible to judge competitiveness accurately.

On whether alliances are competitive, it is very difficult to assess whether they are resulting in more competition. She stated that it was instructive to look at the matter globally. The competition authorities in the EU, the Hong Kong and Australia can be instructive in this regard. In the US and Canada, for example, transport ministries collect the data. By 2020, she hoped that there would be more balance between the two different types.

All countries she looked into allowed for confidential contracts. However, when it comes to filing these agreements, there is disagreement. For example, the US requires filing, although it is not filed in the public domain. In Canada, the EU and Australia they are not filed.

Concerning rate-making, this is not permitted in the EU. Whereas, in the US, such contracts are put online and anyone can look if they like. Very few countries allow coordinated inland pricing between shipping lines as it is considered predatory; although data was not available on Japan, Korea or China in this regard. CWAs agreements must be filed in most countries, she noted.

Prof Brooks then stated that there are many anti-competitive practices which are listed under CWAs. However, harmonisation across countries has not increased and she held that multilateralism had missed an opportunity. Regarding any policies, they should provide for harmonisation regrading the two ends of a trade route. Much of the world still has conference legislation and is therefore working differently to the EU, for example. There must be more definition on what a CWA can contain and there must be political will to achieve this, she stressed.

In Canada, there is renewed government focus on trade corridors and the ocean protection plan. The comprehensive agreement with Europe is being seen as a way of reducing dependency on the US. In the US, the focus is being placed on urban mobility and the idea of shipping is second stream. She suspected their focus is more on the implementation od the sulphur rules.

Prof Lauri Ojala, Contributor to the World Bank 2018 Logistics Performance Index (LPI) report "Connecting to compete", said his presentation would concentrate on a global overview. On the LPI report, he explained that it was published every two years and was built on input from around 1,000 freight forwarding logistics companies, including small, medium and large-scale enterprises, from about 130 countries. They are asked to rate 8 other countries than their own country of work. The LPI has an international and domestic focus. On the former, a scale from 1 to 5 (5 being the easiest) is used which assess the ease of doing business with other countries, such as rating the level of logistics competency and the ease of tracking and tracing shipments; six questions in total are asked. An overall score is then given to each country.

Concerning the demographics of respondents, he remarked that it was voluntary and difficult to administer. Regarding overperformers and underperformers from the LPI, he clarified that Germany was rated at the top; Singapore also came near the top. Most EU countries came near the top, in addition to Japan and Hong Kong. There was a correlation between low income countries and low scoring. Some high-income countries also fared poorly. They were most likely to be non-OECD oil producing companies, such as Brunei. He remarked on the limitations of the survey; for example, large countries, such as India and China, can vary vastly depending on the region and this is often not borne out in the report.

On the interest in sustainable options, there was a correlation between poorly performing countries and a lack of interest in environment friendly options; the converse was the case for better performing countries. In most parts of the world, environmentally friendly practices are seen as a luxury rather than standard practice.

Regarding questions on cyber threats in logistics, two-thirds of high-income countries reported that such threats had increased. Only about one-third of low-income countries reported the same. Moreover, the higher income countries have also prepared more than lower income countries.

Key messages from the report included:

- the performance gap persists between the bottom and the top;
- supply chain reliability and service quality drive logistics performance;
- infrastructure and trade facilitation at the core of assuring basic connectivity and access to gateways for most developing countries;
- the logistics policy agenda continues to broaden, with growing focus on supply chain resilience, cyber security, environmental sustainability and skills shortages.

Wolfgang Lehmacher, Head of Supply Chain, World Economic Forum, set out that he would discuss how business sees the current trade tensions between the US and China. He would also outline how blockchain can be harnessed. The global economy has evolved over the years: in 1 AD, China and India were the largest economies. The industrial revolution caused a huge shift and the Western world managed to build its current position. Then came the second and third industrial revolutions and skills were outsourced and traded. When the knowledge of manufacturing was shared, countries such as China became industrialised nation. He stressed that this was a good thing: people were raised out of poverty and cheap goods were produced; now, these countries have become markets for European exports.

On China, he noted that their population was four times that of the US. The growth in trade is in Asia, Middle East and Africa; the West has lower growth. There is not one global economy; rather, a two-speed global economy. Some are trying to implement protectionism, whereas other are championing trade. Due to the China-US trade tensions, there is increased uncertainty in the world.

The Marshall Plan helped Europe, and the One Belt, One Road initiative is doing the same in Asia. There are more than 60 countries involved, which account for 55 per cent of global GDP and 24 per cent of global trade.

Global manufacturing systems are already in place and this is very difficult to change. However, a lot of supply chains are flexible and many companies are moving factories from China to South-East Asia to avoid China-US trade tensions. The positive side is that there has not been too much negative impact on trade. However, it comes at a cost as somebody has to pay, usually the consumer, when there is a shift in the supply chain.

Mr Lehmacher stated that he had spoken to many stakeholders about current trade tensions. Some had reported that it was negative, while others reported that they stood to gain. Overall, the system is stable. The big challenge for companies is lack of certainty; nobody has visibility anymore. Brexit is a perfect example, as nobody knows when this will take effect. A similar situation was seen with the dissolution of the Soviet Union. This results in less investment in infrastructure, such as port terminals.

