

# CargoTime

**Regulated deregulation:**

**How growth is possible despite government intervention**



How German playing cards reach the card players [▶ Page 8](#)

**“Doppelkopf”**



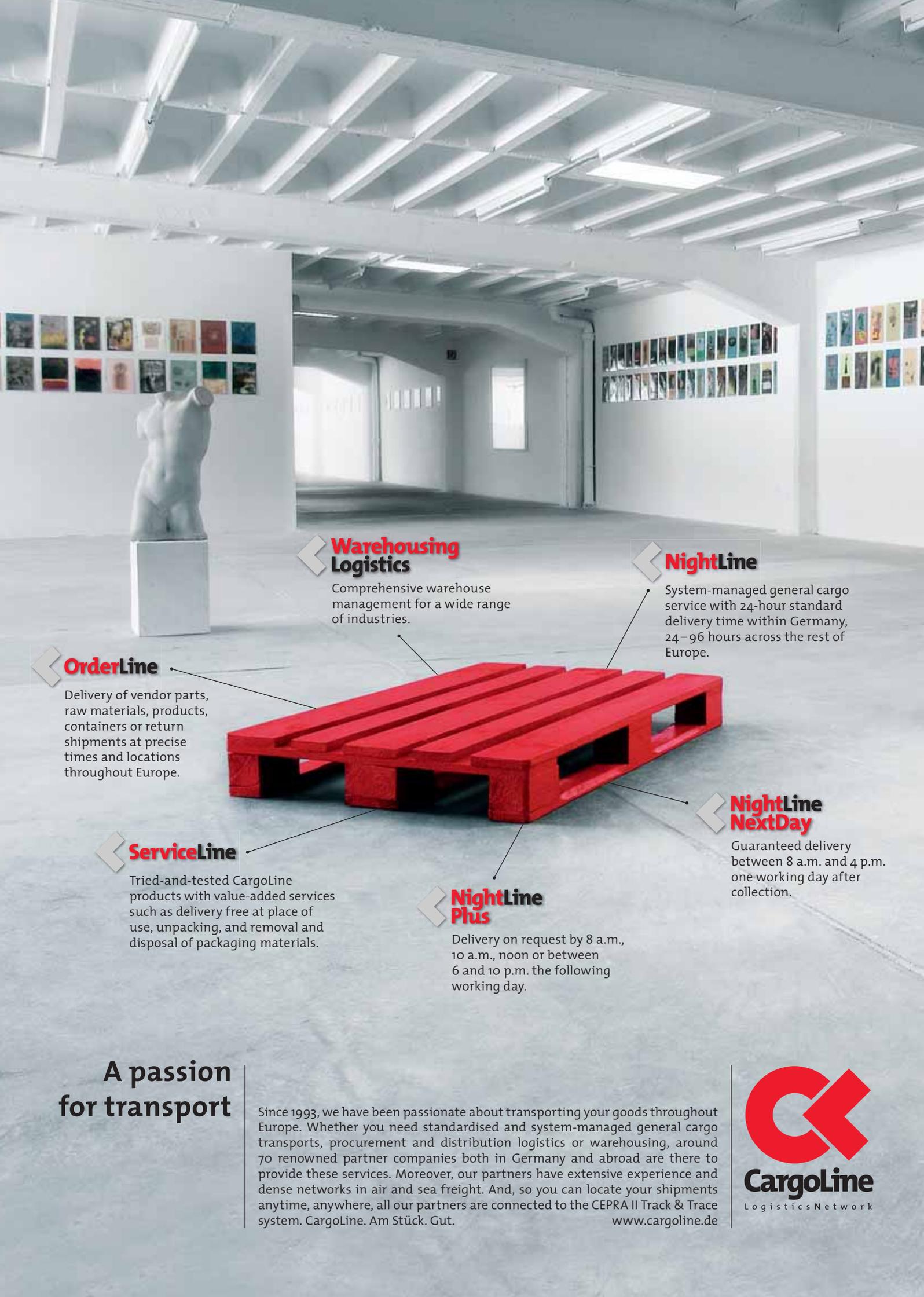
How jewellery in high-quality packaging enriches the world [▶ Page 10](#)

**Hidden beauty**



How robust structures help us along the road to the future [▶ Page 16](#)

**Network security**



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**Dear readers,**

*If you share the views of the major industrial and trade associations and some sections of politics, the introduction of legal minimum wages threatens to bring ruin on Germany as a location for business. Against the background of the current debate in the postal sector, we are interested in the potential effects on the logistics market. Will state intervention cause lasting damage to this booming sector or are the prospects still rosy? To bring some objectivity to the debate, we asked logistics expert Christian Kille from the Fraunhofer Institute for his opinion. You can read his conclusions on page 7. In any case, we are certain that a strong alliance of medium-sized companies will hold a strong hand. In our 15th year, our strategy continues to focus on creating an ever denser network and investing in quality, stability and a clear profile.*

*And speaking of cards, our partner Balter & Zimmermann shows how players can be sure of enjoying the feel of a fine deck as it operates storage, commissioning and distribution for the famous playing card factory in Altenburg (page 8). On page 10 we whisk you away to the world of beautiful things, which would be homeless without the presentation boxes made by Bornemann and the logistics services of Klumpp + Müller. In the "International" section, we accompany our Polish partner Lazar-Labatra from the confusion of the state of emergency to its successful establishment in the Third Republic of Poland. Our partner Unimasters is organising the leap into the new EU state of Bulgaria, where it is enjoying considerable success thanks to its high quality standards and integrated logistics products and services.*

*From Bulgaria, we return to Germany where the subject of pallet exchange procedures is currently a hot topic. In our commentary on page 18, we explain why we want to exit the system and suggest possible solutions for the future.*

*We hope you enjoy reading the latest edition of CargoTime!*

**Jörn Peter Struck**  
(Managing Director)

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## FOCUS

### Regulated deregulation

▶ 4

Government-imposed conditions and legal minimum wages increase costs and make feelings run high. The transport market is affected – but is still booming.

### Growth despite additional costs

▶ 7

Transport and personnel costs are on the rise in the logistics sector. Christian Kille from the Fraunhofer Institute provides his commentary on the developments.

## IN PRACTICE

### ... just don't say pass

▶ 8

Whether skat, doppelkopf or poker – in Germany you play with cards made in Altenburg. Balter & Zimmermann is responsible for storage, commissioning and transportation of the 47 million games produced each year.

### Revelation through concealment

▶ 10

Whether Europe, America or the Near East, rings and watches would arrive bare without the top-quality presentation boxes made by Bornemann. To prevent this from happening, distribution is in the capable hands of freight forwarder Klumpp + Müller.

