

TYING IT ALL TOGETHER: THE CHALLENGE OF LOGISTICS IN AND THROUGH GATEWAYS

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OUTLINE

- Introduction
- Why are challenges to efficient gateway performance so common?
- Strategies to improve gateway logistics
- Concluding comments

Introductory Comments

- The good news and the bad news:
 - The efficiency of international logistics has and is facilitating trade growth.
 - In spite of new sophisticated concepts and processes, efficient execution of the many small functions in gateways (port and related activities) remain the weakest link.
- The big picture:
 - The critical functions have shifted from the ship/shore interface to the terminal and inland transport – the gateway.
 - Increased capacity utilization and higher service requirements have left less slack in the system and require changed practices.
- Improving the system:
 - The right initiatives
 - Making them work

Challenges to efficient gateway performance (1)

- The good news – the challenges are recognised widely, but getting the best outcomes is difficult.
- The challenges –briefly:
 - The gateway is a part of logistics chains with many end to end breaks in responsibility.
 - The modes have dynamic mismatches of capacity.
 - Gateways have many parallel logistics systems, with different practices and interests.
 - Data and other communications are better but not perfect.
 - Gateway functions affect and are affected by community policies and infrastructure.

Challenges to efficient gateway performance (2)

- Traffic growth requires changes in practices and responsibilities. Just doing old ways better will not work.
- The seasonality of demand and supply can be disruptive.
- Shortcomings exist in pricing and accountability.
- The number and complexity of relationships inhibits gateway leadership.
- There are no good measures of performance – what is not measured cannot be managed!

Strategies to improve gateway logistics

- From whose viewpoint? The consumers! (the shipper)
- How to group the strategies?
 - The shippers' responses
 - The strategies of service providers

Strategies to improve gateway logistics

The shippers' responses

- The shippers accept higher transport costs to achieve greater reliability of service.
 - Retail shippers start shipping earlier to reduce the peak.
 - Shippers open other routes, e.g., accelerate development of East Coast routes for South Asian trade.
 - Shippers add flexibility to West Coast routings through the location of distribution facilities and availability of alternate port routings.
- A better but more competitive gateway environment.

Strategies to improve gateway logistics

The strategies of service providers

- Objective – to make the Vancouver Gateway the best place for gateway activity on the West Coast of North America. Not the biggest, but the best!
- To achieve this a multi-pronged programme needs to be continued.
- Overview of the PLACE programme:
 - **Pricing** should play a greater role in guiding behaviour.
 - **Leadership** is essential to achieve change.
 - **Accountability** is important to relationships.
 - **Communication** is fundamental to planning and execution.
 - **Enterprise** must be shown to adjust to the future, which is now!

The PLACE Programme (1)

Pricing

- Pricing is a key because it guides behaviour and is a way to achieve greater accountability.
- Current pricing reflects the slowness of transport and especially the marine industry to change. Examples:
 - The cost of terminal gate functions:
 - Charged to shipping lines who only have indirect interest in gate activity. Should be charged to the shippers (who bear the costs in the end anyway) so that they can trade off time and nature of gate use against cost.
 - Pricing drayage:
 - Trip rates do not reflect the true and varied costs of trucking; time-based rates would be more appropriate. Such rates bring road and terminal congestion conditions into shipper decisions. (Private truck fleets experience those effects.)

The PLACE Programme (2)

Leadership

- Leadership in Gateways is vital because:
 - There are so many players.
 - There are so many and varied externalities, e.g., in communications, infrastructure, congestion.
- Successful gateways have high level leadership, e.g., Singapore and Rotterdam – going back decades.
- Effective leadership in Vancouver is recent and still developing.
 - The Port since 1999 with the examples of Coast 2000, Stakeholder committees and its roles in trucking.
 - The federal and provincial governments in Gateway initiative.
- Need for GVRD multi-faceted Gateway vision comparable to Livable Region plan

The PLACE Programme (3)

Accountability

- Accountability means accepting responsibility for contracts and results.
- Pricing introduces a measure of economic accountability.
- Current contract provisions warrant examination, e.g.:
 - Is it appropriate that the general rail service provisions still reflect the marine tradition of low service reliability? How can rail contracts be improved to reflect service issues. Rail contracts are with specific shippers, not terminals. **'Shipper'** responsibility!
 - Shippers are ultimately responsible for the 'race to the bottom' of truck rates, as they need to monitor the logistics services in their supply chains and ensure viable services are used. Hard for small but not for large shippers.

The PLACE Programme (4)

Communication

- Communication has strategic and operational aspects.
- There is now several bodies (Council, Committees and Forum). Danger of too many meetings and not enough action. Roles need better definition and results need to be reported.
- The Lower Mainland as a whole lacks a Gateway vision dealing as it should with economic, land use and environmental perspectives. Another cost of fragmented local government?
- Effective operational communication and tools are vital to the management of container and transport operations.

The PLACE Programme (5)

Enterprise

- Traffic growth requires change and change implies enterprising solutions. Solutions now to avoid congestion tomorrow.
- Terminal capacity will need extended gate hours.
- Land use and route planning to deal with empty as well as loaded containers.
- Cycle times of empties need more attention.
- Reduce empty returns by rail to ocean terminals. Inland terminals.
- Leading gateways support gateway inputs such as ITC and education/training.

The PLACE Programme (5)

Enterprise (cont.)

- Responding to future labour shortages, short-sea shipping and seven-day operations with new labour arrangements.
- Need for a visible, formal, multi-dimensional gateway performance monitor.
 - Function: To measure and report on individual and overall gateway activities and outcomes.
 - Purpose: To facilitate better decision making to achieve economic and environmental goals.
 - Organisation: There are alternatives!

Concluding Comments

- Challenges are generally known, dealing with them difficult.
- Strategies that need more attention:
 - The roles of pricing.
 - The roles and effectiveness of Committees etc.
 - A greater involvement of ‘metropolitan government’.
 - Greater accountability of shippers.
 - Better understanding of and management of rail service matters.
 - Recognition and planning for the future implies innovation now.
 - Monitoring the performance of specific activities and of the gateway overall are necessary.