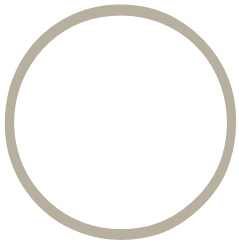




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Supply-chain connectivity across APEC



Improving trade logistics



Prepared for

APEC Committee for Trade and Investment



FINAL REPORT



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Improving trade logistics and supply chain connectivity

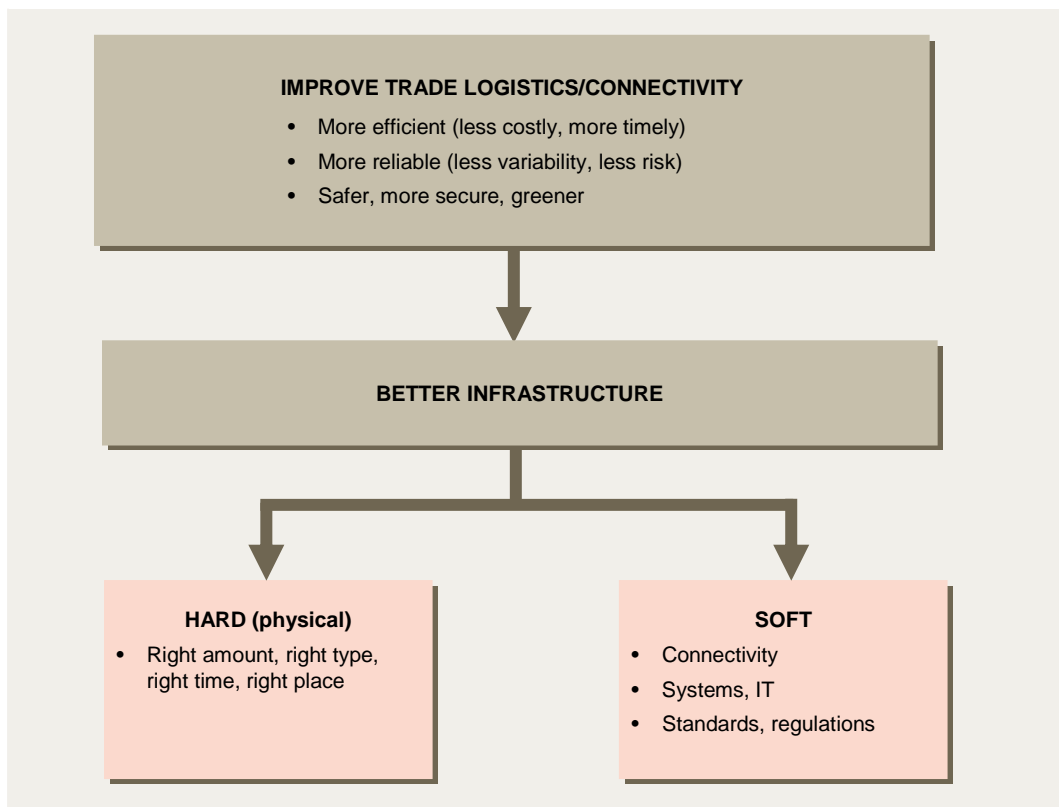
What we did

- The APEC Supply Chain Connectivity Symposium was conducted over two-days, 16th and 17th May 2009, at the Swissotel, The Stamford Hotel in Singapore. Australia and Singapore co-sponsored the symposium and the Singapore Minister for Trade & Industry, Mr Lim Hng Kiang and Australia's Parliamentary Secretary for Trade, Mr Anthony Byrne gave keynote speeches to open the event.
- Around 180 participants and twenty speakers took part, representing almost all APEC economies. Invited participants were drawn from business and government sectors with trade logistics functions and experience.
 - Speakers with trade logistics expertise in the APEC region were from business, academia and government sectors. They discussed the prevalence of trade-impeding choke points and presented case studies of measures taken to overcome logistics impediments.
 - Australia's representative on the APEC Transportation Working Group and the Chair of the Economic Committee also briefed participants on their logistics related work.
 - Business perspectives on logistics impediments in the region were provided by APEC Business Advisory Council (ABAC) representatives, including ABAC Chair Mr Teng Theng Dar and Australian ABAC member, Mr Lindsay Fox.
- The purpose of the Symposium was to do three things:
 - Identify the significant choke points impeding the smooth flow of goods and services in the APEC region,
 - Prioritise these choke points according to how important they were, and
 - Recommend actions APEC could usefully take to address them.
- Working through twelve separate break-out groups over the two days of discussion, participants identified 20-30 important choke points and made over 30 useful suggestions on possible initiatives for further consideration by APEC. During the course of the Symposium, eight priority actions were distilled for consideration by APEC. These are described below.

