

## The road less travelled

**CONFERENCE REPORT** Europe's chemical logistics providers, with the downbeat notes of the EPCA Annual Meeting still fresh in their ears, gathered on their own in Düsseldorf this past November to see what, if anything, they have to be happy about



The European Chemical Transport Association (ECTA) today represents a host of rather unhappy people. They are under broad pressure to reduce the environmental impact of their operations, to carry out those operations more cost-effectively, to improve service levels and to comply with an increasing array of European legislation.

On top of all that, they have a client base that itself is facing the toughest conditions ever, with levels of international competition that are hard to beat and left running ageing plant at ever-thinner margins.

There may, then, have something tongue-in-cheek in ECTA's theme for its 2014 annual meeting – 'Staying Ahead in the Changing Environment' – when the association gathered at the Hyatt Regency in Düsseldorf, Germany this past November 18. Then again, any association that has as its president the irrepressible Andreas Zink, director of LKW Walter, will never be dull.

For the purposes of the meeting's conference sessions, ECTA's definition of 'changing environment' was broad indeed. It covered not only an lengthy and intense update on the 2015 ADR

regulations from **Joachim Freek** of DEKRA Akademie, but a look at how companies ought to be leveraging social media from **Johannes Mirus**, head of research and consulting at RESULT GmbH.

### Very new ideas

Johannes' paper did, in fact, offer some interesting insights. He had been asked to speak on the 'possible impact' of social media in B2B relations but quite quickly dropped the 'possible' – the impact is already there, he said. There have always been social networks and media, what makes social media different is that it is much more extensive and it is a 24-hour-a-day phenomenon. The number of people in Germany who use mobile internet access at least several days a week has more than doubled in the past two years, for instance.

And what companies need to know is that people are talking about them, all the time, using social media. Johannes had done his homework; he looked at Hoyer's Facebook page – did Hoyer even know it had a Facebook page? Possibly not; it is automatically generated and has very little content. Yet 149 people have visited it, and 117 have gone so far as to 'like' it. It has even had 16 ratings, with an average of 4.5 out of 5.

A company such as Hoyer can turn that around and start using it. Social media is good for recruitment, Johannes said. It is also good for employee and stakeholder relations; indeed, a recent survey found that that 82 per cent of employees would be 'more likely' or 'much more likely' to trust their employer if the CEO communicates through social media channels.

As an example of a company that is using Facebook, Johannes showed some screenshots from the Maersk Group page. While the company is using it for PR and marketing purposes, it is also getting feedback – Johannes highlighted one comment asking how to find out about jobs at the company.

But companies need to be careful. Maersk's page has 55,278 'followers' and 7,571 new 'likes' in the previous week. But Johannes said many of these might be 'bought fans'.

With a nod to Andreas Zink, Johannes showed a screengrab of LKW Walker's Facebook page, with has 3,148 'likes' despite its complete lack of content. DB Schenker's page indicates there are 15,188 people who 'like' the topic, which is "more than 15,000 people who are not served".

Companies should monitor social media and see what people are saying already. "Reach, answer questions," Johannes advised. "Settle yourself in!" After that, each company needs to develop a social media strategy, create content and choose which channel or channels to use – perhaps Facebook is not the best solution for all, and it is certainly not the only option. And then integrate that effort into the company and start reaping the benefits, he concluded.

### Leaves on the line

Turning to more traditional ideas, ECTA had asked **Peter Marshall**, director of EMEA supply chains for Dow Chemical, to speak about intermodal rail operations. Achieving a modal shift from road to rail would offer broad benefits and is something that is being promoted not only by the European Commission but also the European Chemical Industry Council (Cefic) and other industry groups.

Peter explained how Dow Chemical goes about designing its supply chain operations, a process that has to take into account all sorts of factors, not least cost-efficiency and customer service levels but perhaps most importantly a basic need to be safe and compliant. "We recognise the potential of intermodal operations," he said. Moving to rail can reduce congestion, improve the company's environmental footprint and mitigate the current truck driver shortage. And Dow is already making some use of intermodal transport in Europe: 26 per cent of bulk shipments are intermodal rather than purely road transport, although that proportion is lower (12 per cent) for packaged products.

