

Ireland's Supply Chain

A SPECIAL REPORT

Smooth delivery to customers bring savings

Ireland's peripheral location increases our transport costs, and companies based here have to be a lot better at managing the entire supply chain to compete, writes **Barry McCall**

COMPETITIVENESS usually refers to the cost of labour, energy, tax, inflation and interest rates.

However, supply chain costs are also a crucial element – the costs involved in sourcing and transporting raw materials for manufacture, as well as packaging and distributing those products.

Ireland's peripheral location increases our transport costs, and companies based here have to be a lot better at managing the rest of the supply chain in order to compete.

The National Institute of Transport & Logistics (NITL) gives a useful working definition of supply chain management (SCM) as "the management of all the activities in any of the companies involved in a supply chain to achieve two things: to provide the highest possible level of customer service, at minimum cost".

Richard Jackson, senior advisory manager with PricewaterhouseCoopers, says: "Definitions of SCM abound. We at PwC believe the following most accurately describes the needs of our clients – 'delivering specified and agreed customer service levels at minimum total supply chain cost'."

Jackson believes SCM is becoming even more critical amid tightening margins and increased cost pressures.

"Reduced lead-times and lower levels of inventory holding provide organisations with a competitive advantage," he says.

"By viewing elements of their supply chain as stand alone entities, often with competing goals, many organisations actually incur reduced efficiencies and increased cost. In contrast, companies which take a more holistic view of their supply chain, where all elements are centrally controlled and working towards a common set of goals, experience improvements in customer service levels while attaining cost reductions through inventory and network optimisation."

According to NITL director of learning Edward Sweeney, one of the objectives of SCM is to optimise supply chain costs.

"In many firms a large proportion of the total cost base is in the supply chain," he says.

"Optimising supply chain costs, therefore, has the potential to significantly improve overall cost-effectiveness."

How does this translate into reality? "Ultimately, SCM is con-



'Supply chain management combines scientific rigour and creativity as appropriate. The most robust supply chains tend to have elements of both.' Photograph: Getty Images

cerned with synchronisation of supply and demand," Sweeney explains. "Demand planning and forecasting plays a key role in this. The main input into any supply chain operation's planning and control system is information about customer demand. Contem-

porary technology has the capability to transmit market demand information back down the supply chain in real time."

Jackson cites developments such as collaborative planning, forecasting and replenishment (CPFR). "This has been operating

for several years and involves trading partners using technology and a standard set of business processes for internet-based collabora-

tion on forecasts and plans for replenishing product. The objective of CPFR is to improve efficiencies across the extended supply

chain, reducing inventories, improving service levels and increasing sales."

Accenture's supply chain management expert in Ireland is Armin Samali. SCM, he says, offers vital benefits. "If you look at just one element of the supply

chain – procurement and sourcing – there are major efficiencies to be gained through centralisation of these activities in an organisation. And this applies to both the public and the private sectors.

"Also, we have learned that each time you look at the number of suppliers involved in any area it is possible to reduce that number, thereby reducing complexity and opening up the possibility of closer collaboration with a small number of strategic suppliers to achieve cost reductions."

Most important, however, could be the benefits of sharing information with customers.

"By sharing information, you can get a real view of demand for a product or service," he contends.

"If you know how much your customer is going to sell, you can forecast production much more accurately and only produce what is needed when it is needed. This is replacing physical product with information, and reduces inventory and the need for working capital."

Steps to reduce this need when the banks are tightening lines of credit are very welcome.

"I have just finished working with one client who has reduced inventory costs by \$1.5 billion [€1.15 billion] over the course of a year through improved supply chain planning," Samali notes.

Another key trend is centralised distribution. "A major supply chain trend – maybe the major trend – amongst large retailers in recent years has been the adoption of centralised distribution models," says Sweeney.

"This involves suppliers delivering to a central hub rather than to individual stores throughout the country. We see centralised transport management as offering significant benefits in terms of increased efficiency and cost-savings," Jackson says.

"Irish companies have recognised that the distribution landscape is changing due to the increased prevalence of SCM initiatives such as centralised distribution centres."

"This has meant that companies have to modify their old distribution models and even perhaps operate several models in order to satisfy the demands of different customers. In most cases these changes have been driven by collaborative activities between the different parties along the supply chain, and there is a need for Irish firms to get more involved in such collaborations to remain competitive."

Supply chain management is now being viewed as a science in itself and many of Ireland's universities are offering graduate and post-graduate programmes in the discipline. Sweeney believes it is a combination of art and science.

"My view is that SCM involves science – particularly in relation to logistics operations planning and control, as well as a more creative dimension such as supply chain design," he says. "It is neither purely a science nor an art. It's probably more like a 'craft', combining scientific rigour and creativity as appropriate. The most robust supply chains tend to have elements of both."



Dublin Port handles just under 30 million tonnes of freight a year and is the seventh largest Ro-Ro port in Europe. Photograph: Eric Luke

Irish ports in the dock over key issues

A major report has identified capacity and connectivity as top priorities for Irish ports, writes **Barry McCall**

IT WOULD be difficult to overstate the importance of Ireland's ports when it comes to external trade. When measured in volume terms, some 99 per cent of overseas trade passes through the ports. And external trade accounts for well over 80 per cent of GDP – up from just 35 per cent in the mid-1960s.

