

II Annual International Conference
TRILOGY
Transport, Investments, Logistics

Logistics Performance in Baltic Sea Area

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Topics

- Trends in global logistics
- Logistics Performance Indicator
- Regional projects between Finland and Russia
- Northern Dimension
- Conclusions

"Excellence in Logistics"

European Logistics Association (ELA)

Biggest challenge is the explosion of supply chain complexity

- Larger share of purchases and sales outside Western Europe
 - less failure tolerant supply chains
- Ever increasing customer requirements
 - service levels, lead times, delivery reliability
- Increasing amount of value added services
 - Shifting activities from manufacturing to distribution centres
- Higher product complexity
 - Shorter product life cycles, arising number of stock keeping units (SKU)

"Excellence in Logistics"

European Logistics Association (ELA)

Leading capabilities to manage complexity

- Collaboration
 - Sharing and utilizing information along the entire supply chain, which leads to higher supply chain quality and lower costs
- Value chain management
 - Holistic view of all the end-to-end issues
 - Integrating supply chain partners
 - Outsourcing in a sophisticated way
- Differentiation of supply chains
 - Meet specific requirements of customers, sales channels, type of product, regional specifications
 - The time of “one size fits all” is over!

What is the LPI?

Logistics Performance Index (World Bank 2007)

A set of indicators that measure the performance of the logistics environment of countries

