



**GMS-FRETA**  
**FREIGHT TRANSPORT ASSOCIATION**

**Economic Corridor Development**

**Corridors and Transit Trade**

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# Singapore – Malaysia-Thailand

2005

- Thai / Malaysian border
  - Border Transshipment (swap containers)
  - Border queues with traffic congestion
  - Customs delays
- Transit Traffic
  - Used Air and Sea
  - LCL was too complicated to go via road
  - High tech shipments used air and bonded transfer
- Singapore
  - Allows Malaysian Vehicles to enter with permit
  - Relies on daily imports of food from Malaysia
  - As a Free port has simplified customs procedures



### Current status

- Singapore is one of the most open and advanced logistics markets in the region.
- The country logistics sector largely benefits from Singapore being a regional hub for both, air and sea freight forwarding, as well as the country's excellent road infrastructure, and straight forward custom clearance process, which is said to take around 1-2 hours for most of the trucks.
- There are estimated around 800 logistics companies present in Singapore, ranging from the family owned local delivery firms to the international heavy weights like DHL, Schenker, TNT, Kerry Logistics.



### Key future growth drivers

- Most of the cross border road freight from Singapore is destined for Malaysian and Thailand companies. In the next few years the growth of Singapore cross border logistics market would be mainly pushed up by the growth of the end-user industries, and further increase of cross-border trade, especially between these three countries.

## Current status

- Another fairly developed logistics market in the region, Malaysia (Peninsular Malaysia) enjoys good road infrastructure combined with weak railway, which leads to roads remaining the preferred mode of transportation for both, in-country and intra-country (for Singapore and Thailand end-users) freight forwarding. Average custom clearance time is estimated at around 6 hours.
- In 2009, the government removed the requirements for a certain percentage of companies' ownership shares be reserved for bumiputera (indigenous Malays) across more than 20 industries, including road freight transport and maritime agency services. At the same time, the requirement for majority bumiputera ownership for other services, including customs brokerages, still remains.



## Key future growth drivers

- Healthy growth of trade with both of its neighbors as well as further development of Malaysian industrial production and manufacturing will continue driving the growth of cross-border logistics segment across all end-user sectors, especially automotive and electronics, but also, increasingly pharma and medical equipment sectors.
- Further development of Malaysian ports and multi-modal transportation across ASEAN would also cross-border freight forwarding in Malaysia, especially for India-bound routes.

## Current status

- Thailand enjoys the good road coverage, and is one of the most mature markets in the Greater Mekong (GM) area for the regional freight forwarding services.
- More than 800 companies are estimated to be involved in the logistics sector in the country, ranging from the Thai subsidiaries of MNCs to the local service providers. Currently, the majority foreign ownership of domestic transportation activities (including movements of goods within the country that might be part of an international shipment) is prohibited in Thailand.

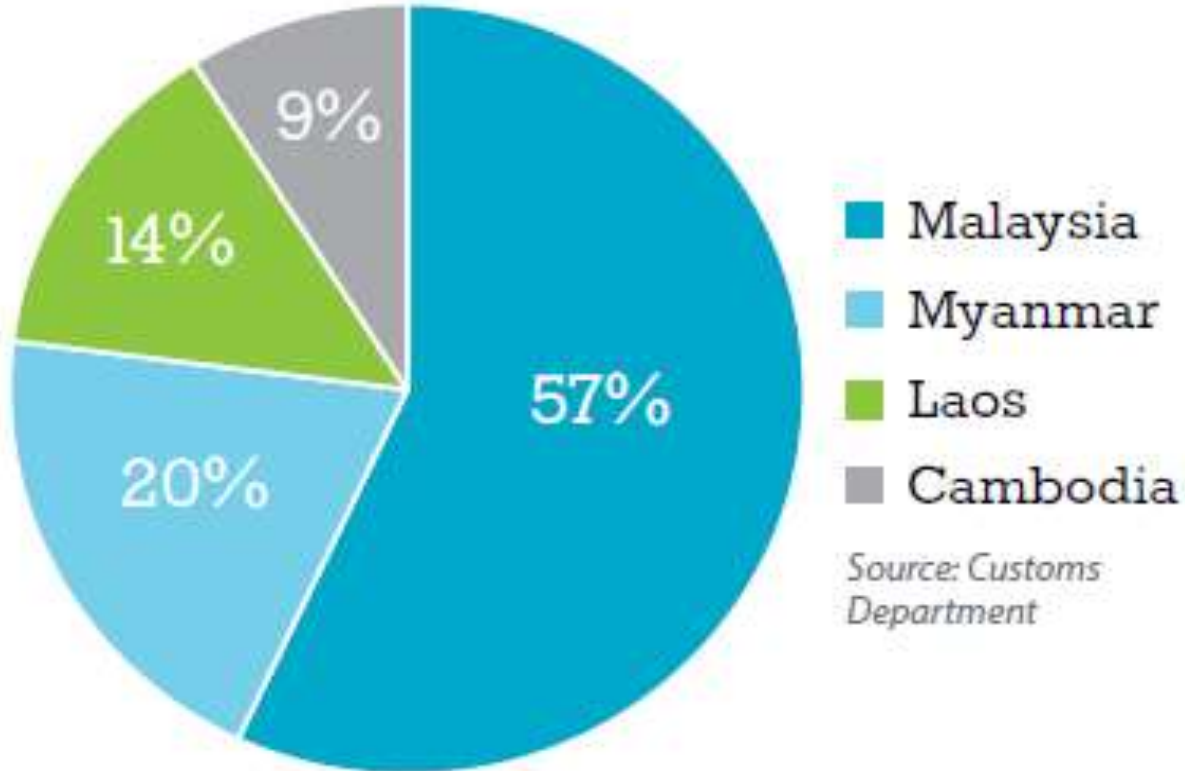


## Key future growth drivers

- Thailand is one of the countries set to benefit from development of GM area – the program that includes development of several economic corridors, especially for TH-LAOS-CH (Yunnan), and TH-LAOS-VN (Hanoi, Da Nang, Hi Chi Minh) or TH-CAMB-VN (Ho Chi Minh) routes.
- In particular, for the TH-LAOS-CH route, the Chinese government wants to start trucking in ~~2014~~ 2011, starting from 100 vehicles (both people and freight carriers) each in the first year, and increasing the number to 500 vehicles each by 2015. The long-term plan also includes a possibility of only inbound single-stop inspection, quarantine and customs clearance services – at the receiving country's border.
- Further decrease of custom clearance times at the Thai borders is expect (current timing is estimated at 4-6 hours at TH-MY border) is expected together with the improved cargo clearance procedures.
- Under newly implemented free trade agreement (FTA), the tariffs on 80% of commodities (including automotive-related parts, household appliances and other goods) are to be phased out in the Thailand and India bilateral trade. Although insignificantly, this will give a further push to the demand for cross-border freight forwarding for the multi-modal transportation going via the Malaysian ports.