Some Chinese and American iconic brands could disappear due to targeting. Smaller companies will suffer the most, overall, as larger companies can provision for more difficult times. In Davos last January, an open letter was signed calling for the WTO to be reformed, especially with regards to digitalisation. There may be knock on effects due to lack of reforms going forward.

On technology, he stated that it could help when it came to foster global trade, such as with track and trace mechanisms. Technology, such as blockchain, also gives many opportunities to SMEs as new actors can be linked up across the world. A governance discussion regarding the setting up of global platforms is required. He noted that 10 per cent of global trade does not happen and remains a potential, primarily due to lack of access to financing. Credit can be difficult to access and blockchain could address this issue. Large companies have large departments devoted to letter of credit, whereas SMEs do not have the resources. Digitising the letters of credit could open up a lot more financing.

Digitalisation is the representation of the psychical world in the digital space and technology can be used to identify whether documents, such as letter of credit, are fake and real. Smart contracts can be connected through the Internet of Things (IoT) can result in quicker payments as cargo is located in real time. Moreover, blockchain is easy to use, connected to the real world and safe due to digital encryptions. Half a trillion dollars could be generated over the next ten years by using this solution. Hong Kong and Singapore have already connected their platforms to enable such transactions. This world only works if established practices are let go of, such as paper documents. Digitally integrating the entire chain is key, he underlined.

On next steps, he said he believed it would be that the economy becomes much more distributed, such as through 3D printing. If there is a silo approach, it will be very difficult to advance. In this regard, he stated that manufacturing would come back to Europe in this distributed form.

Questions and Answers Session

Daniel Hosseus, German Seaport Operators, addressing Prof Brooks, asked for a comment on the market power of alliances vis-a-vis lines of shipping and terminals.

Prof Mary R Brooks said she was concerned that members of alliances were showing up as teams at ports. Cooperation is supposed to be seaside and not landside; as such, she stated there may be an issue of enforcement and compliance.

Daniel Hosseus, German Seaport Operators, addressing Dr Stopford, asked if he had any indication of how ports could aid in cutting emissions for shipping.

Dr Martin Stopford noted that some of the issue revolve around the bunkers as now two or three grades of fuel may be carried to ensure there is low sulphur. On ports, perhaps they can ensure ships go straight onto berth to allow the ships to be more efficient, whereas now they often have to sail at full power to ensure they reach ports at their berthing time which causes a rise in emissions. Moreover, any equipment they can replace to make shipping more fuel efficient would be welcomed. He then stated that this is a question which terminals would have to think about for themselves.

Prof Mary R Brooks noted that there is little research into the area of maritime fluidity, regarding how long it takes for a ship to enter a berth. Perhaps ports can communicate to ships in advance if there will be long waiting times; this could mean ships could slow their speed.

Dr Martin Stopford gave the example of Shell persuading the Port of Tokyo to permit berthing at night. They found this resulted in less risk and this has helped the logistics.

Nik Delmeire, European Shippers Council, on slowing the speed to reduce emissions, said that, if speed is reduced by 40 per cent, the average supply chain would increase from 25 days to 37 days. This means that stock levels would have to rise. He asked Dr Stopford who would have to pay for this. In order to avoid the wait, the result is that air freight will increase. Addressing, Prof Mary R Brooks, he said there was also the question of service level. he advised that, in any regulation, the service level aspect would be taken into account.

Dr Martin Stopford replied that this issue could be dealt with through more efficient logistics. Moreover, many buyers would choose reliability over speed. Business people are happy if delivery takes a little longer, as long as it will arrive at the time stated.

Prof Mary R Brooks said that, when good service is delivered by a shipping line, customers will remain loyal, assuming they have choice. She noted that the missing part of the research was whether the consumers actually had choice. Currently, Canada's governing monitoring is looking at which routes are working best; the best indictor for this is reliability and, right now, shipping lines have appalling reliability.

Wolfgang Lehmacher stated that there was another dimension: external costs. For example, the carbon footprint is a cost which society will ultimately have to pay.

Moderator Lamia Kerdjoudj-Belkaid, addressing Mr Lehmacher, asked if there were any concrete discussions ongoing on data governance. Addressing Prof Ojala, she noted that other players, such as Amazon, are entering the logistics sector, and she asked if they were included in the study. She then asked Dr Stopford whether there would be a change in the size of ships seen if trade routes changed. Addressing Prof Brooks, she asked why she thought there were major changes, such as consolidation and integration of major parts of the supply chain, and whether this being spurred on by digitalisation. Finally, she asked why reforms are required to the frameworks currently in place.

Wolfgang Lehmacher stated that no large multilateral forums were necessary discussing this now; rather, the discussions have focussed on interoperability. This is key to also ensuring data standards.

Prof Lauri Ojala said that companies such as Alibaba and Amazon had not been included in the study and they would think about including this going forward.

