

PROFESSOR ALEX VAN BREEDAM:

'LOGISTIC SERVICE PROVIDERS MUST LEARN TO LOOK BEYOND THE INDIVIDUAL CUSTOMERS'

Developments such as globalization, the debate about climate change, and growing pressure on infrastructures, confront the logistics sector with big challenges. At the same time, there is increasing recognition of the social relevance of the sector. According to Professor Alex van Breedam, Managing Director of VIL (Flanders Institute for Logistics), logistic service providers in the Benelux are in a unique position to turn this situation to their advantage. His vision is expressed in the Extended Gateway, an integral concept for the development of Flanders as a 'hot' logistics center. 'By clustering sectors and bundling transport flows, logistic service providers could create unique added value here,' he says.

Van Breedam starts by indicating that the growing attention that society is paying to logistics has several aspects. 'First of all, the economic importance of logistics can no longer be denied,' he says. 'Where logistics used to be considered merely an unavoidable cost item, it is now recognized as a valuable economic sector in its own right. In Flanders alone [the Flemish-speaking part of Belgium, Ed.], the sector generates 300,000 jobs and over 9 percent of the Gross National Product.' This growing economic role is partly due to globalisation, which is the cause of increasing international transport flows. But it also has another cause, according to Van Breedam. 'One frequently mentioned effect of globalization is the large-scale outsourcing of goods manufacturing to low labor cost countries,' he says. 'But these are very often basic productions that still need to be 'finished' for local markets. The trend is towards carrying out this 'end customization' as close as possible to the end of the supply chain, or in other words, as close as possible to the consumer.' Van Breedam mentions several examples: 'Printers produced in China are completed here with a paper tray, the right cabling, the right software upgrade etc. Clothes made in Asia are dyed and finished here according to local market demands.' These value-added activities for the European market usually happen in EDCs (European Distribution Centers). And it is not for nothing that the Netherlands and Belgium are favourite locations for this. 'The Benelux has the highest concentration of EDCs in the world,' says Van Breedam. 'And Nike's EDC in Laakdal, Belgium, is actually the biggest in the world.'

Sustainable growth

Van Breedam describes the qualities that make the Benelux such a prime choice for logistics. 'The location is very favorable. We're within six hundred kilometers of all of Europe's major consumption centers,' he says. 'In addition, we have access to very large and well-equipped gateways in the form of the harbors of Rotterdam, Ostend, Zeebrugge and Antwerp, and the airports at Amsterdam Schiphol and Brussels.' But what makes the Benelux really unique, in Van Breedam's opinion, is the closely-meshed multi-modal network throughout the countryside, feeding into these gateways. 'This puts us in the incomparable position of being able to deliver goods fast to their

final distribution countries. A harbor like Singapore in comparison has an enormous trans-shipment capacity for containers, but lacks the ability to put containers on the ground and quickly process and distribute goods throughout the region behind it.' In fact, the increasing congestion in harbors worldwide has in fact not so much to do with their actual capacity, van Breedam believes, as with the transport flow to and from the hinterland. 'The solution for this lies in a combination of bundling transport flows on the one hand, and clustering logistic activities within your infrastructure on the other hand,' he proposes. 'We know from research that you can realize economic growth within the sector in this way, while simultaneously reducing the impact on the environment and the infrastructure.'

Applied know-how

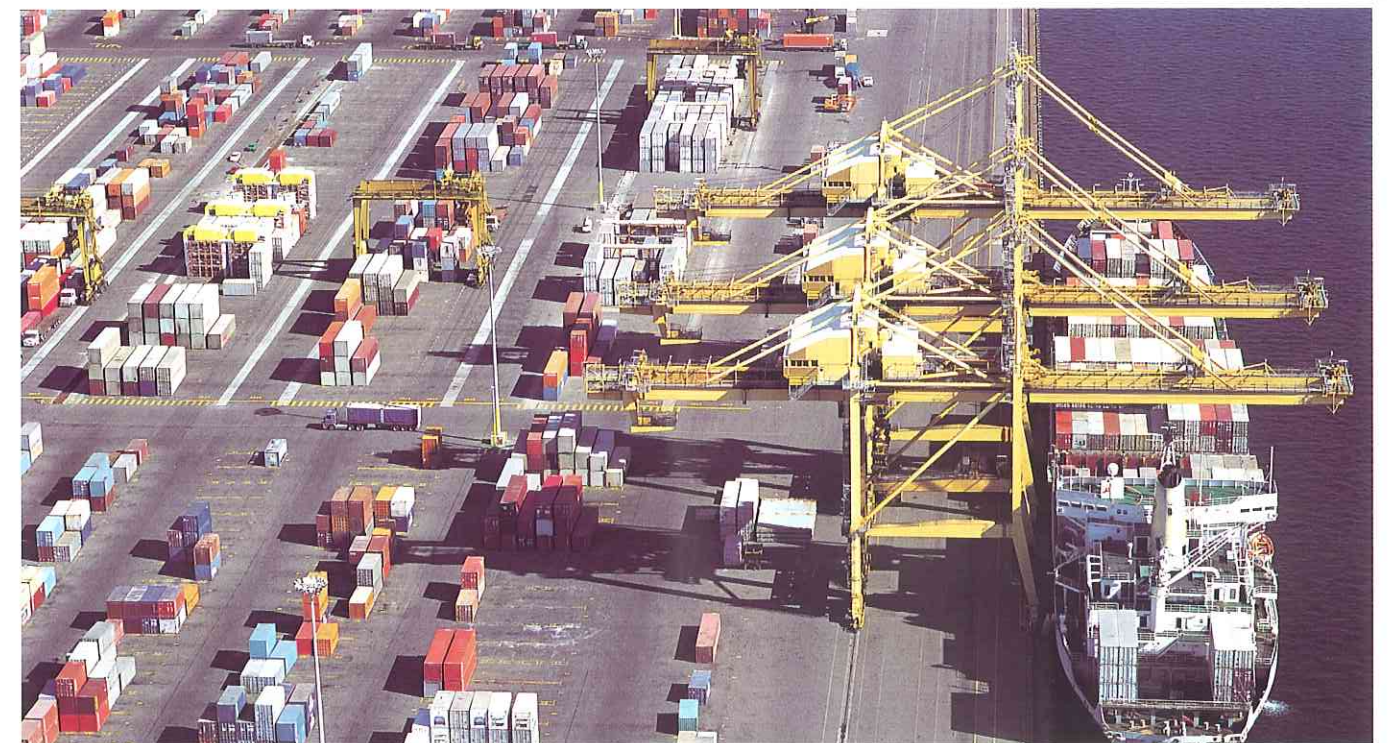
Van Breedam refers to one research project carried out by the VIL on behalf of the Belgian province of Limburg as an example. 'To stimulate economic development, an extra area of 250 hectares has been designated for logistic