What we heard

- The supply chain is an integrated and inter-connected process to transport and trade goods and services. It needs to be looked at as a whole.
- Improving trade logistics involves :
 - Improving efficiency through lowering costs or improving the timeliness of delivery;
 - Improving the reliability of delivery. That is, reducing uncertainty and lowering risk,
 - ... To some this was more important than lowering costs;
 - Improving the safety or security of the supply chain or making it 'greener'.
- It was useful to differentiate between hard (physical) infrastructure such as ports and roads and the 'soft' infrastructure that deal with systems and the application of IT, the regulations and licensing of trade and transport, the governance arrangements covering logistics as a whole and the improvement to transport safety. These aspects are shown diagrammatically in diagram 1.

1 Better 'hard' and 'soft' infrastructure improves trade logistics



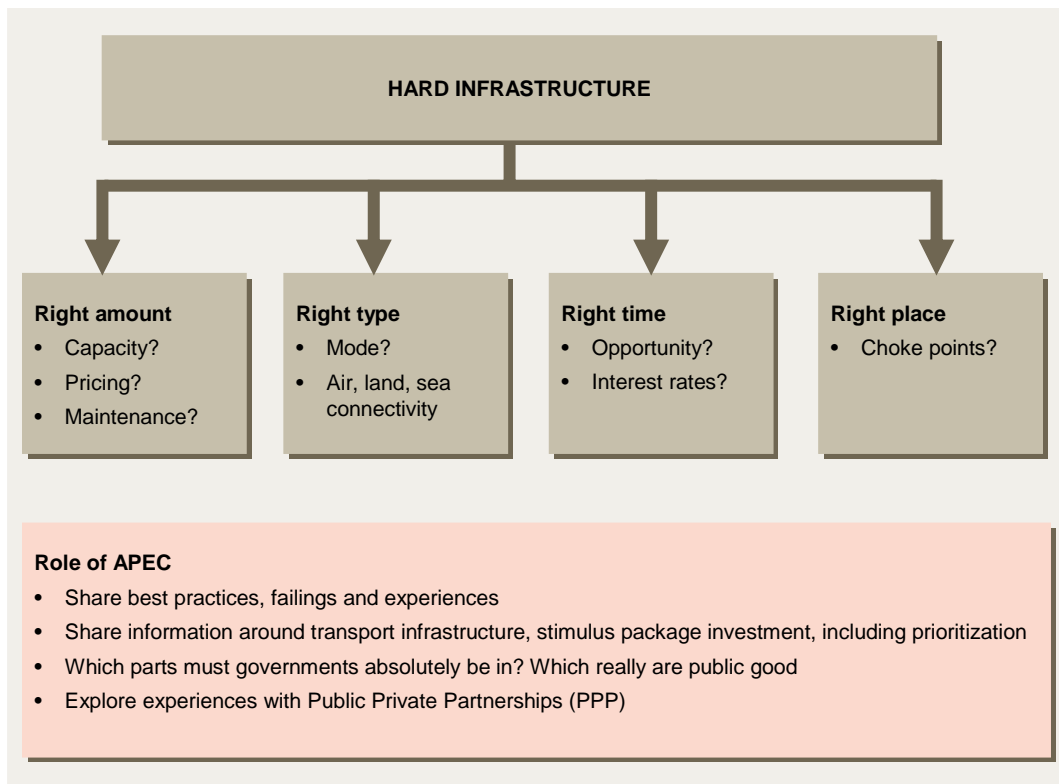
Source: TheCIE.

