

INTEGRAL MANAGEMENT OF THE HAZARDOUS MERCHANDISE LOGISTICS PROCESS

ETSA HAS CONSOLIDATED ITS DIVERSIFICATION STRATEGY WITH A CLEAR VOCATION AS A LEADING LOGISTICS OPERATOR IN THE SECTOR IN WHICH IT OPERATES

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Because of the outsourcing of transportation operations and complementary services by producers and carriers, there has been a growing demand for global services that integrate the entire value chain of "external logistics", which is understood to be the process including storage, transportation (modal or bi-multimodal) and end delivery. This circumstance has forced transportation companies to undertake a process of internal transformation: from providing mere transportation services to becoming logistic operators. Express Truck, S.A. (hereinafter ETSA) could not overlook this market need. Following is a description of ETSA's process of evolution in this line of business.

BEGINNINGS OF ETSA: "THE TRANSPORTATION COMPANY FOR THE NUCLEAR INDUSTRY"

ETSA was created in 1996 as a company dedicated to national, international and multimodal (ground, sea and air) transportation of radioactive materials (primarily nuclear). Its business mainly covered transports of nuclear fuel to nuclear power plants, transfers of low- and intermediate-level radioactive waste, and distribution of other radioactive materials for industrial use.

ETSA resulted from the diversification of ENUSA's activities – a diversification related to the parent company's main business by vertical integration. ETSA's shares are held by ENUSA (80%) and GETRASA (20%).

In the years when the new company was starting up and becoming consolidated, ETSA dealt only in nuclear material transportation activities; it gained the resources of its direct competitor and achieved the main existing market. Its strength was based on the culture of quality and safety, principles inherited from the parent company, and a prudent, orthodox corporate management model. These principles were decisively and firmly implemented. ETSA distanced itself from the criteria followed by its predecessors and other operators in the sector. In a couple of years, it had consolidated the first stage for which it was created: to become a reference in Spain in the nuclear material and radioactive waste transportation business.

FROM CONSOLIDATION TO GROWTH

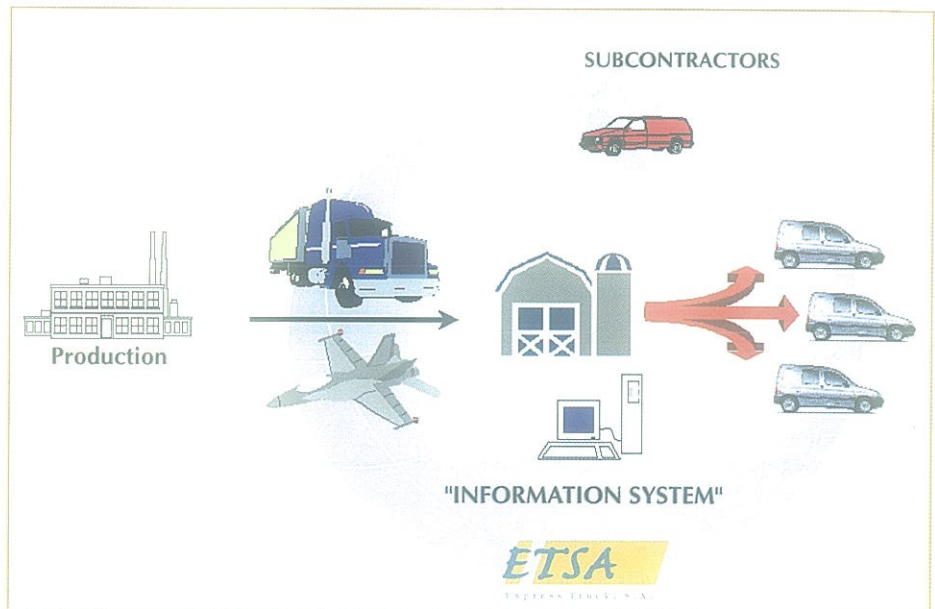
The values and experience gained by ETSA during those years allowed it to undertake more ambitious projects. Personnel training, its technological capability supported by the parent company's potential, the quality and safety culture, the intermodal and international transportation management capacity, etc., all helped it to enter other areas of the hazardous merchandise sector.

