

Logistics Cost Is 6.2 Per Cent of India's GDP: Frost & Sullivan

India's ascending fortunes in the manufacturing sector over the last few years has opened several windows of opportunities for the logistics market, and this trend is likely to gain pace as the wave of global economic slowdown is gradually receding and India emerging as one of the earliest major economies to recover from recession. This fast-paced growth of the industrial sector, coupled with the more sturdy progress of the agricultural sector, has necessitated extensive supply chains across the country to facilitate sourcing and distribution of production.

Strategic Analysis of Indian Logistics Market, finds that the market earned revenues of \$75.19 billion in 2009, representing about 6.2 percent of the country's GDP. The market is expected to reach \$120.42 billion in 2014, witnessing a CAGR of 9.9 percent between 2009 and 2014. Transportation segment accounts for close to 62.0 percent of the total market reiterating the fact that it is the most important logistics function for all industries. Further, agricultural sector accounts for slightly over half of the total logistics market in India, owing to the extensive storage and transportation activities associated with agro products within the country.

"Apart from the steady expansion of operations by large domestic industrial groups, an increasing number of global majors in industries ranging from automotive and electronics to pharmaceuticals and cement have been targeting a spot in



the highly lucrative Indian market," says Frost & Sullivan Industry Analyst Srinath Manda. "While foreign companies need to engage logistics service providers since they are not conversant with the culture, government policies, or distribution landscape of the country, domestic companies are outsourcing their logistic activities to organized third-party logistics (3PLs) to focus on their core competencies."

Most manufacturing industries such as automotive, cement, minerals, oil & gas, pharma, food processing, and fast moving consumer goods (FMCG) need multimodal transportation services as they have a widespread consumer base but limited production bases. Industries such as FMCG, pharma, and food processing apart from the agricultural sector also have considerable requirements for integrated logistics parks owing to their higher need for warehousing activity. These industries are the leading contributors in the 25.7 percent share accounted by warehousing segment within the total Indian logistics market.

Multimodal transportation solutions are becoming possible with the development of inter-connected

transportation infrastructure facilities, especially dedicated freight corridors by the railways and improvements in coastal shipping facilities. Similarly, the construction of massive state-of-the-art logistics parks at key distribution hubs are helping to meet the specialized warehousing needs of industries. These developments are encouraging companies to increasingly outsource logistics functions.

Both manufacturers and logistics companies are hampered by the problem of poor infrastructure connectivity in rural areas. The hardest hit by the inadequate transport connectivity are likely to be the FMCG, food processing, pharmaceuticals, and consumer durables industries, which have a huge potential consumer base in these areas. The former two industries are also affected on the sourcing side since they are highly dependent on the raw materials sourced from rural areas.

"Apart from the development of dedicated railway freight corridors, focused development of inland waterways and the strengthening of road networks through the national highway development program are expected to improve the market reach of most industries," notes Srinath. "Owing to these efforts, professional logistics services can be extended up to rural areas, leading to a higher scale of logistics activities outsourcing."

23-Feb-10 2:00 AM

Capgemini Global Trade Flow Index reveals that trade levels are picking up across the globe

by Roy Lenders

The latest trade figures from the 23 largest trade countries globally (from Q3 2009) are revealing that trade levels have picked up dramatically from Q2 towards Q3 2009. As trade levels are a good leading indicator for the country economies as a whole, we will see GDP levels start growing from Q1 2010 onwards.

Where in Q2 2009 global trade was primarily driven by local market growth in the emerging countries, driven by big government stimulus programs in the BRIC countries, during Q3 2009 the big developed economies picked up steam again and were driving significant expansion of global trade. The big question for the next two quarters will be whether we indeed have reached a turning point where the emerging countries will be driving global economic growth (where the power is moving from West to East) or whether the old economic rules will drive the market again where the growth in the emerging countries is primarily driven by the export growth towards the big developed countries.