- A 1 percentage point increase in the ratio of trade to GDP would lead to a 2-3 per cent increase in income per person.
- A 10 percent efficiency gain in across-the-border supply chain connectivity would lift APEC real GDP by US\$21 billion per year and generate thousands of jobs.
- The supply chain is only as good as its weakest link
 - For example, improving air freight connectivity was of no benefit if goods were held up at customs.
- There were a large number of bottlenecks across the supply chain. The 20 to 30 choke points across the chain that were identified by participants have several sources:
 - Lack of physical capacity or poorly maintained infrastructure;
 - Poor, numerous and cumbersome regulations that lead to confusion and high costs, making the regulation susceptible to corruption and unpredictable as to its application;
 - A lack of harmonised regulations, customs documentation and procedures including different non-transparent application of risk management techniques at-the-border;
 - A lack of transparency of regulations and their application causing uncertainty which serves as a barrier to entry into the logistics business, impairing competition, efficiency and innovation. This was particularly important for small to medium enterprises (SMEs) of which there are many in APEC;
 - Numerous jurisdictions or 'silos' to deal with, making the coordination of the distribution of goods unnecessarily complex and therefore costly;
 - A lack of appropriate regulations and use of world's best technology that led to poor performance of road safety across many APEC economies causing unnecessary deaths on roads;
 - Poor customs procedures, some still based on cumbersome paper documentation; and
 - A lack of freedom to operate across borders, either to freely establish logistics companies or to operate transport equipment.
 - ... Restrictions on air freight still meant virtually empty aircraft were flown around simply to comply with outdated so-called 'freedoms of the air'.
- There is lot of work underway to improve the working of the supply chain
 - Some of this work is undertaken by APEC's Transport Working Group, other by forums such as ASEAN (particularly a 'single window' for customs) and ABAC (particularly for road safety).

What was concluded by delegates

- There was a useful role for APEC to play to address these choke points through eight priority actions. The main choke points, priorities and actions identified by the breakout groups are summarised in appendix 1.
- The challenge for hard infrastructure was to get it 'right' – the right amount of infrastructure, of the right type, in the right place, and at the right time.
 - This is difficult to achieve in practice because the market alone cannot get this right: governments must be involved in the planning, regulations and pricing of use of infrastructure;
 - Infrastructure spending has been too low in many APEC economies;
 - It was not clear who in APEC had best practice in getting hard infrastructure right, and it was concluded that a review of best practice was needed to reveal the failings and experiences of APEC economies, and share this information and the lessons learnt among APEC economies. These aspects are summarised in diagram 2.

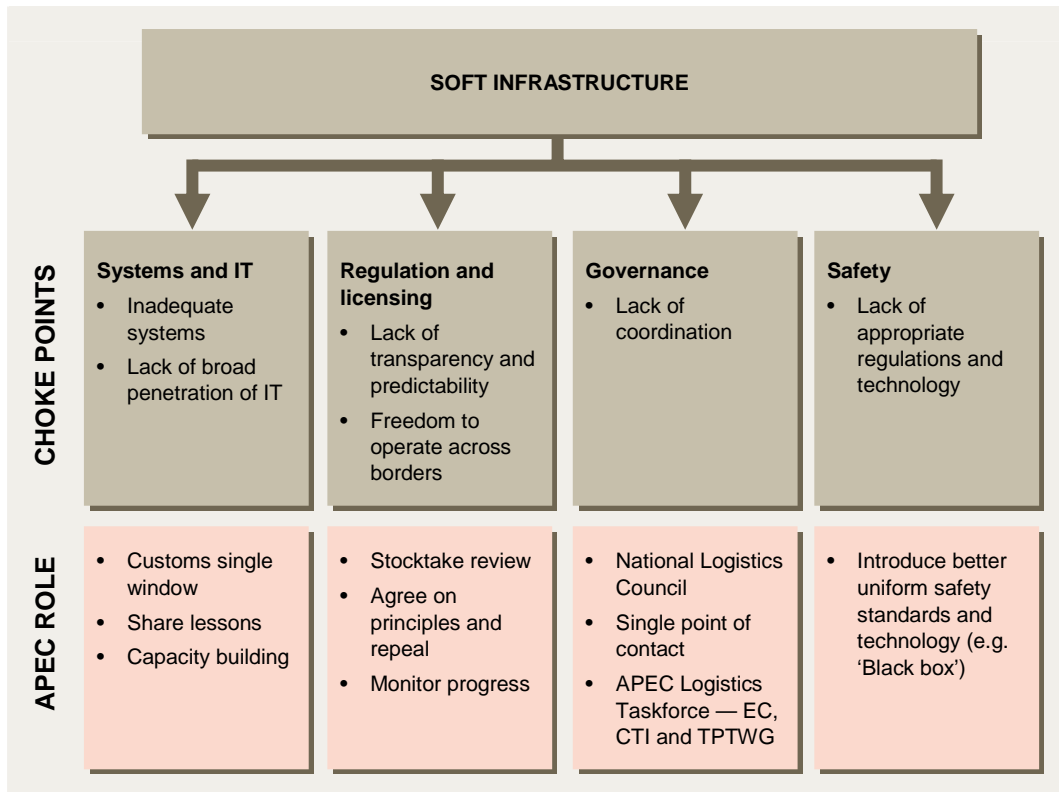
2 The challenges and actions of 'hard' infrastructure