Data for the LPI

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THE WORLD BANK



International
Federation for
Freight
Forwarders
Associations

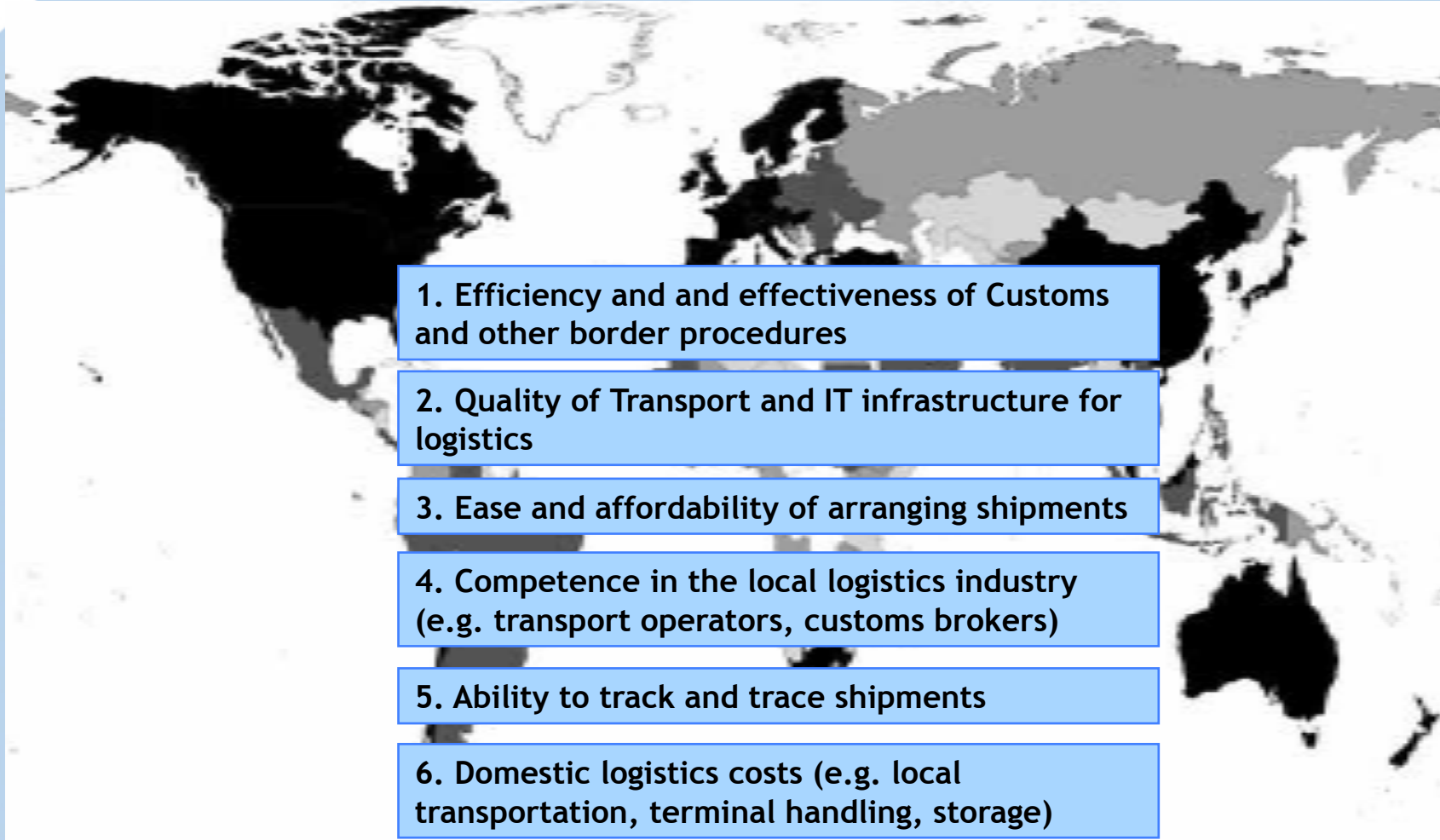


Global Facilitation
Partnership for
Transportation and
Trade



**Logistics professionals
in international
freight forwarding**

International comparison of the Logistics Performance Index (World Bank 2007)