Prof Mary R Brooks replied that the last full reform of the legislation in Canada was 1987 and in America it was 1998. This shows that the issue has not been on their radar, whereas the EU is moving ahead with legislative files. Europe is currently in a leadership position, as those with the most stringent conditions establish this for everyone they trade with. For example, Hong Kong has bought into the European argument of 2008. The world is moving faster than policy makers are able to adapt. The data is not available on what is flowing where and she said it was not clear what would happen if the EU kept moving further apart.

Dr Martin Stopford said he was not a fan of 20,000 TEU ships. He stated that shipping lines should invest more in systems to manage trade. Concerning the regional argument, this will lead to a pricing system where cost is reflected. In this regard, short sea shipping should be looked into. In the UK, for example, there is almost no coastal network and he called for a North-West Europe short sea shipping system.

Lars Kjaer, World Shipping Council, said that it was not true that there had been a not been a review of the ocean shipping framework in the US and, in fact, discussion had recently been held in Congress on the issue. In parallel, the Federal Maritime Commission has been entertaining a change to changing of filing contracts. As such, there has been a lot of activity on the revision in the US. Regarding slow steaming, it sounds easy, but he asked what the response would be to line shipping company as they would have to deploy more ships. This would also have repercussions regarding the carbon footprint.

Dr Martin Stopford said that this was a standard reaction. Global warming is something that the industry will have to address and the industry should be proactive in this regard.

Lars Kjaer, World Shipping Council, stated that governments must be willing to agree on programmes to facilitate meeting goals; he remarked that there was lack of movement on this up to now.

Session 2

Moderator Kieran Ring, CEO, Global Logistics Institute, opened the second session and stressed that logistics was a team sport; as such, all actors would benefit from enhanced logistics. He noted that e-commerce is now being paid for before products are delivered. Atoms, cash and bytes are meeting and he asked if logistics was ready for this coming together. He then gave the floor to Mr Bonz.

Key note speeches

Gunter Bonz noted that he would be taking the position of Mr Wrage as he was unable to attend the conference. Dakosy is a private company and has shareholders across the entire logistics chain, including liners and shippers. There are three main pillars: logistics, cargo and customs. The main approach is that all actors work together and share the basic information of the cargo. 10 billion data sets are handled per years under this digital approach.

There are three techniques: first, an export message platform. This approach goes much farther than the single window approach. Integrating the hinterland is also key for Dakosy under this digital approach. There is also full integration with big companies using the service, including Daimler-Benz. There are peaks in terminal demand and knowing data for terminal operators in advance of arrival allows for better use of storage and space, particularly with regards to berth spaces. This reduces costs and increases reliability. Moreover, this leads to optimised yard planning.

Secondly, the automation import process is shared with customs under full automation and information is automatically sent to the relevant authorities. He stressed that this was one system which handles all the data. There are contracts between all partners regarding the ownership of data. Dakosy does not own the data and cannot share the data between entities.

Thirdly, slot booking is automatic for slots and this was developed in 2016. Prices are lower for picking up the truck during off-peak times; this has resulted in better flow of cargo during the day. This platform is combined with a vessel coordination system; all actors share information in advance regarding all incoming and outcoming vessels. The system is called Port River Information System Elbe. When there is a delay in scheduled arrival times in the port of Hamburg, the question is whether this slot will be opened for another ship. This information system follows up with vessels leaving Rotterdam and Antwerp so they can plan their new arrival time. Moreover, if Hamburg port realises a ship will arrive early, they send the vessel a message to say that they can reduce their speed and this can reduce fuel consumption.

24 hours before arrival of cargo, customs must be informed under EU regulations. The single window regulation should be technology neutral and must not legislate on how information is communicated. Dakosy is also partnering with companies such as Alibaba so that they can plan their internal processes in a better way. This is a very example of the good use of data exchange. In addition, Dakosy works on data exchange at Frankfurt Airport and they have noted that port cargo systems are better developed than air cargo systems.

Concluding, he called on the Commission not to regulate the system architecture. In addition, there should be a focus on data harmonisation, regulation should be without prejudice to the Union Customs Code, ensure technology neutrality and ensure that industry can invest in innovation rather than regulatory compliance.

Renzo Capanni, Director Maritime Logistics, Hupac Intermodal, said there had been a lot of talk today about connectivity. The main focus had been on digital connectivity and he would focus on physical connectivity. He noted that multimodality was not happening yet in practice and he wanted to emphasis this point.

On rail freight, he asked if focus was lost on this sector over the years. There are a lot of challenges, such as traffic congestion, global warming, reliability of the supply chain and air pollution. The important information is knowing when a shipment will arrive, not merely where it is at any given point in time.

Regarding Hupac, he stated that, in Switzerland, combined transport had overtaken road usage. While this is a good achievement, the potential is still huge. Hupac's network has a strong focus on Western Europe but is expanding from East Europe, through the Middle East and all the way to China. As Hupac owns its own assets, they can achieve fast shipment times.

Mr Capanni stressed the potential to improve rail freight and he said their goal was to increase quality. However, at the moment some Member States are not in support of updating the legislation on combined transport. The Commission issued the proposal in November 2017 but the file has stood still at Council level. There will be an important meeting on this file in Vienna next week. There is the risk that each and every country will define its own rules based on its particular interest. He underlined the importance of this updated legislation being passed.

