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Cycle logistics: the final link in the chain

- The cycle logistics sector is growing up fast. It is serving a range of markets, using various organisational models, and, perhaps surprisingly, is already working with some of the biggest names in logistics. A recent conference highlighted the diversity of this growing sector, as Graham James CMILT reports.

The EU-funded Cycle Logistics project¹ estimates that 25% of trips within urban areas involve light goods and could be transferred from motorised vehicles to bicycles, even allowing for payload, trip length and trip chains.² Given this potential, it is no surprise that the inaugural conference of the proposed European Cycle Logistics Federation, held in Cambridge recently, was such a lively and energetic occasion. Sixty people attended from a range of EU countries.

Cycle logistics in action

Rob King founded Cambridge-based Outspoken Delivery³ in 2005. It has 160 customers drawn from the public and private sectors, including TNT, Pret a Manger, the NHS, Cambridge University and law firm Mills & Reeve. Around 85% of items are traditional documents, packages and boxes, but it also shifts sandwiches, flowers and, appropriately for Cambridge, scientific reagents in test tubes.

Regular customers with predictable workload are part of the formula for success. Rob King estimated that 70% of his business was contract work – not just ideal for logistics planning but also allowing him to employ staff directly. The remaining ad-hoc work is harder to carry out efficiently.

As well as point-to-point deliveries, Outspoken Delivery also provides a last-mile service for the wider supply chain. The company's office just outside the city centre has become a mini-hub for some national and international freight carriers. Up to 200 items are received from vans in the early morning. These are delivered by cycle during the daytime in the tight, busy streets of central Cambridge where motor vehicles are restricted. The company also offers door-to-door deliveries from Cambridge to London, using the train and a folding bike.



The first European Cycle Logistics Federation conference, held in Cambridge, was a lively affair with time to look at some of the latest designs of cargo bikes

Carry Me Bikes⁴ in inner London offers a contrast. It is an outspoken social enterprise, incorporated as a Community Interest Company. As founder and CLT member Alix Stredwick explained, its focus is on helping local families and businesses move their cargo – children or goods! – by bicycle instead of car or van. Based in Hackney, Carry Me Bikes sells and rents out cargo cycles, and helps people to get started with them. Start-up assistance has been provided by the Community Cycling Fund for London, matched by the National Lottery.

At the relatively new Chatsworth Road Market, many traders live within cycling distance of the market, yet even this distance represents a substantial cost: some had even been taking taxis. Alix Stredwick has been working with the traders to identify how cargo cycles could reduce their costs, selecting the right cycle for each person, and helping them get established with this approach to logistics. Challenges include the inevitably peaked utilisation of the cycles and an inconveniently placed hill.

A few miles away from Hackney, Gnewt Cargo⁵ is a last-mile, multidrop company offering city-centre consolidation in central London. Co-founder Matt Linnecar explained that the firm uses a combination of cargo cycles, scooters and small electric vans, with zero emissions at the point of use. The commercial approach is to cover all sizes and weights of cargo as a one-stop shop for customers. Office Depot is a high-profile and long-term client, providing a regular and predictable workload. Other customers include TNT and DX. This year Gnewt expects to handle one million items.

'Customers love the quirky environmental vehicles,' he said, 'as well as the company's focus on service quality.' He added that cycle logistics provides a societal benefit: it is

a low-skill service sector that is ideal for getting people into the workforce and moving up. Gnewt employs local people, many of whom have been unemployed for some time, and has a low staff turnover; he said. However, there are still capital costs for the vehicles, and finding space for a consolidation centre can be a challenge. Gnewt has just moved into its new micro consolidation centre: 20,000ft² in an old underground car park. Overall, Gnewt's experience was that 'it can be done,' having grown rapidly and become profitable.