## In brief

▶ 12

▶ No magic with Harry Potter ▶ Europe close at hand ▶ Transport with creature comforts ▶ Building boom for partners ▶ Fund-raising on the move ▶ New support for Bärenherz ▶ Eco-certification ▶ New online profile ▶ Financial figures 2007

## INTERNATIONAL

### On time through Wallachia

▶ 14

New EU country Bulgaria is an important foreign trade centre. Varna-based Unimasters organises the exchange of goods reliably and in line with approved quality standards.

### In the beginning was the parcel

▶ 15

During the state of emergency a small firm was set up to transport aid parcels to Poland. Today Lazar-Labatra is one of the largest logistics companies in the new Polish Republic.

## STRATEGY

### A hot topic –

### network security at CargoLine

▶ 16

Acquisitions and takeovers threaten the independence of general cargo alliances. Only well-structured networks are safe. Jörn Peter Struck explains how CargoLine is responding to the challenges and tightening up the cooperation's structures.

## COMMENTARY

### Farewell to today's pallet exchange programme

▶ 18

Pallet exchange is not working. Possible solutions include a pallet deposit scheme, outsourcing the pallet pool or re-selling pallets.

### Products and Services

▶ 19

### Partners

▶ 20

A series of orange traffic cones with reflective white bands, arranged in a path that leads from the bottom left towards the top right, framing the central text. The cones are set against a light, hazy background.

# Regulated deregulation

Government-imposed conditions, rising fuel prices and legal minimum wages are stoking fears of a cost explosion in the commercial transport sector. And this despite healthy order books and new market opportunities.

► Without a functioning transport sector our way of life would grind to a halt. Freight transport and logistics are the backbone of a manufacturing economy based on the division of labour - in fact, without them it would be impossible. Germany's central location at the meeting point of Europe's trade and transportation routes make it one of the most attractive locations in the world. In 2007, the German logistics sector produced strong growth of approx. seven percent and increased its revenues from 205 billion to 210 billion euros making it the third largest sector of the economy by revenue after the automobile industry and commerce. With 2.5 million employees, it is also considered a highly dynamic market with outstanding growth prospects for the future. Bankruptcies have fallen and the investment climate is better than it has been for many years. All is well in the state of Germany, you might think.

### Cost traps and competitive pressures

The last two decades in the logistics services economy have been characterised by a worldwide trend of deregulating previously state-run services. At the beginning of the 1990's, the German federal government approved the deregulation of the road freight transport market, for example.

The elimination of fixed pricing and restrictive market access rights in many

countries led to a dramatic fall in the prices charged for general cargo and other freight transport services as well as fierce pressure for rationalisation. In order to stimulate competition, minimum tariffs and concession regulations were removed piece-by-piece in the European freight business and the market was opened

up to transport companies from other EU countries. Competition and cost pressures have increased enormously as a consequence. The achievement of market power, constant innovation and the creation of new structures have become a matter of sheer survival.

Spiralling cost pressures have also become painfully apparent in the logistics sector. Exploding fuel prices, high taxes, rising road tolls, new safety regulations, longer rest periods and greater investment costs in qualifying drivers are tightening the cost screw more and more. Competition in the areas of service and quality is therefore being dominated increasingly by the aspect of cost. Many smaller companies in particular are in danger of losing the race. They are acquired and swallowed up by the big players.

However, the causes of this tight situation are not the eco-tax or rising diesel prices, which affect everyone. The more important factors are the companies' own labour costs, which account for approx. 50 percent of gross earnings in the freight business, and cheap competition from abroad. Wages and non-wage labour costs in Italy, Portugal or Eastern Europe are much – and sometimes many times – lower than in Germany.

Every day, two million trucks roll along Germany's long distance highways. A significant proportion of this traffic is the workplace of German professional heavy goods drivers. Their wages are the largest single item in the logistics costs of our economy. So it is no surprise that the introduction of a minimum wage in the postal sector has caused dismay and created the expectation of greater cost pressures in the entire haulage sector. The fear is that one sector after another will be affected by higher wage costs in a kind of domino effect - and the evidence that this concern is not



Wages constitute the biggest expense factor in the logistics sector.

groundless is clear for all to see: the German government is planning to introduce minimum wages for all sectors and the Federal Minister of Labour and Social Affairs, Olaf Scholz, is already working on a draft legislation aimed at introducing sector-specific minimum wages for every sector throughout the country.

### Minimum wage – blessing or curse?

At the beginning of this year the minimum wage became a reality. Now, no letter is delivered in Germany for less than 8 euros per hour. The minimum wage decided by the German parliament (*Bundestag*) for postal workers launched a discussion of unforeseen scale. For the majority of the population, the minimum wage is an economic and socio-political imperative to secure our democratic social fabric; others see it as putting the seal on the collapse of our country as a business-friendly location. Neither side has minced its words and they are diametrically opposed in their assessment of the situation. Former Minister President Bernhard Vogel (CDU) describes national minimum wages as simply “un-Christian” because they would put jobs at risk and

encourage illegal employment practices. The four leading business associations of German industry have also joined forces against a legal minimum wage – employers (BDA), industry (BDI), trades (ZDH) and the German Association of Chambers of Commerce and Industry (DIHK) are speaking with a united voice. In a joint declaration, they have called on the German government to abandon these planned changes to the law. A controversial study conducted by ifo, the Munich-based economic research institute, suggested the number of jobs lost as a result of the minimum wage could total 1.9 million. The institute stated that every one percent increase in wages would lead to a reduction in employment of 0.75 percent. On the other hand, many other studies, such as that carried out by the German Research Foundation (DFG) provide evidence that this need not necessarily be the case. On the contrary, this study states that although the introduction of a minimum wage in the construction industry did cost some jobs, it also secured and created many others. Another study conducted for the public services trade union ver.di even talks of it triggering an investment and employment boom of up to 450,000 new jobs. So is the minimum wage a blessing or a curse? The answer depends heavily on your economic and political principles and on the sector you work in.

### What is work worth?

According to the trade unions, the real problem is the wage dumping that is rife in many sectors, as this puts pressure on other wages and salaries. One negative example is the security and guard sector. The standard wage for a security guard in Thuringia is 4.40 euros per hour. The unions are now demanding a minimum wage of 7.50 euros across all sectors. This would mean a gross income of 1,300 euros per month, assuming a 40-hour working week. Even the employers' wing of the conservative Christian Democrat party



The logistics sector will need more qualified workers in future.