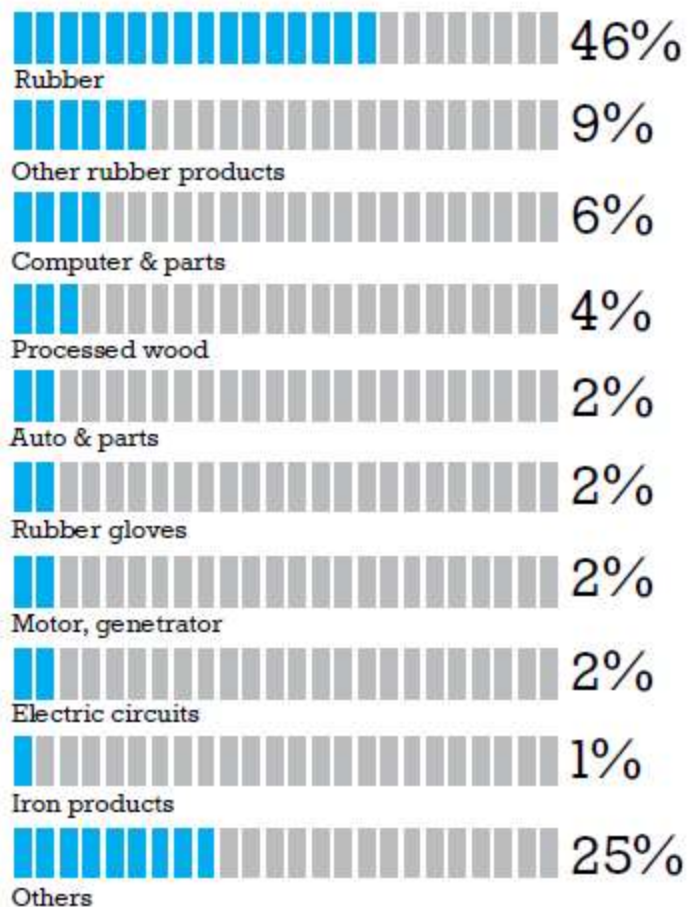
# Malaysia the Dominant Border with Thailand

BREAKDOWN OF BORDER TRADE BY COUNTRIES (2012, IN PERCENTAGE)



Source: Customs Department

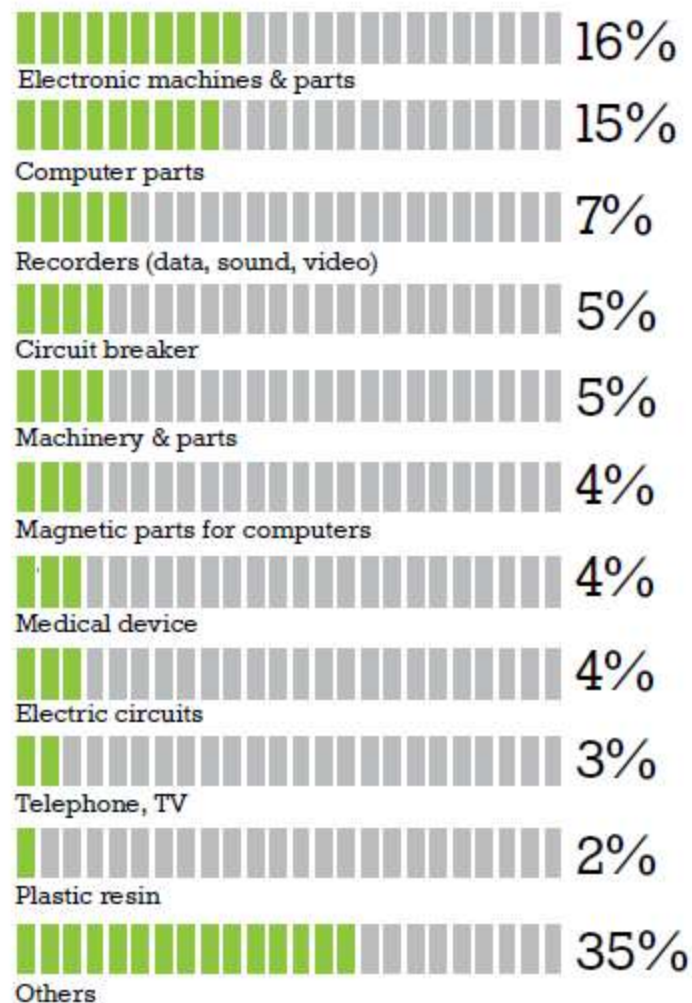
MAIN PRODUCTS FROM THAILAND  
TO MALAYSIA BY LAND  
(2012 EXPORT VALUE BREAKDOWN)



~ 48% of cross-border products from Thailand to Malaysia takes place via Sadao

Source: The Department of Foreign Trade, Ministry of Commerce Thailand

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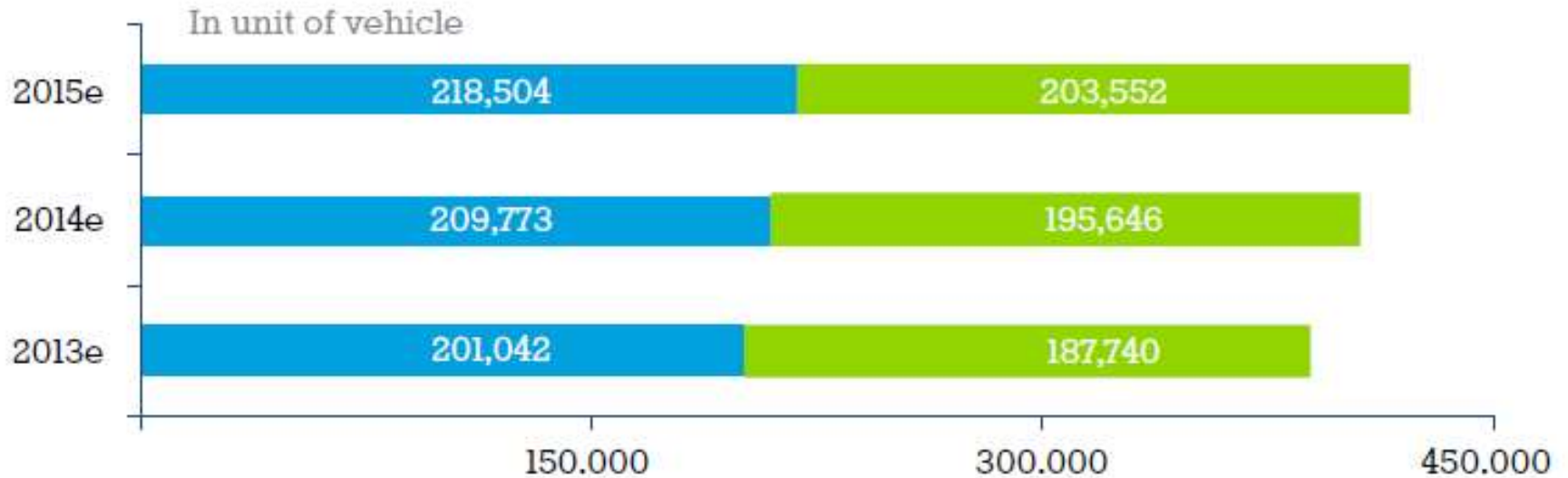


