

Managing the freight escape

Changing economic and environmental concerns are leading to new thinking about the way we appraise transport projects, writes **James Nix**

PROJECTED changes in population and economic output are the key factors which have shaped transport investment in the Republic to date. During the boom, the rise in transport movements tracked economic growth up and up. The question now is: should we plan on economic growth climbing back to levels seen during the Celtic Tiger? Or will Ireland remain at roughly the same level of economic activity over the next decade, while higher-than-expected emigration leaves us with a broadly stable population?

Unfortunately, there appears to be no reliable compass guide. The Economic and Social Research Institute predicted in late 2007 that Ireland's economy would expand by 3 to 4 per cent in 2009; instead, it contracted 9 per cent. Ten months ago, the ESRI foresaw growth rates of more than 5 per cent for the years 2011 to 2015, projections that now appear unlikely to be realised.

What is now emerging in the transport sector is a complex picture of overcapacity in some sectors with a paradoxical need for further investment in other areas as new considerations – principally energy cost and higher carbon levies – come to the fore.

During 2009, freight by road and rail each fell by 12 per cent, while car traffic on national routes declined by 1.3 per cent. Viewed against the road plans formulated between 2002 and 2008 – which

rested on the continuation of year-on-year growth – these falls are significant.

For the fourth river crossing under the Shannon at Limerick – due to open later this year – the National Roads Authority (NRA) envisaged traffic growth of more than 10 per cent during 2010. Under the public private partnership contract used on this project, the taxpayer, through the NRA, will need to make additional payments to the tunnel operator if traffic falls short of projected levels. A similar arrangement is in place on the M3, also due for completion shortly.

Following a long sequence of approvals, An Bord Pleanála has recently requested the NRA to undertake redesign on two road projects. In February, the planning appeals board asked for a "more modest" proposal in relation to a planned 19km dual carriageway in Co Mayo, citing environmental grounds. Environmental reasons were also behind the board's refusal of a 15km roads proposal in Co Donegal in late 2009. Concerns regarding overcapacity led the Green Party to secure a commitment to review road-building in the revised Programme for Government. Covering 94 projects, this review has yet to start.

Overcapacity is already apparent in aviation, which saw 12-13 per cent falls in traffic during 2009. While Cork and Shannon airports can each cater for between five and six million



An Iarnród Éireann container train travelling from Ballina to Dublin Port passes through Drumcondra in Dublin. Photograph: Mark Healy

passengers, both are running at around half capacity. Dublin airport is expected to handle just over 19 million passengers in 2010, with broadly similar numbers expected for both 2011 and 2012. A second terminal at the airport is due to open this November.

But overcapacity concerns led the chief executive of the Dublin Airport Authority, Declan Collier, to raise the prospect of mothballing the existing terminal once the new building is in operation. This suggestion has been challenged, however. While the second terminal would make for a more pleasant travelling experience for passengers, it is designed to cater for just 15m passengers a year, compared to 23.5m million in the

existing terminal.

New thinking is emerging which may reshape the way we appraise transport projects. Last year, the UK government raised its shadow price on carbon dioxide, and mandated that this figure be used in calculating the future costs and benefits of proposed projects. The message here is that energy-intensive transport links will be expensive in the long term, and therefore, governments should be slower to fund their construction now.

In its central estimate, the UK expects the cost of emitting one tonne of carbon to rise to €227 (£200) by 2050. Under the rules for cost-benefit appraisal in Ireland, the comparable cost is €39 per tonne (a figure currently

under review by the Department of Finance). For Britain and Northern Ireland, the high future price placed on carbon is set to prompt a migration away from energy-intensive road and air projects, but it remains to be seen if Ireland will embrace the same approach.

In its Smarter Travel policy document published in early 2009, the Department of Transport set a target of 50,000 fewer journeys to work by car each year from 2010 to 2020, and pledged significant investment in walking, cycling and bus networks. On the question of freight, however, Smarter Travel is less detailed.

Rail freight currently plays a small part in the supply chain. But

with increased fuel costs and higher prices on emissions rail can be expected to grow. A number of freight forwarders are already embracing the mode.

"There's strong demand to rail containers from Dublin to Cork, but it's impossible due to the disconnection of the Cork rail depot in 2008," notes Howard Knott, who heads up the Rail Freight Group, a coalition mainly comprised of logistics companies, which was formed in early 2009.

As well as pressing for the reconstruction of Cork, the group has sought an investment at Dublin Port to take rail tracks underneath the cranes, allowing containers to be exchanged directly between the ship and cargo train. This project

is expected to start shortly with completion due in the autumn.

Knott also refers to the surge in business through Ballina rail depot, fast becoming a "dry port" for the northwest. Knott sees a blind spot in the failure to invest in rail connectivity, and is adamant such investment will serve Ireland's exporters well into the long term. "During the cold snap there were difficulties moving produce by road," he says, "but the freight trains ran on time."

Dublin Port is Ireland's main port. Consistent with experience across the sector, its tonnage is back to levels seen in 2004 and 2005. But how is Dublin Port positioned if there is an increase in ship size over coming years?

Larger ships typically need deeper berths but "you can't dredge for greater depth right up against old quay walls, as you'd run the risk of the old walls collapsing out," says Seamus McLoughlin, head of operations at Dublin Port. Instead, using deep foundations, a new quay wall is constructed outside the old, and the quay is extended slightly. Deep dredging can then take place.

An alternative super-port is envisaged at Bremore, a greenfield site just north of Balbriggan, in a proposal by Drogheda Port and property development company Treasury Holdings.

