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Governance challenges for a sustainable maritime supply chain

Leading the voyage towards a sustainable maritime supply chain

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Good morning and thank you for inviting me to address the issue of sustainability in the supply chain.

My aim here is to set the scene and ask some questions that I hope will be answered as the day unfolds.

If there's one word that has lost its meaning more than "smart" or "green", it's "sustainable". Hardly anything can empty a conference room faster than a moderator announcing that the next speech will be about "sustainability". So we are on a journey that fewer maritime people now believe is worth taking. Nevertheless it remains our future, our common future, and I'm delighted to be sharing this platform today with speakers from across the maritime world who subscribe to that view.

There are as many ways to define sustainability as there are shades of green. It's ironic, isn't it, that more people have read *Fifty Shades of Grey* than are ever likely to explore the *Fifty Shades of Green*.

We all think we understand what it is to be sustainable, and probably we're all – at least in some way – correct. One definition I like goes back to Gro Harlem Brundtland's work as part of the World Commission on Environment and Development in 1987 – almost 30 years ago. The Commission defined sustainability as "sustainable development", and defined sustainable development as:

"development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

If we take this as a guideline, we are thinking about how to make the maritime supply chain of 2016 more efficient not just in terms of cutting costs but also in terms of making the best use of the people skills and talents we have available, and the best use of the materials we are using to transfer goods from one location to another. And we seek to do so in a way that gives opportunity for further improvement in the 2020s and beyond.

That's much easier to say than it is to achieve. What are "the maritime needs of the present"?

Behind all the mission statements that place economic responsibility and environmental responsibility side by side, it's pretty clear to everyone that returns to shareholders are the driver of businesses in the developed world. Unless there are regular, and increasing, profits coming year after year – rather confusingly termed "sustainable growth" – there will no funding available to protect and preserve the environment. The most basic maritime need of the present is profitability, and because profitability is under pressure today, our focus has become very much more short-term.

That's not to excuse companies for failing to take environmental responsibility seriously, however unless we survive in what is a very difficult maritime sector we won't be able to help the next generation to meet their own needs. Survival is a basic instinct for businesses as well as for people, so when business decision-makers think about leading the voyage towards a sustainable maritime supply chain, getting the economics right comes before the environment. Nevertheless the decisions made today create the environment in which the next generation will live and work.

This reality seems to become more evident as we get older, and there's the rub. Sustainability – not just sustainability in the supply chain – becomes more important as employees move through a company towards positions of management and, ultimately, leadership.

For me, this is a critical point: whereas management involves moving a business in the direction of targets usually set by someone higher up the ladder, leadership is identified by a vision for the future, innovation in ideas, courage in challenging the status quo, and a focus on people and, I would add, the world around us. It's important that we are, to stick to the title of this address, leading the voyage not managing it.

If this is true, a sustainable future for the maritime supply chain depends on our business leaders, not our business managers. Both our attitude to the environment in which we live and work and the developments we engineer throughout the supply chain rest on the shoulders of those among us who are visionaries and innovators.

As a magazine editor, I have grappled with the role of shipping for many years. When the newspaper Lloyd's List stopped calling ships by the feminine article – "she" and "her" – it caused a storm. Ships have always been feminine, ships have a personality, ships respond to careful handling. No doubt many things respond to careful handling but that doesn't make them feminine – at least in English. However, the older generation thought differently.

We had a similar reaction when I took the decision to drop the scattering of large images of ships in Fairplay. It was argued that readers like to see pictures – big pictures – of ships. Take those out, and what have you got? Screens full of numbers, people shaking hands or people on the phone. Just as the editor of Lloyd's List believed that shipping needed to move on, so I wanted to take my part of the industry into an age of commodities, decision-making leadership, and insight into what was going on beneath the sensationalist headlines.

Now I see the need to do the same for the maritime supply chain. Much of shipping still believes its responsibilities lie in quay-to-quay transportation. We can talk about container yards, cargo handling, even shore-side operations centres, but essentially shipping is what takes place on water. This is also old thinking, and must be challenged if we are to embrace the opportunities of the sustainable supply chain.

Our customers don't think about quay-to-quay, they think supplier-to-manufacturer, and manufacturer-to-end-user. And if they are thinking like that, so should we.

Shipping is part of the end-to-end supply chain; maritime leaders with vision need to recognise the full potential of the supply chain if they are to create a vision for the next generation of the shipping industry. So I'm a little worried about an invitation to lead the voyage towards a sustainable maritime supply chain. I see the intention, and with port interests, ship owning interests, and environmental interests in the room, and I look forward to hearing how each aspect of the supply chain can and should upgrade its service. However, while doing so, we all need to catch the vision of a supply chain that started long before the goods arrive on board ship, and continues long after discharge.

So how do we seek improvements in the supply chain, the maritime element of that supply chain, the sustainable maritime element of that supply chain?

Let's get inspiration from outside shipping cycles – in cycling for leisure. According to www.denmark.dk (The Official Website of Denmark), Copenhagen is officially the world's first Bike City. Danes are well known for their love of cycling, and there are almost 400 kilometres of designated cycling lanes in Copenhagen. Most Danes associate the bicycle with positive values such as freedom and health, and it's no surprise that Copenhagen, Århus, and Odense have all used the bicycle in their marketing campaigns.

Now consider this, from Sir Dave Brailsford, who is 'compassionately ruthless' about British cycling. He's talking about racing but he could also be talking about supply chains:

“If you already think you are as good as you can be, you will defend the status quo and become defensive when people point out your weaknesses. If you think you can improve, you will be oriented towards a search for marginal gains, and you will be thrilled when people point out your weaknesses because it gives you a chance to fix them, and become even better... It is a completely different way of seeing the world.”