~ 78% of cross-border products from Malaysia to Thailand takes place via Sadao



# Vehicle Movements at the Thai – Malaysian Border

FORECAST ON NUMBER OF IN & OUT TRUCK AT SADAO CHECK POINT



Source: Thammasat University



## Key Products Moving Along Corridor

### SIN-KUL-SIN

- Automotive parts
  - Electronics component
  - Contact lenses
  - Vitamins & nutritional goods
  - Machinery
  - Machinery spare parts
  - Pumps
  - Yarn
- 

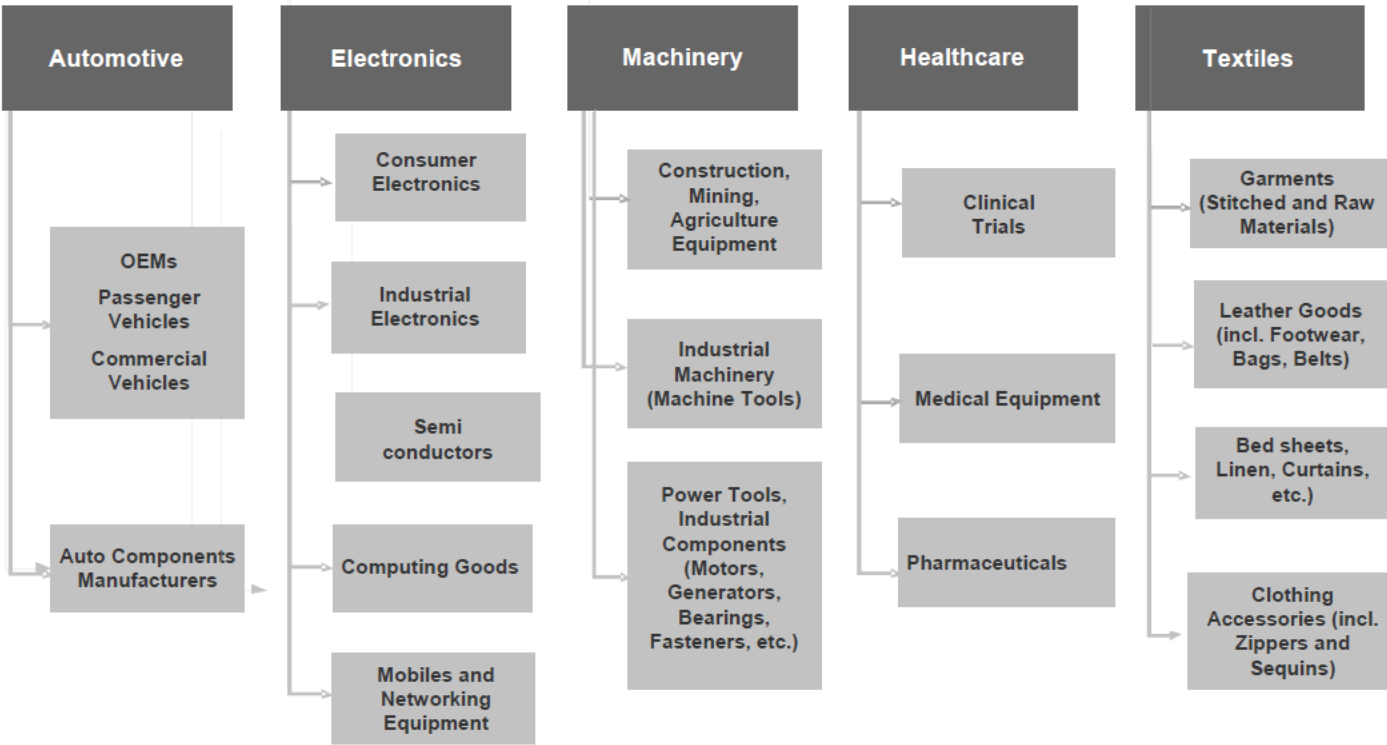
### BKK-SIN-BKK

- Cars
- Television
- Electronics components
- Telecommunication equipment
- Raw materials for electronics components
- Raw materials for hard disk
- Printers
- Electronic irons
- Air conditioners
- Satellite dishes
- Hard disk
- Contact lenses
- Medical devices
- Vitamins & nutritional goods
- Fabrics

