

Minutes 1st BESTUFS Workshop “Approaches to Urban Consolidation: concepts and experiences“ 13 / 14 January 2005, University of Westminster, London, UK

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Welcome and introduction, by the University of Westminster and PTV AG

BESTUFS continues for another four years. BESTUFS focuses on solutions in urban freight transport while taking into account all stakeholders. BESTUFS will address both measures that can be taken by authorities and public bodies but as well include the views the possibilities and issues for private organizations such as retailers, transport operators and manufacturers. The success of the first period of BESTUFS (2000-2003) proves that there is interest to improve the situation of urban freight transport. The network is now funded within the 6 Framework Programme of the European Commission. BESTUFS will organize 1 conference and two workshops each year. Furthermore BESTUFS will also address modeling for freight transport and as well the facts and figures of the urban transport domain.

The next workshop will take place on 21 and 22 April 2005 in Germany and will address 'Last mile solutions'.

The first conference is planned on 9 and 10 June 2005 in The Netherlands. Theme for the conference will be 'Sustainable transport planning and impacts for freight'.

More information on the activities and events of BESTUFS is available at www.bestufs.net. Also the BESTUFS Administration Centre can be contacted. Contact details are:

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Presentation 1: “Overview of consolidation centres for urban and specialist use”, by Dr Alan Woodburn, University of Westminster

Questions and discussion:

A remark was made that also the reverse logistics is important and needs to be taken into account. Furthermore evaluations have been done on consolidation centres, but it seems that most are not successful. In many cases observed the commercial sustainability fails. Some recent themes are trying to establish in a more commercial integrated environment, to try to involve 3rd party logistics companies. A lot commercial companies are reluctant to see their existing operations been taken over. Many of them operate for many years, they become very efficient by themselves. Key questions in this respect are “who pays, who benefits?”. Another issue is that financial risks occur because long term costs due to investments need to be covered. On the other side commercial contracts are usually limited to a period of a few years. This difference provides a certain financial risk. The challenge is to come up the evaluation framework, that recognizes the costs and benefits are very diverse. And many are difficult to quantify as well.

Presentation 2"Current British examples – Exel operations serving different retail environments”, by Mr Ian Foster, Exel

Questions and discussion:

The consolidation centre in Heathrow is the first in the UK. Reason for its success is the large volume that creates a critical mass for efficient operations and the old design of the airport which results in small space available. Furthermore BAA controls the airport area and it is therefore easy for them to impose the logistic scheme. With consolidated deliveries and pick-ups much less space and much less loading bays are needed (8 instead of 64). The cost is shared by three parties. Firstly, retailers make contribution to the construction. Secondly, retailers pay additional money for any special service they want. Thirdly, BAA got subsidies from government. The cost is not the construction cost but also the management cost. It is believed by Ian Foster that this model can also be transferred to ‘off-airport’ practices. For example, a town also has a critical mass, e.g. the pilot trial with Bristol city council is an interesting example.

Presentation 3"West London FQP – Placing Freight Initiatives into Context in West London”, by Mr Mike Slinn, MVA

Questions and discussion:

It was asked why Internet technology has not been used. Answer is that still a PC and internet access is not available at every user and that financial resources are limited. Therefore a more simple approach has been used for this pilot project. Furthermore it is remarked that the retailers are often not involved in the delivery process although the goods carried are for the

retailer, although these parties need to be involved in initiatives focussing on solving delivery problems and finding solutions.

Presentation 4 “The Role of BAA’s Construction consolidation site”, by Mr Gary Sullivan, Wilson James & John Brooks, Mace ltd

Questions and discussion:

The difficulty of supply chain in the construction sector is that there is one principle contractor but a lot of subcontractors. Therefore the consolidation centre needs to service multiple small clients and actors that have their own needs and supply of goods. This chain of providing packages and goods is controlled by subcontractors down the supply chain. The consolidation centre doesn’t have the right to control the cost of them. Materials are only pushed into the consolidation centre and are pulled out again within limited time. All orders and quantities that need to be transported to the construction site are known in advance.

Presentation 5 "Urban Freight Consolidation – The Brisol VIVALDI Project experience”, by Mr Peter Davis, Bristol City Council

Questions and discussion:

The project started in 2001 and will be continued as the results are good and the assessment is positive, funding is provided again. There is a question on the impact of a business model where retailers would be charged. Currently 75% retailers interviewed are using the consolidation centre because it reduces cost. However, if retailers would be charged, would the project be less successful? The answer is that this would be a chance for retailers to renegotiate on the contract with suppliers. Suppliers don’t need to go directly to the shop but deliver to the consolidation centre to save miles of distance. However, it is now free of charge to join the consolidation centre and this is a big incentive for the retailers. Theoretically it is also possible to enlarge the geographic region.