Mail

Handling mail is another key market for cycle logistics. In Namur, southern Belgium, Le Coursier Mosan⁶ began operations in January 2011. Serving a 4km radius around the centre of the town, it can take loads up to 100kg. Le Coursier's Jérôme Robert explained that 40% of his work is handling mail, particularly taking it from businesses to post offices at the end of the day. Another 45% is a wide range of goods, including food, mostly on a regular daily or weekly basis; and like many such entrepreneurs, he is on the lookout for new customers and new markets – for example, taking rubbish out of the town centre, perhaps.

In Coventry, Yellow Jersey Delivery⁷ has been operating postal services for business customers since 2009, after starting in 2007 as a cycle courier. Jonathan Prime, wearing the obligatory yellow jersey, said the impetus for this came when they noticed customers also had post to be sent out.

The company now consists of two owner-directors and nine employees. As a licensed postal operator, the firm delivers 40,000–45,000 letters a month to a small cluster of Coventry postcodes, plus another 5,000 letters that are sent further afield via Royal Mail or City Link. This dual approach means customers do not need to split their own outgoing mail. Collections are daily or on demand – for example, some businesses send out a batch of letters once a month. For its own deliveries in Coventry, it operates the equivalent of second-class post on a three-day rhythm, covering each of its chosen postcodes every third day.



No mistaking the details of the first ECLF conference, thanks to the branding opportunities possible on a cargo cycle!

For Yellow Jersey, the regularity of the postal work from 50–60 customers daily was vital for giving the confidence to employ staff. As Jonathan Prime remarked, even with Royal Mail volumes declining, there is still a huge volume of post needing to be delivered and direct mail is making a comeback. But, he said, this kind of operation must be cheaper than Royal Mail to have any chance of success.

Cycle logistics in context

Richard Armitage CMILT, Chairman CILT(UK) Cycling Forum, put these case studies into a wider context. The logistics market is facing commercial pressures on staff time, operating costs, the capital required for vehicles and inevitably large budgets for parking tickets. At the same time, corporate social responsibility is pushing the logistics sectors and customers to bolster their green credentials.

The policy environment is also helpful. Planners are increasingly requiring Delivery and Servicing Plans (DSPs) at new developments. There are now well-established examples of freight transshipment or consolidation centres, such as the one operated by DHL in Avonmouth for Bristol City Council.

A selling point to retailers is that Traffic Regulation Orders, or Traffic Management Orders in London, that restrict vehicle movements or delivery hours tend not to be applied to cycles. In fact, he said, some existing problems with the impacts of delivery vehicles could be managed through a time-restricting TRO and a switch to cycle logistics.

Meanwhile, air quality issues also work in favour of cycle logistics, particularly as diesel lorries are a major contributor to NOx emissions. Air Quality Management Areas exist in many parts of the UK, and some cities are facing the prospect of fines for breaching the EU air quality directive. Finally, there is increasing concern about the adverse impact of transport-related air pollution on health.

For local government, therefore, cycle logistics would help:

- Town planners to secure cleaner, quieter and less obtrusive deliveries in towns and cities
- Transport planners to deliver their local transport plans
- Environmental health officers to meet air quality standards

What were the threats to cycle logistics? Interestingly, Richard Armitage did not see the large logistics companies as a threat, a view borne out by the way they are working with cycle logistics in some areas.

But there was always a threat from pricing. Logistics was, and always would be, very price-competitive. 'If you don't like the heat, get out of the kitchen,' was Richard Armitage's advice. Alternatively, cycle logistics could try to compete on quality, rather than price. Rob King added that competing on price alone was dangerous: customers who join you on price will just as easily leave you if you have to increase your charges.

Another possible threat on the horizon that Richard Armitage highlighted was the impact of lower-carbon vehicle technologies, and motorists changing their driving habits on Treasury income streams such as fuel duty. The Treasury already had its eye on alternative revenue sources, and the possibility of vehicle excise duty being imposed on cycles could not be ruled out. The cycle logistics sector would need broad political support to head this off – one good reason to develop a strong federation.