1. Efficiency and effectiveness of Customs and other border procedures

2. Quality of Transport and IT infrastructure for logistics

3. Ease and affordability of arranging shipments

4. Competence in the local logistics industry (e.g. transport operators, customs brokers)

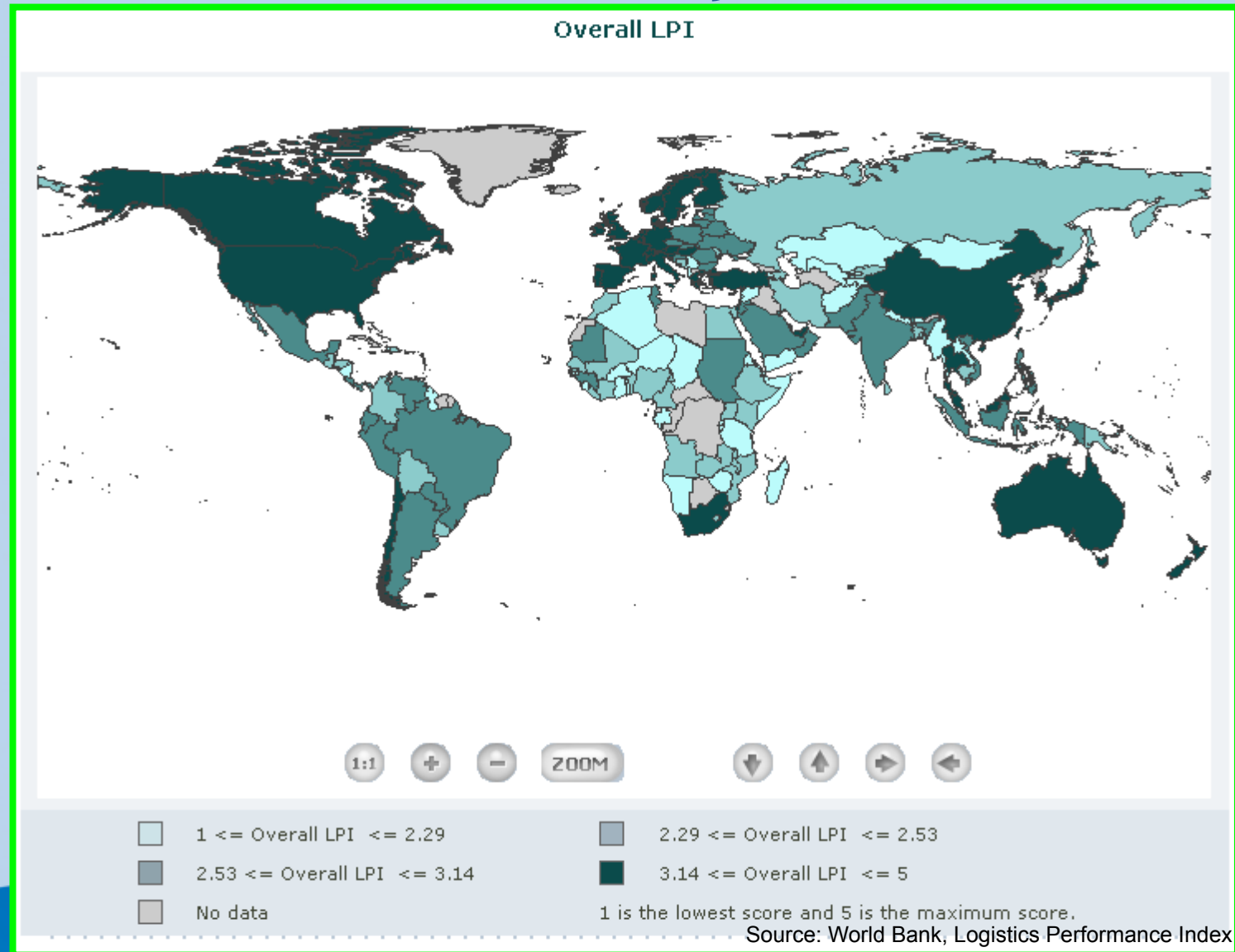
5. Ability to track and trace shipments

6. Domestic logistics costs (e.g. local transportation, terminal handling, storage)

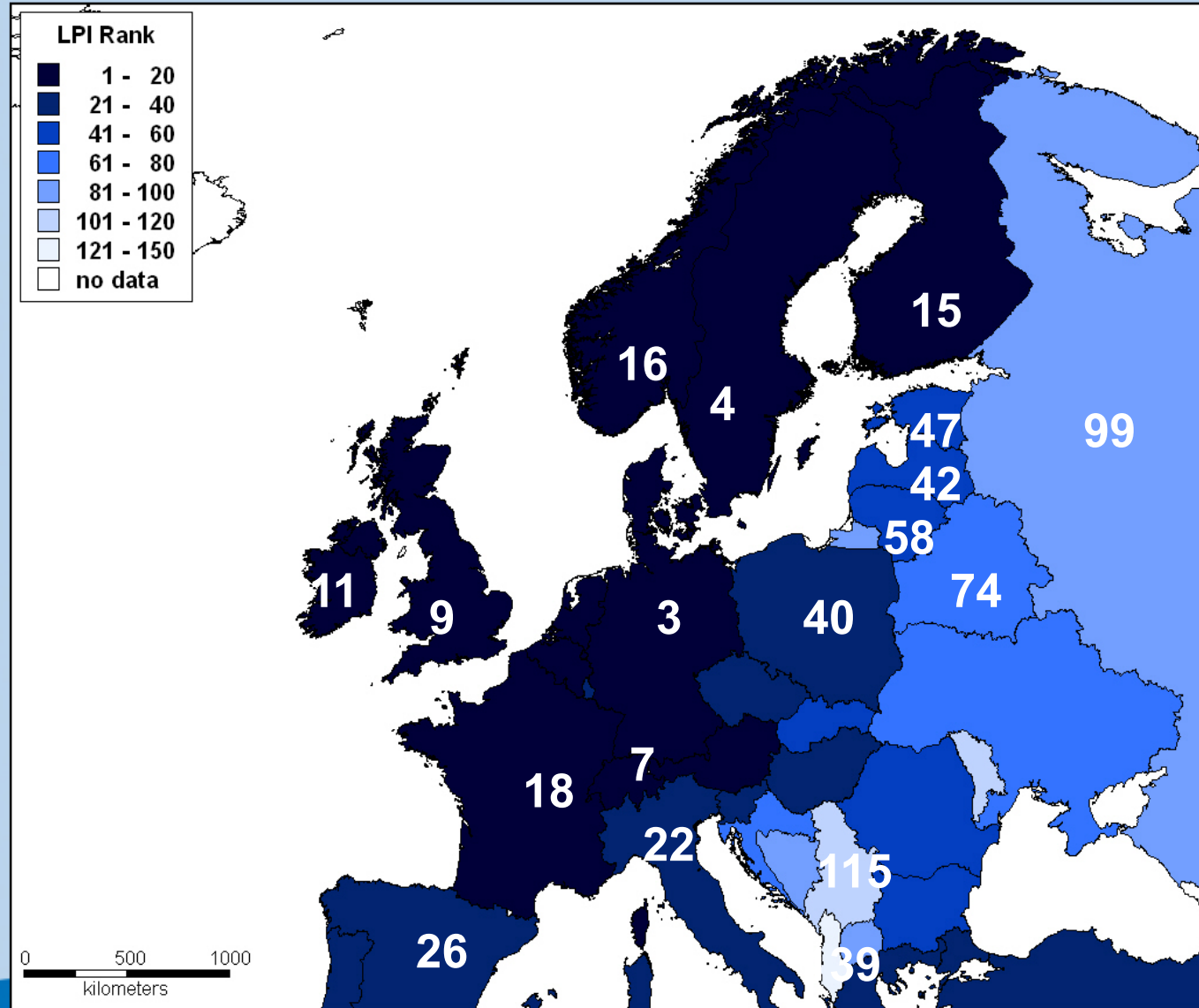
7. Timeliness of shipments in reaching destination

