International Seminar
“Strengthening GMS Inter-Regional Connectivity for the ASEAN Community”

19th December 2014, Friday
Royal Orchid Sheraton, Bangkok (Thailand)

‘Integration of Logistics Services in the GMS: Issues & Priorities’

Thomas SIM
Chairman, WGET – ASEAN Federation of Forwarders Associations
Presentation Agenda:

- About AFFA Organization...
- Importance of Transport & Logistics Services;
- ASEAN Logistics Performances & Competitiveness;
- Key Messages from LPI;
- Barriers and Inhibitors;
- Overcoming Barriers to Supply Chain Connectivity;
- Conclusions & Recommendation
AFFA - ASEAN Federation of Forwarders Associations

- Established 7th Dec 1991, convened its 24th AFFA AGM in HCMC/Vietnam on 26th Nov 2014
- AFFA's registered office and its address is at No.7. Jln Iskandarsyah Raya, Kebayoran Baru, Jakarta 12160, Republic of Indonesia
- AFFA Members includes national freight forwarding and logistics’ associations from all the ASEAN-10 Member-countries

http://www.affa-asean.org
AFFA Members – National Associations

MIFFA
MYANMAR

TIFFA
THAILAND

LIFFA
LAOS

FEDFAP
PHILIPPINES

CAMFFA
CAMBODIA

VLA
VIETNAM

FMFF
MALAYSIA

BRUFA
BRUNEI DARUSSALAM

SAAA
SINGAPORE

SLA
INDONESIA
AFFA was formed with the following objectives:

✓ to unify all freight forwarders in the ASEAN region through national forwarders' associations.

✓ to foster, promote, develop and maintain close cooperation between and among freight forwarders in the ASEAN region.

✓ to represent members in their collective interests in relation to freight forwarding matters peculiar to the ASEAN region.

✓ to propose all measures to improve the quality, standard and professionalism of freight forwarders in the ASEAN regions as well as to match with the then ‘Decade’ programme.
AFFA - ASEAN Federation of Forwarders Associations

The following Working Groups were formed chaired by the following country-members:

- Logistics Services (WGLS) – AFFA Board
- Education & Training (WGET) – Singapore
- Risks Management (WGRM) – Malaysia
- Trade Facilitation (WGTF) – Thailand
- Code of Ethics (WGE) – Indonesia
- Publicity (WGP) – Philippines
- Security (WGS) – Indonesia
- Multimodal Transport (WGMT) – Vietnam
Importance of Transport & Logistics Services

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Supply chain bottlenecks are the primary cause of friction in trade (trade costs). Reducing them by half would raise trade by 15% and production by 5% globally.
Reliability is often more important than freight costs. Logistics costs increase with decreasing logistics performance. Most of this increase comes from lower reliability and the need to increase inventory (“other costs”).
LPI Performance by some ASEAN Economies

http://lpi.worldbank.org/international/global
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World Bank’s LPI Measurements as a Tool

The LPI measures on-the-ground Trade Logistics Performance

Exporting Country

- Customs
- Infrastructure
- Services Quality

- Point of Origin
- Seller’s Factory

Importing Country

- Timeliness
- International shipments
- Tracking/Tracing

- Unloaded on Dock
- Delivered to Buyer’s Warehouse

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Cambodia's LPI 2007-2014

LPI Score

Timeliness

Customs

Tracking & tracing

Infrastructure

Logistics competence

International shipments

2014 2007

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Indonesia’s LPI 2007-2014
Malaysia LPI 2007-2014

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Philippines LPI 2007-2014

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Singapore LPI 2007-2014

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Thailand LPI 2007-2014

LPI Score

- Timeliness
- Customs
- Tracking & tracing
- Infrastructure
- Logistics competence
- International shipments

2014 2007

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Vietnam LPI 2007-2014

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The Services Gap

Supply chain efficiency depends on the quality of private services moving the goods.

If logistics service delivery is poor, even good physical connectivity is not enough.

% change in LPI component as measured against the highest performer, 2007-2014

- Low income
- Lower middle income
- Upper middle income

- Customs
- Infrastructure
- Quality of logistics and services
Key Messages from LPI 2014 (1)

Key Message from Low-Income Countries

Progress in Logistics Performance is driven by improvements in infrastructures and basic border management reforms

Key Message from Middle-Income Countries

Focus moves from infrastructure and border management to logistics services and growing demands for outsourced logistics
Key Message from High-Income Countries

Demands for “green” logistics services is growing in advance economies...

The ‘low-hanging fruits’ have largely been reaped...

The new generation of reforms is complex, involves many stakeholders and it takes time...
Overcoming Barriers to Supply Chain Connectivity

Remove Regulatory Barriers
• Improve Planning
• Provide Productive Infrastructure
• Support Technology

What can Government do?
### Logistics Performance: Barriers & Enablers

<table>
<thead>
<tr>
<th>Identified Barriers</th>
<th>Enablers</th>
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<tbody>
<tr>
<td>Poor physical infrastructure</td>
<td>Good physical Infrastructure</td>
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<tr>
<td>Last mile connectivity</td>
<td>Swift Cargo Clearance</td>
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<tr>
<td>Out-dated institutional practices</td>
<td>Swift Customs Clearance</td>
</tr>
<tr>
<td>Time-consuming and burdensome inspections</td>
<td>Business-friendly Regulatory environment</td>
</tr>
<tr>
<td>Rules/Regulations which are:</td>
<td>Capacity development:</td>
</tr>
<tr>
<td>Arbitrary</td>
<td>Training &amp; Certification</td>
</tr>
<tr>
<td>Discriminatory</td>
<td></td>
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<tr>
<td>Obsolete</td>
<td>Rules which are:</td>
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<tr>
<td>Low-level skills</td>
<td>Simplified</td>
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<tr>
<td></td>
<td>Harmonised</td>
</tr>
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<td></td>
<td>Standardised</td>
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Barriers & Inhibitors to be Addressed