In principle, Peter said, moving from road to rail is inherently safer – there are fewer incidents. But the additional handling activities at intermodal terminals present risks that have to be managed and it complicates the provision of end-to-end emergency response cover.

While intermodal transport may look cost-effective, it relies on higher payloads, which may introduce inflexibility into the system. "Carriers need to ensure that the intermodal provide market is offering sustainable and cost-competitive solutions," he said.

And in terms of service levels, shippers need a regular and reliable intermodal service with good on-time delivery performance. That also means having an agile response to disruptive events such as adverse weather or rail strikes, with a need for back-up solutions.

One problem that is holding back broader use of intermodal solutions is the lack of connectivity in certain parts of Europe and a shortage of door-to-door services.

### Extending SQAS

Over the years, the chemical industry has codified what it expects from its logistics service providers (LSPs), as an extension of its own Responsible Care commitment. In Europe this is managed by Cefic through the Safety and Quality Assessment System (SQAS) and related measures. But SQAS is a live system and changes are afoot.

A useful perspective was provided by **Marc Twisk**, formerly of Cefic but now project manager at Vervaeke Transports, who outlined the range of clients' expectations of their LSPs. The most important criterion, despite all the focus on safety and quality, remains price, he said. Customers always want cheaper, of course, which leads to a reverse auction. But as driver costs account for around 48 per cent of an LSPs total costs, there is a limit on how far they can cut their prices.

Customers also demand on-time delivery, but this leads to problems when about 60 per cent of them demand delivery between 0700 and 1100 – there is bound to be congestion at that time of the day and there will inevitably be waiting time. That prevents LSPs from achieving any cost savings that might be available from optimising asset utilisation.

And LSPs have to meet expectations in terms of safety, quality and environmental performance coming from their customers and from regulators. If it were just a matter of achieving a good SQAS audit and meeting the provisions of ADR and employment law it would be manageable, but increasingly there are expectations regarding ISO 9001 and ISO 14001. LSPs have delivered a lot of improvements, Marc said: fuel consumption has fallen dramatically with the introduction of new engines and the number of incidents during transport and loading/unloading has also fallen consistently.

SQAS has been driven mainly by the chemical industry, through the members of Cefic. Marc reported on the 'Together for Sustainability' (TFS) group, eight chemical companies that have taken the lead on implementing the principles of the UN's Global Compact on sustainability. The group has committed to take responsibility for its own operations as well as the sustainability of its supply chains' sphere of influence.

As a result, the audit criteria imposed by TFS are not fully covered by SQAS, which does not, for instance, look at issues such as the use of child or forced labour and does not fully cover the requirements for management processes.

Does this mean yet another audit is going to be foisted upon long-suffering LSPs? Marc was unequivocal: "No!" Cefic and ECTA have set up an initiative to include the TFS expectations into an updated version of SQAS.



But LSPs should not forget ISO 9001. In a survey of 50 chemical producers and distributors, 65 per cent said an LSP must have ISO 9001 certification before it can be considered for a contract, and the other 35 per cent said its is desirable. That is a lot tougher than the same survey's findings on SQAS, where 57 per cent said an assessment is necessary and 38 per cent said desirable.

The revised SQAS audit will therefore cover some aspects that are included in ISO 9001:2015, particularly with regard to corporate social responsibility, labour policy and human rights, and fair business practices. Marc was sceptical about the chances of SQAS assessors and ISO auditors having the expertise to look at such issues, and how SQAS users will evaluate the results. There is also a feeling that the inclusion of such factors is disproportionate to the activities of LSPs in the European chemicals sector. The inclusion of these items on the SQAS questionnaires will doubtless make the assessment process longer but, hopefully, should avoid the need for duplicate audits.

#### For what it's worth

If some chemical companies feel the need to go further, does that mean SQAS is not fulfilling its role? The next two speakers suggested it is doing some good. **Judith Kleinen**, manager of land transport and spot shipping for Sabic Europe, showed how SQAS dovetails with Sabic's commitment to Responsible Care, passing on the same fundamental requirements in terms of safety, reliability, sustainability and continuous improvement along the supply chain.

