



# Strategic move of Forwarders towards multimodal service offering under OBOR Developments

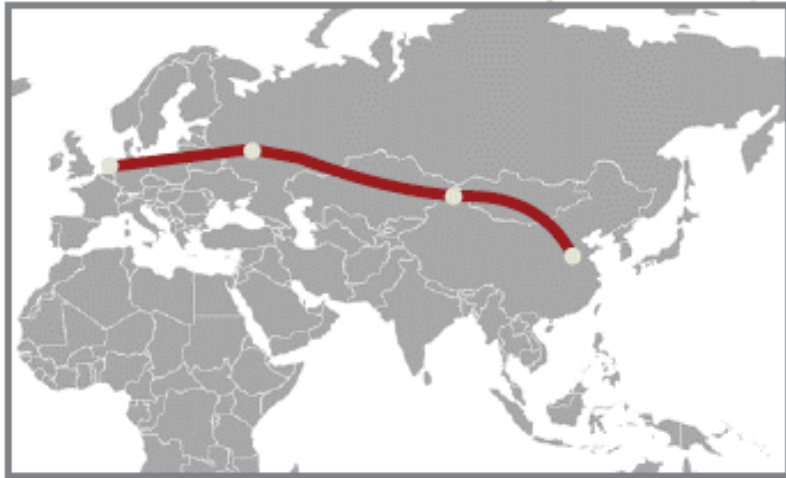
Hong Kong, May 10<sup>th</sup> 2016

Richard Morgan, CCO Asia

Global logistics. Individual solutions.



# Eurasia Land Bridge connects China to Europe and bring in new opportunities to the logistics market



“One Belt” begins in **Xi’an** in Northwest China before stretching west through **Urumqi** to Central Asia. From there it goes to northern Iran before swinging west through **Turkey**. From Istanbul it crosses the Bosphorus Strait and heads northwest through Europe, including **Germany** and **the Netherlands**

## China-Europe Rail Freight

### Cost efficient

Only **1/5** of the conventional air freight solution cost

### Sustainable solution

Reduce CO<sub>2</sub> emissions by up to 90% in comparison to air freight

### Competitive transit time

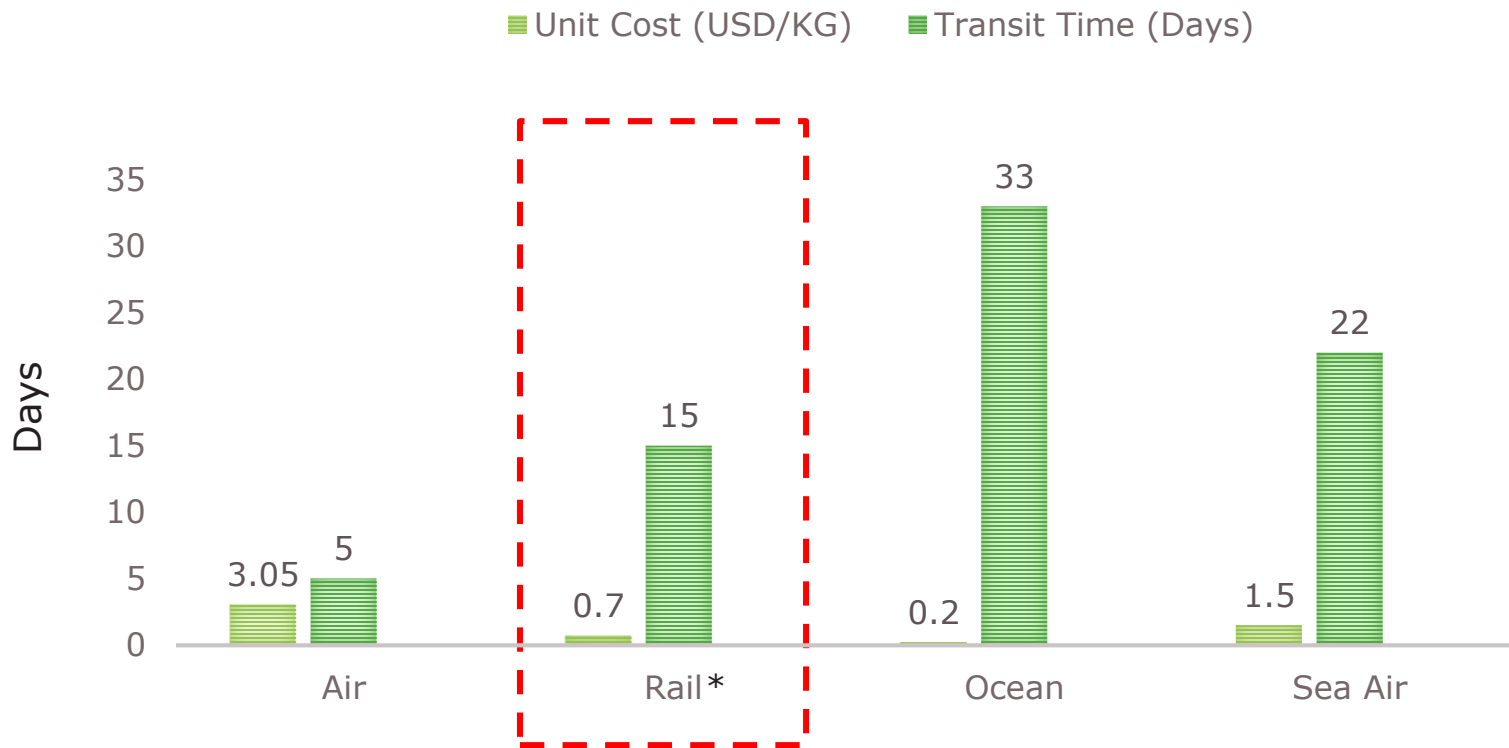
**50%** less comparing to traditional ocean freight