- **Trade Facilitation**
  - ✓ **Standardisation/Simplification Documents** (e.g. e-AWB, e-B/Ls, etc.)
  - ✓ Employ edi-technology platforms
  - ✓ **Customs Reforms and Harmonisation** (inter & intra)
  - ✓ Enhance B2B collaborations
  - ✓ **Gateway e-Community-system** (Ports/Airports)
  - ✓ Development NSW
Supporting Technologies

Co-operative Intelligent Transport Systems
- Creating a common platform for vehicle and infrastructure to share real time information
Barriers & Inhibitors to be Addressed

- Regulatory Developments

- Liberalisation/Market Access
  - Resolve Road haulage issues
  - Industrial Policy (Relaxed Equity Requirements)
  - Shipping agencies
  - Freight Forwarding & Logistics Services
  - Cabotage liberalisation

- Administrative
  - Process flow simplification
  - Licensing of Commercial Vehicles

- Legislative
  - Land Public Transport Commission
  - Competition Commission
Removing Regulatory Barriers

- Focus on Outcomes, not just Timelines
- Agree clear Principles upfront
- Agree where the Main Regulatory barriers are...
- Agreement to limit derogations
- Get the Basics right first
- Don’t underestimate the impact of public perception on regulations...
- Public education is important
- Lack of reliable datas; absence of data collection
The Distribution Network cannot be forgotten:

- Planning and Funding are related
- Planning must include future maintenance
- Capital investments must be supported by robust and transparent CBA
- Supply chain participants must be part of the planning process
- Cooperation vs Competition
Inland Waterway Solution?

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Explore & Expand Alternative Solutions...
Removing Logistics Performance Barriers

- **Improve Performances like:**
  - Faster vessel turnaround time
  - Higher crane performance
  - Improved capacity/better connectivity
  - Enhanced Productivity
    - Ports with optimal utilisation
  - Time savings in Customs clearance
  - Achieve Transparency with EDI
  - Cost savings in Cargo clearance
  - Service-levels improvements
    - Container haulage
Issues which need full implementation

- Compliance & Commitments under ASEAN Framework Agreements on Transport:
  - Multimodal Transport (AFAMT)
  - Goods in Transit (GIT)
  - Inter-State Transport (IST)

- Obsolete rules/regulations
  - Merchant Shipping Ordinance, 1950 ?
  - Hague Rules, 1939 ?
  - Road Transport Act 1987 ?
  - Port Authorities Act 1967 ?

- New rules/regimes needed?
  - Multimodal Transport Liability regime
  - IMO conventions & agreements
### Policies Affect Logistics Performance

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Procedures and Trade Facilitation</th>
<th>Services</th>
<th>Sustainable Logistics</th>
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</thead>
<tbody>
<tr>
<td>• Ports</td>
<td>• Customs &amp; payments</td>
<td>• Forwarders, truckers, brokers etc.</td>
<td>• ‘Green Logistics’</td>
</tr>
<tr>
<td>• Road/rail corridors</td>
<td>• Simplification &amp; automation</td>
<td>• Regulation of entry</td>
<td>• City Logistics</td>
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<tr>
<td>• Airports</td>
<td>• Harmonization &amp; standardization</td>
<td>• Market structure and competition</td>
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Regulations (customs, services) are increasingly regional, but implementation is national.
Conclusion (1)

- Logistics challenges are common across the world
- Productivity is the KEY to meeting those challenges
- Governments have important Roles to play:
  - removing Regulatory Barriers
  - improving planning
  - supporting productive infrastructure
  - supporting technology
Conclusion (2)

- Attending to “soft issues” vs requirements of physical infrastructure

- **prevailing strong awareness among public policy planners on logistics agenda**

- National Logistics agenda should view improvements to logistics “ecosystem” as strong enabling platform for overall national development
Conclusions (3):

- Capability & Capacity Building – industry & govt.
- Raising community & political awareness on critical Roles of Logistics & Supply Chain;
- Develop legal framework & effective regulations to enhance cross border trade;
- Provide of multimodal infrastructure including shortsea shipping;
- Provide effective ICT for regional and global connectivity;
Facilitate a Regional approach to collect meaningful supply chain & logistics statistics;

Integrated land use & port planning for long term development;

Establish industry-driven Logistics Councils;

Identify & eliminate unnecessary bureaucratic process, red tape and corruption;

Establish Supply chain security, risk and resilience initiatives.
Conclusion (5)

Take the Logistics Agenda to a higher level – for private sector engagement (providers & users of logistics services), capacity enhancement and greater professionalism & skills development.

There are lessons that can be learnt from others:
• The politics of change are difficult
• Governments need to work together to support supply chains
• Governments, Industry and the Private sector must work together for reforms to be effective – ‘PPP’
Thank you

Thomas Sim
tomsim@singnet.com.sg