If you have come to this workshop believing the maritime element of the supply chain is as sustainable as it can be, please leave now: there's nothing here for you. If you are not

prepared to accept that the way you handle cargo or transfer cargo between modes of shipment could be done better, please leave now.

This workshop must be conducted in a spirit of openness, honesty, and integrity. That's the way to achieve Brailsford's marginal gains which, when aggregated, will change the way we think about sustainability in the supply chain. Small improvements in several different aspects of what we do, can have a huge impact on overall performance.

In Brailsford's thinking, if 10 people working within the maritime supply chain achieved a 1% saving this year, that's a significant 10% saving across our entire business. The goal has a time limit; it is measurable, and actionable. There will be a financial consequence to please the managers, and more importantly there will be a sustainability consequence to please our leaders. One percent over one year is achievable for all of us, where 25% over, say, 10 years is probably not.

What Dave Brailsford did not suggest – but we should not overlook – is that our entire business model might not be the best available. He can't propose ditching cycles because faster Olympic times could be achieved with another form of transportation. However, we can propose that the maritime supply chain could be made more sustainable if we shifted to a more environmentally-friendly port in another location, or replaced our fleet of diesel-powered rubber-tyred gantry cranes for electric-powered RTGs, or invested in new rail connections to remove truck traffic from roads through and around the city.

Think differently, think outside the box, think about how we can meet the needs of the present while enabling future generations to meet needs we can't even imagine.

Leaders have to encourage the maritime industry to believe we can be more sustainable, and that it's in our interest and in the interest of those who come after us to be more sustainable. In other words, it's an *educational* imperative. That means long-term and holistic: you can't make supply chain sustainability a one-hour web-based training session, or even a one-day workshop. Changing a way of thinking and a way of working takes a career to achieve.

And bear in mind there's a cultural dimension to sustainability. A workshop about the sustainable maritime supply chain fits snugly into the Scandinavian spirit but it is way down the list of priorities for the United States' shipper community or the Asian industrial community.

If we limit our focus to the north European region, sustainable development is not only possible, it's achievable. If we widen our horizon to take a global perspective, sustainable development of the supply chain is far harder to achieve, however good our teaching, training, and inspiring. This is a dilemma for the global maritime industry that seeks a single set of rules and expects targets we can all sign up to.

This brings us to one of the biggest mistakes we make in shipping: we seek to impose sustainability on an industry through regulation. We have seen sulphur oxide and particulate matter emission controls applied to fuel oils in the Baltic Sea and North Sea ECAs, and more recently in North American ECAs. These have worked because there is a desire for a cleaner environment in these key shipping regions. In October, the IMO's MEPC will discuss whether to impose a 0.5% sulphur limit on fuel oil that could take effect from 1 January 2020 – if a review, to be conducted by 2018, concludes there is enough of the required fuel available globally – or from 1 January 2025.

If it's anything like the ballast water management fiasco, the SOx regulation could divide the industry into those, including Denmark, who sincerely believe sustainable development is for the greater good, and those who believe it's a conspiracy by the developed against the emerging nations. You will struggle to regulate your way to sustainable development in the maritime supply chain, especially if you fail to reach out to the hearts and minds of shipping leaders outside this region.

Clearly many other organisations and authorities have tried to tackle the need for sustainable development: maritime in general, and the International Maritime Organization in particular, have played their part.

IMO's sister body, UNCTAD – the United Nations Conference on Trade and Development, has been assessing the progress towards sustainability. It was reported in 2015 that “trade has expanded at unprecedented speed since the turn of the millennium; new technologies have transformed patterns of interaction, and finance has become a pervasive feature of everyday economic life.”

Although one billion people have been lifted out of poverty, the world is now more unequal than it has ever been. These inequalities are linked to the same forces that helped to raise our capacity to generate wealth: gains from globalisation are unevenly distributed. It can't be right for global trade, and the maritime supply chain that enables global trade, to make wealthy people even more wealthy while making poorer people just a little less poor.

UNCTAD's post-2015 action agenda has four ambitious and worthy development lines, one of which stands out for me – and should be the basis for our objective of leading the voyage towards a sustainable maritime supply chain: “finding common solutions”.

Common solutions for the maritime supply chain can't be efficient in a purely economic sense but must also be efficient in an environmentally-sustainable sense. Maritime transportation is defended as being the greenest way to move cargo from one side of the world to the other, but to be efficient it has to take into account the pre-shipment and post-shipment sectors.

There has to be a common solution that suits the needs of the manufacturer, the consumer, residents in the cities through which the cargo travels, environmental champions, and investors in the businesses that are responsible for carrying the cargo. In other words, sustainability is not a competitor to profitability; being green doesn't presuppose you actively oppose making money.

Their supporters should aim to make them two sides of the same maritime supply chain coin. And that would enable sustainable development to meet the needs of today – survival, profits that can be invested back into the business, reduction of emissions and pollution –

and the needs of tomorrow – a healthy environment with equal opportunities, and a responsible attitude to tackling weaknesses and shortcomings.

Trade is good; it's how we address the issues trade throws up that highlights its potential for inequality, irresponsibility, and inefficiency. The maritime element of the global supply chain is not perfect; it needs to work upstream and downstream to seek common solutions. And it is in finding common solutions that sustainability can be achieved.

It's a voyage we can all be part of so those who come after us will be able to meet their own needs. This workshop is therefore a welcome part of the voyage to sustainability, and I look forward to today's discussion and the action points that come out of it.

Thank you for listening.