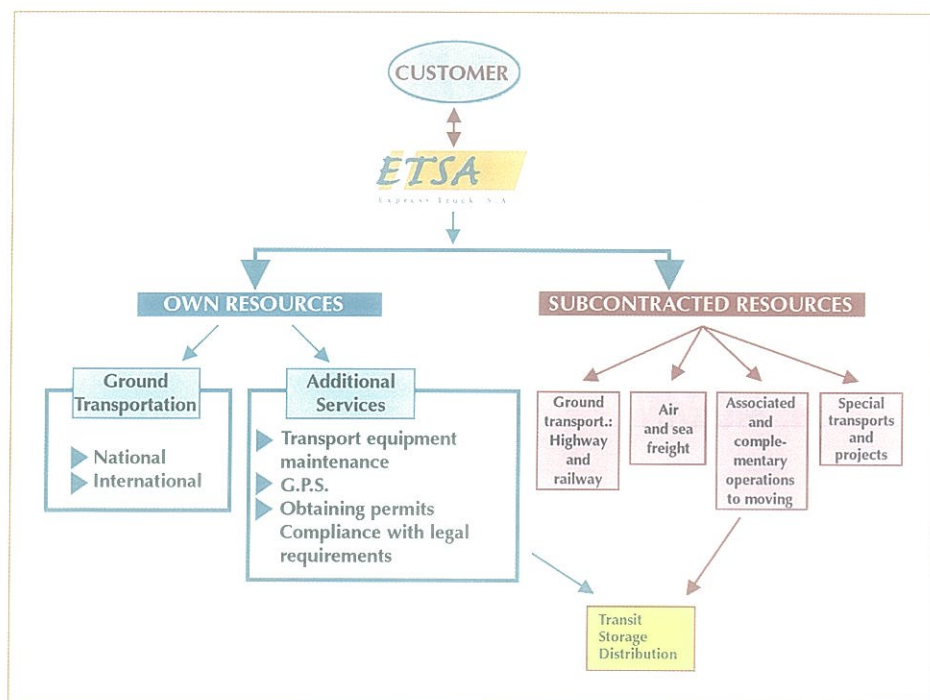
In July 1999, the strategic guidelines were drawn. It was said then that: "the company's strategic management is

based on growth through entry into specialized sectors or sectors related to ETSA's current business". This strategy took shape in different fields of action:

- Radioisotopes: Barajas Project, Molypharma distribution logistics
- Explosives
- Financial investments in sector enterprises that could generate business opportunities: Salamanca Freight Transportation Center

On the other hand, the hazardous merchandise transportation market demanded more global, integrated





Its differentiation has materialized in the offering of an integrated logistics service under a brand representing stability and customer trust; in quality, understood to be absolute reliability and safety (in a service with a very high cost of failure because of the material and social repercussions); in rigorous compliance with regulations and customer-valued aspects. This reality is completed by a search for utmost efficiency in the use of resources and skills, in order to offer services in a highly competitive framework.

KEY FACTORS OF ETSA

The development of this strategy is supported on several cornerstones, which are being implemented by ETSA step by step and with the time required to ensure that they are firmly established:

- As a result of diversification, the organization has evolved towards a structure divided into business units. This model allows for a good customer orientation and helps to accurately respond in each area to the customer's requirements and adapt to its culture. This division affects specific human and material resources, as well as operations management, supplier control and cost control in each area. This does not preclude the exploitation of

services. In turn, the different companies that loaded or produced this type of material tended (and tend) to out-source these activities to specialized firms.

This situation required ETSA to redefine itself – to evolve from offering transportation services in the nuclear field to providing the services of a logistics operator for all kinds of hazardous materials. ETSA could offer the integral management of transportation between source and destination by using its intermodal capacity and ability to operate in international markets.

These new opportunities opened up prospects of an integrated service based on organization of complete logistics in these sectors and, through a search for the aspects most valued by customers, the overall figure of a logistics operator became taking shape.