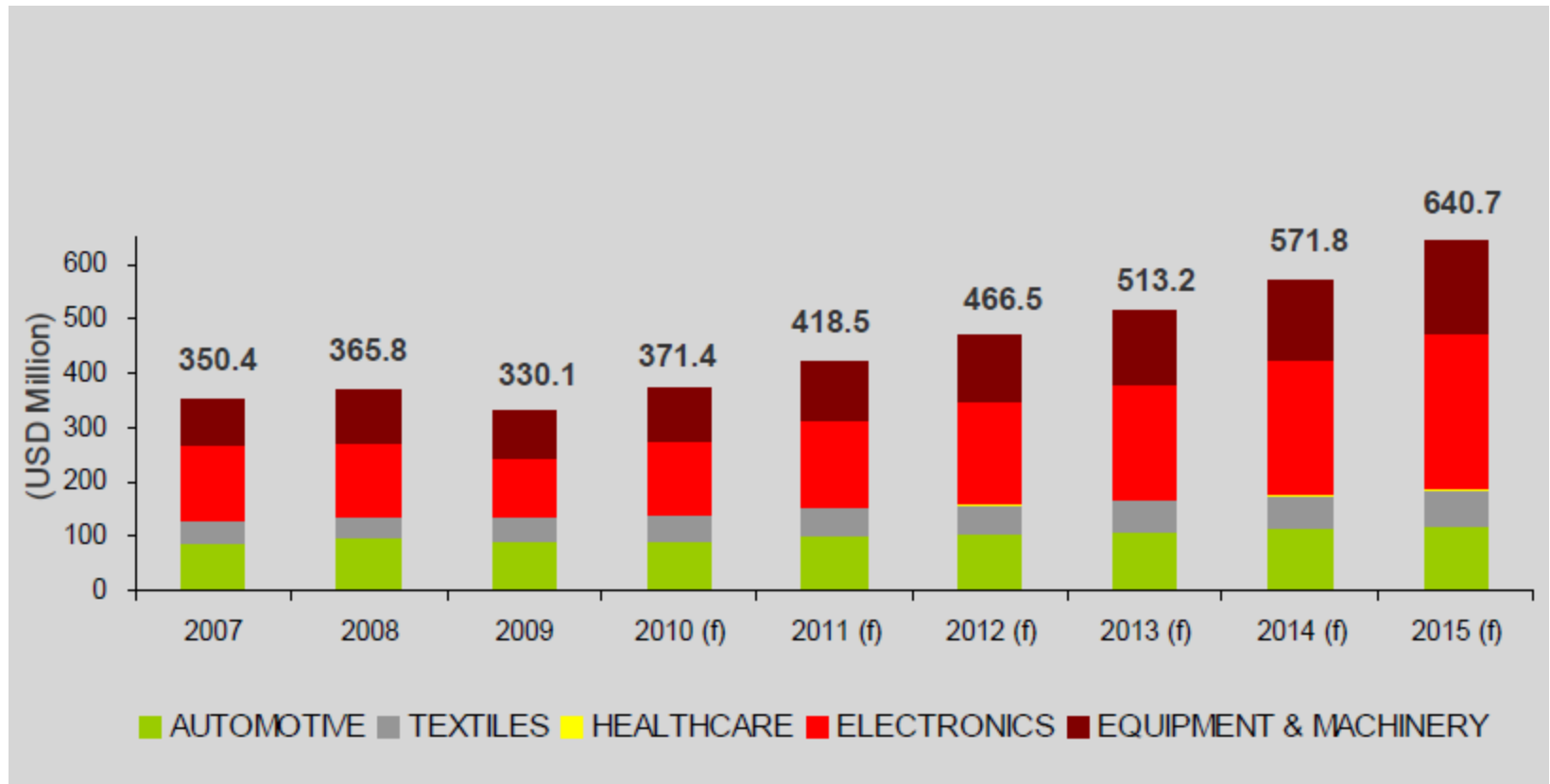
### BKK-KUL-BKK

- Automotive parts
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# 5 Key Time Critical Freight Groups

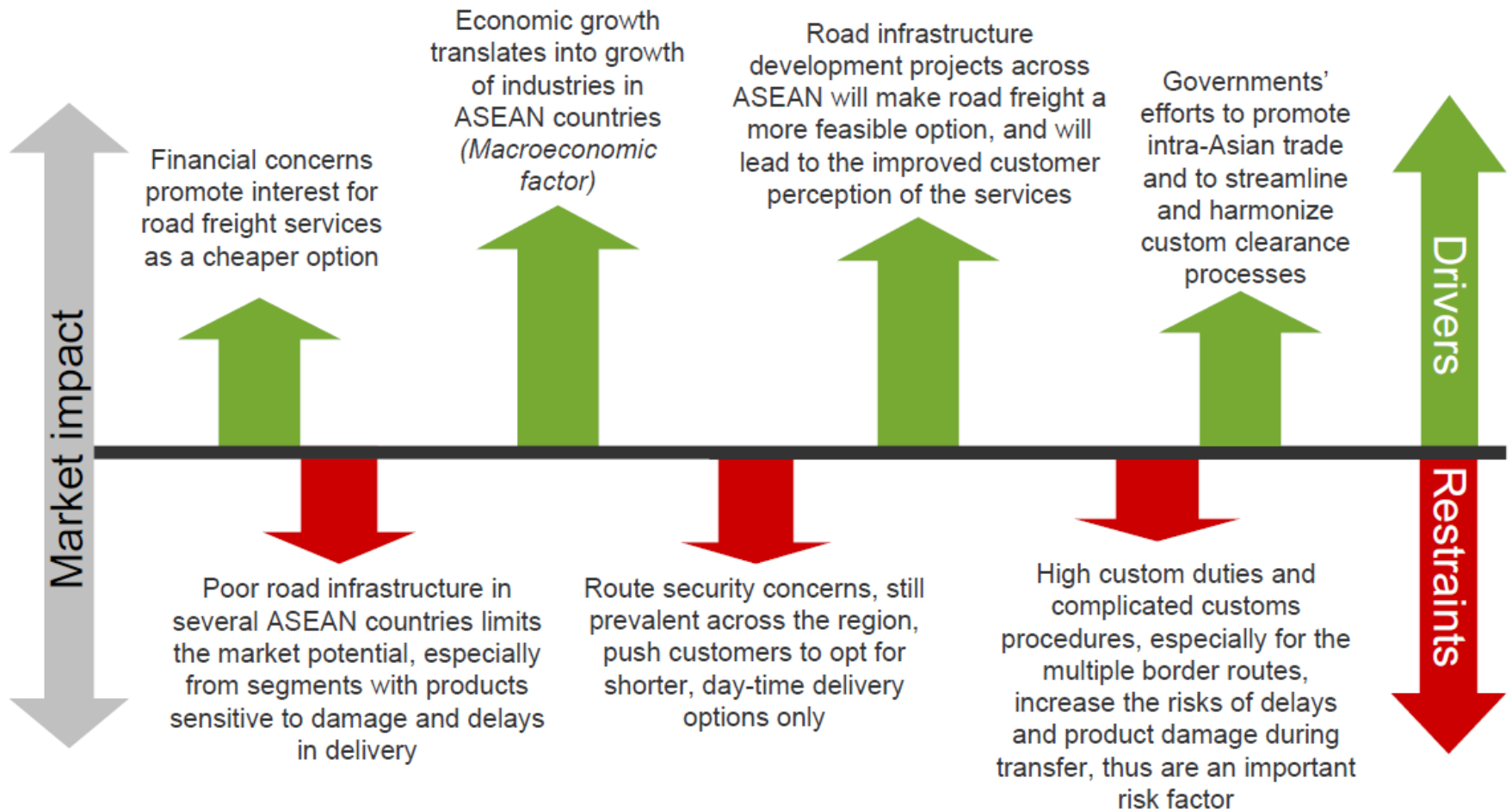


# Electronics Sector Dominates Time Critical





## Driver and restraints of road freight services in SEA and China



# Speed of Road Freight is an Emerging Driver in the Region

- *Truck service is faster than shipping for shorter routes logistic; it also helps to avoid the congested port areas.*

- *Shipping by air or sea has its own risk factors, including poor weather conditions that might affect the schedule, and changes of oil price, that have direct effect on costs.*

- *The requirements to transload cargo at the border are being phased out for several routes.*