### Extensive service range

Rail+ models offer multiple solutions that covers the entire Asia Pacific

# Rail freight provides Competitive lead time and cost

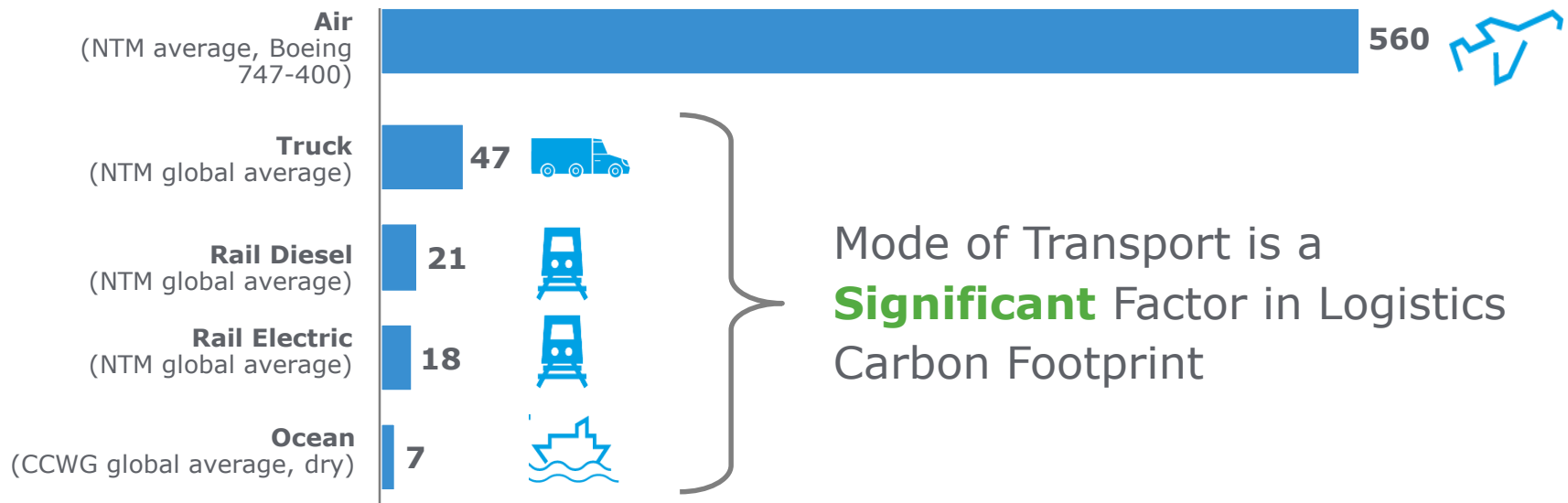
Rail service is the most cost effective product with the length of transit time accepted by most mid market retailers, particularly to sea air customers.



\*Based on 1\*40H with G.W 10,000kgs, port to port charge only

# Rail freight offers environmental friendly solutions to China/ Europe

Carbon intensity emitted by transporting 1 ton of goods 1 km (in grams of CO<sub>2</sub>)



A total of **1000+ trips** had run on China-Europe railway since 2011, with freight value at **USD 12.5 billion**.