Presentation 6 "Dutch experiences with urban consolidation centres – where are they now: success and failure factors”, by Mrs Nicoline de Bruin, Govera, City of The Hague

Questions and discussion:

The project “Schone Stad” is founded by the shops themselves in the city of The Hague. This makes the initiative strong and quite different from examples in the UK. It is a unique project, the shops even want to start a distribution centre with the help of some EU subsidy. There is only a limited number of transport companies delivering goods in this street. For example as 6 or 7 trucks from DHL will come to one street every morning, we suggest shop keepers not tell their transport company when goods shall be delivered. Logistic service providers should have more room for the delivery and in this way bundling opportunities within their own network can be used. There are no changes made regarding the city access regulations.

Presentation 7 "French strategic approach to urban consolidation", by Mrs Laetitia Dablanc, INRETS

Questions and discussion:

There is a question on the justification for subsidies given to operate an urban distribution centre. It is answered that from the environmental point view, the distribution centre improves the environment and this gives benefits due to improved air quality by means of using electrical vehicles. The improvement of the air quality is an important benefit for the citizens in the region. This justifies the money spends on the distribution centre. For the project in La Rochelle the results are quantified.

Another question deals with the current situation in France and the amount of projects and level of interest from cities. It is answered that many cities have done a feasibility study. Most of the cities have already determined the location of the future distribution centres. Some proposals have passed the feasibility, market study and financial and technical study.

Presentation 8 "City Logistics in Hungarian transport policies", by Mr Zoltan Bokor, Hungarian Ministry of Economy and Transport and Mr Zsolt Berki, TRANSMAN Ltd.

Discussion and remarks after day 1

To achieve financial advantage and brand advantage, companies will use special services. It is difficult to define standard services that can be linked to consolidation centres. Furthermore the receivers and supply chain stakeholders in cities are not organised, this makes implementing a scheme much more difficult compared to places such as Heathrow airport where BAA can set the rules of the game. Also one has to bear in mind that large national companies won't have advantage of using consolidation centre because most of their vehicles are already used to their full capacity. Although these trucks may be large, they are operated quite efficient, also from the environmental point of view. Forcing those freight movements via a consolidation centre will then only cause additional cost and extra movements. Therefore, it is better to focus on the less-than-truck loads by means of focussing on small volume retailers like is done in the Bristol case.

Local authorities can have big impacts on consolidation centre. For example, in the Netherlands. Near the central station in the Hague, thousands square meters of space have been build for shopping malls and offices which is constructed on very limited site. Legislation and regulation can then by implemented by local authorities. In Holland the same problems are faced. Now that the concept is demonstrated such as in Bristol and Heatrow and other places in Europe we are able to learn from that.

Another interesting point in Bristol's project is that it is more concerning of the social benefit, for example, to improve the shopping environment and to regenerate job opportunities. This is

a broader advantage that just focusing on the economic cost benefit in the supply chain for the literature.

The long term investments needed can be a big bottleneck. For the cost of construction of consolidation centre, both the BAA and Bristol got lots of subsidies. It will be a very long pay back period like 20 or 25 years. For local authorities, it is challenge to solve this bottleneck and there is a role to play for them. An alternative way is to use existing buildings or infrastructures to reduce the cost. The largest hurdle is always the capital cost. It is always talking about the cost saving; however the construction cost to build an urban consolidation centre is very large. Take London for example, the land cost is very expensive. Moreover, the size of consolidation is limited and therefore only a small quantity of goods can be served.

Some questions are asked about whether BAA can reduce the subsidies by getting more out of the consolidation centre (high turnover) like more value added services. The answer is positive. By means of smart working and using ICT the centre can handle more goods due to technological improvement. However, it will be better in the future. Every company will try to transport more to maximize profit in this way. The consolidation centre can serve as a hub to optimise the supply chain of retailers. Thus, it will save a lot of cost by avoid chaotic situation, like the unpredictable cancelling of orders due to the weather change or events at the airport (raining, snowing).

To integrate IT system in the operation procedure leads to big investment. Some tracking system of tracking parcels has been implemented and money is needed to maintain it. The investments are required and to be a part of overall system.

The example of constructing consolidation centre is very encouraging and should be transferred to other construction locations.

***Presentation 9 “Approaches to evaluating Urban Consolidation Centre trials and projects”,
by Mr Alan Lewis, TTR***

Questions and discussion:

Some suggest that the operational efficiency is much more important for the 3rd party logistics, especially the last mile. There are many contenders competing in this area and the most important thing is the flexibility of the contract. As for the funding from Bristol council, the purpose is to demonstrate a kind of environmental friendly initiative. However the evaluation and analysis is focused only on the authority region of Bristol which is already a large area but other (negative) effects can occur outside this area. In terms of the evaluation of the CO₂ emission, it is reasonable to calculate the efficiency in per Pay Roll which is much better than the total quantity. There are also other issues mentioned because of the complexity of the situation of the evaluation, for example, the size of the vehicle which vary greatly and the emission in the congestion is also different from normal movement.

