

29 October 2008

[Home](#)[Strategy](#)[Markets](#)[Branding](#)[Policy](#)[Technology](#)[Reporting](#)[Climate](#)[Opinion](#)

## Strategy

### How greener transport can cost less

7 Jul 2008 | Author: [Toby Procter](#) | [Print version](#) | [Send to a friend](#)

Fed up with petrol

#### Related Articles

- [DHL will cut emissions by 30%](#)
- [Special report: Technology to cut freight emissions](#)
- [EU proposes overhaul of freight transport to save emissions](#)

A recent KPMG study called 'Climate Changes Your Business', showed that while the transport sector is relatively low-risk in terms of regulatory and reputational climate risk its level of preparedness (mostly in respect of legislation increasing its costs) is the worst of all the 18 sectors KPMG reviewed.

Only 35% of the FT Global 500 companies' climate change reports mentioned transport initiatives,

Search

[Jobs](#) | [Reports](#) | [Letters](#) | [Links](#) | [Podcasts](#)[About us](#) | [Advertise](#) | [Magazine](#) | [Conferences](#)Subscribe to our twice  
monthly newsletter:

Go

» [Newsletter archive](#)

**Logistics companies are starting to take deliberate steps to lower emissions, driven by high oil prices and future regulation**

Can companies cut transport emissions in the supply chain and save money too? Almost certainly. It was possible when oil cost \$30 a barrel, and it's evidently easier when crude is running at \$120 a barrel or more.

Most goods in Europe are transported by third party logistics contractors, to and from suppliers by road. Cutting transport emissions and costs requires a strategic initiative from the logistics customer, and all too few have been prepared to take that first step.

A recent KPMG study called 'Climate Changes Your

according to the Corporate Register Corporate Climate Change Communications 2007 report. But logistics' profile may soon rise with high oil costs impacting on a European Commission forecasted 50% growth in EU goods transport volume from 2000 to 2020.



**Environmental Business Strategies Summit 2008**  
2 day business conference on:

- Green procurement
- Water

25-26 November, Amsterdam  
[www.ethicalcorp/ebs](http://www.ethicalcorp/ebs)

### The price of logistics

Only the biggest and best operators generate returns sufficient to invest in cutting-edge vehicle technology. Most logistics managers in large corporations are too far down in the hierarchy to secure new investments, which may yield financial and environmental returns, but maybe not fast enough for the next quarter's financial targets.

That criticism can't be levelled at the members of the British Retail Consortium, signatories to 'A Better Retailing Climate'. The BRC announced environmental commitments in April this year,

which included aiming for a reduction of 15% in energy-related transport CO<sub>2</sub> emissions from stores' deliveries by 2013 compared with 2005 levels, by improving the energy efficiency of vehicles, distribution systems and stores.

Product design and packaging also impacts on distributive efficiency as well as waste, and the BRC also committed to reducing ownbrand packaging and encouraging the same for manufacturers' brands.

### Reluctant first movers

The capital cost of transport equipment is high enough for most third-party logistics contractors to focus on sweating existing assets. Contract prices, which tend not to include fuel price reviews, are lagging far behind a 30%-and-rising increase in fuel cost, which currently accounts for around 40% of road haulage costs.

Nearly 90% of third-party UK road hauliers still operate no more than five trucks, however, and cannot be blamed for any lack of appetite for trialling expensive new technology. Companies have improved their freight footprints over the years, thanks simply to the availability of more efficient vehicles.

DAF Trucks, for example, recently compared the environmental performance of its maximum weight trucks in 1977 and today. The bigger, cleaner 2007 truck used 21% less diesel, carried 30% more

### UK Anti-Corruption Summit 2009

2nd-4th February 2009, London

### Ethical Supply Chain Summit USA

3rd-4th February 2009, New York

### ECI Reports



**Climate Change Reports on Sale**

**Download free report summaries:**

**Essential strategies for effective emissions trading and offsetting**

**How to manage carbon reduction, and make it pay**

**Corporate GHG Emissions Reporting**

Free papers on various ethical business topics: [click here](#)

### Magazine



Green supply chain issue out now. Download your free copy!

**Green technology issue – download your free pdf now.**

### Jobs

### 6th Annual Symposium

Spheres of Influence/  
Spheres of Responsibility

**Corporate Responsibility Reporting & Communications Summit**

25-26 NOVEMBER, LONDON

**Download a report summary of Corporate GHG Emissions Reporting 2008**

**Learn to trade carbon, and stay profitable. Buy the new report and save 20%**

Entries close 31 October 2008

**RUSHLIGHT AWARDS**

Gala Awards Dinner in London on 22 January 2009

payload and emitted 21% less CO<sub>2</sub> than its 1977 counterpart, providing a CO<sub>2</sub>/t/km saving of no less than 45%. Driven by legislation and competition, other truck makers could doubtless claim similar improvements.

### **Rare pioneers**

Some truck users have gone further. Communications company AT&T Inc. plans to add 105 alternative-fuel vehicles (electric hybrid and compressed natural gas) to the corporate fleet of its operating companies, from June on and estimates that they will reduce fleet GHG emissions by 124 tonnes and save nearly 34,395 gallons of fuel annually. Other companies have pioneered alternative fuelled vehicles, notably the express parcels carriers FedEx and UPS. But there is no evidence yet that logistics customers are willing to pay premium prices for low-carbon capital equipment.