Demand for this solution has been increased steadily.

# Sourcing pattern is shifting away from China to Asia Pacific

Locations such as Vietnam/ Myanmar/ Bangladesh has been blooming lately

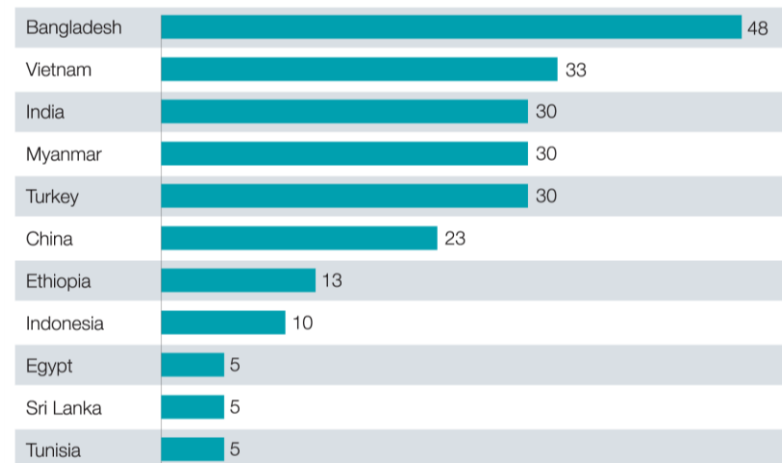
- Relatively lower labor cost
- New trade agreements (eg, T.P.P)
- Improved product quality via foreign investments
- Logistics infrastructure improvement

How can shippers enjoy logistics benefit via the OBOR initiative and Eurasia Rail developments?



“What will be the top 3 sourcing destinations over the next 5 years?”

Respondents who ranked the respective countries within the top 3, n = 40, %



Source: McKinsey survey of chief procurement officers, January/February 2015

# OBOR developments in China creates more opportunities for logistics service providers



Among 13 core OBOR provinces, **Chongqing** has the best pre-requisites to become a key logistics hub in China:

- 45% total China-Europe rail freight volume are contributed by Yuxinou railway
- Unique “1+N” pattern of convergence and distribution
- Good connectivity to coastal ports and S.E. Asia
  - Chongqing-Shenzhen Railway
  - Chongqing-Guiyang Railway (2017)
  - Chongqing-Kunming Railway (2020)
- Low labor cost for production shift
  - Chongqing RMB 1250 vs Shenzhen RMB 2030

## Opportunities to LSP

- **Intermodal** to connect rail ramp with sea ports
- **Cross border trucking** to SE Asia
- **Warehousing** in inland china

