# Supply chain challenges for national competitiveness through transport


22nd session of WP.5

Geneva,

8-9 September 2009

# Background

- September 2008, WP.5 approved proposal for a project aimed at developing an evaluation framework for the assessment of supply chain challenges in transport sector;
- Background to this project set out in the ITC Informal document No.10 " Supply chain challenges for national competitiveness through transport;
- February 2009, the ITC confirmed the WP.5 decision;
- Comments received and included;
- Informal document No.23

# Supply chains - Transport - Competitiveness

- Importance of transport as a driver of national competitiveness:

  (a) increasingly integrated global manufacturing, production and trade networks;

  (b) growing use of intermodal transport involving several transport modes;

  (c) rising need for just-in-time logistics;

  (d) increasing specialization of companies in specific parts of value chain;

  (e) specialization and more outsourcing; and,

  (d) security considerations.

# Transport industry contributed to changes

- Developing more reliable transport and value-added logistics services thus providing the backbone of direct distribution and cross-docking concepts allowing businesses to reduce inventory levels;

- Transport industry invested heavily in improved communication and planning systems, harmonisation of transport units, fleet management, automating of back-office functions and IT systems which led to a continuous increase in productivity and operational efficiency;

- Consolidation within the transport industry which has increased the efficiency of transport through the formation of larger transport companies, alliances and cooperative networks of which some are directly focused on supporting the execution of businesses' supply chains

# Need for a new evaluation framework

Current indicators are focused on supply side (generally infrastructure and services); when demand side is considered this tends to be through subjective surveys;

None of the current methodologies reflect recent developments in the pattern of demand for transport or the quality requirements which are typical in a globalized, competitive economy;

The gap analysis identified a clear need to develop a new evaluation tool which will:

- assess transport's contribution to national competitiveness based on transport's new role as an important part of global supply chains.
- capture the new challenges for transport sector and take into account its role as the most important link of the international supply chains.

The proposed new methodology should be able to:

- take into account both direct and indirect aspects which affect transport networks and systems operating in international supply chains; and,
- adopt a balanced approach incorporating analysis of both the demand and the supply sides.

# Objectives of the project

## Three stages:

1) **Round table** on supply chain challenges for national competitiveness through transport

2) **A full audit** of existing indices, with a particular focus on assessing their value for use in policy making.

3) **Development of a unique methodology** which could be commonly used by national Governments wishing to:

   (i) evaluate the contribution of the transport sector to the overall competitiveness of their particular economies;

   (ii) identify points of weakness in their transport system and their transport links with their main trading partners;

   (iii) identify appropriate policy interventions to improve performance and remedy problem areas; and,

   (iv) benchmark performance of transport and logistics systems against peer economies.

# Round Table

- One day event – program in Informal document No.23
- Objective is to gather representatives of countries with national logistics plans, to present methodologies applied in developing their national strategies and plans;
- RT will also offer opportunity to international institutions to present methodologies used for compilation of their logistics and competitiveness indicators;
- RT will discuss common features and differences between various national and international approaches;
- Summary of the RT will be published by the UNECE and will be used for the next stage of the project.

# Audit of existing methodologies

- Complete formal audit of existing research and indicators
- Comprehensive analysis of the strengths and weaknesses of different methodologies and their value for developing policy analysis
- Detail report about existing indicators (secretariat assisted by a consultant)

# Development of a new framework

- New methodology need to establish a strong linkage between the real world outcomes and reported measures, and will need to ensure better matching between supply side factors and the demands placed on transport systems in a highly integrated global economy;

- The core requirements for a new methodology will include:
  - a) Need to reflect and relate to strategic policy objectives
  - b) Need to develop multi-criteria based tools
  - c) Need to collect data and compare costs appropriately

- Based on two previous stages, consultant(s) will be engaged to contribute to a draft of the new methodology;

# Governance

## Task Force

- to be established to oversee and support the work of consultants (TOR in Informal document No. 23);
- TF will comprise: interested national governments; international partners (WB, WEF, ITF), relevant experts; and industry representation such as logistics associations and Chambers of Commerce;
- Work of consultant (s) commissioned to support the project will be monitored and evaluated with clear performance standards to ensure fast progress.

# Indicative timeline

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| September 2009 | WP.5 to approve project outline, work program and the establishment of the TF; delegates to indicate interest of their country to be on the TF; |
| | Secretariat with Governments and partner organisations to finalise membership of the TF; |
| October 2009 | Consultant commissioned to contribute to the audit report; |
| December 2009 | Round Table; |
| January 2011 | Consultant commissioned to contribute to a draft of the new methodology; |
| February 2010 | ITC to decides on the establishment of the TF; |
| March 2010 | TF to meet in Geneva and review first draft proposal of the methodology; |
| June 2010 | TF to meet in Geneva and review final draft of the methodology; |
| September 2010 | Presentation of the draft methodology with pilot data to the WP.5; |
| February 2011 | ITC to launch the new framework; |