### **Don't run empty**

Green logistics managers need to select suppliers who make the best use of existing equipment – for example, by cutting empty running. DHL Freight has set precise 2008 targets – to increase truck 'loadability' by 100kg per trailer on average, cut empty running by 5 km/trailer on average; and increase the number of trailers carried on rail by 350 units.

Trucks' CO<sub>2</sub> emissions reductions can be multiplied by a combination of telematics and driver training. UK government figures estimate that users of telematics systems, which include satellite navigation and speed limiters, see average fuel savings of 5% on heavy trucks and up to 15% on light commercial vehicles (Telematics Good Practice Guide, UK Department for Transport).

John Tindall, plant director, UCS Plant Hire Ltd, a user of the UK's Cybit telematics service, said after three months' use of the system: "Graphical mileage reports are already helping us to pull back around 750 miles per week through route planning – which has massively reduced our fuel costs and helped take six vehicles off the road."

The UK Freight Transport Association (FTA) says fuel efficiency-trained drivers typically see fuel savings of 7%. For an average 7.5 tonne distribution vehicle, this could equate to around £1,000 a year.

An alternative to making the best use of existing trucks is to use fewer, bigger ones, but the UK's Department for Transport has just refused to consider permitting what are called 'Longer, Heavier Vehicles' or LHVs in the trade, on UK roads. With one LHV replacing two current 44 tonne vehicles, the calculated CO<sub>2</sub> saving would be about 30%, according to the FTA.

Find out how to advertise your recruitment vacancies [here](#).

## **The shift to rail**

Wherever possible, moving bulk goods off the road, out of the air and onto trains, ships or barges is often worth doing for the emissions reduction. A container train can take up to 50 trucks off the road. The FTA wants more rail freight as both containerised imports and road congestion continue to grow.

The UK Department for Transport's Annual Report 2007 highlighted a gradual move from freight carried on roads to rail and waterways. Rail freight increased by around 7.5% from 2005 to 2006, to 22.1 billion t/km, while inland waterways freight increased 10% to 1.6 billion t/km. Much more of this would need investment in stretched rail infrastructure, and the UK has precious few commercially navigable inland waterways.

UK rail freight volume has grown by two thirds over the last decade, used not only by bulk goods suppliers like Corus Steel, but also by retailers including Argos, Asda, Marks & Spencer and Superdrug.

## **Best practice sources**

One ongoing EU-funded freight transport environmental research programme, ETTAR, has pinpointed the need for logistics managers to learn, and facilitate learning within their companies, about the best available technologies and best practices to adopt.

Another EU-funded project, bestLog, has already established an exchange platform for the improvement of supply chain management practice across Europe, and has among other things created a European logistics and media directory to enable registered users to search over 170 online and print publications.

## **Case Study: 3M**

3M UK Plc's Logistics Technology & Engineering Manager Martin Gimson told ClimateChangeCorp how his team set, reached or exceeded a series of targets for cutting energy and waste-to-landfill through a 2008 Energy and Waste Management Review at the firm's Bedford European Distribution Centre.

New cool store lighting cut energy use from 660MWh to 302MWh, worth £23,000, plus an annual maintenance cost saving of £2,000. The new energy-efficient lighting cost a one-off £50,395, entailing a two-year payback.

Waste analysis revealed 20 distinct waste streams, in which cardboard and stretch wrap were identified as having the largest impact on landfill. Each was segregated in appropriate recycling facilities on site. The result has been a 67-tonne (60%) annual reduction in waste going to landfill. Sixty-eight per cent

of 3M's total Bedford site waste is now recycled, and waste disposal costs have been cut by over £12,000 since October 2007.

**Further reading:**

'Climate changes your business' KPMG report download at:

[www.kpmg.nl/site.asp?Id=40378](http://www.kpmg.nl/site.asp?Id=40378)

'A better retailing climate' BRC report:

[www.brc.org.uk/Downloads/A%20Better%20Retailing%20Climate.pdf](http://www.brc.org.uk/Downloads/A%20Better%20Retailing%20Climate.pdf)

'Telematics Good Practice Guide' UK Department for Transport:

[www.rospa.com/drivertraining/info/telematics.pdf](http://www.rospa.com/drivertraining/info/telematics.pdf)

UK Freight Transport Association: [www.fta.co.uk](http://www.fta.co.uk)

ETTAR: [www.ettar.eu](http://www.ettar.eu)

bestLog: [www.bestlog.org](http://www.bestlog.org)

Trucost research on vehicle manufacturers' carbon risk exposure:

[www.trucost.com/publishedresearch.html#ResearchNotes](http://www.trucost.com/publishedresearch.html#ResearchNotes)

Do you trade and offset effectively? Ford, Boots and others reveal their winning strategies.

**Buy this new report now and save 15%**

---

**Back to Strategy**

**Respond:**

Write to **Toby Procter** at [tprocter@trendtracker.co.uk](mailto:tprocter@trendtracker.co.uk),

or write to the **Editor** at [zara@climatechange corp.com](mailto:zara@climatechange corp.com).

---

**ClimateChangeCorp welcomes your comments - click here.**

---

[About Us](#) | [Feedback](#) | [Ethical Corporation](#) | [Links](#)