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- *For non-time critical goods shipping is seen as a cheaper, safer and more convenient option, while trucking services have higher risks (accident, damage, theft), with still somewhat limited routes coverage.*

- *Trade imbalance results in uneven demand for freight forwarding along the same routes – e.g. there are more goods delivered from Thailand to Malaysia as compared to from Malaysia to Thailand, thus trucks might be running empty on the way back, which, in turn increased the costs of services for 3PL providers. Similar situation has been observed along the China-Vietnam routes.*

- *Multiple customs crossing for longer trans-Asian routes, thus, longer time en-route, higher custom duties, higher risks of damage, especially during transloading, are still significant constraints. This also affects quick turnaround and speed to market.*

- *IT and ICT support of logistics services (including trucks and cargo tracking – real-time information exchange for cargo security, customs documentation) is rather limited across ASEAN freight forwarders, especially local players.*

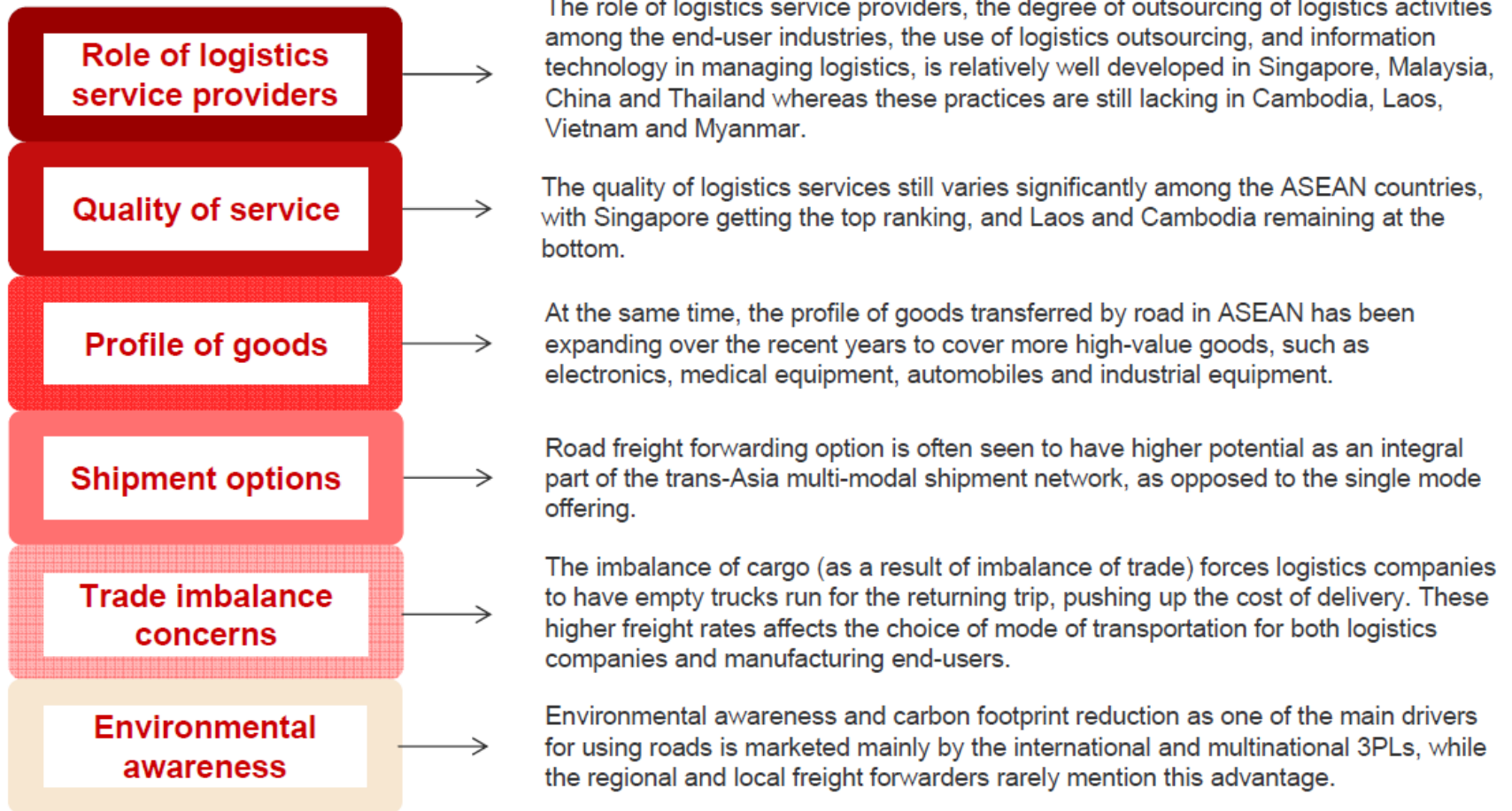


Drivers



Restrains

# Developments affecting Regional Road Freight



Currently \$ 300 million + SIN - MY – TH

## Growth in Regional Time Critical Road Freight Market

Countries	Value (USD Million)								CAGR 2009-2015 (%)
	2008	2009	2010 (f)	2011 (f)	2012 (f)	2013 (f)	2014 (f)	2015 (f)	
Cambodia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	9.7%
China	55.4	69.3	78.8	98.0	114.0	135.5	160.5	192.1	18.5%
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5%
Laos	0.7	0.5	0.5	0.5	0.6	0.6	0.7	0.7	6.9%
Malaysia	109.1	89.9	99.0	105.9	113.9	121.2	129.3	137.9	7.4%
Singapore	101.6	80.0	88.2	94.3	102.2	107.3	113.3	120.1	7.0%
Thailand	80.3	67.9	78.1	85.8	95.7	101.7	113.3	125.8	10.8%
Vietnam	18.6	22.5	26.7	33.8	40.0	46.6	54.6	63.9	19.0%
<b>TOTAL</b>	<b>365.8</b>	<b>330.1</b>	<b>371.4</b>	<b>418.5</b>	<b>466.5</b>	<b>513.2</b>	<b>571.8</b>	<b>640.7</b>	<b>11.7%</b>