"Sabic's supply chain has three main Responsible Care axes," Judith said: "incident avoidance, emergency response and sustainability." Those imperatives are dealt with initially through the selection process – both the selection of LSP partners and the selection of the optimal equipment and parcel size. But she stressed the need for a feedback loop, particularly in terms of incident reporting and investigation, to allow Sabic to achieve a continuous improvement in its sustainability performance.

Sabic seeks to establish long-term partnerships with its LSPs and to develop open and transparent communications that include the reporting of key performance indicators. "We need to create a mindset of chain responsibility," Judith said. "Safety is a joint responsibility of all of us!" Regular meetings between Sabic and its LSPs discuss not only performance but also the lessons learned from mistakes. Sabic is also looking in more detail at human factors, and Judith mentioned that Cefic will shortly be publishing guidelines in this area.

Some partners have struggled with this process, Judith admitted, but eventually come around. What it can do is make sure that both parties get things right first time, leading to uninterrupted processes and greater efficiencies for both sides.

SQAS is the European application of Responsible Care precepts to the supply chain, but it also offers a model for other regions, particularly where the chemical industry is having to take a lead in improving standards in transport and distribution activities. Such is the case in the Middle East, where the Gulf Petrochemicals and Chemicals Association (GPCA) has now introduced SQAS. **Alan Izzard**, senior adviser at Borouge and SQAS programme director at GPCA, explained that the Association has listed championing Responsible Care within the Gulf Cooperation Council (GCC) region as one of its core strategic objectives.

#### Spread the word

GPCA adopted Responsible Care in 2009 to improve performance in the region in terms of safety, quality and environmental performance. Commitment to Responsible Care also allows GPCA to take part in the work of the International Council of Chemical Associations (ICCA). Alan also recognised the contribution of Cefic and the American Chemistry Council (ACC) in the implementation of Responsible Care in the region.

GPCA has prepared seven Codes of Management Practice, consisting of 108 expectations. One of the seven Codes covers distribution. GPCA has developed self-assessment tools, available to members on its website, that allow companies to report on their performance against those expectations; this is currently in the process of becoming mandatory for all member companies.

Full member companies have also been reporting on a set of 21 performance metrics since 2010. These are collated and published by GPCA, which also encourages its members to report on incidents and the lessons that have been learned. In this way, Alan said, all members can move towards the goal of eliminating accidents and harm to people and the environment.

All that data has also allowed GPCA to get an overall picture of how the region's industry is coping. Member companies are most challenged by those Codes that cover their activities and responsibilities "beyond the fence line", he said. GPCA covers a large territory with more than 600,000 registered heavy goods vehicles. General standards of road safety are not good. As a result, GPCA is extending the applicable Responsible Care codes through the supply chain via application of SQAS.

Early results have not been great and it is important for GPCA to emphasise that Responsible Care and SQAS represent a journey for the chemical industry and its LSPs, one that relies on continuous improvement through the interrogation of the incident record. The GCC region also needs a consistent means of applying the UN Recommendations through some sort of ADR-type regulation and there is a need for a regional industry solution to emergency response requirements.

GPCA has made a lot of headway in the past few years but there is still much to be done. Cefic has helped GPCA to introduce SQAS into the Gulf region and assessment of LSPs is underway. A pilot project in chemical warehouses started late last year and is due to go live early this year, to be followed by a pilot project in cleaning stations. Eventually, Alan said, SQAS assessments will be a mandatory requirement of all GPCA full members.

It has taken Europe quite a while to get where it is, so we should not expect GPCA to catch up too quickly, but it is clear that the application of Responsible Care and SQAS is already making a difference, with the first hurdle being to change the industry's mindset.

ECTA will reconvene at the Hyatt in Düsseldorf this coming November 26. More information will be available at [www.ecta.be](http://www.ecta.be) in due course.

January 2015 Logistics European Chemical Transport Association (ECTA)