On the proposal, he highlighted five outcomes he wanted to see from the legislation:

- benefits for both international and domestic combined transport;
- legal equivalence between international road haulage and international combined transport;
- nearest terminal concept to be redefined as nearest suitable terminal;
- road legs shorter than 150 kilometres meaning free choice of terminal without stable borders;
- English acceptable as a second language for train drivers; currently, train drivers must have a high level of the official language in any country they drive through.

Regarding challenges, he noted that mega ships were resulting in increased concentration and congestion. To offset such challenges, terminal capacity needs to be increased and Hupac is doubling capacity in some terminals. Moreover, Hupac is also investing in technology, network extension and contingency management. Efficiency is also a key concern as it equates to cost. Hupac operates 35,000 block trains in Europe each year; an average of three hours of transit time is lost due to inefficiencies. This means that 100 drivers' man hours are effectively being wasted each year when the lost working time is added up.

Concerning intermodal advantages, one locomotive driver can do the job of 40 truck drivers; furthermore, trains have a 10 per cent weight advantage verses trucks. In addition, there is a lower investment in assets required compared to trucks and there are also more stable costs and a higher level of safety. Concluding, he reiterated the need to pass the combined transport directive as soon as possible.

Panel discussion

Craig Halford, Global Sales Director, XVELA, stated that collaboration was for the greater good and he also highlighted the benefits of transparency. A video was then played which concentrated on the need for interdependency. XVELA allows for cloud collaboration platform through the linkage of platforms to allow data to flow. This eliminates data silos and allows for shared data between vessels and terminals. Moreover, it enables for more insight into schedule accuracy and research planning and result in time optimisation, resulting in lower costs and less congestion.

Following the video, Mr Halford clarified that the idea was to connect systems. XVELA seeks to ensure that data is legally and conservatively shared upstream to container terminals. He stressed that solutions do exist and, in order to transform supply chains, all actors must be willing to embrace this change.

Moderator Kieran Ring asked how this differed from Dakosy's approach in Hamburg.

Craig Halford replied that XVELA focussed on stowage planning and execution and berth collaboration. He said there must be more connectivity between these types of systems.

Saadaoui Zahouani, Head of Sector, EU Single Window environment for Customs initiative, DG TAXUD, on the single window, stated that the Commission was trying to look at this through a cross border perspective. He clarified that there were several windows and, as such, there were different complexities to take into account of to ensure interoperability and a well-functioning single window. The goal was to be build interoperable systems, he underlined, in addition to finding synergies, such as the identification of interoperable layers.

On the single window, the goal is to align with the UN definition on a customs single window. Regarding the policy agenda, he noted that the public consultation was open until January 16. Moreover, the objective is to have a proposal adopted by the College of the EU in 2020 and hoped the legislation would enter into force in 2021. On blockchain, he said that it was a potentially foundational technology for the Digital Single Market (DSM). DG TAXUD started exploration of this technology in 2017 and two studies have been carried out in this regard. The idea has been to move to a paradigm where a common ledger is shared across a series of nodes and to foster trust in this technology.

In terms of potential, blockchain can allow data to be shared along a pipeline instead of needing a multitude of messages to be shared. Moreover, the amount of transaction between businesses and governments can be lowered. Some key takeaways were that it is not a general solution and exploration was carried out in tandem with Member States.

Moderator Kieran Ring noted that there was a video which went along with the previous presentation but unfortunately, they could not get it to work.

Daniel Levens, CEO NextPort, clarified that NextPort was based in Antwerp and that the tagline was 'together'. NextPort has built three layers to enable digitalisation and they have established a data backbone. On top of this is an eco-creation layer; this involves inviting experts, such as think tanks, to work together to build applications. In the end, technology companies can build solutions. The third layer which is being built is the marketplace. He stressed the need to act in a network and the need for continuing dialogue on how to deal with data. He then noted that this was a private-public initiative and both private companies as well as the government are taking part.

Moderator Kieran Ring asked how NextPort can connect itself to other systems, such as Dakosy in Hamburg.

Daniel Levens replied that NextPort were working with the European Chemicals sector to build digital solutions. This shows how broad the network can be expanded to encompass diverse sectors of society.

Questions and Answers Session

Conor Feighan, FEPORT Policy Advisor, addressing Mr Zahouani on the maritime single window, said he saw a risk of double investment as customs IT systems are being changed up to 2024. At the same time, the maritime single window regulation allows for the possibility of reporting customs information via maritime single windows. He asked how this customs alignment will be roll out in the long term to avoid possible double investments in system connections.

Saadaoui Zahouani said colleagues from DG TAXUD were working with colleagues in DG MOVE and the possibility to submit information through the single maritime window would be an alternative solution for a limited number of customs formalities. As such, the intention has been to ensure that the UCC can be rolled out in time and that the maritime window would also be rolled out in a way designed to ensure there would be no such duplication.

Wolfgang Lehmacher remarked that he had heard from a lot of shippers that there was not a lot of capacity left. He asked Mr Capanni how he saw this and how it could be overcome.