Compound Growth

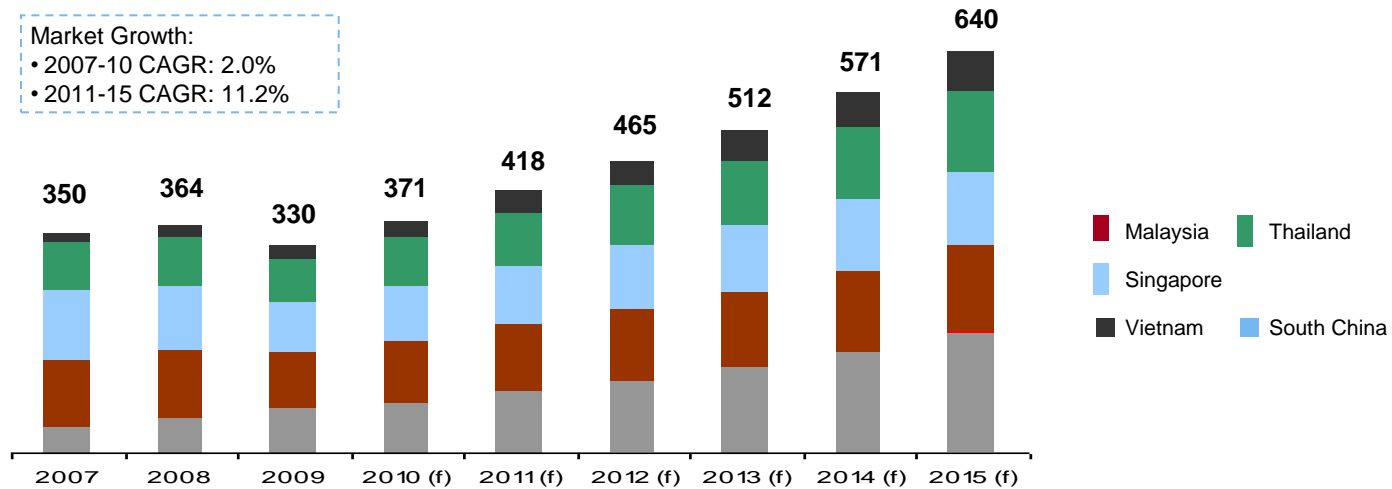


# SEA and South China's cross-border road freight market\* is expected to grow by about 11% annually from 2011 to 2015 to reach \$ 640 million

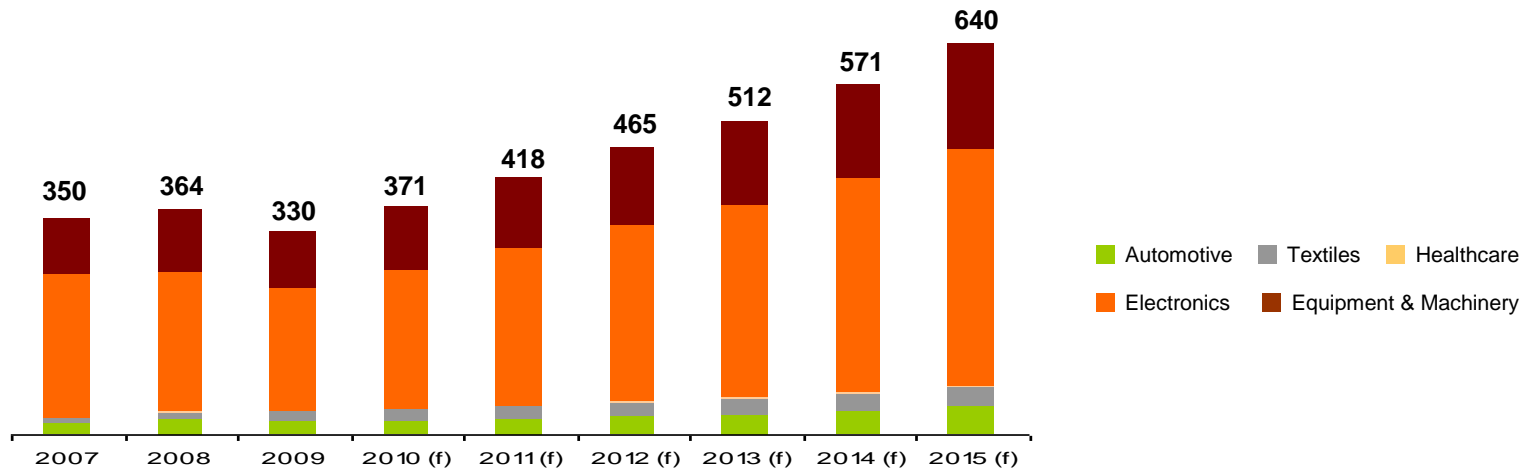
**Cross-Border Road Freight Market Size (in \$ mln)**

Market Growth:  
 • 2007-10 CAGR: 2.0%  
 • 2011-15 CAGR: 11.2%

By Country

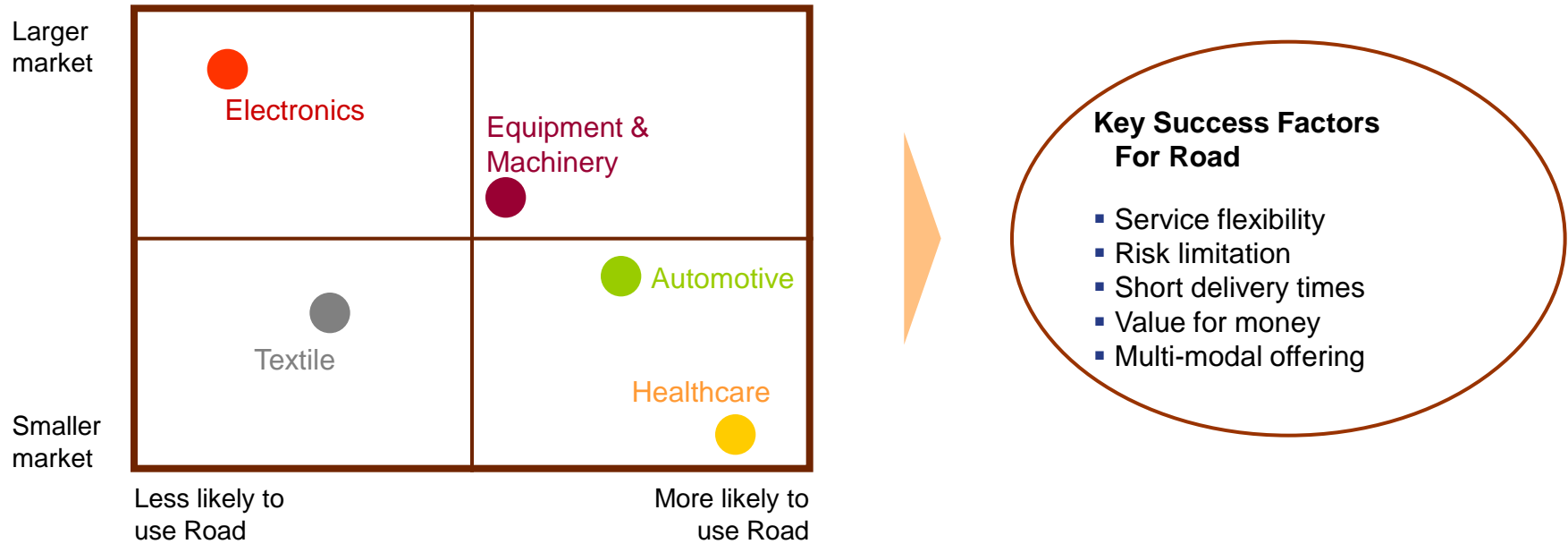


By Industry



\* Note: Market size includes five industries only, Budget 2011 Fx Rates 1 EUR = 1.3726 USD

