

Impact of multimodal transport on property development

What can we expect on the Belgian industrial property market in 2011? It's clear that the economy is continuing to recover after the crisis, but how will logistical service providers and shippers respond to market demands? A brief look at the trends.



Jan Voet
Editor of Warehouse
& Logistics Magazine

Contacts with both logistics specialists and shippers have revealed a central theme that has increasingly been coming to the fore: sustainable logistics. This means a lot more than just solar panels on warehouse roofs and energy-saving installations. More and more shippers are under pressure from stakeholders to make their logistical operations CO₂ neutral or at least CO₂ neutral. In order to reduce greenhouse gas emissions from a logistical chain, the design of that chain is geared from the outset towards achieving as low a level of emissions as possible. CO₂ will clearly be a determining factor in the years to come; the national and European authorities are increasingly placing the emphasis on a reduction of greenhouse gases.

The port of Antwerp, a pioneer in multimodal transport

Numerous players in the logistics sector are capitalising on this trend with relish. For example the port of Antwerp is playing a pioneering role in multimodal transport, in which alternative modes to truck transport are being promoted. The use of inland shipping and rail can help reduce the number of kilometres per lorry, with the advantage of the ensuing drop in CO₂ emissions for the whole route. Koenraad Cuypers, strategy and development consultant for the Antwerp Port Authority, explains the port of Antwerp's strategy of opting for other modes of transport: "To ensure the reliable transportation to the hinterland of the volumes handled by the port, as a port authority we certainly encourage the modal shift. Antwerp is a typical shippers' port, which sometimes makes it difficult to opt for a multimodal solution for small, ad-hoc freight flows. But if we look at the industrial volumes, which remained more or less constant during the crisis, we see that inland shipping is being chosen to a large degree. More than 60% of freight flows from Antwerp to the Ruhr Area are transported by inland navigation vessel, and that means a structural reduction in the pressure on the road network. You can look at the modal split in

different ways. Of all the containers that leave the port, 11% are transported by rail and around 35% by barge. The rest are carried by lorry. If we look at the distances, we see that a large proportion of the short distances are covered by truck."

Extended gateways and inland shipping

The fact that inland shipping is being chosen more and more is primarily attributable to the high service level attained, as well as the pressure to be more environmentally friendly. To labour an obvious point, only a very small proportion of containers really have to be brought to their end destination very quickly. For the vast majority of shippers a reliable connection is much more important. Inland shipping, and in particular the inland terminals, offers great flexibility, enabling containers to be delivered to the client on demand. Koen Cuypers: "At the moment a major investment programme is under way for the Albert Canal, making it possible for barges to navigate with four layers of containers. The connection between Antwerp and the Rhine offers the possibility for containers to be transported into the hinterland at fixed prices. We are thus witnessing a very significant development of inland shipping on the Rhine corridors. An additional advantage, apart from the security of delivery, is the flexibility inherent to working with an inland terminal. We are also currently developing an integrated planning system for inland shipping, which will enable a cut in the waiting times at the deep sea terminals." "We are also noticing that some of those logistical activities that are not overly maritime related, are increasingly being performed at sites outside the port." These extended gateways are thereby also capitalising on the trend that is seeing the boundary between logistical and industrial activities becoming ever vaguer.

Development of Antwerp's hinterland

Antwerp has a very large hinterland that can easily be served by rail. "We have good connections to almost all areas in our hinterland. Only the south

sport on industrial

of Germany lags behind a little, because in that case Hamburg and Bremen are often chosen. And yet that is illogical, because Antwerp is geographically closer. Rail is an appropriate mode of transport for many container movements”, says Koen Cuypers: “Infrabel is currently working on a sizeable investment programme in the port of Antwerp. An additional rail tunnel will be built under the Scheldt, which will make freight transport between the left and right banks a great deal quicker.” The Antwerp Port Authority has marked out a course that will guarantee sustainable growth of the port in the future. “That is not self evident when you see how intensively the port’s land area on the right bank is already being used,” says Annik Dirckx. “The port still has opportunities for growth on the left bank, where we are also carefully weighing up the ways in which the land will be used. On the right bank of the Scheldt infill development is increasingly taking place, with the result that the surface area is used as efficiently as possible and the value of the land is being increased. In the future, too, we will also be aiming for a balance between our three cornerstones: transshipment, industry and logistics. That also implies a major advantage for the shipping companies, since in this way there is always a return cargo to be picked up.” Koen Cuypers: “Nonetheless, we are seeing a change of mentality within the port community. Where there used to be primarily a maritime focus, the hinterland is now becoming more and more important. As the Antwerp Port Authority it is in our interest to be well established in that hinterland. Cooperation agreements, such as the one with Trilogiport, confirm that trend.”

To take advantage of the greening trend, the recommendation is to invest in industrial property that can easily be reached by the three modes of transport. Rail and inland shipping are of course less flexible than lorries, but we are seeing a large number of new inland terminals appearing in both Flanders and Wallonia. The current trends indicate that these terminals will become important growth centres for logistical activities.

Impact of shipper consolidation on industrial property

For anyone active in logistical property, it is therefore extremely important to keep track of

the trends that are gaining in importance. By applying the strategy of “Extended Gateways” the axes between the ports will become more important. The Albert Canal in particular could in the long run become a competitor for the famous golden triangle. But rail terminals and multimodal terminals will also quickly gain in importance if another trend continues: consolidation.

Consolidation involves various shippers having their freight flows or logistical flows brought together with one or more logistical service providers. The result is that fewer movements by truck, rail or barge are needed to attain the same service level. What is clear is that consolidation will become more important among shippers that have to ship large volumes of cargo to very diverse places. The pressure from the shareholders among these players for the further development of consolidation projects is very great. For industrial property it is not easy at the moment to estimate what an increase in consolidation will bring about. To start with, buildings will have to be as multifunctional as possible from the outset, and they will also have to be adaptable to simple industrial processes. The question is simply what the impact will be on the surface areas used: will the demand for square metres increase or decrease? Will there still be a need for large warehouses right next to the port, or will smaller distribution centres be set up closer to the client (i.e. further inland)? Consolidation is a good way of ridding the transport or logistics chain of inherent inefficiencies. The pressure for shippers to enter into cooperation in the logistics chains, which indeed to a large degree run in parallel, can therefore not be underestimated. Many specialists in the field therefore reckon that we will be seeing more and more consolidation over the next two to three years.

Jan VOET ■

Editor of Warehouse & Logistics Magazine

**Warehouse
& logistics**