Project outline -
Supply chain challenges for national competitiveness through transport

Note by the secretariat

In September 2008, the Working Party on Transport Trends and Economics (WP.5) approved proposal by the secretariat to launch a project aimed at developing an evaluation framework for the assessment of supply chain challenges in the transport sector. This decision was confirmed by the Inland Transport Committee at its seventy-first session in February 2009. In this regard, the secretariat was asked to seek external budgetary sources for the main part of consultants work.

The background to this project was set out in Informal Document No. 10 “Supply chain challenges for national competitiveness through transport prepared by UNECE, which was presented for discussion at the seventy-first session of the Inland Transport Committee in February 2009.1

Taking that document as the starting point, and comments received from the United Kingdom, this note sets out proposals on how to take the project forward.

I. Introduction

The importance of transport as a driver of national competitiveness has increased dramatically over recent decades, due mostly to the increasingly complex demands by the international economy. This increasing complexity is attributed to four key trends:

(a) increasingly integrated global manufacturing, production and trade networks;
(b) growing use of intermodal transport involving several transport modes;
(c) a 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.

As the nature of transport demand has become more complex, the processes required to complete trade transactions, involving multiple steps, a myriad of players and a range of legal and

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1 This note is based on Informal document No.10 (http://www.unece.org/trans/doc/2009/itc/ITC-71-inf10e.pdf) and comments received by the United Kingdom.
regulatory frameworks, have also become more complex. With costs added at each step of the process, the quality, cost and efficiency of transport and logistics services have considerable effect on the value of goods at their final destination, and consequently, on overall national competitiveness on a global scale.

The transport industry contributed to the changes driven by supply chain management by developing more reliable transport and value-added logistics services. This provided the backbone of direct distribution and cross-docking concepts and enabled businesses in Europe and elsewhere to reduce inventory levels. In addition, the transport industry started to invest 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. Also, consolidation within the transport industry during the last ten years has increased the efficiency of transport through the formation of larger transport companies, alliances and cooperative networks.

Furthermore, there has been a considerable change in the role of transport companies. In the 1970’s the transport industry was dominated by a large number of small or mid-sized forwarding companies that fulfilled the classic role of “middleman”. This has changed dramatically. Today the small and mid-sized forwarding companies have been reduced both in numbers and importance. Instead, new types of transport companies have emerged of which some are directly focused on supporting the execution of businesses’ supply chains. Without this active contribution of the transport industry, it would not have been possible for businesses to benefit from their increased focus on supply chain management.

II. Need for a new evaluation framework

Although many indicators for the transport and logistics market have been developed, these indicators have almost all focused on the transport supply side (generally infrastructure and services). Where the demand side is considered in existing indicators, this tends to be through subjective surveys. None of the current measures reflect the recent developments in the pattern of demand for transport or the quality requirements that exist in a globalised, competitive economy.

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

• 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 the transport sector and take into account its role as the most important link of the international supply chains.

The proposed new evaluation tool for supply chain challenges from the transport perspective 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.

The existing micro and macro indicators are inadequate for assessing the performance of supply chains. The micro indicators are difficult to aggregate to the supply chain level. The macro-level
supply chain indicators tend to focus on particular concerns in isolation, rather than presenting a comprehensive review of all supply chain aspects of interest to policy makers.

Therefore, there is a need to develop a multi-criteria assessment system at a meso-level for conducting a comparative evaluation of transport systems with emphasis on services in different countries which will cover total transport costs, quality of transport services, and impacts on socio-economic factors.

III. Objectives

The project should be taken forward in three stages, with the objectives of the three stages being:

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 methodological tool which could be commonly used by national Governments wishing to:

   (i) benchmark performance of transport and logistics systems against peer economies;
   (ii) evaluate the contribution of the transport sector to the overall competitiveness of their particular economies;
   (iii) identify points of weakness in their transport system and their transport links with their main trading partners; and,
   (iv) identify appropriate policy interventions to improve performance and remedy problem areas.

IV. Project Scope

Round Table (by invitation only)

Round table is planned as one day event. The preliminary programme is attached (Annex 1).

The objective of the Round table is to gather representatives of countries in which fairly developed national logistics plans have been developed, to present methodologies which have been applied in developing national strategies and plans. The round table will also offer opportunity to international institutions which have developed logistic and competitiveness indicators to present methodological basis for compilation of their indexes. Based on these presentations, the Round table will discuss common features and differences between national and international approaches. The lead discussant, who will steer and moderate discussion between several other invited discussants in the last and main session, will also draft the summary of the Round table. The roundtable presentations and its report summing up its main finding and messages will be published by the UNECE and be used for the next stage of the project.
Audit of existing indicators

A formal audit of existing research and indicators, building on the gap analysis exercise carried out by the secretariat would provide a comprehensive analysis of the strengths and weaknesses of the different measures and their potential value to Governments in developing policy analysis.

With consultant’s support, the secretariat will prepare the more detailed audit of the existing indicators in the form of a report which will be used as a complement to the outcome of the Round table.