(CDU) and the former Chairman of the CDU Association of Medium-Sized Companies, Peter Rauhen, are welcoming the introduction of sector-based minimum wages. But the German Monopolies Commission has a very different view of the matter. In a special report, the commission claims that sector-wide, legally-binding minimum wages in the postal industry do not aim to protect the interests of German employees. Instead, it believes the intention is to torpedo competition. The report attacks the President of the Federal Network Agency (*Bundesnetzagentur*) Matthias Kurth, who is responsible for the deregulation of the telecommunications and postal industries. He has responded by accusing the report of negativity and “doom mongering”. “When the dust has settled, we will recognise the opportunities for competition created by the opening of the market,” he says. He adds that annual revenues in the postal market have reached almost 24 billion euros, of which more than 18 billion euros were generated by competitors. Christian Kille of the Fraunhofer-Center for Applied Research on Technologies for the Logistics Service Industries (ATL) at the Fraunhofer Institute in Nuremberg also believes competition is possible in the national postal sector despite a minimum wage. However, because the three largest providers – Deutsche Post, TNT/Hermes and Pin – have already achieved such enormous dominance in the market, he questions whether

other providers will be able to establish a significant position with a national network. “The smaller service providers will only be able to compete by forming cooperatives similar to the general cargo alliances CargoLine or IDS,” says Kille.

### European experience

Looking away from the dispute in Germany for a moment, it should be remembered that legal minimum wage regulations have already existed in 20 of the 27 member states of the European Union as well as in the USA for decades. For example, a minimum wage was introduced in the United Kingdom in 1999 and it has now been increased to 7.96 euros. This means it has grown faster than wages in general. And yet unemployment has not increased; it has fallen. Ireland has one of the highest minimum wages anywhere in Europe and also one of the lowest rates of unemployment. So, positive growth in the labour market and minimum wages do not have to be mutually exclusive. The strengthening of demand through higher wages also has beneficial economic effects. Better-paid workers also pay more taxes and social security contributions and also consume more – which in turn stimulates freight transport. And, importantly, the minimum wage would create only limited problems in this sector. The standard wage in the lowest paid groups of warehouse workers, furniture removers and other employees in sim-

ilar categories is already above the planned minimum wage anyway – at just under 10 euros. However, a minimum wage at temporary employment agencies could well affect the sector because many freight forwarders hire short-term workers to compensate for seasonal variations in activity.

It is impossible to decouple the subject of a legal minimum wage from the expansion of the EU through new member states in Eastern Europe. If higher wages are paid for relatively unskilled work in Germany than in Eastern European countries, there is a risk that logistics centres will be relocated abroad. So if a minimum wage is to be introduced, should it not apply throughout Europe? But then what should be the standard? Should Germans receive Romanian minimum wages? Or Romanians receive German wages?

#### Where is this leading us?

Logistics and freight transport remain a vital economic factor for Germany as the transport hub of Europe. By 2025, the transport volume is expected to rise by nearly fifty percent and the country's road infrastructure will be pushed to the limit. This is partly due to globalised flows of goods but also to the ageing population, which is leading to a rapid rise in delivery and personal transport services. At the same time, environmental considerations are becoming ever more important. The development of our logistics systems must avoid causing further harm to people and our natural environment. Avoiding traffic is the best way of protecting the environment and preventing global climate change. This requires the optimisation of production processes, shorter distances, fewer deadheads and the use of more efficient engines and carbon-neutral fuels. None of these goals can be achieved without well-qualified employees who are able to deal effectively with the ever-growing complexity in the sector. And people with those skills will not be prepared to work for a minimum wage. ◀

#### Guest commentary

# Growth despite additional costs

▶ The growth in the logistics market is not just being driven by the expansion of logistics services. There are also a number of additional costs due to new legal conditions, higher charges and other external factors, which are causing growth in market volume.

Transport costs, in particular, have increased significantly over the past two years. For example, since 2006, the growth in the value of the logistics market has included over 3 billion euros per year for the new motorway toll charges for heavy goods vehicles. Fuel costs also continued to rise between 2004 and 2006 and are estimated to have increased by more than 5 billion euros.

Higher labour costs should not be forgotten either, although the statistics are not yet available for this area. It is nonetheless clear that a growing shortage of truck drivers, which began with the economic recovery in the first half of 2006 and has continued through its consolidation, has caused labour costs to rise at an above-average rate. This is sure to drive up costs by a figure in the billions. After all, it is not just the increased number of transports due to the economic boom that is exacerbating the lack of qualified personnel. The study conducted by Fraunhofer ATL on the implications of the new European driver regulations shows that road haulage companies can expect increased costs for drivers, vehicles and annual distance travelled totalling 9.4 percent.

In addition, politicians are currently discussing the introduction of an intersectoral minimum wage. It is still difficult to quantify the potential effects of the introduction

of this policy in the logistics sector. Studies conducted by a number of institutes suggest that relatively few jobs would be affected. However, in the logistics sector the number of low-qualified workers, who are the focus of this discussion, is certainly higher than the number of similar employees in the engineering business or automobile industry.

How can logistics service providers counter these (still) rising costs? As in other sectors, Germany can defend its worldwide leading position in the logistics industry by offering quality, innovation and solution expertise. In doing so, it is not just important that logistics providers constantly improve their processes and develop new solutions and strategies. Government at the national, state and local levels can also help provide fertile ground for successful growth by measures such as making appropriate sites available, speeding up approval procedures and – in particular – by supporting the training and further development of employees. After all, in its initial forecasts for 2008, Fraunhofer ATL continues to predict rapid growth at a rate of approx. seven percent. ◀

#### CHRISTIAN KILLE



Christian Kille,  
Director of »Logistics Market Intelligence« at Fraunhofer ATL, Nuremberg, since 2003.

# ... just don't say pass

Whether skat, doppelkopf or poker, the playing cards you use in Germany are most likely to have been produced in Altenburg's playing card factory. This well-established business also makes playing cards both for children and for board games. Freight forwarder Balter & Zimmermann is responsible for the warehousing and transport of the basic raw materials and the some 47 million games produced each year.

It is hard to imagine Altenburg without playing cards. Cards are baptised in the skat fountain during its annual fountain festival. The German Skat Association and Skat Court are based in the imposing castle next to the playing card museum, and children already start learning skat in primary school. After all, the popular card game was invented here in this town in Thuringia some 200 years ago, although the manufacture of the first playing cards in Altenburg goes back even further: records first make mention of a cardmaker back in 1509.

### 300,000 playing cards every day

The Altenburg playing card factory is not quite so old: in 2007, it celebrated its 175th

anniversary. When it was founded by the Bechstein brothers in 1832, a few workers still made the cards by hand – it was not until the 1870s that the first machines arrived. From 1923 until today, production has been based in Leipziger Strasse in Altenburg. After being forced to close down during the war, production resumed in 1948 and the company was reprivatized after the German reunification in 1991. Since 2002, the "ASS Altenburger" brand has been part of the international Cartamundi Group, based in Belgium. Extensive investment and modernisation work in 2004 were proof of its commitment to the Thuringia site and recognition that the playing card factory is one of the region's most important employers.