Source: TheCIE.

- There were several things to do to improve the 'soft' infrastructure to ensure better connectivity of hard infrastructure and improve the logistics performance of the supply chain.
- To improve systems and enhance the application of IT, it was concluded to:
 - Build on existing capacity building efforts in this area;
 - Draw on the lessons from the ASEAN Single Customs Window initiative across APEC more broadly; and
 - Share the lessons of this experience across APEC more widely.
- Regulations and licensing needed some fundamental attention to remove unnecessary regulations, improve transparency and predictability and allow greater freedom for logistics operators to conduct business across borders. It was concluded that the best way to do this was to undertake a systematic reform of regulation by doing three things in sequence:
 - Undertake a stocktake review of all legislation affecting the performance of trade logistics;
 - Agree on a principle of removing regulations that do not have a net national benefit or could be met by alternative, lower cost regulation, and repeal unnecessary regulation;
 - Monitor progress towards the above goal.
- Poor governance and the lack of co-ordination across silos and public and private interests need to be addressed. It was concluded that this would be best achieved by two things:
 - Establishing a National Logistics Council (NLC) in each economy with a Single Point of Contact. The Council would possibly be modelled on some variant of those Councils already in Thailand, Indonesia and Australia,
 - Establishing an APEC Logistics Taskforce to bring work across APEC forums, such as the Transport Working Group, together.
- Safety was an imperative and there was no reason APEC could not be at world's best practice such as in Europe. It was concluded that the use of technology such as the 'black box' on trucks, with appropriate regulation and its enforcement, would see significant gains in road safety.
- The choke points and actions APEC could take on 'soft' infrastructure are summarised in diagram 3.

3 Choke points and APEC actions on 'soft' infrastructure



Source: TheCIE.