# Forwarders offer “Rail+” solutions strategically to provide coverage in Asia

## Rail+ solutions

### 1. Truck + Rail

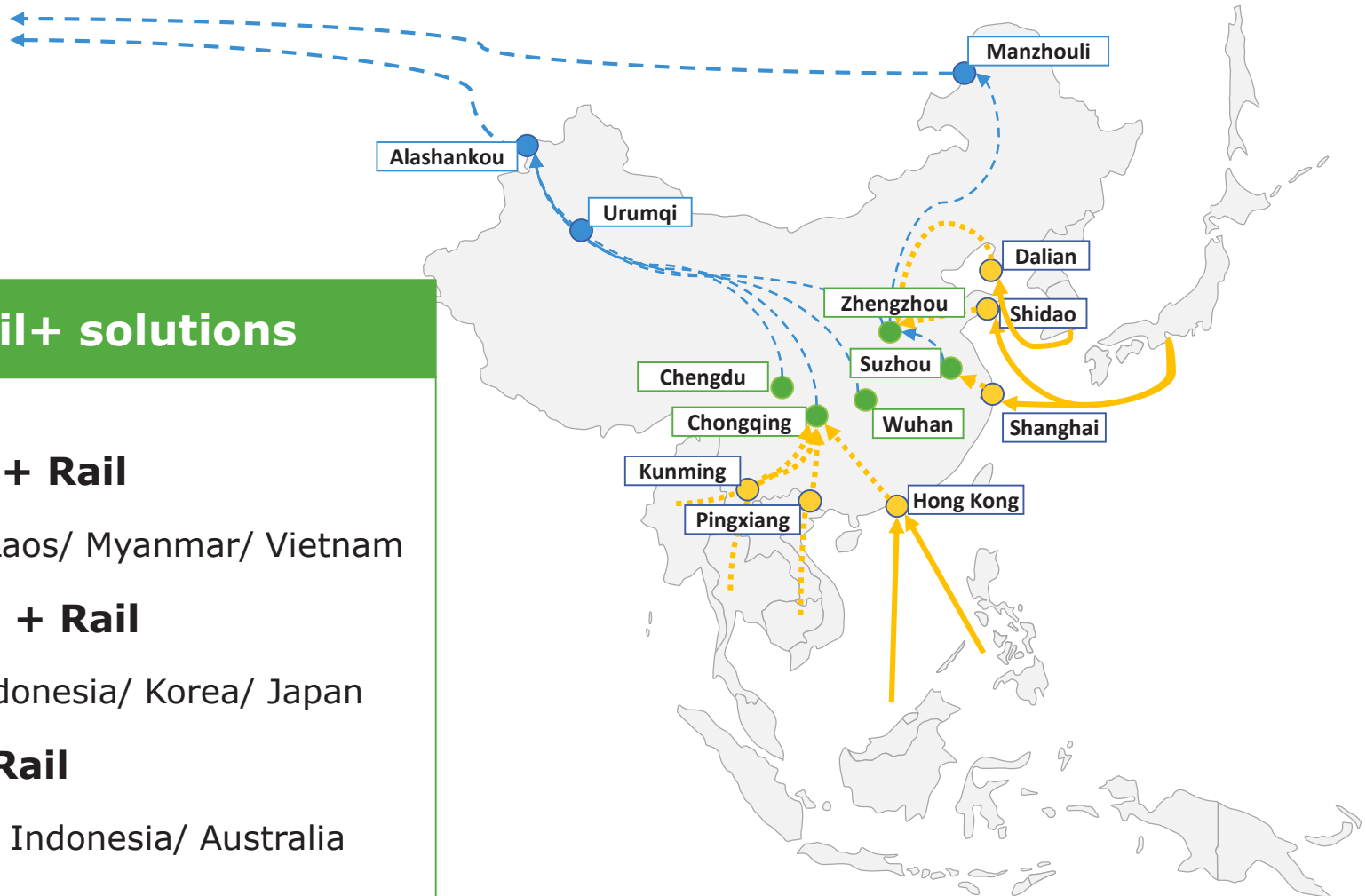
Thailand/ Laos/ Myanmar/ Vietnam

### 2. Ocean + Rail

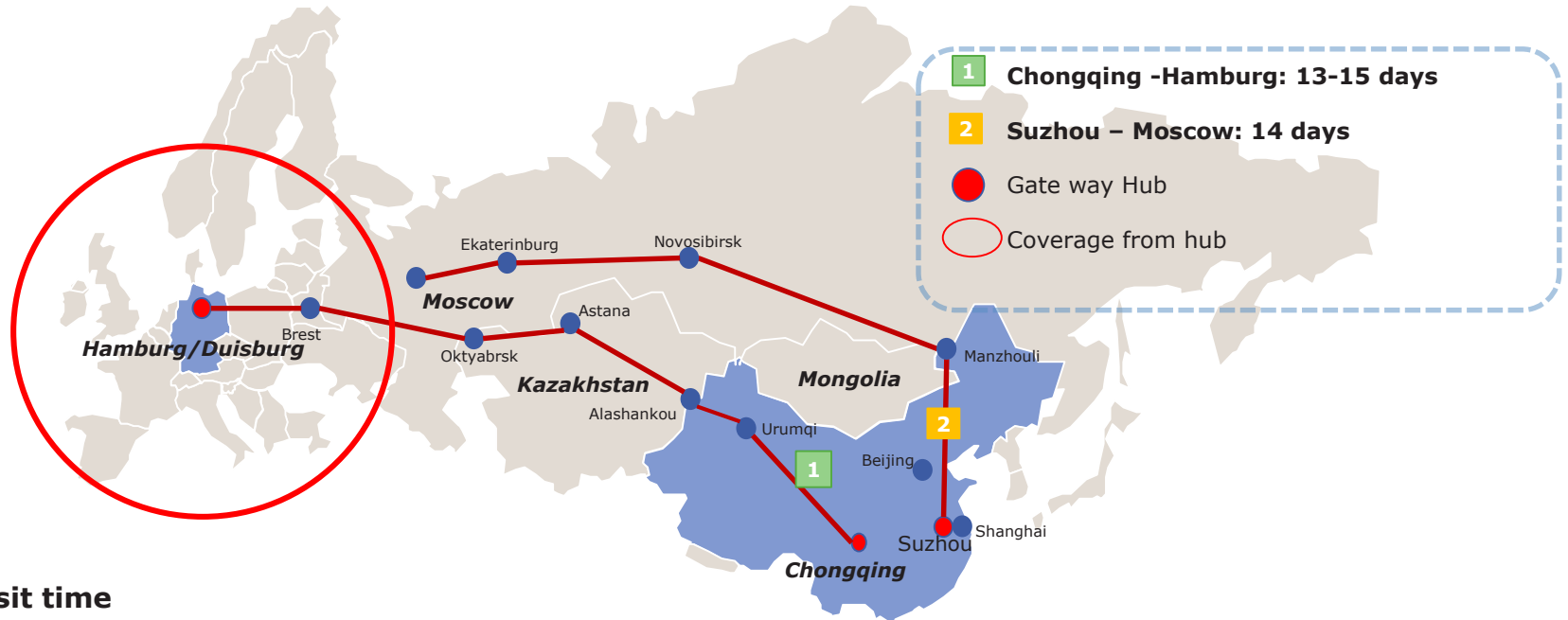
Taiwan/ Indonesia/ Korea/ Japan

### 3. Air + Rail

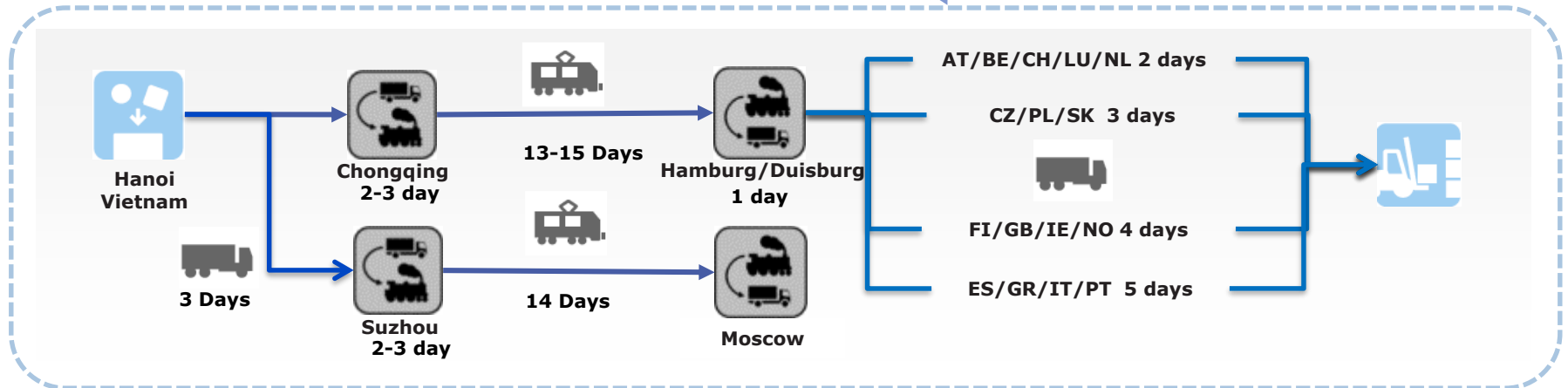
Singapore/ Indonesia/ Australia



# Cross Border Trucking from Vietnam and connect Rail from China to Europe and Russia

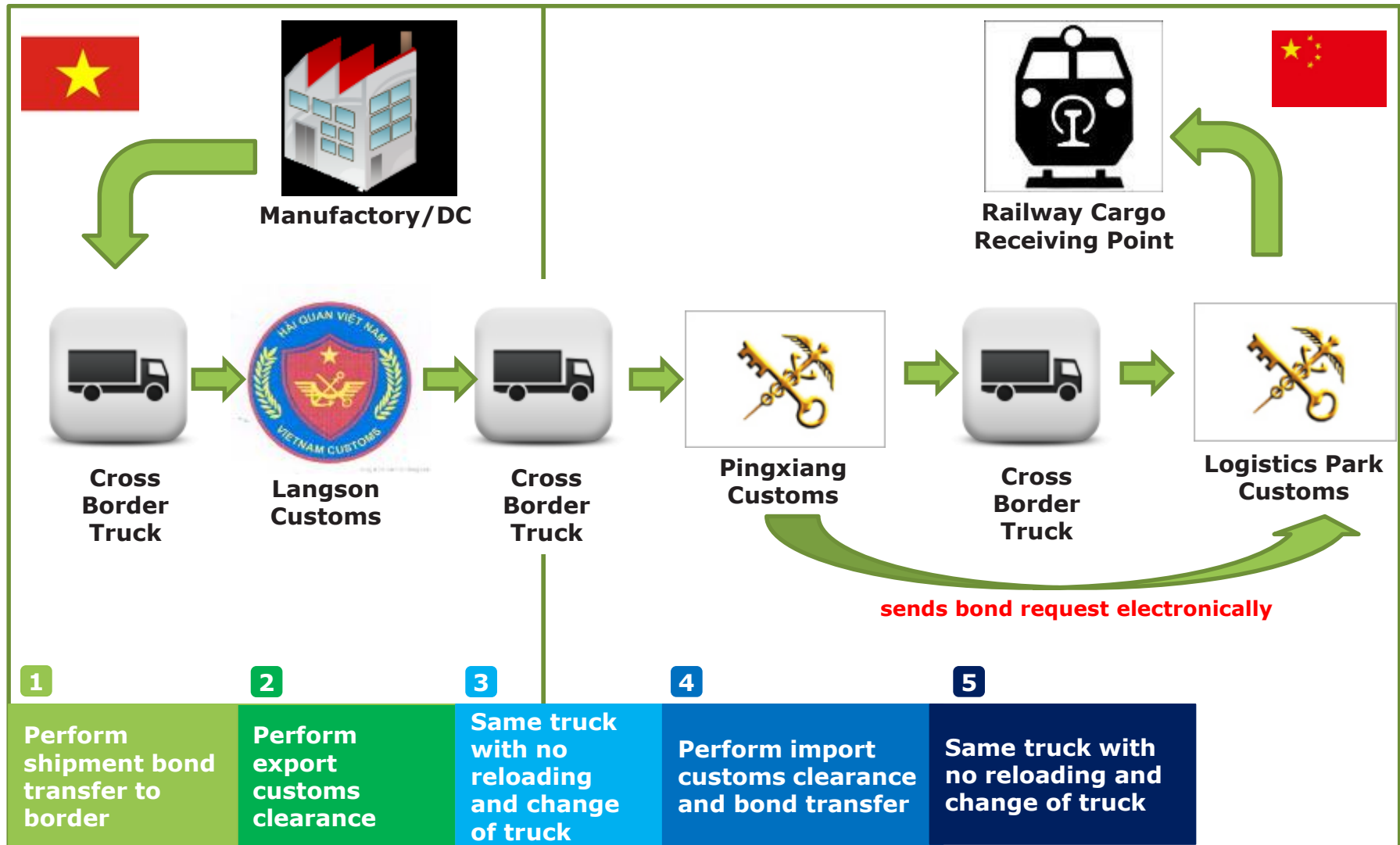


## Transit time





# Process of Cross Border Trucking from Hanoi (VN) to connect with China Railway Station



# New solutions are under development by forwarders limited by various factors

## Customs alignment

- Within China and with other countries along the route
- *"One-stop declaration, inspection and release"*  
Integrate the custom process to reduce number of custom inspections

## Lead time, cost and operational efficiency

- Competitiveness versus Ocean freight/ Sea+Air
- Operational and security challenges at change of transportation modes

## Infrastructure developments

- New rail and highway development connecting nearby countries

## Local knowledge and presence

- Partnership with trusted vendors
- Relationship with local customs

# Quotes from the 3PL industry on OBOR developments

**KUEHNE+NAGEL**

"There is no clear agenda of which projects are to be done, only to set the agenda. Then various trade and investment barriers must be removed."



"It requires a deep understanding of the varying regulatory and infrastructural conditions in each market, robust partnerships with local-market experts and authorities, and experience in brokering cross-border connections without compromising on overall speed and efficiency."



"This is a big opportunity and I see growing demand for contract logistics, storage and delivery services. Some of the countries are very underdeveloped. There are risks, but we try to control them by working with local partners and other means. Generally speaking, the opportunities are bigger than the risks."

**KERRY**  
LOGISTICS

"It will mean a second wave of growth for Southeast Asia due to the opening up of so many transport links and increasing integration with China."

**THANK YOU**