Today, the company ships out 47 million games annually, the production of which is largely computer controlled. Every hour, 3,000 sheets of paper comprising three or four complete games are four-colour printed, cut and packed. While it is true that classic card games such as skat, doppelkopf, rummy or canasta form the company's core business, some games are produced under licence, based for example on films like "Pirates of the Caribbean", toys such as "Barbie" or TV programmes like "Toggolino" for pre-schoolers and young children. This year, with UEFA Euro 2008 looming, there is a major focus on football. After all, Altenburg does hold the official UEFA licence for all playing cards – ranging from skat and poker right through to quartet and quiz cards.

### Even playing cards follow trends

Playing cards are subject to fashions and trends, as company spokeswoman Katrin Müller points out: "After Sudoku over the last few years, now it's poker." Superior poker cards with international symbols are printed in Altenburg on plastic rather than card. The cards need to be sufficiently robust to lie flat on the table when the player has peeked at them. Ideas for new card games come mainly from the compa-



At Spielwarenfabrik Altenburg, all first prints are still quality-checked by hand.



ny's marketing department. Before going into production they are thoroughly tested for their suitability for the market – by Altenburg schoolchildren!

80 per cent of all the playing cards sold in Germany come from Altenburg, with the wholesale and retail trades being an important pillar of the business. In addition, publishing houses commission cards to be printed for board games, one such example being "Settlers of Catan". Playing cards are also the world's oldest advertising medium and still a popular one, as Managing

Director Peter J. Warns points out. "We have been commissioned to produce playing cards for advertising purposes by virtually every high-profile company, including Veltins, Nestlé, Coca Cola, Dresdner Bank and DaimlerChrysler."

#### Personal continuity for cooperation

It is hardly surprising that Balter & Zimmermann have also used playing cards from Altenburg for advertising purposes. The company is, after all, ideally placed at the source. For more than 15 years, this freight forwarding business has been responsible for transporting (almost) everything that goes in and out of the playing card factory – paperboard, inks and pulp for the manufacture of the cards – and for the logistical handling and transport of the 300,000 cards that leave the factory every day. In addition, the transport and logistics service provider operates a warehouse for the playing card factory in Löbichau, in which raw materials and cards are not only stored but also picked to order. The card factory also has its own warehouse, although this is just a "buffer" for production and logistics and for small consignments.

Usually it's a matter of "easy-to-transport general cargo, which is always popular with haulage businesses," says Balter & Zimmermann Sales Director, Petra Golisch. However, there are always new and increasingly high demands for delicate packaging techniques in the warehouse if, for instance, dice cups are being delivered or a customer requests a specific type of packaging from the card factory. MD Peter J. Warns appreciates that Balter & Zimmermann warehouse workers "know not only our article numbers, but also the special requirements of individual customers".

For him, personal continuity in the collaboration between card factory and logistics service provider is a key factor for achieving "long years of excellent cooperation in these times of quick-fixes" – and in sometimes difficult situations, too, such as a change of proprietors in both companies. "Appropriate conditions that are in tune with the market are absolutely fundamental," he believes. "But the interpersonal structure in everyday working relationships right up to management level must be right, too. Anyone who fails to establish long-standing business relationships through good service and personal continuity can always be replaced by a forwarder that charges a few euros less." He is very pleased that the logistics service is "trouble free" and that he can get on with looking after his own business. He and Petra Golisch at any rate have not as yet had to pass when it comes to logistical issues. ♦

#### SPIELKARTENFABRIK ALTENBURG

Part of Cartamundi, the world's largest playing card company, the Altenburg playing card factory is the market leader in Germany. Every year the company develops around 50 new products, with 300,000 card games leaving the factory every day. In 2007, 170 employees achieved a turnover of 26 million euros with 47 million games sold.  
[www.spielkarten.com](http://www.spielkarten.com)

#### BALTER & ZIMMERMANN

Transport and logistics service provider Balter & Zimmermann has a workforce of 100 and ten trainees. Every day 105, of its own and other vehicles are used to transport 1,300 consignments via cargo handling and logistics centres covering an area of 14,000 square metres in Korbußen and Löbichau. Balter & Zimmermann has been a system partner of CargoLine since 1996.  
[www.ba-zi.de](http://www.ba-zi.de)

# Revelation through concealment

Jewellery, watches, top-quality fountain pens – these and other valuable items come protected in attractive packaging that enhances the precious nature of its contents. Jewellers, watchmakers and well-known key account customers in particular entrust their valuables to presentation boxes made by Bornemann, the worldwide procurement, warehousing and distribution of which is handled by Kehl-based freight forwarder Klumpp + Müller.

♦ In the British comedy film “Love Actually”, Rowan Atkinson (Mr Bean) reverently places a gold necklace inside a red, expensive-looking case and puts this in turn inside a cellophane bag, into which he then sprinkles metallic confetti and gold-dust with the sweeping gestures of a ballet dancer, before lovingly finishing the package off with a carefully selected bow.

This ritual, amusing for the audience but irritating for the unfaithful husband, pushed for time and struggling with his conscience as he buys the necklace, could be played out in any upmarket department store. These days, it’s not just the gift in itself that matters; it must also be suitably wrapped to arouse the curiosity of the recipient. As the artist Cristo, who has even literally wrapped

the German Bundestag building, once said, there is “revelation through concealment” – it is no coincidence that many retailers offer their own packaging service.

## Cheap is uncool

“The current trend with jewellery boxes is moving away from ‘cheap is cool’ towards superior, higher quality cases,” states Jochen Bornemann, Managing Director of Bornemann Etui GmbH, the company he founded in Lahr in 1991. “In 2008 we will see more and more lacquered boxes, or boxes made of leather or wood with a solid frame and a protective outer covering.” Every year, with the assistance of his designer, the pres-



entation box and display specialist creates three or four complete ranges. Even boxes are subject to seasonal swings or the spirit of the times: in autumn, muted colours such as orange and claret are all the rage, while this spring's dominant theme is black and white, closely followed by red and green. When working on designs, materials and types of packaging, however, Bornemann also likes to cater for his customers' special requests. Custom solutions are Bornemann's core business.

### Carefully organised diversity

The cases are manufactured by a long-standing partner in Asia, with the finishing touches – logos and writing – applied directly at the firm's headquarters in Lahr. Bornemann also has his own warehouse there to store the boxes before and after this procedure. However, the bulk of the goods are stored in Klumpp + Müller's high rack warehouse in Kehl am Rhein, which has enough space for 10,000 pallets. The Bornemann products, bulk packed in cartons, arrive in 20-foot containers from the Far East. The size of the cases ranges from four by four centimetres through to display units. A proud Klumpp + Müller Sales Manager Klaus Schneider says: "When the

boxes arrive, we store them on pallets containing the same items and scan them before placing them in storage. This ensures that we always know where to find which box in which colour and size. This is important because we also order-pick consignments for some Bornemann customers, which means putting together and delivering different types and sizes of packages, sometimes up to 24 pallets within just 24 hours. Even so, our customer can be confident of zero errors."