Also the timing of the ending of government stimulus plans will be key for the growth in the next two quarters. As many governments are eagerly awaiting to cut their cost levels to get their government finances back-in-order, the timing of these cost cuts will need to be very precise so as not to disturb the current growth in the global economy.

19-Feb-10 9:00 PM

DKSH acquires majority shares of Chiao Tai Logistics Corp.

DKSH, a leader in market expansion services headquartered in Zurich, Switzerland, has acquired a majority of shares in Taiwan's leading logistics company, Chiao Tai Logistics Corp., from Taiwan Tea Corporation, it announced. The transaction is subject to certain conditions, including FIA approval, it said.

In Taiwan, DKSH operates businesses in healthcare, consumer goods and technology. With this acquisition, DKSH will significantly strengthen its position in Taiwan of becoming the leading market expansion services provider for

consumer goods, offering a comprehensive package of services tailored to business partners' specific needs for any part of the value chain — from sourcing, research and analysis, marketing and sales to distribution and logistics and after-sales services, it said.

Chiao Tai Logistics Corp. is one of Taiwan's largest logistics companies, with a portfolio of blue-chip clients. With DKSH's well-established operations all across Asia, DKSH provides the ideal platform for the future development of the Chiao Tai operations and will transfer best practices and skills to further



strengthen the business, it said.

Chiao Tai Logistics' clients will also be able to harness DKSH's infrastructure in Hong Kong and China to improve supply chain efficiencies, operating as a Greater China unit, or even out-source its sales and marketing functions to DKSH, it said.

"Chiao Tai Logistics is a highly

reputable company in Taiwan, working with many clients who are common to our DKSH operations in Asia," said Joerg Wolle, CEO of DKSH. "This move is an excellent matchup with DKSH's activities and the merger will not only generate synergies with our existing operations, but will transform DKSH into one of the largest full service consumer goods distributors in Taiwan, strengthening DKSH's position as a leading market expansion services company in Greater China."

2-Mar-10 3:00 AM

Apple admits child labour used at its assembly plants

by Malcolm Moore

Apple has said child labour was used at factories where iPods and other electronic items were made. Technology multinational Apple has admitted that child labour was used at the factories that build its computers, iPods and mobile phones.

At least 11 15-year-old children were discovered to be working last year in three factories which supply Apple.

Microsoft takes fight to Apple iPhone with new mobile phone services. The company did not name the offending factories, or say where they were based, but the majority of its goods are assembled in China.

Apple also has factories working for it in Taiwan, Singapore, the Philippines, Malaysia, Thailand, the Czech Republic and the US.

Apple said the child workers are now no longer being used, or are no longer under-age. "In each of the three facilities, we required a review of all employment records for the year as well as a complete analysis of the hiring process to clarify how under-age people had been able to gain employment," Apple said, in an annual report on its suppliers.

Apple has been repeatedly criticised for using factories that abuse workers and where conditions are poor. Last week, it emerged that 62 workers at a factory that manufactures products

for Apple and Nokia had been poisoned by n-hexane, a toxic chemical that can cause muscular degeneration and blur eyesight.

Apple has not commented on the problems at the plant, which is run by Wintek, in the Chinese city of Suzhou.

A spokesman for Wintek said that "almost all" of the affected workers were back at work, but that some remained in hospital. Wintek said n-hexane was commonly used in the technology industry, and that problems had arisen because some areas of the factory were not ventilated properly.

Last year, an employee at Foxconn, the Taiwanese company that is one of Apple's biggest suppliers, committed suicide after being accused of stealing a prototype for the iPhone.

Sun Danyong, 25, was a university graduate working in the logistics department when the prototype went missing. An investigation revealed the factory's security staff had beaten him, and he subsequently jumped to his death from the 12th floor of his apartment building.

Foxconn runs a number of super-factories in the south of China, some of which employ as many as 300,000 workers and form self-contained cities, complete with banks, post offices and basketball courts.