# Electronics, Equipment & Machinery growth as road services improve and customs times reduce.



- **Automotive:** The just-in-time delivery system adopted by many companies in the ASPAC region has driven a high emphasis on the reliability of road deliveries as well as low price and service flexibility.
- **Textiles:** Cross-border road freight forwarding contracts in countries such as China, Vietnam, Cambodia and Laos are expected to increase as trade facilitation continues, the road connectivity improves and customs clearance process becomes shorter.
- **Healthcare:** High cost of goods, especially for medical equipment, and strict requirements on transportation safety will limit the usage of roads mainly to areas with well-developed infrastructure.
- **Electronics, Equipment & Machinery:** Safety of goods delivered, industry specialism and speed to market are the key considerations in this industry.



## Converts to Road Freight

Some of the Major Technology Producers switching Air to Road

- Nokia
- Hitachi
- Samsung
- Seagate
- Huawei
- Panasonic
- Toshiba
- Honda
- Hewlett Packard
- Foxconn
- Schneider Electric
- Canon
- Sony
- ABB
- Osram
- Ericsson
- Murata
- Celestica
- Tyco
- ZTE
- Siemens
- Gundfos



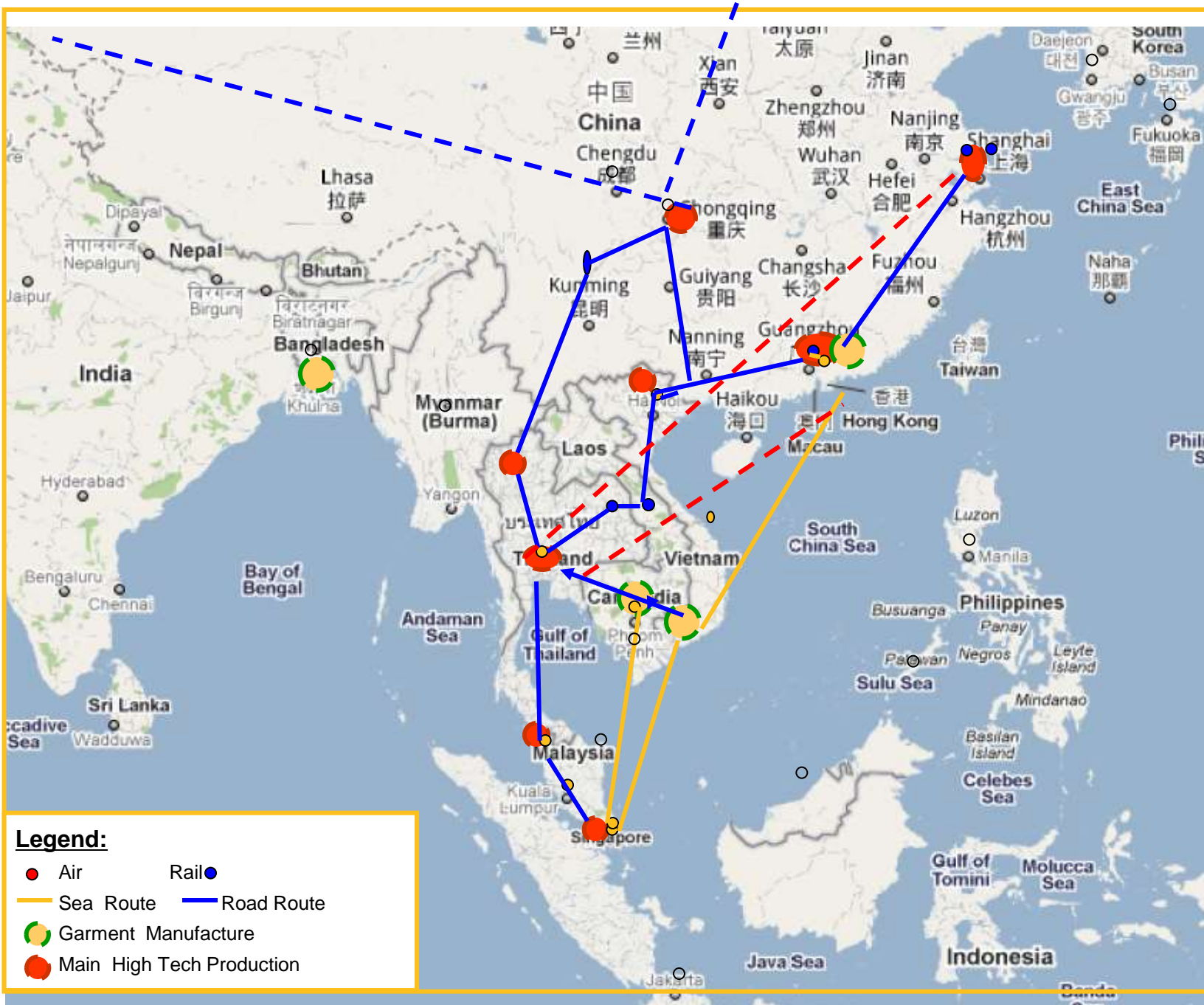
## Regional Supply Chains

- **Manufacturing does not happen in Isolation**
- Companies swap components between factories
- Specialist component producers supply many manufactures
- Suppliers depend on cost effective transport links
- The ability to deliver LCL quantities on a JIT basis is essential
- Customs regulations and processes must not disrupt the flow
- Easy movements to multiple FTZs is a fundamental for success



# Customs

- Promoting Trade
  - Customs seen as Pro Export
  - Customs are “User friendly”...simplified export processes
  - Customs are trade facilitators First . Revenue collectors Second
  - Customs allow for easy movement of bonded cargo (between facilities)
- Hindering Trade
  - Customs regulations differ by border and method of export
  - Regulations that make bonded movements difficult ( expensive)
  - Lack consistency in interpretation of regulations
  - Shippers forced to obtain export permits on the “grey” market





# Supply Chain Realities

- Growing demand: High Tech Component swapping
- “get it out of the air” (capacity / price fluctuations / carbon foot print etc)
- Must be time specific to meet JIT Manufacturing requirements
- Demand for intra regional air freight capacity outstrips air uplift supply
- Single Aisle A 320 & B 737 carry < 1 ton of freight
- Feeder services to major ports and airports are slow and expensive

# Manufacturers Speaking...their fears and experiences

On service package criteria: “We have shipments everyday but not consistent; some days we can fill a container, some days we do not. So the logistic supplier must be flexible to cater to this situation... Our products are very fragile, small and light; the logistic suppliers must know how to handle our products with utmost care.”