This level of accuracy allied to other factors played a key role in Bornemann's decision to hand over all its logistical requirements, bit by bit, to the CargoLine partner. "We particularly like the quick turnaround at Klumpp + Müller, and the fact that the staff in the international department are very experienced and the company manages to deliver large quantities of boxes to our customers' retail outlets quickly," enthuses Sonja Janz, assistant sales representative at Bornemann. "As a result, as well as imports from Asia, they have now taken over all the national and internation-

al distribution, warehousing and order picking." With Bornemann customers not only in Europe but spread throughout the world in, for example, the USA, Bahamas, Puerto Rico and Dubai, this is a simultaneously exciting and challenging task.

### Top customs expertise

In the Far East, Klumpp + Müller works with permanent agents who ship the containers largely by sea to Rotterdam. They are then transferred to barges, which take the containers to Kehl where the transport and logistics service provider receives them in its own transshipment handling facility. If speedy delivery is needed, the Kehl-based freight forwarder will also arrange lorry transport from Rotterdam – it is used to handling national general cargo transported by lorry via the CargoLine network in any case. Klumpp + Müller also handles goods in transit, that is to say containers going from the Far East directly to America or Dubai, inclusive of all customs formalities. "Klumpp + Müller enables us to concentrate all our efforts on the development, manufacture and finishing of our products. What more could you want?" says a delighted Jochen Bornemann. ◀

## BORNEMANN ETUI

Since being set up in 1991, Lahr-based Bornemann Etui GmbH has developed into a purveyor of top quality boxes and display units, supplying traditional specialist shops as well as industry (manufacturers, shippers etc.). In 2007 the company and its 25 employees achieved a turnover of 5.8 million euros.  
[www.be-box.de](http://www.be-box.de)

## KLUMPP + MÜLLER

From its site in Kehl, Klumpp + Müller GmbH & Co. KG has been a CargoLine partner since 1997. Founded in 1954, this company handles consignments by road, rail and waterway in its own multimodal cargo handling facility in Kehl. It owns a barge loading and unloading facility, a container gantry bridge, several railway sidings, a surface area of some 40,000 square metres for cargo handling and warehousing as well as a high rack warehouse for about 10,000 pallets.  
[www.klumpp.com](http://www.klumpp.com)

## Magic? No, CargoLine!



► During the night of 27 October 2007, Harry Potter would have got his seventh volume, “The Deathly Hallows”, into the bookshops simply by using a magic spell, floo powder or a broomstick. In Germany, on the other hand, Carlsen publishing house had to rely on carriers to deliver three million books to the shops on time, bringing pleasure to Harry Potter fans with the “final instalment of magic” at precisely one minute past midnight. Led by CargoLiner freight forwarder Amm (Konradsreuth) and commissioned by L+ T Logistik und Trans-

portgesellschaft mbH & Co. KG (Oppurg), partner companies of CargoLine loaded up their brooms, sorry, lorries. In a meticulously planned operation organised by Amm, they delivered 106,840 copies packed on 386 Europallets to branches of bookshop chains Weltbild and Bertelsmann DER CLUB throughout Germany, as well as Austria and Switzerland. In the process, numerous branches took advantage of the magical value-added product ServiceLine, specific to CargoLine, which guaranteed that the goods were brought right

## Truck-sized bearhug

► Would you like to make someone happy? And do good at the same time? Then why not follow the example of CargoLine partners ABX (Lahr and Magdeburg), A.S. Steinen, Jeschke (Hamburg), Klumpp + Müller (Kehl), Koch (Osnabrück), Köster + Hapke (Hannover-Sehnde), Lebert (Baienfurt), Nellen & Quack (Mönchengladbach), Gaston Petersen (Kiel), Sander (Rostock), Schmidt-Gevelsberg (Schwelm), Spetra (Großbeeren), Streit (Obertraubling), and Wackler (Göppingen and Radebeul) and buy an original 1:87 scale CargoLine Bärenherz (“bear’s heart”) model truck? At the end of 2007, the partnership was able to donate to the Bärenherz



foundation proceeds of around 3,340 euros from the sale of 522 model trucks. Amongst other things, this foundation funds facilities for seriously and terminally ill children. For more information on Bärenherz and how to purchase the model trucks, visit [www.cargoline.de/profil/baerenherz](http://www.cargoline.de/profil/baerenherz). ◀

## Eco-certification

into the shops and the packaging taken away by the relevant local partner. It was thanks to the efficient performance of all the CargoLiner team, rather than to magic, that sales got off to a punctual start.

Nellen & Quack had a special magic trick up its sleeve. As a specialist in the processing of books, the CargoLiner from Mönchengladbach printed special price and promotional labels on behalf of an Aachen bookshop chain, stuck them on 25,000 Harry Potter novels and loaded the books onto displays in accordance with store-specific plans. This is not a job for just anybody; Nellen & Quack trained its staff specially, took particular safety precautions and introduced quality checks: the chief storekeeper always extracts twelve from every batch of 250 assembled displays, checking them for EAN numbers, correctly affixed price labels and contents. Once he is satisfied that everything is in order, he closes the displays, attaching quality seals to all four sides. Only then can the consignments leave the warehouse. ◀

► At the start of the new year CargoLine launched the eco-certification of its network. By July 2008, the group will be the first general cargo cooperative in Germany to have certification in the areas of environment, in line with DIN EN ISO 14001, and quality management, in line with DIN EN ISO 9001:2000 including HACCP. The certification is being carried out by highly respected certification body Moody International Certification GmbH (Mönchengladbach).

CargoLine partner companies have for a long time shown that care for the environment and the freight forwarding business are not mutually exclusive. Paperless handling, transport bundling, route optimisation, avoidance of deadheads, use of biodiesel and fuel-efficient trucks, driver training, power generated by solar collectors, waste separation, biological water treatment in washing bays – all this and more is standard for CargoLiners. The effect of environmental certification will be to make standard practice official and, regarding consignors, transparent. ◀

## Europe close at hand

► During the night of 29 February, CargoLine reached another milestone in its 15-year history: to enable it to handle a significant increase in the number of international transport consignments more efficiently and to make room for further growth, the general cargo cooperative brought a solely European hub on stream in Bad Hersfeld. The 3,000 square metre hub is capable of handling approximately 300 tonnes. This expanded capacity means that more regions with low consignment rates can be served daily; 50 gates will also allow further international partners to be connected as planned. The hitherto mixed hub in Eichenzell near Fulda will be kept as a national cargo handling centre. Safe handling of the consignments is ensured by state-of-the-art IT such as camera surveillance inside and outside the facility, incoming and outgoing lorry checks oder inspections, and integrated interface control by means of barcode scanning. The barcode-supported package tracking system enables each consignment to be continuously tracked, all the way to status report and electronic archiving of proof of delivery – even abroad. ◀