China Labor Watch, a New York-

based NGO, accused Foxconn of having an "inhumane and militant" management, which neglects basic human rights. Foxconn's management was not available for comment.

In its report, Apple revealed the sweatshop conditions inside the factories it uses. Apple admitted that at least 55 of the 102 factories were ignoring Apple's rule that staff cannot work more than 60 hours a week.

The technology company's own guidelines are already in breach of China's widely-ignored labour law, which sets out a maximum 49-hour week for workers.

Apple also said that one of its factories had repeatedly falsified its records in order to conceal the fact that it was using child labour and working its staff endlessly.

"When we investigated, we uncovered records and conducted worker interviews that revealed excessive working hours and seven days of continuous work," Apple said, adding that it had terminated all contracts with the factory.

Only 65pc of the factories were paying their staff the correct wages and benefits, and Apple found 24 factories where workers had not even been paid China's minimum wage of around 800 yuan (76) a month.

1-Mar-10 10:00 PM

Shanghai bans DG shipments during Expo

APL, the container shipping arm of Singapore's NOL, is warning that the Shanghai Maritime Safety Authority (SMSA) has imposed restrictions on certain dangerous goods shipments during the World Exposition 2010 Shanghai.

The world's fair will be held from May 1 to October 31 and is expected to draw a crowd of 70 million.

The carrier announced that from April 15 to November 15 all port terminals located in the middle and upstream parts of the Huangpu River are prohibited from handling dangerous cargo.

In addition, all port terminals, except for Yangshan terminals, will be prohibited from handling dangerous cargo from April 30 to October 31. Furthermore, the export of fireworks at Wai Gao Qiao (WGQ) terminals will require local authority's approval on a per voyage basis.

APL recommended that its customers "exercise caution when accepting prohibited dangerous cargo as there is no recourse when the vessel arrives between the prohibited periods."

23-Feb-10 2:00 AM

Lack of facilities in India keeps air cargo stalled

by Shubhra Tandon

Lack of infrastructure continues to be a roadblock for the Indian air cargo market, slated by industry estimates to touch Rs 13,300 crore by 2011-12, a growth of 20 per cent.

Earlier this month, Air India had announced its decision to hive off its cargo business into a separate entity by April.

Kingfisher Airlines launched Kingfisher Xpress – a door-to-door cargo delivery service.

There were also reports of Jet Airways being in talks with a foreign logistics company to float a dedicated cargo service.

Yet, the sector struggles for proper cargo warehousing facilities and multi-modal links for local distribution.

Passenger airlines in the country, till recently, did not look at the cargo business seriously. The cargo division

contributes only 5-10 per cent of their revenues. According to Ms Anita Khurana, Director, Air India's air cargo division, the country has only about 20 freighters.

Most cargoes are transported through the belly of aircraft.

However, companies are now focusing more on this space, according to industry experts, as they are realising it has a good margin business.

"Though the passenger traffic has started picking up and the yields are improving, the reality still remains that Indian airline companies are sitting on huge losses.

"They need additional means to boost their revenues and that is the reason they are now looking at ground handling, cargo and maintenance," said Mr Sushi Shyamal, Partner, Transaction Advisory Services, Ernst and Young (E&Y).

Integrated approach

On the recent cargo-related announcements by airline companies, he said these are very "peripheral changes". What India needs is "an integrated logistics approach that covers the first mile and last mile connectivity."

In terms of capacity, experts say there is enough in the country.

There is sufficient aircraft belly capacity which if utilised efficiently can make good business opportunity for the airlines, said Mr Chethan Kambhi, Frost and Sullivan's Senior Research Analyst, Aerospace and Defence.

gestation period

"The Indian air cargo industry is still in a gestation period. Entrants like Deccan 360 or players like Kingfisher are still trying to understand the real dynamics of the business," said Mr Kambhi, adding it will take at least three to four years before it starts picking up.