Renzo Capanni agreed that there are challenges to capacity, especially given the numerous disruptions to the supply chain. Capacity also has to do with capacity management, he noted, and questions such as whether alterative ports could be used must be solved in a collaborative way.

Gunther Bonz noted that if one goes from Munich to Trieste, there are delays on the border with Italy regarding Italian drivers. This can amount to delays between one and five hours. From this delay alone, capacity is reduced from 10-20 per cent. Without building new tracks, interoperability could be increased by at least 10 per cent.

Moderator Kieran Ring, addressing Mr Capanni, asked if Hupac had a well-functioning digital platform as to when shipments are arriving.

Renzo Capanni answered that this was happening to an extent. However, there are other ways where efficiencies can be secured, such as in the area of upgraded infrastructure. Hupac tries to optimise shipments using real time data, although this does not always work due to lack of communication with other sectors.

Gunther Bonz noted that restrictions on cargo noise around the Rhine delta results in limits to cargo trains which can drive; this also results in reduced capacity.

Nik Delmeire, European Shippers Council, stated that the noise problem could be solved with investment in more silent carriages. In addition, he underlined that in Belgium there are not enough personnel developing infrastructure, in addition to a lack of drivers.

Gunther Bonz said that the train carriage producers did not have the capacity to produce enough noise reduced carriages over the next five years and that this will remain an issue until then.

Daniel Hosseus, German Seaport Operators, addressing Mr Halford, said he was sceptical about data sharing. He asked what was done with all the data that was collected.

Craig Halford replied that, today, there was not enough data being transferred for it to be monetised. The key question concerns who owns the data and this is being discussed with stakeholders.

Nicolette Van der Jagt, General Director CLECAT, supported combined transport. Addressing Mr Capanni, she said there was the risk that there could be more cargo moving back to road under the current negotiation on the table. Politics is trying to kill combined transport and she stressed what was now on the table risked killing rail freight. Concerning the posting of workers, she expressed concern as to how this would play out and asked for a comment on this.

Renzo Capanni said he would not comment on the technical aspects of the files. He underlined that this was not rail versus road, road would also be included in combined transport. The point is to be bring the two together and maximise the benefit of both.

Session 3

Moderator Christophe Tytgat, Secretary General of Sea Europe, opened the session and introduced the speakers. He then gave the floor to Mr Janssens.

Key note speeches

Bas Janssens, General Director, Deltalinqs, stated that a key pillar of Deltalings was connectivity, in addition to lobbying to influence policy. Lobbying is undertaken at both local and international level and the needs of Rotterdam entrepreneurs forms the basis of the lobbying. Regarding Brexit, he stressed that it was a top priority given the negative consequences which could result.

He underlined that the main question was how trade within and without the EU could be further promoted. However, the balance is shifting towards protectionism. Seaports, and more specifically terminals, are the key link in world logistic chains. He asked who should invest in these links: the public sector or the private sector? Infrastructure that can be accessed by the public should be realised by using public funds. All other costs associated with private property, such as cranes, should be borne by private enterprises. This should lead to an optimal logistics system; however, private parties are still expected to chip in when it comes to developing public infrastructure.

Regarding TEN-T, while it is impressive, there is much to be done. On a declaration signed in Ljubljana this year, it held that another €500 billion is required to have full integration; while this might sound like a lot, this is investment over years and across all Member States. The public investment under TEN-T should focus on more than just physical connections.

Digital platforms can be used to promote efficient systems. First of all, the sharing of data is required, and this is not being done at a large enough scale. Parties in the chain are afraid of this new technology, he noted. Moreover, there must be standardisation regarding connectivity.

In addition, a transparent governance structure and clear rules are required, especially with regards to who owns the data. The EU needs to be the facilitator, he underlined. He stated that Deltalings was 'glocal': both global and local. There must be a level playing field and the EU can facilitate this.

There is a lot of uncertainty regarding the future trade relationship. Furthermore, the EU must think hard before allowing state funds from third countries to gain more of a foothold in vital European infrastructure.

Concluding, he reiterated that the EU must improve its digital and physical infrastructure. This, combined with a fair playing field, will make Europe a global player, he stressed.

Alain Baron, Head of the International Transport Sector, DG MOVE and Co-Chairman of South East Europe Transport Observatory (SEETO), regarding the need to continue investment in TEN-T, he agreed and said the push should now be towards more quality, particularly with regards to maintenance of the network. He noted that a question had been raised previously about the extension of the TEN-T network and said he would address this.

The TEN-T network covers all EU Member States and some important third country partners, such as in the Western Balkans. He asked if it was enough to extend the maps? He answered that it was required but that it was not enough. On the extension of the TEN-T network in the Western Balkans, a lot of funding is coming from China, the US and Russia for projects in this part of Europe. However, these projects do not always correlate with EU specifications. The Belgrade-Budapest project is almost more than double of what has been invested in the Western Balkans in rail over the past 15 years. More and more there is a discrepancy between Western Balkan and EU transport policy.