## One group – one online profile

▶ Since 1 January, CargoLine's 45 national partner companies have been instantly recognisable as one group on the Internet as well: interested parties are greeted by the same basic design and identical menu structure on every single partner website. At the same time, the partners' new websites offer them sufficient freedom to present their company in the usual way. The group thus succeeds in being the first general cargo cooperative to appear on the Internet as a single brand across all partner companies, while retaining the identity of each individual partner. ◀

## Creature comforts

▶ Streit cargo systems had the opportunity to provide a transport consignment with creature comforts recently: five Przewalski horses, thought to have been extinct in the wild since 1970, were re-introduced to their original homeland of Kazakhstan. For this worthwhile cause, end the CargoLine partner provided Hella-brunn (Munich) and Nuremberg zoos, which had bred the wild animals in captivity, with a swap body free of charge for the journey to Frankfurt Airport and took special transport crates to the loading stations. By the way, before the closest relatives of the



archetypal horse could be settled into their new home, they first had to be prepared for their new life in the wild. It was precisely with this in mind that in 2003, both zoos released

the animals into the Tennenlohe Forest nature reserve near Erlangen, where natural conditions resemble the open plains. The relocation thus went smoothly. ◀

## Building boom down to strong growth



They turned the first sod: Wackler branch manager Markus Hecker, senior partner Günter Schwarz, district administrator Bernd Greif, Wilsdruff mayor Ralf Rother, construction manager Bernd Kneib, and Wackler managing director Oliver Schwarz (f.l.t.r.).

▶ In the past few months, three CargoLiners have celebrated topping-out ceremonies. In summer 2007, freight forwarder Schäflein moved into a 7,000 square metre cargo handling warehouse and 1,500 square metre office in Röthlein (Schweinfurt). This building work was necessitated by strong growth and the requirement for all the companies in the Schäflein group to be combined on one site. In October 2007 Finsterwalder opened a 40,000 square metre logistics facility in Halle, which functions, among other things, as a cross-docking station for one of Germany's biggest chains of DIY stores. The freight forwarder feeds around 3,600 pallets of

general cargo into the CargoLine network every month. Apart from rapid handling, the advantage of bundling consignments in the cross-docking station is that inner-city traffic, and the CO<sub>2</sub> emissions it produces, are reduced.

At the start of November Bursped moved into a 13,500 square metre freight forwarding facility in Hamburg's Halskestraße equipped with underfloor drag chain conveyors and state-of-the-art video surveillance. Lorries are checked in and out at 140 loading gates – enough for the approximately 3,500 general cargo consignments coming in to and going out of the company on a daily basis.

The latest groundbreaking ceremony was in Wilsdruff near Dresden on 16 January 2008. On a 38,000 square metre site Wackler is building a 6,400 square metre high rack warehouse, a 5,800 square metres cargo handling depot with 84 gates, and an office block, scheduled to be completed by September. Investment amounts to around 13 million euros: this new building will enable Wackler to combine several warehouses in the region in order to create room for further growth.

These latest projects carry on essential work to expand capacity, which started in 2007 with ABX (Lahr), Sander (Rostock) and Spetra (Berlin) (cf. CargoTime 2/07) and will continue at several sites in 2008. ◀

## Good to walk

▶ Does office work make you put on weight? Not if you work for Interfracht! On 13 September 2007, employees at the Swiss CargoLine partner tried out their new promotional gift, a pedometer, and organised an "Interfracht on the move" day. That day, some 100 colleagues walked a respectable 550,000 steps, or 550 kilometres: they took the stairs instead of the lift, they visited colleagues at their desks instead of e-mailing or phoning. Not only was that good for the circulation and the figure – for every kilometre Interfracht donated CHF 1 to Basel's home for the blind, making a total of CHF 550 (344 euros). This amount will help fund activities for visually impaired and blind pensioners. ◀

## Double-digit growth

For the seventh year in a row, CargoLine was able to increase turnover and number of shipments in 2007. This increase was all due to organic growth. The figures in detail:

Turnover in euros	1.2 billion (+ 12.2 percent)
Employees	6,400
Number of partners (of which shareholders)	46 15
Number of domestic daily line hauls	1,158
Number of swap bodies	4,136
Number of trucks	3,744
Number of shipments	9.7 million (+ 14.1 percent)

# On time through Wallachia

Unimasters relies on western quality standards and values for transport between Bulgaria and Central Europe.



Scenic views, but few streets – Romania is the bottleneck of the Balkans.

Investors have been committed to Bulgaria as a production site for years. German companies in particular are building factories and simultaneously benefiting from Bulgaria's good education system and low wage levels. German firms have long been a major source of finance in the land of the Black Sea; Germany is still number one in external trade with Bulgaria today. More than half of all exports come from North Rhine-Westphalia, Bavaria and Baden-Württemberg.

Set up in 1990, Varna-based full-service logistics company Unimasters Logistics plc is one of the Bulgarian companies contributing to this busy exchange of goods. Its subsidiary Unimaster FreightXpress travels to CargoLine partners Heinrich Koch Internationale Spedition in Osnabrück and Franz Lebert & Co. in Kempten twice a week. The cargo then goes from Osnabrück to north Germany, Scandinavia and Great Britain, and from Kempten to southern Europe. In reverse, Unimasters FreightXpress, the official CargoLine partner for Bulgaria since 2007, takes general CargoLine network loads back. So why CargoLine? Because founder Nikolai Bozhilov is

firmly convinced that “the future belongs to medium-sized networks that, just like Unimasters, attach great importance to quality”.

## Romania, a bottleneck

Bulgaria is the hub of the Balkans, the roads are well constructed and the route to Central Europe, seen as a pan-European transport corridor, is being developed to the tune of many billions of euros. Nevertheless, the route to the west and back is not an easy one: “With its narrow roads, Romania is a bottleneck,” declares the firm's

founder Bozhilov: “Serbia's road network is better developed but it's not part of the EU. This means that lorries are subject to time-consuming border controls. Any time gained by using the Serbian motorways would be cancelled out by red tape.” The former captain is critical of the attitude of fellow countrymen to the business: “Too many transport companies are set up as a quick earner,” according to Bozhilov, “and quality often lags behind.” Bozhilov clearly distances his company from the sort of newcomers who tend to operate on the edges of legality: he does so by placing particular emphasis on a code of values encompassing integrity, fairness, trust, teamwork and quality consciousness in dealings with customers. Such commitment does not go unnoticed in Bulgaria: financial weekly “Kapital” recently nominated Unimasters as one of Bulgaria's “business super-brands” alongside blue chip organisations like American Express and Hewlett-Packard.