Source: World Bank, Logistics Performance Index

Logistics Performance Indicator Globally



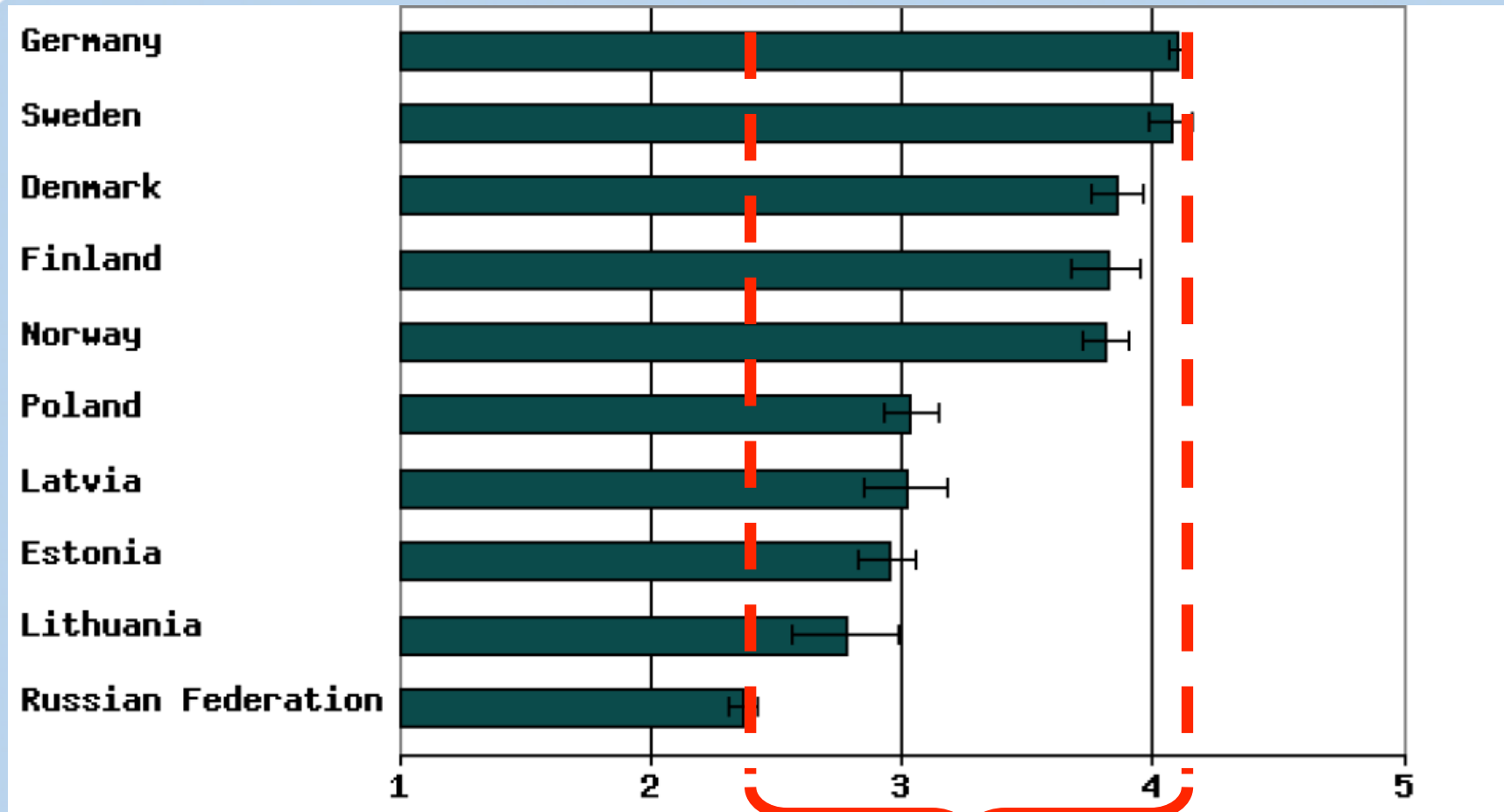
The level of Logistics Performance varies a lot in Europe