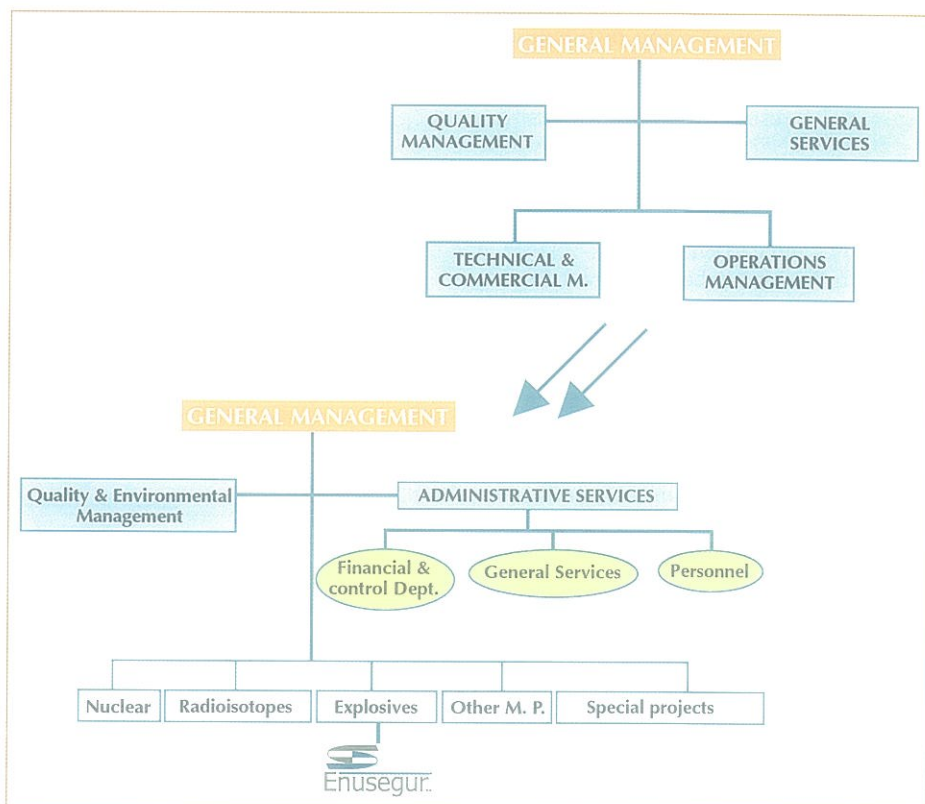
ETSA AS A HAZARDOUS MERCHANDISE LOGISTICS OPERATOR

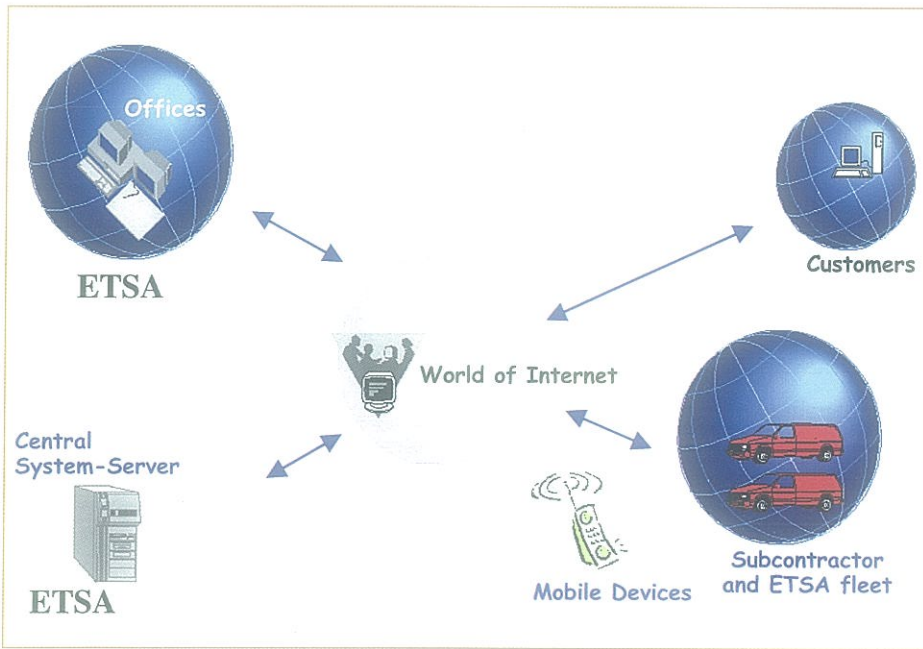
After this evolution, ETSA has consolidated its diversification strategy in the search for niche markets, with a clear vocation for differentiation (specialization). We can currently identify the following sectors, with a greater or lesser degree of development and penetration:

- Nuclear
- Radioactive products for industrial use or research

- Nuclear medicine (radioactive isotopes, radioactive sources)
- Explosives
- Industrial waste
- Cisterns: acids and alcohols

ETSA is developing a clear vocation as a leading logistics operator in these sectors.





existing synergies between them or of common information, management, administration, financial and quality assurance systems.