Developing a business

Cycle logistics businesses have often begun as small start-ups with just one or two people. Jérôme Robert started this way, and benefited from a government service providing assistance for business creation. Jordi Gail, Vanapedal®, a start-up in Barcelona, told how his company benefited from a stroke of luck. Many of central Barcelona's narrow streets are unsuitable for vans or have restricted delivery hours, giving cycles an advantage. TNT was therefore looking for a local delivery partner, and the city's mobility manager brought the two together. Established only in September 2010, Vanapedal began working with TNT in July 2011 and, a year later, has delivered over 18,000 packages and has grown to five staff. The cycles meet TNT vans on-street to transfer packages between modes.



Rob King set out a roadmap for founders of start-ups. First you need a few large, regular customers to provide economies of scale; then you can transfer on-the-street deliveries to employees, freeing-up your own time to grow the business. He advised spending 30–40% of that time on marketing. As staff time is the biggest expense, you have to be faster than van-based alternatives to be competitive. Luckily, the bicycle has the speed advantage in tight urban areas.

Even so, margins on courier work are very tight, which partly explains why so many companies have a diversified portfolio of services. In Cambridge, Outspoken has ventured into Bikeability training and selling cycle parts. Le Coursier provides a delightful-sounding Bar on the Bike for local market days and special events. The same company provided logistics support to the town arts festival, where the sheer numbers of people in the streets made van logistics difficult.

On the cycle itself, the cargo box can be used to advertise the business, key clients or – if local law allows – carry third-party advertising. In Berlin, as Frank Müller, electric bike seller Urban-e⁹, explained, cycles offer a means of advertising at the Brandenburg Gate, a busy and iconic location where most advertising was forbidden. There was nothing to stop cycles – and the advertising they carry – being parked at the gate.

Insurance

Insurance will need to be considered: for public liability, employers' liability, goods-in-transit and vehicle theft. Joaquin Menendez, founder of cycle logistics co-operative La Luna Shipping¹⁰ in Gijon, Spain, outlined the legal framework for goods in transit. In some cases, international conventions, such as the Montreal Treaty for air freight, can limit liability for loss or damage. Local service providers should not ignore these; if you are delivering the last leg of an international delivery, these conventions may apply.

Goods-in-transit insurance options vary and it pays to understand these. The right choice for a start-up may be different from what a well-established company should choose. As discussion revealed, not all companies have taken this insurance; some chose instead to limit liability in their terms and conditions and absorb the remaining risk. Similar reasoning applies to vehicle theft insurance, which may not be cost-effective.

Tracking and scheduling

Using technology to assist with tracking, proof of delivery and scheduling is another consideration. Steve Young, courier service Cycle4U¹¹, Birmingham, explained why tracking was useful: professionalism, reassurance for the customer and a competitive advantage. As no existing solution fitted his needs, he developed his own software, COJM, built around the Joomla open-source content management system and working in a web browser. Delivery staff should carry a paper back-up, too, to guard against low reception or low batteries. Smartphone screens are difficult to use in the rain, so his system allows ordinary phones to be used as well. Email confirmation of delivery, along with an estimated CO₂ saving compared to van service, adds a professional touch.

Steve Young advised against trying to schedule jobs directly using software, as there were too many questions and judgements involved. Richard Armitage echoed this advice: there is simply no substitute for human involvement.

Towards a federation

Those present broadly endorsed the idea of a European Cycle Logistics Federation, and there was extensive discussion about its aims, eligibility for membership and the legal niceties involved. Working groups were formed to cover these areas and produce a clear way forward. Gary Armstrong¹², Outspoken Delivery, is providing the initial co-ordination, and is being offered support from the European Cycling Federation and the EU-funded Cycle Logistics programme.



ESSENTIALS

ABOUT THE AUTHOR

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Further information, website: www.pbworld.com

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FURTHER INFORMATION

For more information on cycle logistics, why not join our Cycling Forum? See our website www.ciltuk.org.uk for more details.