Source: World Bank, Logistics Performance Index

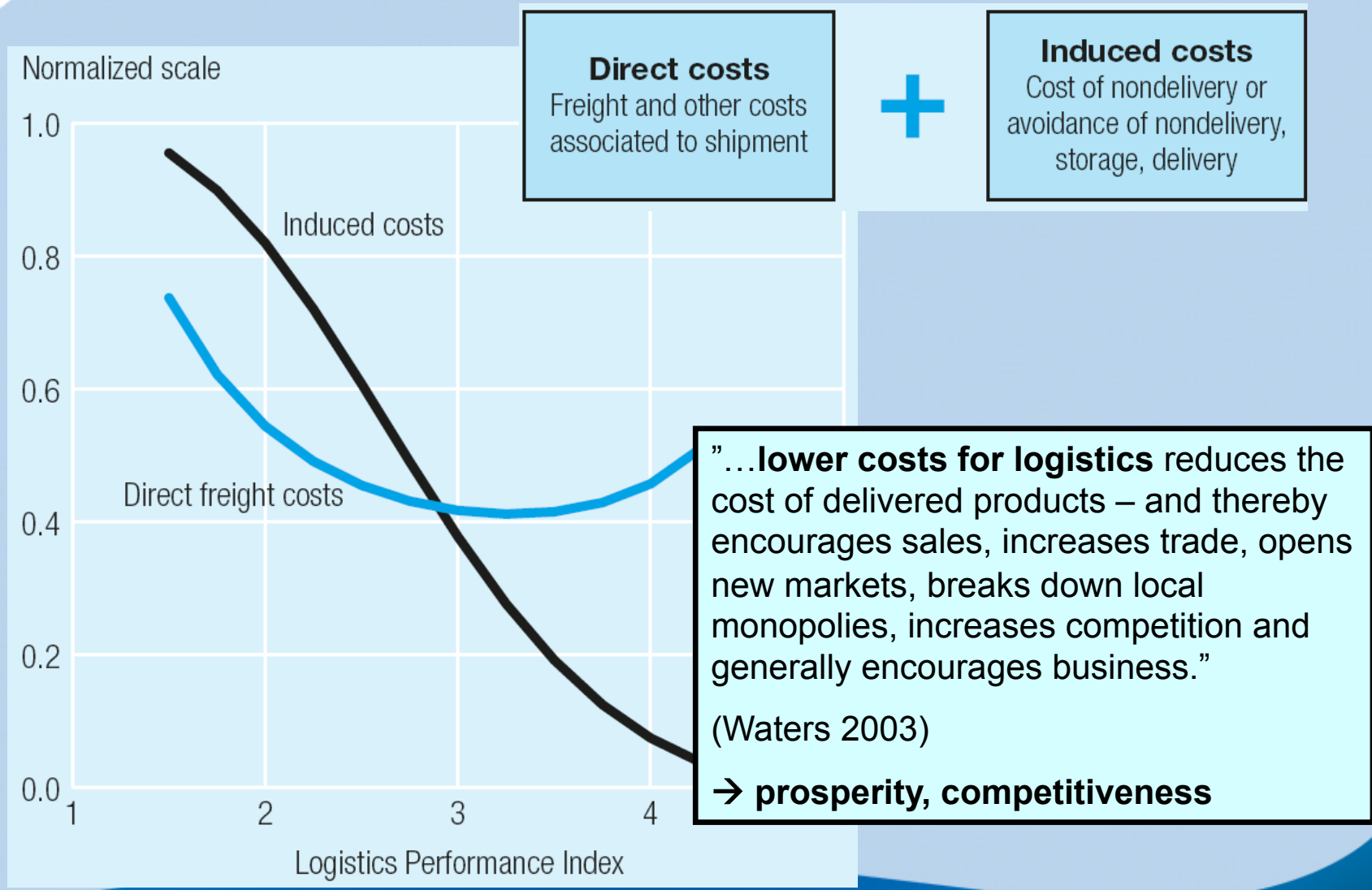
Mikko Melasniemi, Saint Petersburg 30th October 2009