• **Culture:** ETSA's evolution has also required changes in relation to the corporate culture. The most important points are listed below:

- Change from a family culture to a professional culture
- Orientation of performance to management control and results (with emphasis on cost control).
- Constant search for customer-valued aspects (customer orientation).
- Constant encouragement of information transmission and transparency.
- Teamwork spirit.
- Top priority attention to quality and safety.

• **Information systems as a competitive advantage:** ETSABD.

The ETSABD is considered to be a basic tool in the company's strategic development for several reasons:

1. The system will be operative through Internet, allowing ETSA to conduct its business on a decentralized basis and act as an innovative logistics operator.

2. The information system will be oriented to the exterior. The tools that provide information for internal management will be at the customers' disposal, offering them useful information in real time.

3. It will control the traceability of logistic processes and of the resources involved in the activity or service provided.

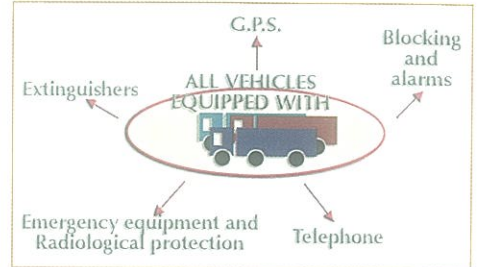
• **Quality assurance and environmental management system.**

ETSA's quality assurance and environmental management system applies to all organizations of and services provided by the company.

The importance of these aspects to the company is reflected by the fact that, in spite of its short lifetime, ETSA's quality assurance system has been certified since 1998 and its environmental management system since 2001.

• **Safety and physical protection of transports.**

Nuclear transports are provided with the following devices focusing on safety and physical protection:



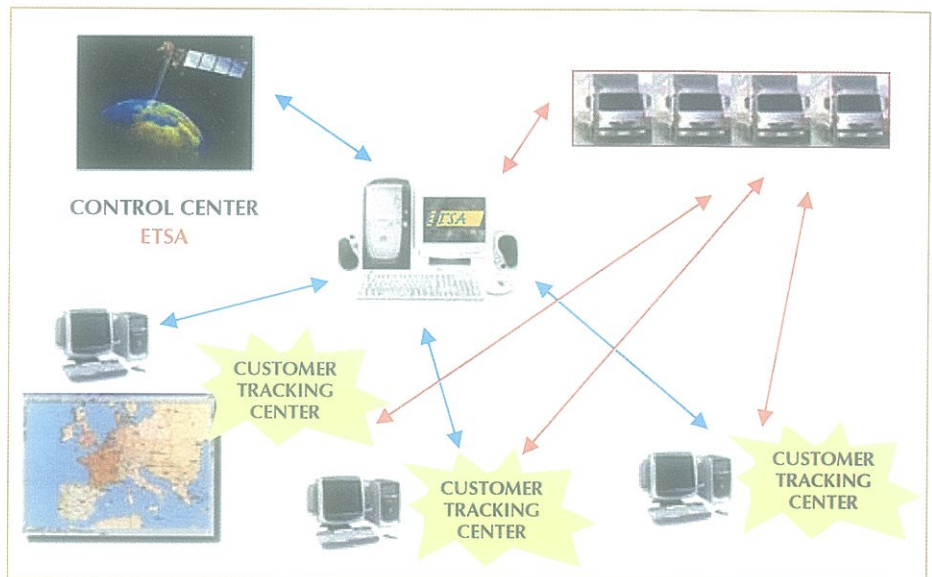
SYSTEM FUNCTIONS:

- Real-time localization
- Tracking
- Setting of geographical alarms
- Alarm reception
- Recovery of routes and analysis of same

Based on this technology, ETSA and Enusegur, S.A. are developing the so-called Safety System for Explosives Transportation (SSTE), in order to minimize the potential risks in the transport of explosives.

The SSTE is a real-time tracking and traceability system that quickly and securely reports on emergency situations. This system is basically composed of the following:

- Redundant information system (different satellites and mobile telephones are used).



Graphic of the satellite vehicle localization and tracking system