activities, in which 32,000 jobs are to be created by the year 2015. By making optimal use of synergistic possibilities and bundling transport flows, this growth can be realized at the same time as reducing CO2 emissions in the area.' Throughout the Benelux, numerous logistic hotspots have comparable potential, according to Van Breedam, primarily because of the very close-knit multi-modal network. 'No other region in the world has such a dense network of water, rail and road transport possibilities,' he insists. The rich industrial history of the area is another reason why the Benelux is considered a top location for EDCs with added-value activities. 'We have significant know-how in the field of production methods,' says Van Breedam. 'It is fully applicable for value-added activities, linking in to an enormous potential for job creation.'

Creating advantages of scale

For Van Breedam and the VIL, all of the above factors provided the impetus to formulate a comprehensive vision for the development of the logistics >>

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Alex van Breedam

sector in Flanders: the Extended Gateway®. By means of an integral approach, the concept makes use of the unique combination of peripheral logistic conditions in the area to realize economic growth and simultaneously minimize the burden on the environment and on society. The vision encompasses the region as one whole. Transport flows from the big gateways (the harbors and airports) are directed to pre-determined regional focus areas using the multi-modal network. 'The Extended Gateway® rests on two pillars: activity clustering and bundled transport flows,' says Van Breedam. 'Clustering has to be based on similarities in goods handling between companies and the demands associated with it,' he explains. 'For example, the basic chemical industry has to be located in the harbor area itself, because the storage costs for their products are too high. But for other industries, a location further away in the countryside could be optimal in terms of the cost/benefit ratio.' In connection with transport flows using the multi-modal network, the primary objective is to create benefits of scale by bundling streams. 'As soon as other network users have a comparable transport need, you can combine their transport flows, for instance by making use of the same internal waterway links,' Van Breedam explains. 'From that moment on, both parties are saving transport costs, and the impact on the environment is reduced at the same time.' By taking the entire Flemish region as a unity, the concept is also easier to market. 'Multinationals who locate an EDC here want to have the feeling that they are being

offered a prime location. By identifying various regions in the Flemish countryside as functional centers, you also increase their perceived value. This way, a logistic activity can be located in the place that results in the lowest total logistical cost. Depending on the type of activity, the potential area of interest can reach from the gateway itself to far back in the hinterland, which explains the term Extended Gateway®,' he says. In this way the gateways retain their attractiveness for new business, thanks to the seamless transport flow linking them to the hinterland.

Challenges to go

Although the potential of the Extended Gateway® concept is unmistakable, challenges still exist. 'Sometimes there is still an over-emphasis on the harbors; people need to learn to realize the importance of the interaction between the gateway and the surrounding countryside,' says Van Breedam. A further challenge is how to realize the envisaged clustering of business activities. 'It's primarily a question of spatial organization. And to achieve that, national, provincial and local authorities have to be in alignment.' That this is a serious possibility can be seen from practical examples, according to van Breedam, such as the region surrounding Tilburg in the south of the Netherlands. 'Focusing on the electronic sector has proved a successful approach there, as can be seen from the growing number of EDCs in the region,' he says. The development of the neces-

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sary IT support is also a critical factor. 'There will have to be a universal on-line IT platform,' in Van Breedam's view. 'Through this platform, all kinds of services could be offered, like track & trace, customs facilities, but also pre-registration at harbor terminals. A system of this kind is definitely practicable.' A further important condition for success is the existence of an adequate social basis. 'We're in a good position in that respect in Flanders, given that logistics has been among the leading items on the social and political agenda in the last few years,' says Van Breedam. 'The importance of the sector in terms of work opportunities is of prime importance. Additionally, because of the potential benefits of the Extended Gateway® concept for the environment, we've also been able to demonstrate the 'green' side of sustainable logistics.'

Whole sectors

However, if logistics service providers really want to turn this location and situation to their advantage, then they still have a long way to go, in Van Breedam's opinion. 'Generally speaking, I think a change of attitude is needed,' he says. 'At the moment I see logistics service providers orienting themselves primarily towards individual customers in the development of supply chain solutions, without taking the whole sector into consideration. What they need to do is think more about bundling streams, and approach sectors in their entirety.' In that respect Van Breedam sees CEVA's strategic approach to whole sectors as an example of how things could be. 'I'd say CEVA understands how we need to move forward together.' •