Furthermore, this project has raised issues regarding public procurement and DG GROW has launched an investigation. There are also potentially problems pertaining to transparency, state-aid, interoperability and public debt. On the last issue, he stressed the importance of this as projects under TEN-T should not add to the public debt. Moreover, third country investors are setting new priorities. For example, the Belt and Road initiative is being sold to these partner countries and they are providing a lot of funding; however, this financing is in the form of loans, which will have to be reimbursed, and not grants, as provided by the EU. In addition, these projects are competing with EU financing; EU companies do not have access to certain tenders and are only allowed to participate in a minority of projects.

The result is the increasing influence of certain third countries at the expense of the EU. It is also setting new priorities for transport which are not necessarily the same as the EU's priorities. For example, the Budapest-Belgrade upgrade correspond neither to the needs of Hungary nor to the needs of Serbia.

89 per cent of the funding for projects in this region which come from China goes to Chinese contractors and this is not good for growth or jobs in these countries. This is a win-win approach for foreign countries and a lose-lose one for local countries. When IFIs are involved, local contractors are the largest share of beneficiaries. In the end, the quality is often lower and costs are higher than when there are open tenders.

To improve the situation, policy is focussed on a three-pronged approach. Firstly, on the network, same technical standards are required; secondly, policy must share objectives across countries; and thirdly, there must be market integration. For example, there has recently been a transport community treaty with the Western Balkans and he stressed that this was the last step before accession. In addition, the EU is offering strong technical assistance to these countries.

Moreover, there must be greater ambitions regarding financing and managing funds in these countries. The Instrument for Pre-Accession (IPA) is less than one billion euro for the period 2014-2010 and this showed the limited scale of investment. Europe will be stronger if there is more alignment with these countries. In addition, there must be more commitment from Member States to apply harmonised rules when it comes to dealing with China. Finally, the capacity of member States to prepare good projects must also be worked with; there may be a lot of money available, but not enough capacity to implement it properly.

Moderator Christophe Tytgat, addressing Mr Janssens, asked about competition from China. Competition is often to the disadvantage of EU companies and he asked if Europe was doing enough to preserve their potential and was sufficiently equipped to fight against aggressive foreign interventions.

Bas Janssens said that not enough was being done as Chinese companies are not engaging in fair, global competition. Europe must build up its own strength to become a stronger player in global trade relations.

Moderator Christophe Tytgat, addressing Alain Baron, asked if the problem in Europe is that some Member States were looking to Beijing rather than Brussels. He said that the port of Piraeus was an interesting example. He asked if the EU had to engage in more Europe first policies.

Alain Baron, regarding COSCO and Greece, said there was no other candidate to take over the port at the time. He stated that there are regular meetings involving China and Member States to reiterate the rules which are applicable to Member States and this is important both for the Chinese and for Member States to remember there is conditions to respect if they receive investments from China.

Panel discussion

Eric Caris, Director of Cargo Marketing, Port of Los Angeles, noted that, in fact, the Port of Long Beach and the Port of Los Angeles are two separate entities. However, there is a lot of collaboration between the two in areas such as environmental and security issues. There is a rate of return policy and the port develops the terminals and infrastructure; however, the terminal equipment, such as cranes, are purchased by port operators. All the revenue that both ports make are reinvested back into the port area. From a dredging perspective, the federal government is responsible for this. Heavy investment is being undertaken in terminal space to accommodate large vessels and the two ports combined handled 17 million TEUs last year.

2.8 million jobs are associated with the ports and in the local area, it is one in nine jobs. 80 per cent of the business comes from China and October of this year set a record for volumes. Moreover, the rail network has also been invested in. Container vessels calling at the Port will discharged/load about 80 percent of that vessel's capacity.

The IMO 2020 regulation will have an impact, but programmes have been implemented in advance of this. Concerning challenges, the financial performance of shipping is not too large and this has an impact on infrastructure projects. The port has three priorities:

- firstly, strategic land use. There are about 34,000 truck movements a day and there is an initiative to ensure that there is a balance between night time and day time pickups.
- secondly, process management seeks to foster dialogue across the supply chain to improve efficiency. One thing that came out of these meeting was interoperable chassis.
- thirdly, secondary conveyance; there is excellent on dock and near dock rail infrastructure and approximately 28 per cent is moved from on dock rail. New projects are being looked at, such as short haul rail; however, this can conflict with rail going to major destinations.

On technology, he noted that that cyber security has been beefed up and the port collaborates with Long Beach Port. Regarding port supply chain optimisation, stakeholder came to conclusion that there needed to be a tool to develop digital technology. The Port contracted with GE Transportation to develop the Port Optimizer providing early visibility to the supply chain. Similar to the presentation made by XVELA, to get data from ships, and marine terminals. For example a trucker can look online and see where the goods are going. One challenge under this was the European GDPR, but overall the system has been a success, he finished.

Olaf Merk, Administrator ITF OECD, said he wanted to talk about two recent reports. With regards to the first report, he stated that data was the new water, as it can show up the vulnerabilities of the system; namely, fragmentation of data. There are many initiatives in digitalisation and the question is how to ensure that these different systems are interoperable. As such, collaboration along the whole chain is required. He called for data governance.