Other Steps

Other efforts to develop air cargo market in India include the increase of foreign direct investment in cargo and non-scheduled airlines to 74 per cent.

Plans are also on for developing Nagpur as a cargo hub through large-scale investments into MIHAN (Multimodal International Hub Airport) project.

According to E&Y, investments of more than Rs 900 crore have been planned for development and upgrade of cargo terminal facilities at the Mumbai and Delhi international airports.

Similar investments would be required for the facilities at Chennai, Kolkata, Hyderabad, Bangalore and other airports, the consultant said.

2-Mar-10 4:00 AM

DP World terminal opens in Saigon

Dubai-based global marine terminal operator, DP World has announced the inauguration of its Saigon Premier Container Terminal (SPCT) in Ho Chi Minh City, Vietnam.

Additional dredging a depth of 12m is planned for the near future, when SPCT will be able to handle vessels up to 8000 TEU, further reducing logistical cost for Vietnamese exporters and importers. Currently,

five shipping lines have multiple weekly calls at the new facility.

11-Feb-10 10:30 PM

Labor shortages possible in Guangdong area

A leading Taiwanese laptop maker has warned labor shortages in China's booming coastal cities could affect the supply of computers amid an expected surge in world demand.

Ray Chen, president of Compal Electronics Inc., said the labor situation could also lead to shortages of components ranging from memory chips to hard drives to computer cases, the Economic Daily News quoted him as saying Thursday.

He said the labor shortfall could worsen following this week's Lunar New Year holiday because many factory workers visiting their home towns might not return to the major coastal manufacturing zones where Compal and other electronics companies produce personal computers.

A year ago when the global financial crisis was battering China's exporters, millions of migrants were told to stay home because there wouldn't be much work in Guangzhou and other southern cities. Then, as business started picking up during the middle of last year, factories were caught short-handed.

Many businesses now say they



expect labor shortages this year to be worse than previous episodes. Migrants are finding jobs closer to home as the poor interior provinces become more prosperous and the supply of young laborers is decreasing as an effect of China's one-child policy. Fewer, meanwhile, are willing to work for sweatshop wages as their parents did.

The Economic Daily newspaper said many factory operators fear their worker numbers will not return to pre-financial meltdown levels despite offering pay raises. But an official with Taiwan-based Hon Hai Group, the world's largest contract electronics maker, said it would not be affected by the labor shortages. It started building several factories three years ago in China's interior to comply with Beijing's policy of developing the southwest.

Ryder setup JV with Cargo Services

Ryder System has established a joint venture with Cargo Services Far East Limited (CSFE), an Asia-based logistics solutions provider specializing in export consolidation services, to offer end-to-end logistics services to North American companies importing goods from Asia.

"This partnership gives us an extensive network throughout Asia and builds on our purchase order management and export consolidation capabilities to deliver seamless international solutions to the retail marketplace," said John Williford, president of Ryder's global supply chain solutions division.

"The partnership ... helps retailers

and other U.S. importers design, plan and manage their product flows from factories in Asia to retail stores across North America," he added.

Operating as Ryder Supply Chain Solutions Asia, the JV will provide vendor and purchase order management, inland transport services, export consolidation and order fulfillment services, including distribution center bypass and store-ready pallet construction from Asia to North America.

The partnership will also build on Ryder's recent acquisition of CRSA Logistics, which manages Trans-Pacific end-to-end transportation management and supply chain services for Canadian retailers, including consolidation services in

With manufacturing being shifted elsewhere, Hon Hai's base in Shenzhen in Guangdong province now deals mainly with research and development and logistics, according to the official, who requested anonymity because of company policy.

Compal and Taiwan-based Quanta Inc. are the world's top two contract laptop makers. Compal's 2009 sales amounted to \$19.8 billion, up nearly 50 percent from 2008, with the launch of Microsoft Windows 7 operating system and low-priced laptops known as netbooks propping up sales amid the global economic recovery. Taiwanese makers account for more than 80 percent of the world's laptop output by setting up assembly lines in China to take advantage of the mainland's cheaper labor.