## Basic values for success

“I firmly believe in such values,” says Bozhilov. “Things are changing very rapidly in Bulgaria – this is why young people especially need guidance.” Over the years he has built up a permanent workforce, which sets great store by these values in terms of customer service. They can be relied upon. So, for example, they will pull out all the stops to ensure every e-mail is answered within two hours at the latest. Such commitment is a reward for the forwarder's passion: set up immediately after the collapse of the socialist system, his business – originally a shipping company – has become one of Bulgaria's biggest logistics companies, offering first and foremost integrated logistics solutions such as supply chain management, 3PL and warehousing alongside transport by land, water and air. ◀

## UNIMASTERS LOGISTICS

Unimasters Logistics plc started out in 1990 as a maritime freight business. Today, the company provides transport by land, water and air as well as integrated logistics solutions. It has around 300 employees and operates branches in Varna, Sofia, Bourgas and Rousse (Bulgaria), and Bucharest and Constanta in Romania. In 2007, the company achieved turnover of EUR 36.1 million. [www.unimasters.com](http://www.unimasters.com)

# In the beginning was the parcel

Labatra has evolved from a parcel service provider during Poland's period of martial law to an internationally successful freight forwarding business.

► Poland, early Eighties: the country is in a state of emergency. Workers from the Lenin shipyard in Gdansk are on strike; food and medical supplies are scarce, martial law has been imposed. In the midst of these circumstances, the Germans offer a wave of assistance: they send millions of aid parcels eastwards. By no means all of these reach their destination, however: some of the relief supplies sent to the east via the Red Cross or churches are confiscated by the military or shared out among minions. What's more, many a consignment is simply opened at the post office, its contents pilfered – and a neatly packed brick delivered to the addressee. As a result, Barbara Lazar, who had left Poland for Germany in the mid-70s, had the idea of founding a private company and, with official permission, delivering the parcels to her homeland using a privately organised network, bypassing government agencies there. A private parcel service provider, in other words, long before the opening-up of the post office monopoly.

## LABATRA

The Labatra freight forwarding company was set up in 1983 to take aid supplies to Poland. Today, Lazar-Labatra is divided into four individual companies employing 292 people in Poland and another 91 in Germany. Labatra operates five branches with a total cargo handling and warehousing area of 9,300 square metres in Poland's commercial centres. [www.labatra.pl](http://www.labatra.pl)

## From parcel to logistics service provider

Over the years, the company's core business moved towards freight forwarding services and procurement and warehousing logistics, whilst the carrier's principal office relocated to Poland, and Labatra Sp.z o.o. took its place alongside the old company. Today, the Lazar-Labatra Group is represented at five Polish sites and counts automotive suppliers in Poland among its customers, as well as Polish food producers and, among others, Italian sanitary product manufacturers. The company now has 292 employees in Poland.

Customers appreciate the fact that Lazar-Labatra belongs to the CargoLine network: "Being connected to the central CargoLine hub means that we can offer our customers an optimum solution, not just in Germany but also throughout Europe," says a delighted Klaudia Janus-Lazar, a partner in the company. "The cooperation's new European hub is also the best way to ensure the expansion of the existing European network. This way we can all work together to make Europe accessible to our customers." But there is another reason why Lazar-Labatra likes being part of the general cargo cooperative: the medium-sized, independent, Europe-oriented partners of the group are on an equal footing.

Warsaw's "Palace of Culture and Science" is a symbol for Poland's long-standing culture of education and research.

## Intensive trainee mentoring

Political circumstances have changed significantly since the firm was set up. The end of martial law and the collapse of socialism in Poland were followed firstly by the market economy, then EU entry and finally the Schengen Agreement. "We are still aware of changes in Poland," says Klaudia Janus-Lazar. Many, mainly well-educated, Poles are moving away – most of them to England, Ireland or Scandinavia, where wages are better. Although industry at home is now increasing wages, it is still hard to find experienced and qualified staff. This is why it is especially important for Labatra to retain its own permanent staff and look after its juniors: the company therefore funds the training and studies of employees in Poland. ◀



# A hot topic – network security at CargoLine

The logistics sector is in a state of constant change - companies are taken over, customers' needs change. The winners will be those freight forwarders who can respond flexibly and efficiently to these changes and are also comfortable with operating well-structured, secure networks. In the following interview, Jörn Peter Struck, Managing Director of CargoLine, explains why he believes the cooperative is well positioned in this respect.

► **Mr Struck, Kühne + Nagel's and DSV's latest coup has really stirred things up at the general cargo cooperatives System Alliance and IDS. What effect will it have on CargoLine?**

Well, the old IDS was a competitor we knew well. We don't know the new IDS yet but it will be heavily dominated by Kühne + Nagel and be in a different league from the old company. That's what we have to be prepared for. As far as consignments and quality are concerned, carriers like us will be asking themselves the same questions: will IDS be able to maintain its independence? How much of the closeness to medium-sized customers will be left when all is said and done? How quickly and to what extent will it be possible to grow without damaging the quality of the consignment handling? Will System Alliance be capable of filling the gaps created in its partner network?

**And of course: will CargoLine do everything better?**

(laughs) Of course! But no, seriously, these are questions we have also asked about our own products and services. And CargoLine's answer is clear. Our overriding aim is not market dominance at any cost, but instead network security achieved through leadership in terms of quality, clear market positioning, a firm business foundation and ensuring the long-term loyalty of our mostly medium-sized customers to the network.

**What does that mean specifically?**

Let's start with long-term loyalty. Very recently, all our partners signed the revised franchise contract. Through this, we have extended the statutory period of notice for termination of the contract on the part of CargoLine, but we have also significantly increased the period of notice for our partners. So what does that mean? Firstly, it means we have given our partners more security; secondly, it means our partners have made a clear commitment to CargoLine. This has taken off a great deal of the pressure here for the next three and a half years. But this subject is very closely tied in with the concept of business security, because the better our partners' balance sheets and the more successful our network, the less temptation there is to join another alliance or sell out to a large concern.

**But surely business security is easy to achieve, isn't it? After all, the logistics sector is booming!**

And yet despite this, insolvencies among freight forwarders were twice the German average in 2007! So it can't be that easy, can it? Personnel costs are rising due to the shortage of drivers, there are hidden cost factors such as pallet exchange or anti-terror measures. That's why we have introduced a risk management system for our partners. They send us key data on a regular basis during the fiscal year and this al-

lows us to see very quickly if one of our partners has not performed as expected. Then we can react quickly and make the necessary changes. On 1st March, we also welcomed a full-blooded key account manager on board again – Rainer Krebs. He will push forward the systematic acquisition and management of large customers, as well as providing greater support for individual partners in their sales activities.