"Logistics gap" among countries in BSR



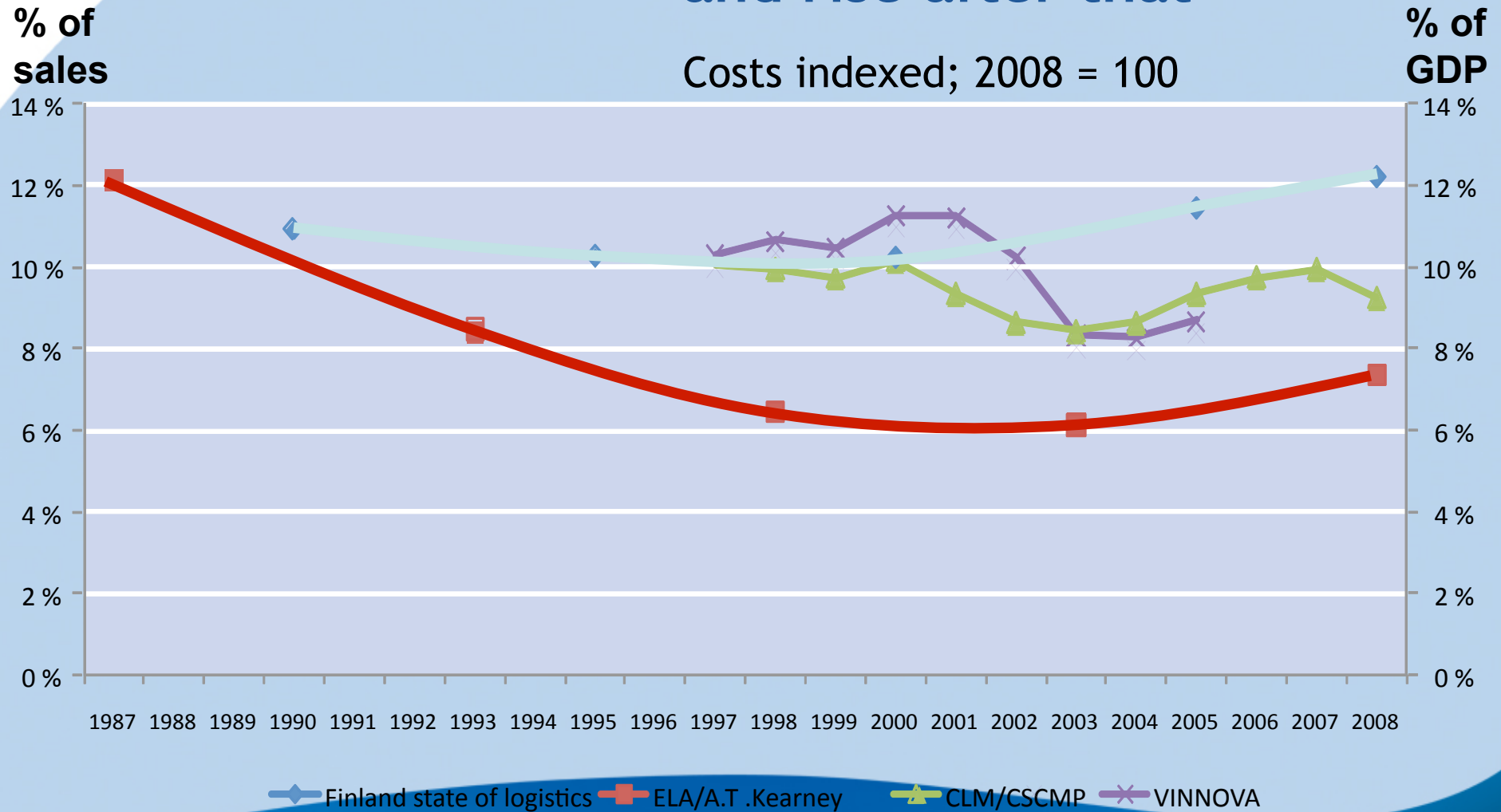
Source: World Bank, Logistics Performance Index
Harri Lorantz, Turku School of Economics