Several Taiwanese makers, including Quanta Inc. and Inventec Corp., are building factories in Chongqing in southwest China, where labor costs are estimated to be 20 to 40 percent lower than the coastal cities.

22-Feb-10 11:00 PM

key Asian hubs and deconsolidation operations in Canada.

"Users of these services require a personalized and attentive international supply chain for the execution of their purchase orders placed in China and the rest of Asia and the movement of their products to destinations in North America," said John Lau, CSFE's group managing, who also founded the company back in 1990.

"Together, we can leverage each other's logistics capabilities and expertise to offer a better solution to retailers and traders of consumer products," he said.

23-Feb-10 0:00 AM

Kerry Logistics won Daimler contract

Kerry Logistics has landed a number of major contract deals with the most recent being Daimler Northeast Asia Parts Trading and Services Co Ltd (DPTS) selecting Kerry Logistics in the first quarter of 2010 to manage the licence attainment of its imported spare automobile parts in China.

Under the terms of the two-year contract, Kerry Logistics is responsible for obtaining all required licences for spare parts and batteries,

exemption certificates for parts, as well as inspection certificates, tariff return filing, and foreign exchange verification for returned cargo and export, reports the UK's Transport Logistics.

It noted that as a wholly-owned subsidiary of Daimler Northeast Asia Ltd, DPTS is responsible for spare parts logistics for all Daimler products in mainland China, including Mercedes-Benz cars. Earlier in the fourth quarter of 2009,

Kerry Logistics landed a new contract in Hong Kong from Swedish tissue and toilet paper manufacturer Tempo. The two-year contract comprises warehousing, distribution, value-added services, such as kitting of promotional items, and cross-border haulage of its fast moving consumer goods (FMCG products).

Also in the fourth quarter, Dow Chemicals appointed Kerry Logistics as its major logistics service provider for its newly acquired company,

New Logistics Warehousing Map Launched in China

by Max Henry

The Council recently announced the launch of our new China Logistics Warehousing Map.

Featuring key warehouses and distribution centers in China, this map will be both useful, informational and engaging for manufacturers, retailers and 3PLs operating in China.

Warehouse developers, owners and agent are now able to feature their facilities through this digital map, show prospective logistics services buyers detailed information of the facility, and explain where one property is in relation to highways, ports and other key logistics infrastructure.

And with the ability to show detailed information, photos of the facilities, add comments, display interactive media (coming soon), this map is truly unique in its format.

Available both on the web, in magazine and as a poster (sponsor required), this map is already promoted to the Council's 60,000+ community of manufacturers, retailers and 3PLs all over the world.

To view the online map, click on: <http://www.supplychains.com/map/>

To preview the double page spread in the next issue of CHINA Magazine, click on:

<http://www.supplychains.com/attachments/files/3894/China%20Warehousing%20Map%20-%20Magazine%20Spread.pdf>

Interested to sponsor the China Warehousing Map? Contact me directly to understand how this various formats of the map can become an ideal marketing channel to demonstrate your leadership in logistics real estate and showcase your latest facilities in China.

For more information, contact us at map@supplychain.cn
22-Feb-10 5:00 AM

Rohm and Haas Electronics Materials, in Hong Kong on a two-year contract basis.

Kerry Logistics is tasked with providing local warehousing and value-added services such as labelling, sample drawing and distribution to Dow Chemicals' customers in Hong Kong and mainland China, the report said.
23-Feb-10 0:00 AM

China Post Logistics selects RedPrairie WMS

RedPrairie announced Guangxi China Post Logistics has selected RedPrairie's Warehouse Management solution to direct operations in its 8,000 square meter distribution center in Guangxi. Guangxi China Post hopes to use RedPrairie's solution to improve its DC's efficiency and inventory accuracy.