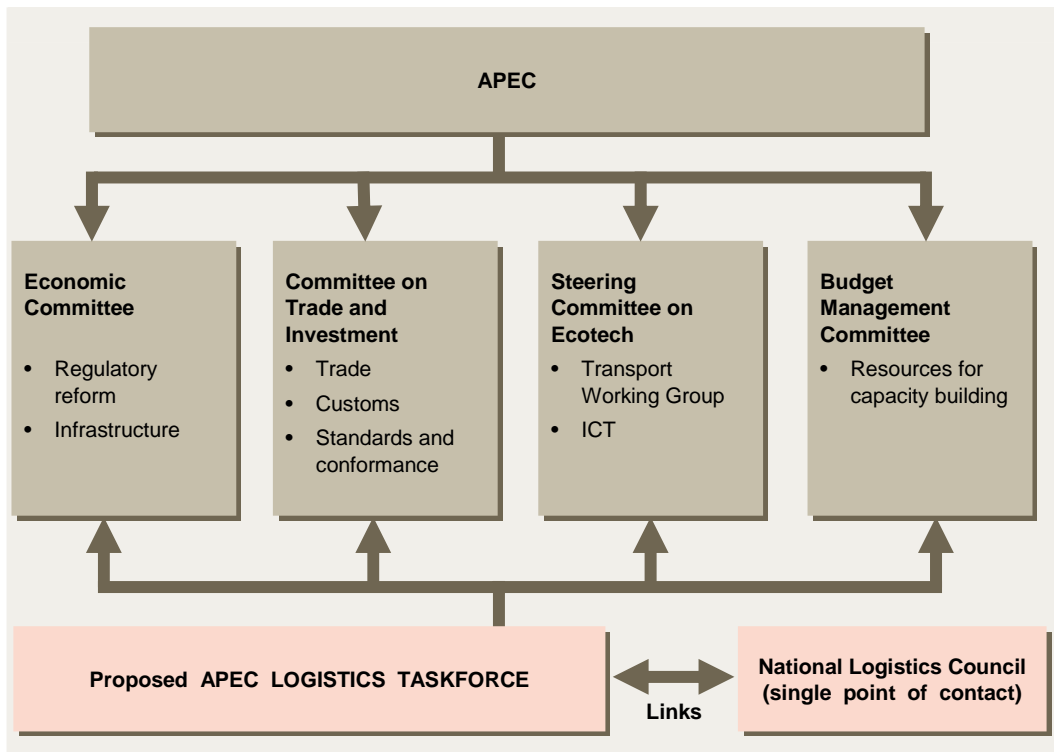
Recommendations

- Given the above identification of choke points, priorities and conclusions as to actions APEC might usefully take, the following recommendations are made.
 - APEC to investigate the option of establishing an APEC Trade Logistics Task Force to coordinate existing and new work across APEC on logistics and develop an Action Plan to address choke points (see diagram 4 below), including strategies for:
 - … Information sharing on lessons learned from, for example, the benefits of regulatory reform;
 - … Identification of capacity building needs.
 - APEC to review best practice on getting hard infrastructure 'right';
 - APEC to intensify efforts to reduce 'at-the-border' impediments through the APEC Single Window mechanism;
 - APEC to explore the best way to undertake a systematic review of all regulations impeding logistics performance with the aim of identifying reforms to improve the working of the supply chain;
 - APEC Leaders to call for the establishment of a National Logistics Council in each APEC economy, consisting of private and public sector stakeholders and

to identify a Single Contact Point for coordination and reform of logistics networks. The NLC would send a representative to meetings of the APEC Logistics Task Force.

- APEC and ABAC to undertake APEC-wide action on harmonisation and enforcement of regulations in the areas identified above, including on safety;
- APEC to examine increased air connectivity, possibly commencing with increased connectivity to enhance the flow of goods as the first phase, to be followed with connectivity to enhance the flow of services as phase two, along the lines of the ASEAN model.

4 Outline of recommended APEC Logistics Taskforce and National Logistics Council



Source: TheCIE.

Next steps

- This final report has been prepared following an interim report summarising the outcome of the symposium that was submitted to the CTI meeting on 16th and 17th May 2009 as an input to CTI’s development of its Supply chain Connectivity Framework. This final report will be circulated to all APEC economies by the end of June 2009.