This increase in trade is mirrored by volume growth through the ports. The weight of goods handled increased by almost 60 per cent in the 1990s and this growth trend has been continuing, with 53.3 million tonnes of goods handled by the ports in 2006, up more than 17 per cent over the level in 2000 of 45.2 million tonnes.

When Northern Ireland ports are taken into account, this figure jumps by more than 20 million tonnes.

Containerised traffic over the decade to 2006 through the island of Ireland's ports increased by 125 per cent in terms of 20 ft equivalent units (TEUs), while roll-on roll-off (Ro-Ro) has increased by

70 per cent in units of vehicles.

The recent InterTradeIreland freight transport report for the island of Ireland made a number of recommendations for the development of Ireland's ports in terms of tackling issues such as congestion and capacity constraints.

The report identified two main issues – capacity and connectivity. "Port capacity is currently stretched and will need to expand in the medium term to cater for continued freight growth," it stated.

"The need for extra capacity has been recognised by the port sector, and major expansion plans are under way. It seems clear that expansion will be privately financed; both governments should facilitate this through timely planning procedures and supportive infrastructure that connects ports to the wider transport network."

However, the report warned of "inevitable" delays of some years between approval for a major new port facility and the date when it becomes fully operational.

It argued that major damage would be caused North and South if there was a period with inadequate port capacity.

The report's authors contend that this will result in reduced competition and little pressure to control prices or improve service levels in ports. Price increases and congestion delays would then hurt

the competitiveness of exporting firms as well as their ability to serve existing markets, causing potentially long-term serious economic consequences for the island.

The report recommends that unutilised port capacity on the island be expanded, and backs Belfast Port's target of doubling capacity by 2020, as well as the proposed development of the new port at Bremore, near Balbriggan, the lift-on lift-off (Lo-Lo) expansion in Dublin Port and the Cork Lo-Lo terminal in Ringaskiddy.

The report also recommends improvements in the links between the ports and the roads network. It notes bottlenecks in getting lorries in and out of ports, which impact on efficiency as well

as the wider community.

It recommends improvements to local access routes adjacent to a number of ports including Belfast, Warrenpoint, Larne, Rosslare and Cork. It also throws its weight behind the controversial Eastern Bypass, saying there is a strong likelihood of continuing congestion in and around Dublin, particularly on the M50, which must be used to access Dublin Port.

It recommends the consideration of an eastern port access route to avoid the need for lorries travelling from the south and southwest to circle Dublin on the congested M50.

Among the authors of the report were representatives of the National Institute of Transport & Logistics (NITL). Director of

learning with the NITL, Edward Sweeney, supports its recommendations but goes further in terms of the direction which Ireland's ports need to take in the future.

"In broad terms, I believe that the widespread adoption of the supply chain management concept by shippers and the pervasiveness of technological innovation have fuelled a radical transformation in maritime and port industry," he says. "This process has resulted in an altered role of seaports. Modern ports are becoming critical nodes in complex supply chains."

"Their role is fast moving from traditional interface point with the ship to an even more complex logistics platform that is able to carry out a variety of activities on a

geographic scale that extend beyond the traditional boundaries of ports.

"In this new model of port as logistics hub, port operations impact on a larger landside area, providing a wider range of logistics service to meet more effectively the supply chain needs of customers."

"In Ireland, we have a long way to go in terms of implementing this value-adding 'port community' concept."

Perhaps the breathing space offered by the global economic slowdown will give the two governments and the various port companies the opportunity to address capacity and congestion issues before they have a negative impact on overall competitiveness.

Dublin Port Going Places

TODAY, DUBLIN Port is Ireland's largest and most important seaport. It wasn't always so.

Just 25 years ago it lay a poor second to Belfast, and was effectively bankrupt. Back then it handled just six million tonnes of trade annually, and faced mounting losses. Now it handles just short of 30 million tonnes each year, is the seventh largest Ro-Ro port in Europe, and is profitable. This is due to a major cost-cutting drive and investment

of more than €250 million in port infrastructure in the past 15 years.

The port also plays a major role in tourism, with some 1.3 million ferry passengers using it last year. It supports over 4,000 jobs in the Port Estate and associated firms.

Traffic, unsurprisingly, fell in 2008. "Trade fell for the first time in 15 years last year," says Dublin Port chief financial officer Michael Sheary. "Throughput was 29.6 million tonnes for the year, and this was a 4 per cent reduction

over the previous year." The trend has continued so far in 2009, and the firm forecasts a 10 per cent fall for this year. But Sheary is upbeat on the recession. "Notwithstanding the recent fall-off in throughput, the fact is that the economy will recover; it's just a matter of when." To this end, Dublin Port's proposed €200 million Gateway project would provide additional capacity by way of a 21 hectare extension. To be financed by Dublin Port, it

would help protect its €35 billion per annum in trade flows.

"Our Dublin Gateway project, to provide extra capacity at the port, is being considered under the Critical Infrastructure legislation by An Bord Pleanála. We expect an oral hearing to be held in May and hope to have the go-ahead for the project during the summer," Sheary says. "One thing is for sure though, our slogan is 'We're here, we're near and you can depend on us.' We won't lose sight of that."

HERE
1200 YEARS
4000 REAL JOBS
4000 REAL PEOPLE
RAISING REAL FAMILIES
DRIVING THE REAL ECONOMY
€35 BILLION PER ANNUM IN TRADE



WE ARE HERE, WE ARE NEAR, WE ARE REAL.