However, there remains significant under-used capacity at a number of existing ports, with

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Belview, just east of Waterford City, a case in point. It has long enjoyed the best rail facilities of any Irish port, and is also set to benefit from the recent opening of the M9.

Just as with proposed roads, An Bord Pleanála has significant influence on port development. The absence of a rail link was a key reason for the board's decision in mid-2008 to refuse the Port of Cork planning permission for a new facility at Ringaskiddy. A public consultation process to select an alternate location has been ongoing since the start of February and one of the sites under consideration, Marino Point, is rail connected.

Overcapacity in our infrastructure is becoming an issue as projections for economic growth and population rise have not translated into reality. Estimates for these variables in coming years are uncertain. What appears more certain is that fuel prices will rise as oil scarcity and legislation to reduce emissions come to the fore.

James Nix is co-ordinator for transport and planning policy at the Irish Environmental Network (www.iene.ie), the network of national environmental organisations

Get a firm grip on all the links in your supply chain

Senior management need to understand the importance of supply chain management to their business, writes **Barry McCall**

IT IS not just people working in logistics or procurement departments who need to understand and be educated in the principals of good supply chain management (SCM). There is also a critical need to make senior management aware of the importance of the supply chain and what it means to their business in areas such as cost, environmental impact, ethical sourcing, customer relationships and so on.

According to Armin Samali, senior executive and head of supply chain management at

Accenture Ireland, the need for this is all the more pressing because of the current business environment and the impact the supply chain can have on the bottom line.

"Market turmoil; changing economic landscape; unpredictable fuel and commodity prices; rapid changes in consumer behaviour and demand; increased awareness, focus and legislation on environmental and sustainability agenda; and continued globalisation are driving organisations to become more agile, responsive, and flex-

ible, and to differentiate themselves to survive and succeed," he says. "The power of supply chain management isn't just about operational effectiveness and efficiency, it's also about supporting the overall strategic objectives of the company. Senior management need to be aware of the importance of the supply chain to identify a greater number of opportunities to innovate and improve performance. By seeing the interconnections among all the elements of the chain, they are less likely to sub-optimize the whole by optimising one of the parts and in a better place to achieve high-level goals."

Samali's point is borne out by recent Accenture research which has found a strong and consistent relationship between supply chain and financial performance. Companies which were seen as supply chain leaders showed a market capitalisation compound average growth rate of between 7 per cent and 26 per cent higher than the industry average.

Edward Sweeney, director of learning with the National Institute for Transport and Logistics (NITL), believes that there is also a need for supply chain managers to be more involved in the overall business. "Supply chain managers need to have a broad understanding of the business and strategic landscape, combined with a detailed knowledge of supply chain operational planning and control issues – the so-called 'T-shaped' profile," he says. "They also need to have a balanced understanding of management and technological issues so that both the 'hard-wiring' and 'soft-wiring' of supply chain relationships can be achieved."

In this context, the importance of education and training cannot be overstated, says Sweeney. "In essence, SCM has shifted from being a mainly



Armin Samali of Accenture

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operational 'box-moving' activity to one which is knowledge-intensive and which requires a wide range of new competencies."

Sweeney cites a number of driving factors behind this shift, including the internationalisation of business and the concomitant development of global supply chain architectures; the outsourcing of key supply chain functions such as manufacturing and distribution and the related development of "virtual" supply chains; and the emergence of SCM as a source of strategic leverage in itself, from the point of view of differentiation through

enhanced customer service, and cost leadership through the optimisation of supply chain costs and the elimination of non-value adding activities.

He also points to a growing focus on green issues, increasingly sophisticated markets and more discerning customers as other factors in this change.

Armin Samali agrees that green issues are becoming increasingly important. "Despite the present downturn and persistent focus on cost reduction, the issue of environmental responsibility hasn't gone away," he says. "Again and again, we hear of a continued boardroom focus on the carbon agenda. Yet at the exact same time as economic conditions are forcing organisations to justify the expenditure and effort on the most tangible and immediate of returns, recent Accenture supply chain mastery research has found that many businesses are unable to quantify the savings achieved through carbon initiatives."

This has resulted in problems for many of those organisations. "These organisations are turning to traditional cost-reduction initiatives rather than holistic business cases that include a 'de-carbonisation' agenda – and here lies danger," Samali warns. "A properly-managed green initiative often finds new and substantial cost reduction opportunities, as well as helping to achieve the organisation's corporate social responsibility goals. From Accenture's experience we have seen that supply chain masters choose pragmatic initiatives which simultaneously improve cost effectiveness and reduce supply chain environmental impacts. Typical cost-and-carbon reduction tactics include route optimisation to improve load factors, reduced empty-running, and seeking out new operating synergies."

But such holistic approaches do require buy-in at all levels of an organisation. This is particularly so in the case of sustainable sourcing. "Sustainable sourcing is another facet of corporate responsibility that is becoming a concern to senior management," says Samali. "Sustainably-branded products and services typically outperform competitor brands in the mar-

ketplace and can therefore grow sales more quickly and demonstrate higher levels of profitability. However, sustainable products and services must be backed by strong corporate assurance principles to underwrite the integrity of the brand. Procurement functions of companies worldwide should be moving beyond cost, quality and delivery criteria by delivering a process of purchasing goods and services that takes into account the long term social, economic and environmental impact that such purchasing has on people and com-

munities." And there is evidence that Irish firms are beginning to appreciate the importance of professional supply chain management. "NITL's experience is that demand for vocationally-oriented education of a high academic standard is increasing despite the recent economic turbulence," says Edward Sweeney. "Demand for programmes that are flexible, relevant and internationally-focused such as NITL's Executive Masters in SCM is expected to remain strong."

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