Presentation 10 “ Why early planning of intermodal transport into the supply chain can lead to better urban goods consolidation: A case study from the Cargo Centre, Graz, Austria”, by Mr Jürgen Schrampf, Econsult.

Questions and discussion:

A cost-benefit analysis has been done on the intermodal transport alternative. For the industry, the benefit can be the stable process without reduction of quality and it can well fit the conception of “just in time ”at the same time. It is not only about the economic perspective. The initiative is for the social externality which is difficult to reconcile. Some think the construction of the intermodality platform is social good and economic benefit whatever if it is private or public funding. Although the modal shift will reduce the traffic in the urban area in general, one should be aware of increased local traffic to/from the terminal in the suburbs. A full quantified cost and benefit analyses is currently being performed.

Presentation 11 “German experiences with urban consolidation centres – do they have a future role?”, by Professor Klaus, University of Nurnberg.

Questions and discussion:

Many workshop participants agree with Prof. Klaus’ opinion that there are very limited successful urban consolidation centres. Without the commitment of different parties, especially the government, it is hard to achieve a sustainable development. Some workshop participants also pointed out that there was no free lunch in reality. It is impossible to let everyone do what he likes because it doesn’t work for a whole society. Someone has to pay for what he gets. In this case, the residents are most benefited from the consolidation centre and therefore they need to pay a part of the cost.

Furthermore there should be a focus on ways to achieve the most cost effective measures and there should be paid more attention to the commercial side of the transport, like the forwarding companies, and companies such as UPS and DHL. Since such parties occupy a large amount of deliveries in the city centre, it will be rather effective to implement environmental friendly transport tools for them. On the other side cities also rely on the co-operation of such big logistic operators that are willing to experiment and are open for changes.

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Annex 2: Agenda

Chairman: Mr. Garth Thorne and Dr Alan Woodburn, University of Westminster

First Day: 13th January 2005

10:00 – 10:30 Registration and Coffee

10:30 – 11:00 Welcome and introduction

Welcome and introduction, by the University of Westminster and PTV AG

Short self-introduction by each participant

11:00 – 11:30 Approaches to Urban Consolidation, Session I

“Overview of consolidation centres for urban and specialist use”,
by Dr Alan Woodburn, University of Westminster

11:30 – 12:00 *“Current British examples – Exel operations serving different retail environments”*, by Mr Ian Foster, Exel

12:00 – 12:30 *“West London FQP – Placing Freight Initiatives into Context in West London”*,
by Mr Mike Slinn, MVA

12:30 – 14:00 Lunch

14:00 – 14:30 Approaches to Urban Consolidation, Session II

“The Role of BAA’s Construction consolidation site”,
by Mr Gary Sullivan, Wilson James & John Brooks, Mace ltd

14:30 – 15:00 *“Urban Freight Consolidation – The Brisol VIVALDI Project experience”*,
by Mr Peter Davis, Bristol City Council

15:00 – 15:30 *“Dutch experiences with urban consolidation centres – where are they now: success and failure factors”*,
by Mrs Nicoline de Bruin, Govera, City of The Hague

15:30 – 15:50 Coffee break

15:50 – 16:20 Approaches to Urban Consolidation, Session III

"French strategic approach to urban consolidation",
by Mrs Laetitia Dablanc, INRETS

16:20 – 16:50 "City Logistics in Hungarian transport policies",

by Mr Zoltan Bokor, Hungarian Ministry of Economy and Transport and Mr
Zsolt Berki, TRANSMAN Ltd.

16:50 – 17:30 Discussion

All workshop participants (including the participants without a presentation)
are asked to actively participate in the discussion regarding approaches to
urban consolidation.

17:30 End of the first day

19:30 Dinner at Jury's Clifton Ford Hotel

Second Day: 14th January 2005

09:15 - 09:30 Welcome and introduction

Recap of the first day and introduction of this day,
by Mr Garth Thorne, University of Westminster

09:30 – 10:00 Approaches to Urban Consolidation, Session IV

“Approaches to evaluating Urban Consolidation Centre trials and projects”,
by Mr Alan Lewis, TTR

10:00 – 10:30 *“ Why early planning of intermodal transport into the supply chain can lead to better urban goods consolidation: A case study from the Cargo Centre, Graz, Austria”*,

by Mr Jürgen Schrampf, Econsult.

10:30 – 10:50 *Coffee break*

10:50 – 11:20 Approaches to Urban Consolidation, Session V

“German experiences with urban consolidation centres – do they have a future role?” by Professor Klaus, University of Nurnberg.

11:20 – 11:45 Conclusion and discussion

All workshop participants (including the participants without a presentation) are asked to actively participate and to prepare a very short statement on their view and expectations regarding approaches to urban consolidation.

11:45 – 12:45 *Lunch*

12:45 **Travel to Heathrow**

14:00 **Visit BAA retail consolidation centre**

15:00 **Visit BAA construction consolidation centre**