**What is unusual about that?**

Key account management is actually quite unusual for general cargo alliances, so we are taking a pioneering role in this area. In 2007, we were the only general cargo cooperative to feature in the Top 10 for "image ranking" produced by Logistik inside. And although we have noticed over the past two years that greater awareness of our alliance and a better image have led to us being invited to participate in a greater number of tenders – we want more. We want to open up new sectors, regions and customers systematically. To this end, it helps to have key account management handling all the threads so that customers have just one central contact, not 45, and one collective invoice, not 45.

## JÖRN PETER STRUCK



Jörn Peter Struck has been CargoLine's Managing Director since July 1, 2006. Prior to joining the general cargo network, the 43-year-old held several executive positions at both large and medium-sized logistics companies.



**Is that what you were talking about earlier when you mentioned clear market positioning?**

Yes, key account management and with it the clear definition of the customers and sectors we want to address are an element of this positioning. But of course there is much more to it than that. It is an acknowledgement of the importance of medium-sized companies and striving to attain leadership in terms of quality rather than market dominance. We want to remain THE leading alliance of medium-sized freight-forwarders for quality; the partnership which can understand and meet the needs of both mid-sized and large customers through its innovative structures and products. Throughout Europe.

**Does that mean you would like to broaden the alliance's base in future?**

Not necessarily. Many of our partners are specialised in specific sectors. Nellen & Quack, for example, are specialists in the processing and transportation of books as well as food products, Balter is an expert in pharmaceuticals, Hinterberger in chemicals. If a specific product requires the involvement of all partners and the definition of standards and roles for them, we will discuss that and implement it if necessary. But it is currently much more important to concentrate on marketing with greater energy in the areas where we are already strong. Of the products we provide, this relates most strongly to ServiceLine, which offers services such as free delivery to the place of use, unpacking and the removal of packaging – as well as the fact that we can offer some of our products as cross-border services. As we speak, we are working on a new product in precisely this area.

**You put a very strong emphasis on the aspect of quality. Yet CargoLine has 45 domestic partners and about another 25 abroad. How can you ensure homogeneous quality structures throughout**

**so many heterogeneous, independent partners?**

We have defined uniform quality standards or minimum requirements relating to our processes and IT equipment. All our partners have to fulfil these criteria and we inspect them regularly to ensure the conditions are being met. Companies that do not meet these minimum requirements simply cannot receive a franchise. We are also certified nationally up to the level of local transportation in accordance with DIN EN ISO 9001:2000 including the HACCP concept. That is an enormous achievement, which virtually none of our competitors have matched. Furthermore, since the start of the year, we have been working on gaining environmental certification of our network in accordance with DIN EN ISO 14001. When the process is complete in the middle of this year, we will be the only general cargo alliance to be certified both in terms of quality and environmental standards! And that is not just on the national level – both certifications also include international partners. Last but not least, we have aligned our partners' security policy with the ISO 27001 security standard. That means we have identified potential security risks, eliminated them where necessary and produced checklists for emergencies in order to ensure the highest level of data security for our customers at all times. And of course, all these factors contribute to our standing and credibility in terms of network security.

**So CargoLine is armouring its network with ever stronger structures?**

I think that we owe that to ourselves and to our customers. But what we want to retain at all costs is the individuality of each partner, because that is one of our great strengths. At the same time, however, we have to put comprehensive, coordinating structures in place in order to meet the needs of large and potential customers and protect our partners in the network. That is why we launched a new process last year known as MoCA. Please don't get it confused with the coffee, although it is a hot topic – MoCA stands for Modular CargoLine Architecture. This process is intended to help us react faster to future challenges in the logistics business. We use it to analyse existing administrative and operative processes, identify areas that need changing and standardise process flows and the IT support they require.

**It sounds as though CargoLine is currently very busy with its own affairs ...**

Obviously, MoCA requires a great deal of attention. But once we have tightened up our processes, we won't have to worry about them again in future. That is an important step to achieving even greater efficiency. And anyway, now is a good time to invest a little time in ourselves. We are doing well and can afford the time so that we will be well prepared when times get harder. By the way, I was delighted that so many of our partners' employees volunteered to help in the MoCA working groups. That means that they were pleased to take on this additional work for their own companies and for CargoLine. ♦

# Farewell to today's pallet exchange programme

► At the moment, Germany is intensively discussing an end to the current practice of pallet exchange. Should it follow the examples of Denmark, Italy and Belgium and abolish the procedure completely? Or introduce a charge as Switzerland has done? Indeed, is there any justification for ending the pallet exchange system at all?

Whatever the conclusion of the debate – the pallet will live on as reusable packaging! However, we still believe that the status quo will have to change in some way or other. The fact is that the pallet exchange system is simply not working and that non-exchanged pallets, lost or stolen pallets etc. are being charged to freight forwarders despite sector agreements to the contrary. This is even more frustrating, as a pallet is not a transport container, but a part of the packaging. And packaging is not the concern of the transport business; its job is to transport cargo.

## Large cost – small margin

Each year, the CargoLine network moves nearly four million pallets and 300,000 mesh pallets - that equates to 4,300,000 x procurement costs, inspections at points of contact, pallet management in the form of staff and software as well as a large number of repairs, lost or stolen pallets and costs for disposal. For a medium-sized freight forwarder, these items can quickly add up to 250,000 euros per annum. A company operating with the usual industry margin of three percent needs to generate revenues of 8.5 million euros to cover this amount alone – not considering all the other costs! Bearing in mind the value of a pallet, these costs are simply not justified in a sector with low margins and in which insolvencies are running at twice the average rate in Germany.

But what would be a fair solution? Essentially, what is needed is a shift in thinking. Both the consignor and the freight forwarder should no longer treat pallets as transport containers but as what they actually are: part of the packaging. That would mean the consignor being responsible for providing pallets – or can you imagine sending a parcel but asking the delivery company to bring you the box beforehand?

## How to keep charges fair

But how then could consignors keep their costs under control? Like drinks manufacturers who sell their products to retailers in crates that require a deposit, manufacturers in other sectors could introduce a pallet deposit for their customers. If the recipient returns the pallet, the deposit is refunded. If not, the manufacturer's costs for

procuring replacement pallets are covered either in part or in full.

It would be even simpler if the cost of the pallet, as part of the packaging, was included as part of the price of the product from the outset. There would then be no need to return pallets at all and the recipient could sell on the acquired pallets.

Kimberly-Clark Germany presented a third option at the DVZ pallet symposium in Hanover in January. The manufacturer of hygiene products from Koblenz explained that it had outsourced all its pallet handling activities to an external service company. In doing so, it had been able to reduce its stock of pallets by 50 percent – but could still be certain of always having the number of pallets it required in the right place, at the right time and in the agreed quality.

The above examples show how it could be possible to distribute pallet costs more fairly in future. So the planned exit of freight forwarders from the national pallet exchange system is far from being a worst case scenario for the transport sector. It is simply about distributing costs more equitably. Let's join hands and tackle this problem together! ◀



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