Development of a new evaluation framework

Based on the results of the two previous stages, consultant(s) will be engaged to contribute to a draft of the new methodological framework which would be able to meet the high-level objectives set out above. In addition, the framework should ensure a strong linkage between the measures reported and real world outcomes, and will need to incorporate a better matching between supply side factors and the demands that are placed on transport systems in a highly integrated global economy.

The core requirements for a new evaluation framework will have to 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

Analysis will not be limited exclusively to infrastructure bottlenecks (infrastructure being considered the hard component of logistics), but will also consider the rules and procedures regulating the services (soft component) to give a holistic treatment of trade and transport facilitation issues. Transport, communications, customs and other border agencies interact closely, and that the way they perform their tasks, individually and together, has a major impact on trade costs.

V. Governance

The tasks involved in this project will be difficult to be carried out by one or more consultants or the academia in isolation. Therefore, the secretariat proposes that a Task Force (Terms of Reference in Annex 2) is formed to support the work of the consultants. The Task Force will comprise: relevant experts; interested national governments; international partners such as the World Bank, the World Economic Forum and the International Transport Forum; and industry representation such as logistics associations and Chambers of Commerce by invitation.

The project will build on existing experience and expertise in the field, and it will involve partners both at national and international level, and will reflect the realities of doing business. The work of consultant(s) who are commissioned to support the project will be monitored and evaluated with clear performance standards to ensure swift progress. However, while it is important to incorporate relevant expertise, it is equally important that the core Task Force should be sufficiently compact as to enable it to move forward at pace.
VI. Indicative timeline

September 2009  WP.5 to approve project outline, work programme and the establishment of the Task Force; present delegates to indicate interest of their country to be on the Task Force;
UNECE Secretariat with partner organisations and national governments to finalise the membership of the Task Force;

October 2009  Commission a consultant to substantively contribute to drafting the audit report

December 2009  Round table to seek inputs and views from various national experiences, academia and partner organizations in order to expand and deepen the analysis

January 2011  Commission a consultant to contribute to the development of a detailed project proposal, prepare the necessary analytical background, draft proposal of the methodology

February 2010  Inland Transport Committee to decides on the establishment of the Task Force

March 2010  Task Force to meet in Geneva and review first draft proposal of the methodology

June 2010  Task Force to meet in Geneva and finalize draft proposal of the methodology

September 2010  Presentation of the draft methodology with pilot data to the WP.5

February 2011  Inland Transport Committee to launch the new framework

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Annex I

Round Table

*Draft Programme*

*Tentative date - 1 December 2009*

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>10:00 – 10:15</td>
<td>Opening of the Round Table</td>
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<tr>
<td>10:15 – 11:45</td>
<td>Methodologies and criteria applied in developing national logistics</td>
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<td></td>
<td>strategies and plans; (Austria, Germany, Finland, Canada, Netherlands,</td>
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<td></td>
<td>Belgium, United Kingdom, Ireland, Australia, Turkey, Russian Federation,</td>
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<td>Switzerland, Kazakhstan)</td>
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<td>11:45 – 12:00</td>
<td>Coffee break</td>
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<td>12:00 – 13:00</td>
<td>Transport and indicators of competitiveness in international organizations</td>
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<td>(World Bank, World Economic Forum, IMD Lausanne, SCOR)</td>
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<td>13:00 – 14:00</td>
<td>Lunch break</td>
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<td>14:00 – 16:00</td>
<td>Discussion about common features and differences between various national</td>
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<td>and international approaches, followed by free debate moderated by the lead</td>
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<td>discussant</td>
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<td>16:00 – 16:30</td>
<td>Coffee break</td>
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<tr>
<td>16:30 – 17:30</td>
<td>Summary of discussion and conclusions</td>
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Annex II

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Terms of Reference

Task Force on Supply chain challenges for national competitiveness through transport

Established under the auspices of the Working Party on Transport Trends and Economics (WP.5)


Mandate

1. The Task Force will provide expert support to the project “Supply chain challenges for national competitiveness through transport”.

2. The Task Force will facilitate and assist in collection of national information and data on relevant aspects of the newly developed methodology.

3. The Task Force will review the first draft of the framework methodology prepared by the secretariat, and provide substantive comments and expert views on the quality and relevance of the newly proposed methodology.

4. The Task Force will carry out the final review of the draft new methodology, before recommending to the WP.5 to approve it.

5. It is proposed that the Task Force should be composed of experts having knowledge, in particular, about the link between transport, logistics and supply chain operations on one side and the critical elements of competitiveness of national economies. The members of the Task Force will be nominated by UNECE member States as well as by representatives of relevant international governmental and non-governmental organizations and industry associations, including experts from academia.

6. Pending the approval by the WP.5, the Task Force is expected to meet twice, in March and June 2010, and terminate its work at the meeting in June 2010, when it is expected to approve the final draft of the new methodological framework. The approved methodology will first be considered by the WP.5 in September 2010, before it is submitted to the Inland Transport Committee for subsequent approval and launching, at its session in February 2011.

7. The Task Force will be assisted in its work by the UNECE secretariat and will report to the Working Party on Transport Trends and Economics.

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