Appendix

A Summary of findings from breakout groups

A.1 Summary of Breakout Groups findings: Behind-the-border

<i>Chokepoints</i>	<i>What can APEC do?</i>	<i>Priority</i>
Lack of coordination among government agencies	<ul style="list-style-type: none"> ▪ Introduce APEC 'lens'/way at looking at supply chain connectivity, perhaps by establishing: <ul style="list-style-type: none"> – A national Logistics Council – An APEC Taskforce on Supply Chain Logistics so that different streams of existing APEC work can be brought together 	★
Lack of access to logistics markets, and too many restrictions and cumbersome licensing requirements	<ul style="list-style-type: none"> ▪ Raising awareness on challenges faced by logistics business, number of permits needed 	
Lack of harmonisation and enforcement of regulations	<ul style="list-style-type: none"> ▪ Propose better safety arrangements, information, and other standards (e.g. use of 'Black box' technology) ▪ Mutual recognition agreements for drivers, vehicles across borders ▪ ABTC for goods/services (e.g. priority transporters) ▪ Look at ASEAN Logistics Roadmap or Multi-modal Transport Operator model 	★
Lack of technical expertise (IT, logistics, etc)	<ul style="list-style-type: none"> ▪ Capacity building (private and public) 	
Lack of private sectors inputs	<ul style="list-style-type: none"> ▪ Be conduit for public-private sector consultation, collaboration with ABAC 	
Infrastructural challenges	<ul style="list-style-type: none"> ▪ Explore Public Private Partnerships ▪ Prioritise infrastructure needs along lines of sound economic principles 	★

Source: TheCIE.

A.2 Summary of Breakout Group findings: At-the-border

<i>Chokepoints</i>	<i>What can APEC do?</i>	<i>Priority</i>
Inefficient paper-based system delaying process compounded by deficiencies in IT infrastructure	<ul style="list-style-type: none"> ▪ Involve APEC to look for opportunities to bring forward electronic capture of information in the supply chain activity ▪ Government could ride on private sector initiatives for the electronic capture of information ▪ Push existing processes within APEC to accelerate conversion to IT based systems 	
Lack of a Customs-transit process	<ul style="list-style-type: none"> ▪ Involve companies more (elicit their feedback) ▪ Examine ASEAN's process, specifically the key technical issues and challenges, and see how APEC could learn from them 	★
Lack of appropriate legal framework for multi-modal transport ('across' the border)	<ul style="list-style-type: none"> ▪ Encourage adoption of legal framework to support multi-modal transport 	
Lack of adoption of risk management techniques for regulated items' that involve other government agencies	<ul style="list-style-type: none"> ▪ Standardisation and simplification of documentation: encourage implementation of national single window systems 	★
Harmonisation of customs documentation procedures	<ul style="list-style-type: none"> ▪ Mutual Recognition Agreements ▪ Best practices for customs documents and procedures ▪ SCCP to review outcomes of SCI symposium with a view on their work programmes 	★
Absence of single point of contact	<ul style="list-style-type: none"> ▪ Build technical expertise and capacity building in terms of single window processes ▪ Standardisation and simplification of documentation: encourage implementation of national single window systems 	★

Source: TheCIE.

A.3 Summary of Breakout Group findings: Transport links across borders

Chokepoints	What can APEC do?	Priority
Lack of APEC-wide Air Services Agreement	<ul style="list-style-type: none"> ▪ Stage I — examine increased air freight liberalisation (decoupling passengers from freight?) ▪ Stage II — examine increased liberalisation of air passenger services 	★
Lack of central point of contact for businesses to discuss connectivity issues (e.g. multiple contact points raised by United Parcel Service)	<ul style="list-style-type: none"> ▪ Establish a National Logistics Council with a single window for businesses to interact with government agencies ▪ Building on experience from passenger facilitation (e.g. customs, transport, immigration, quarantine, tourism etc) 	
Lack of inter-modal approach <ul style="list-style-type: none"> ▪ Licensing issues 	<ul style="list-style-type: none"> ▪ EU Multi-modal Transport Operator as examples ▪ Focus on transport-related sustainability 	
Lack of harmonisation/mutual recognition of standards and regulations causing unnecessary high transaction costs	<ul style="list-style-type: none"> ▪ Stocktake of regulations and standards and report back 	
Need for 'informed' infrastructure — roads, port capacity, air links <ul style="list-style-type: none"> ▪ Align quality standards, e.g. road links 	<ul style="list-style-type: none"> ▪ Share expertise across APEC ▪ Look at existing models of how the 'right' infrastructure is determined (e.g. EU, Singapore) ▪ Capacity building 	★
Lack of capacity of local/regional logistics sub-providers	<ul style="list-style-type: none"> ▪ Capacity building ▪ Looking at constraints affecting engagement of Small and Medium Enterprises — do onerous, multiple, overlapping regulations serve as barriers to entry? 	★

Source: TheCIE.