Moreover, vertical integration can be a solution to fragmentation and the terminal industry is a good example of where this has been carried out. In a way, this introduces a new vulnerability to the system and there is a question of supply chain resilience; the challenge is to have smooth and interconnected change. An additional risk is the emergence of monopolies or oligopolies and this can increase the risk that data might become a commercial instrument for powerful groups. There are also discussions on data as public goods as consumers are the producers of data. The goal is to attain a smoother logistics chain through the use of data.

On the second report, he stated that alliances had changed considerably over the years and the alliances now included the top players. He noted that freight rates had dropped over the last two decades. However, the multitude of surcharges make it difficult to assess whether transport users benefit from alliances. Finally, the report stated that reporting on alliances did not take externalities into account. However, there were several issues with alliances, one being that they can lead to barriers to entry for independent carriers.

Nicolette Van der Jagt, General Director CLECAT, said there was an urgency for digital and physical connectivity. On the needs of freight forwarders, they need the best possible level of connectivity. More single windows are also required, in addition to mutual recognition for the various systems. Moreover, investment must be based on demand and this is often lacking. There must be better use of what is already in place. Having said that, she supported the Ljubljana Declaration and noted that investments are often lacking across Europe. On a European level, she supported spending based on fostering decarbonisation. In addition, she welcomed electronic documents taking the place of paper.

Furthermore, referencing a survey recently carried out by CLECAT, she remarked that it evidenced: a reduction in meaningful choice of carriers and a reduction in competition, price and quality. Moreover, it showed that reliability is falling. Global systems are becoming more reliant on IT, but many such systems do not understand the knowledge required to foster quality logistics. Regarding the alliances, she said that carriers were exempt from competition rules in a generous way. Her recommendation would be to do away with the consortia block exemption regulation.

Malte Beyer-Katzenberger, Policy Officer, DG CONNECT, said he would speak on the horizontal perspective. He stated that the vision underpinning data ownership is data sharing. Regarding data governance, he highlighted that this would speed up digitisation which would be conducive to encouraging people to sign up to digital platforms and to trust and share their data. Moreover, the question is also to improve data sovereignty. He noted that the agricultural sector is one area where digital connection has been enhanced.

Data governance of B2B relationships will be based on contracts under a voluntary approach. He encouraged the sectors to organise themselves. The Commission regulation would be designed to complement if needs be, such as to ensure fair competition. Regarding the principles of IoT data exchanges, the Commission has come up with a set of principles which are applicable to non-personal data. The principles will seek to ensure fair competition and shall be taken into account when contracting on IoT data use. In addition, the data should not be locked in to certain systems.

Simone Ritzek-Seidl, International Relations Officer, DG COMP, underlined that she wanted to concentrate on the level playing field. The EU tries to safeguard this through rules which apply to all Member States. The EU sets the framework and it is for the Member States to allocate the funding. Concerning Brexit, she noted that the agreement still needed to be endorsed by the UK parliament. If it is ratified before March 29, there will be certainly in the transition period as the EU acquis would continue to apply.

On problems faced with subsidies provided by governments of third countries, DG COMP makes efforts to export EU rules to third countries. For example, subsidy chapters have been included in such Free Trade Agreements, such as the recent ones signed with Mexico and Japan. In the long-term, the EU is aiming to modernise WTO rules, particularly with regards to subsidy rules. The Commission is also active in trying to achieve convergence with third countries. Finally, when it comes to China, dialogue has been ongoing with Chinese authorities for years and, last year, a dialogue was launched on state-aid procedures.

Moderator Christophe Tytgat then opened the floor to the audience.

Questions and Answers

Lars Kjaer, World Shipping Council, regretted that no representatives from carriers had been invited to participate in any of the panel discussions. On the ITF report, he said it focussed entirely on three major alliances and the report went on to say that alliances had encouraged the introduction of mega vessels. The report claimed that the alliances were a barrier to entry into East-West shipping. On the contrary, he stated that they have lowered costs. Finally, the report set out that alliances had overinvested to build up a further barrier to entry. He stressed that much of the sources in the report were 10 or 20 years old.

Lamia Kerdjoudj-Belkaid replied that a carrier, MSC was among speakers in the First Annual Stakeholders' conference in 2015 and that last year CMA-CGM was also presenting their views in one of the panels of the Third Annual Stakeholders' conference. As this is a stakeholders' conference, the idea was to have a diversity of voices each year. But the open and transparent Q&As sessions are there to restore the balance if need be.

Nik Delmeire, European Shippers Council, on the ITF report, stated that all he knew was that only around 80 per cent of ships arrived on time and this was the point of main concern to shippers. He called on all actors to embrace digitalisation to ensure that the rate of ships arriving on time increased.

Moderator Christophe Tytgat agreed that all stakeholder needed to work together to come up with solutions.

Nicolette Van der Jagt, on the alliance, questioned whether there was still a need for the block exemption regulation. As for ongoing consolidation, she expressed her surprise at the lack of market share data.