"We selected RedPrairie based on their solution's track record and reliability," says Ziyang Huang, Deputy General Manager, Guangxi Post Express Delivery & Logistics Co. "The service-oriented architecture is flexible, the user interface makes it easy to operate, and overall functionality is robust. As a whole, we hope the solution will allow us to provide better logistics service for our customers."

Guangxi China Post was particularly interested in managing inventory at a

granular level, with visibility into individual serial numbers. The company also cited access control and global capabilities as core purchasing criteria for their selection of RedPrairie's Warehouse Management solution.

"China Post Logistics company is considered by many to be one of the top three logistics companies in China," says Rod Talbot, RedPrairie EVP & Managing Director Asia Pacific. "The cooperation their company and others like it demonstrate has resulted in a greater degree of strength and depth between RedPrairie and its customers. We intend for this project to illustrate our continuing commitment to the Chinese region, and international business as a whole."

23-Feb-10 2:00 AM

Maersk maybe leaving Kaohsiung for Xiamen

Moller-Maersk is believed to be scrapping its services to Taiwan and moving to Xiamen across the strait, a move that has prompted 200 Kaohsiung dockers to strike, demanding severance pay, reports Deutsche Presse Argentur.

According to the media reports Maersk has not yet confirmed the story, but talks between the stevedores and Maersk's Taiwan manager broke down after the shipping line refused severance pay on the grounds that dockers are hired by another company, which would be responsible for severance pay if any.

"We have worked for Maersk for many years and never got a pay raise. Now Maersk is leaving and does not want to give us severance pay. That is too cruel," said Chen Hsien-tzung, head of the dockers association,

reported Taiwan's Central News Agency report.

The DPA report in the Liberty Times said Maersk last year stopped the lease on two of its four container terminals at Kaohsiung Port and would not renew the lease for the two remaining terminals when it expires. The reason being is the carrier aims to increase its investment in mainland's Port of Xiamen.

Ranked the world's third busiest container port in the 1980s, Taiwan's largest port has seen its container throughput decline from 10.3 million TEU in 2007 to 8.5 million TEU in 2009. Kaohsiung's demise in recent years has been blamed on the expansion of neighbouring ports, particularly those across the Taiwan Strait on the mainland.

23-Feb-10 2:00 AM

Indian logistics market to double this year

Shift in trend from doing purely built-to-suit facilities to building speculative warehouses.

The Logistics market in India has seen a revival both in terms of business and fresh investments over the past year, according to a report by CB Richard Ellis India. The report points out that market is expected to double by 2012 from current levels. The latest report titled 'The India Logistics Market View - 2009' reviews the logistics and warehousing space market in India across key cities.

Commenting on the findings of report, Mr. Anshuman Magazine, Chairman & MD, CB Richard Ellis, South Asia said, "Going forward the main drivers that will fuel this growth are upcoming freight corridor project,



building of logistics hubs and warehouses, port development, technology upgradation, investment by private players and also the impending industry status for the logistics sector. We hope to see further movement in 2010."

The trend is shifting from doing purely built-to-suit facilities to building speculative warehouses, the report said.

2-Mar-10 4:00 AM

China Pharmaceutical unit sets up logistics JV

China Pharmaceutical Group announced recently that its subsidiary, Shijiazhuang Pharma Group Hebei Zhongrun Pharmaceutical, has entered into an agreement with Shijiazhuang Pharmaceutical Group Co Ltd on establishing a logistics joint venture.

The JV will have a registered capital of RMB 50 million and will be engaged in logistics services business, including storage, sourcing and distribution of pharmaceutical products, the company said in a statement.

Zhongrun will investment RMB 49.5 million into the JV and will hold a 99% equity interest in it, while SPG



will own the remaining 1%.

Founded in 1997, SPG is the No.1 pharmaceutical group in Shijiazhuang, the capital of Hebei Province. It is a wholly-owned subsidiary of MGGL, the controlling shareholder of China Pharmaceutical.

2-Mar-10 3:00 AM