On the service package criteria: “Getting the goods to the destination on time is very important for us. Having a good range of services can help make process easier. As different clients have different requirements, every client's request is different. The logistic suppliers must be able to offer services to cater all these different requirements set by their clients.”

“We are very concern about the transit time... The average sales cycle of high tech goods is around 3 months. One day delay will lead to less competitiveness and lost the opportunity to sell.”

“...Land transport has a very high risk. We have done some research before and found that there were a lot of complications between borders and a lot more documentations required. Accidents, cross border complication and unreliable road services such as road works, traffic jams, added to the cons.”

“We have used land transport before and found out that the documentations were a nightmare. In the end, the logistic supplier said that they would have to charge more for documentation changes. This incident actually put us off from using road.”





# Supply Chain Security . . . . .

## Ensuring Fulfillment

- Delivery
  - On Time in Perfect Condition
  - Meeting customer requirements
  - JIT to factory lines
  
- Secure Supply Chains must have
  - Guarantee of delivery date
  - No risk of short supply
  - No risk of “Line down” production delays due to no delivery of components



## For SMEs to be part of the Value Chain

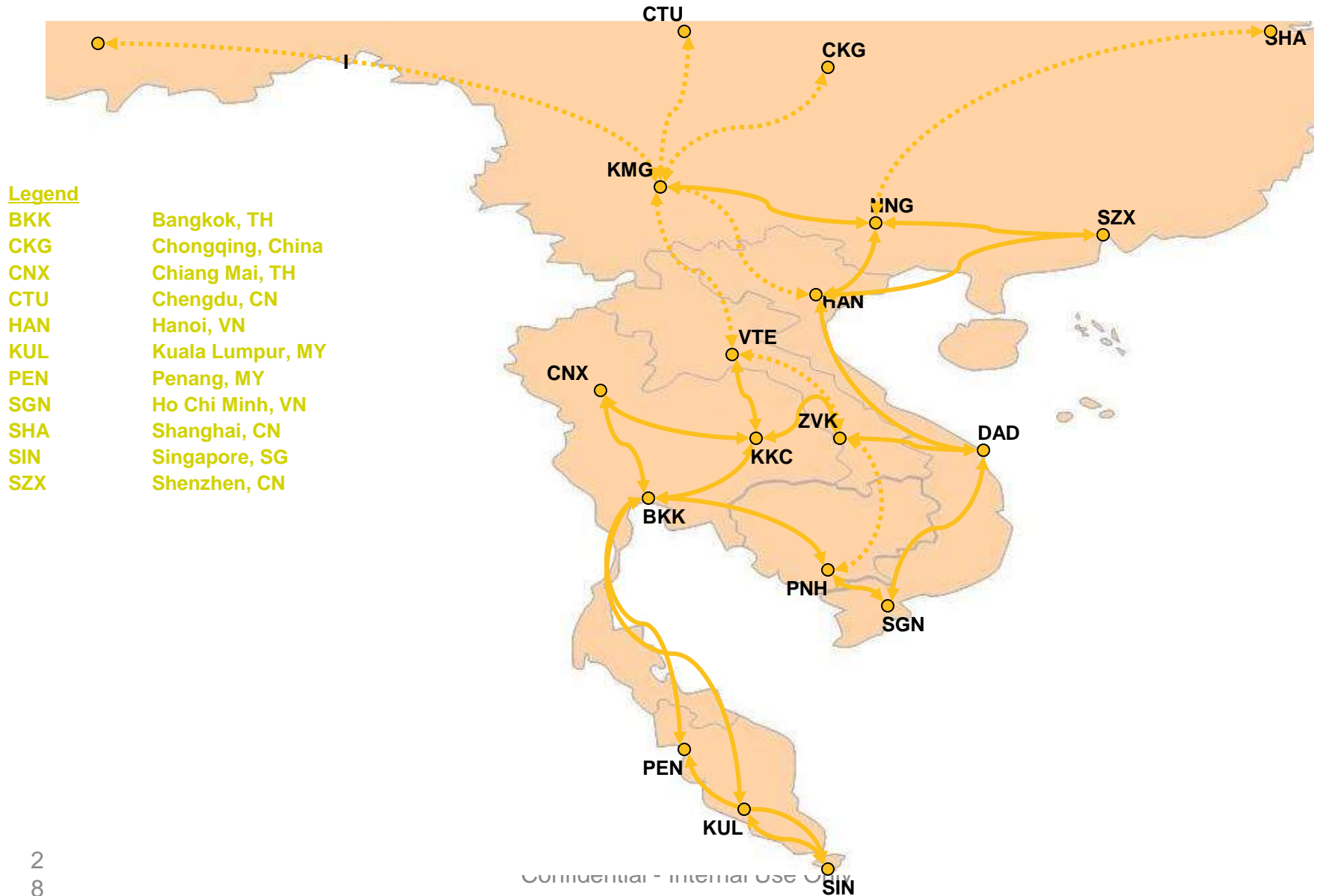
- They need
  - The ability to ensure on time delivery every time
  - Competitive transport with easy connections to Global routes
  - Consolidated feeder services for economies of scale
  - ICDs for local consolidation / distribution
  - Ease of import / export procedures
  
- They don't need
  - Uncertain transit times
  - Expensive feeder services due to lack of capacity
  - Paying for dedicated vehicles to ensure smaller quantities are dispatched in time to meet deadlines



## What SMEs need from Customs

- Border Crossings & Customs
  - Smooth and Consistent Customs Clearance
  - Inland Clearance Depots ... in FTZs and population centers
  - Bonding arrangements for transit to ICDs & FTZs
  - Bonded Warehouse facilities for Vendor Managed Inventory (VMI)
  - Long opening hours for customs ..16 hours
  - Clear an Transparent operations
  - A level Playing field where Tea Money does not cut Favour

# Linking FTZ & Manufacturing Zones across the region





# The Certainties in Transportation

- Border handling Costs Money (swap Containers etc)
  - Every time you stop, offload or Transship it costs money
  - Increases risks of damage / loss / pilferage etc – increases costs
- Handling Facilities have to be paid for
  - Cranes, Warehouses and Labour cost money
- The costs are passed on to the Customers !
  - They go to the Cost Of Goods Sold !!
  - Affecting the competitiveness of goods, imports or inputs
  - Impacts country export competitiveness and business opportunity



# Thank You

Keep up the standards