Olaf Merk, addressing Mr Kjaer, said this report was not an evaluation of the block exemption regulation. Other policies are also discussed in the study. On the link between mega vessels and alliances, the point was to show that there is a vicious cycle that exists between increasing ship sizes, the need to fill them, and ultimately building mega ships which are getting bigger and bigger. On barriers to entry, alliances were originally a tool for smaller companies to compete with larger entities and he questioned if that was still the case given the size of companies now in alliances.

On overinvestment, a lot of added extra capacity added has been in mega ships. Regarding the literature, a lot of sources were used which spanned several decades. Another key source was interviews carried out and therefore sources were varied. On the block exemption regulation, he said the main question was why liner shipping should be an exemption. All four criteria were met when this was introduced, but he asked if this was still the case.

Conor Feighan, FEPORT Policy Advisor, addressing Mr Beyer-Katzenberger, asked how the codes of conduct for data sharing were created for the agricultural sector, and what role DG CONNECT had in this process.

Malte Beyer-Katzenberger said it started with one Finnish farmer who questioned what happened to his data. This initiative is bringing everyone round the same table and it has been a positive experience. In the farming sector, however, a defining aspect is that there is a farmer at the origin and centre of all interactions and he noted that this was not comparable to the logistics sector.

Lamia Kerdjoudj-Belkaid, addressing Simone Ritzek-Seidl, remarked that there are still regions in the world which apply restrictive policies. She asked if there was a way on assessing whether cartels are in existence.

Simone Ritzek-Seidl replied that she was not an anti-trust and merger expert. DG COMP works within the international competition network and such issues are assessed there. There is also the OECD's competition committee where third countries are worked with. The Commission obliges third countries to a certain extent through trade agreements when it comes to competition rules, depending on which country is in question. For example, there may be general competition rules with countries far way or complete alignment under stabilisation and association agreements.

Moderator Christophe Tytgat then thanked the participants and brought the session to a close.

Closing Speech

Land, connectivity, decarbonization and digitalization

Elisabeth Werner, Deputy Director for Land Transport, DG MOVE, stressed the importance of interconnectivity. Challenges and opportunities are being created in the logistics chain. One such challenge is climate change and transport will have to be rethought. Yesterday, the Commission adopted its long-term strategy entitled The Clean Planet for All. On transport, the goal is to have a system approach to reach low and zero carbon emission vehicles.

Regarding multimodality, there must be much more rail in the transport mix overall, especially when it comes from moving goods from ports to hinterlands. Rail freight must become more competitive by fostering efficiency and removing barriers across the board. So far, framework conditions for an open and efficient market for rail freight has been created. The Commission has a long-term policy with regards to developing interoperability and seeks to break down national borders on free movement.

Moreover, there will be a bigger role for the European railway agency in such areas as authorisations. There are also the ambitious TEN-T and CEF policies. Approximately 75 per cent of the CEF funding already goes into rail projects and 60 per cent of future projects under CEF will seek to mitigate climate change. In addition, rail freight corridors have been established.

Despite such efforts, the desired progress has not been seen. Rail freight has been falling by volume in some Member States. Rail freight is best designed for longer distances. Just in time logistics must be rolled out for rail freight and there will need to be more flexibility.

Going forward, there are several projects in the pipeline, such as on exchanging cross border real time arrival information on a terminal to terminal basis. Timetable redesign is also being worked on and rules are being changed to allow for more flexibility; for example, where language skills are required. Technical details such braking systems are also being looked into to harmonise practices across Europe.

For the medium term, the key focus is on automation; this starts in the terminals and should allows for far greater flexibility and resilience. Rail flight could also include self-propelled vehicles. As rail is only one element, the monitoring of the status of goods and smart contracts and tracking and tracing will also be central areas which will be worked on. Finally, she stressed that a good framework was already in place and, now, an open and honest dialogue with stakeholders is required to ensure that a combined vision is arrived at.

Wrap up

Lamia Kerdjoudj-Belkaid, FEPORT Secretary General, thanked Ms Werner for her speech. She stated that today had succeeded in avoiding being too EU-centric, as according to the objectives of the conference. On multimodal and digital connectivity, the two must go together to unleash the potential of different transport modes. Moreover, policymakers and Member States must be coherent when it comes to agreeing on an ambitious transport network. The priority is also to roll out the EU TEN-T networks which have been financed by EU taxpayers and will make EU supply chains competitive. If diverse strategies are to be connected, then the EU vision should prevail over a fragmented approach.

Moreover, there are tremendous opportunities for business due to the development of such technologies as blockchain. Businesses must be agile and ready to respond; in addition, regulators must clarify rules regarding data ownership and data sharing.

Concluding, Ms Kerdjoudj-Belkaid stated that fair trade means fair rules and requires a level playing field. The notion of give and take is often not applicable to all sectors and she recommended that regulators talk to each other, especially when it comes to addressing cartel practices and subsidies for companies from third countries. Finally, she stressed that as long as there was open dialogue, there would continue to be opportunities in the future.

Gunther Bonz thanked all participants for attending. He remarked that FEPORT had not finally decided on a statement about third country practices, such as states subsidising companies, and noted that more discussion was required on this subject as there is currently an unlevel playing field. Following this, he brought the conference to a close.