

# BUSINESS

Monthly news and  
analysis for Luxembourg

■ review

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# Step-by-step across the globe



Taking the pulse: Nicolas Magnette, McKinsey Luxembourg; Erik Proper, CRP Henri Tudor; Nicolas Welsch, CFL Multimodal; Freddy Bracke, Cobelfret Group; Robert van de Weg, Cargolux; Hjoerdis Stahl, LuxairGroup; François Bausch, The Greens

Photo: Steve Eastwood

**“Don’t expect miracles”, “be patient” but “we are making progress” were the key messages from the main conference on the first day of the Logistics Management Forum 2011 on 10-11 February. One such small but significant step is the government’s new plan to eliminate pre-payment of VAT and customs charges on certain high value items. So what other ways forward are there for the industry? But can it survive a major spike in oil prices?**

Does Luxembourg need a logistics strategy? For Hjoerdis Stahl, Executive Vice-President LuxairCARGO, the sector is in “bits and pieces and we don’t have a joint vision.” However, she feels that this common goal is in the process of being forged, with the government sponsored logistics cluster only being two and a half years old. Freddy Bracke, managing director of Cobelfret Group, disagreed: “we don’t need a grand strategy - I think we should be opportunistic and react to opportunities that arise.” He felt the cluster could help in these efforts by drawing ideas out.

### View the whole package

Bracke thinks the key to making the most out of Luxembourg is to consider the whole package around optimising business processes. This includes the HQ, organisation, supervision.... Robert Van de Weg, Senior Vice President Sales and Marketing, Cargolux Airlines said the country’s airport, road and rail infrastructure was excellent and that

the focus should be on continuing to exploit niches. There was no place for volume logistics here, he said, given the price of land. But what about developing a hub for aeroplane engines, for example?

An encouraging trend is that most of the main forwarding companies are now based here, meaning air freight companies do not have to go the last mile to transport the cargo much beyond Findel. Recently, more international forwarders (including Expidite from the US and Dachser from Germany) have announced they are to begin operating in Lux-

“Optimising logistics operations and supply chain management in Luxembourg” was published by the Chamber of Commerce and Deloitte the day before the conference. It highlights the country’s advantages (legal, regulatory, geographical, tax, human...) and gives an idea of how these factors can be mixed to create an ideal formula for different businesses. Download it from [www.cc.lu](http://www.cc.lu) or [www.deloitte.lu](http://www.deloitte.lu)

embourg, joining existing major players. "All very positive" noted Van de Weg, but he stated he hoped there could be more end-users and distributors to complete the picture.

### Air cargo: a double-edged sword?

In the keynote speech after the roundtable, Jeannot Krecké, the economy and foreign trade minister, was clear: "without Cargolux there would be no logistics industry." He said this lead firm provided critical mass from which all other activities flow. Nearly 10,000 people work in logistics and in 2009 about one-quarter of all airfreight going through Findel airport was of Asian origin, he pointed out.

It was the point about the centrality of Cargolux which worried François Bausch of the Green party and one of Luxembourg's deputy mayors. First of all, he is concerned about the environmental implications of having a continental logistics hub neither at a sea port nor right next to a population centre. There are economic questions too, if oil prices continue to rise. Could air cargo survive? He called for a rethink of the sector, and a move to more stringently follow principles of environmental sustainability.

### The search for sustainability

Van de Weg pointed out that the new 747s on order were 30% more fuel efficient, but no one contradict-



Local synergies: DuPont de Nemours Luxembourg's locally made temperature control covering for air cargo

Photo: Cargolux

ed the basic premise that a dramatic rise in oil prices could change the business model. That said, the demand for logistics is set to increase and air cargo will have its role. Nicolas Magnette of McKinsey Luxembourg pointed out that in recent years global trade has grown at twice the rate of GDP. Supply chains are more fragmented and labour cost arbitrage is important, he said, augmenting this trend.

Nicolas Welsch, of rail freight firm CFL Multimodal pointed out that environmental and fuel cost con-

cerns will make sea transport ever more attractive. Hence the push to make Bettembourg a specialised hub for sophisticated logistics services well-connected to the sea. Plans are underway to supply seamless services from the North Sea to Spain and Italy, with a connection to the Baltic Sea due to be announced in the coming months.

Text: Stephen Evans

## New free trade zone for high value goods

The focus on the high end is the motivation for the government's plan, announced on 2nd February, to create a free trade zone at Findel. Under the scheme, VAT and customs duty would be suspended in this zone for certain high value goods. The taxes would of course be paid at their final destination. So for example, jewellery, paintings, rare wine etc. could transit, be stored in specialised conditions, be processed... Airfreight only ships around 2% of total trade volume but over 25% of the value, so there is a possibility for synergies here.

Krecké said talks were on-going with strategic investors and service providers. Some eyebrows had been raised about this project with some misinterpreting it as a tax-free gateway into Europe. Krecké specified that these conditions are only suspensions of charges and would only be available for approved firms. Also, not private individuals and that customs officials would monitor the site.

He expects a spill-over for support businesses such as maintenance, security, insurance... An example would be mutual funds specialising in investments in luxury goods; an asset class which has done well during the crisis as investors seek safety in tangible goods. Krecké had hoped initially to locate this facility in Bettembourg, but customs, fire services, surveillance etc are already at the airport. "This is just a niche, for now," he said, "but this may develop in the future."