What does low LPI mean in practice?



Source: World Bank, Logistics Performance Index
Harri Lorantz, Turku School of Economics

Similar trend despite research method: logistics costs decrease till end-90s, and rise after that



Ojala & Solakivi CSCMP Sept.22, 2009

Cooperation between Finland and Russia in Logistics

- Long tradition on all levels
 - Contracts on state level and in practise, business relationships
- Information technology has a major part in projects
 - Documents, processes, border controls
- Wide range of projects in cooperation
 - Logistics
 - Intelligent traffic
 - Traffic safety
 - Railways
- Railway is ahead
 - Cargo documents (bill of consignment) are delivered electronically
 - Track and trace, visibility
 - International standards are used
- Do we see the global supply chain management in this?
 - What is the service level of Baltic Sea area for global companies?
 - What is the role of BS area in global networking economy?

MoA of Northern Dimension Partnership Signed in Naples in October 2009

- Memorandum of Understanding setting out the modalities of establishing the Northern Dimension Partnership on Transport and Logistics
- Mutual understanding by European Commission, Ministries responsible for transport, infrastructure and logistics
 - Norway, Russian, Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland, Sweden, Republic of Belarus
- Was agreed about
 - Goal of partnership to improve major transport connections and logistics in the Northern Dimension region
 - Other matters: Action plan, Exchange of information, Cooperation framework, Cooperation with regional bodies, Participation of private sector and social partners
- Next step in December on ministries meeting
 - Resources and guidelines over the projects
- MoA is important because
 - Baltic states have mutual forum for Northern Dimension
 - Formal way to go ahead with projects
 - Helps to take logistics into practise
- Goal: to have a momentum in EU budget for Northern Dimension

Conclusions

- Focus on value in supply chains, not only transportation
 - Two-way supply chains instead of one way transit traffic
 - Supply chain from supplier to final customer can be complicated but competitive
- Logistics performance is a case of competitiveness
 - Logistics costs are rising, time is money
 - Efficiency and visibility
- Cooperation between Finland and Russia on all levels
 - Finland and Russia are part of global supply chains
- Northern Dimension needs a line in EU budget
 - Act regionally, think collaborative

Thank you for your attention!