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Trade in logistics services and food losses reduction

by

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Sustainable Development Target 12 - Food

- While substantial environmental impacts from food occur in the production phase (agriculture, food processing), households influence these impacts through their dietary choices and habits. This consequently affects the environment through food-related energy consumption and waste generation.
- 1.3 billion tonnes of food is wasted every year while almost 1 billion people go undernourished and another 1 billion hungry.
- Overconsumption of food is detrimental to our health and the environment.
- 2 billion people globally are overweight or obese.
- Land degradation, declining soil fertility, unsustainable water use, overfishing and marine environment degradation are all lessening the ability of the natural resource base to supply food.
- The food sector accounts for around 30 per cent of the world's total energy consumption and accounts for around 22 per cent of total Greenhouse Gas emissions.

What do we mean by logistics services?

What do we mean by logistics services

- No WTO classification definition of logistics services
- Certain logistics services classified within each mode of transport – i.e. maritime, air, rail, road and other modes
  - e.g. equipment rental, pushing and towing services
- Separate category covering "**services auxiliary to all modes of transport**" which includes:
  - cargo-handling services
  - storage and warehouse services
  - freight transport agency services
  - other

What do we mean by logistics services

- Activities performed in and around the transportation of cargo, such as:
  - Cargo-handling services between different modes of transport
  - Storage and warehouse services
  - Freight transport agency services
  - Other services auxiliary to transport, including:
    - freight brokerage services
    - bill auditing and freight rate information services
    - transportation document preparation services
    - packing and unpacking services
    - freight inspection, weighing and sampling services
    - freight receiving and acceptance services

Who provides logistics services

- **Integrated Logistics Services Providers (ISPs)**
  - Performs a variety of end-to-end logistics-related service activities like air, ocean, road and rail transportation, warehousing and other value-added services that make up a total logistics services package
  - Cloud-based solutions for freight brokerage, supply chain management, GPS fleet tracking, route planning, transportation management and global trade compliance
- **Third party logistics (3PL) providers**
  - Third-party businesses to which a company outsources elements of its distribution services
  - 3PL providers typically specialise in integrated operation, warehousing and transportation services which can be scaled and customized to customers' needs based on market conditions, such as the demands and delivery service requirements for their products and materials.
  - Often, these services include value-added services related to the production or procurement of goods, i.e., services that integrate parts of the supply chain

Freight logistics services checklist

I. Core freight logistics services	
11. H. Services auxiliary to all Modes	a. Cargo handling services b. Storage and warehousing services c. Transport agency services, including customs agency services and load scheduling d. Other auxiliary services, including through-chain logistic services, reverse logistics, container leasing and rental services
II. Related Freight Logistics Services	
(1) Freight Transport Services	By the seven modes of transport (maritime, air, road, rail, etc) including rental of vehicles, vessels or equipment
(2) Other Related Logistics Services	1.F.e. Technical testing and analysis services 2.B. Courier services 4.A. Commission agents' services 4.B. Wholesale trade services 4.C. Retailing services, including inventory management of goods, assembling, sorting and grading of goods, breaking bulk, re-distribution and delivery services Other supporting services not covered by 11. H

World Bank classification (2010) - derived from checklist

- 1. Core freight-logistics services, including supply-chain consulting services and transportation management services, which are offered by most logistics services firms. They are often supplied on a standalone basis or together with other logistics services.
  - a. Supply-chain consulting services involve global network design and distribution strategies, where warehouse locations and transportation needs are determined. They may also include inventory forecasting and planning; product design strategies; technology needs assessment; and vendor identification and management.
  - b. Transportation-management services include storage and warehousing, cargo handling, transport agency services and customs brokerage.
- 2. Freight logistics, which entails freight transportation through road, rail, air or maritime services.
- 3. Non-core freight logistics, including fleet maintenance and repair, packaging services, computer and related services, management consulting, etc. They are inputs or value-added services for the supply chain, but they do not necessarily generate revenue.

WTO commitments

WTO commitments – 102 Members

Logistics service	Number of WTO Members making commitments
Air transport services	68
Maritime transport services	62
Services auxiliary to all modes of transport	60
Road transport services	59
Rail transport services	40
Inland waterways transport services	21
Pipeline transport services	16
Other transport services	8
Space transport services	3

Transport costs and logistics performance

Cost to import (US $ per container)

	Country/region	2010	2011	2012	2013	2014
SADC countries:	Zambia	6,115	6,115	6,360	6,360	7,060
	Zimbabwe	5,101	5,101	5,200	5,660	6,160
	Congo, Dem. Rep.	3,740	3,740	3,890	3,890	4,290
	Botswana	3,390	3,420	3,445	3,610	3,710
	Malawi	2,570	2,595	2,895	2,895	2,895
	Angola	2,865	2,715	2,715	2,725	2,725
	Swaziland	1,849	2,030	2,085	2,145	2,245
	South Africa	1,807	1,795	1,940	1,980	2,080
	Lesotho	1,610	1,665	1,945	1,945	2,045
	Namibia	1,813	1,905	1,905	1,905	1,805
	Tanzania	1,475	1,430	1,565	1,615	1,615
	Mozambique	1,475	1,545	1,545	1,600	1,600
	Madagascar	1,555	1,555	1,555	1,555	1,555
	Mauritius	689	689	695	710	710
	Seychelles	876	876	876	675	675
Other regions (for comparison):	Sub-Saharan Africa (excluding high income)	2,628	2,641	2,848	2,951	3,011
	Sub-Saharan Africa	2,569	2,581	2,779	2,874	2,931
	Middle income	1,654	1,701	1,786	1,839	1,883
	Upper middle income	1,588	1,643	1,688	1,733	1,741
	North America	1,488	1,488	1,488	1,478	1,485
	OECD members	1,098	1,099	1,101	1,100	1,111
	European Union	1,076	1,095	1,083	1,070	1,080

Cost to export
(US $ per container)

	Country/region	2010	2011	2012	2013	2014
SADC countries:	Zambia	4,364	4,378	4,465	4,465	5,165
	Zimbabwe	3,280	3,280	3,280	3,765	4,265
	Congo, Dem. Rep.	3,055	3,055	3,155	3,155	3,365
	Botswana	2,770	2,945	2,945	3,045	3,145
	Malawi	1,713	1,675	2,200	2,200	2,200
	Angola	2,050	2,050	2,050	2,060	2,060
	Swaziland	1,754	1,855	1,880	1,880	1,980
	South Africa	1,531	1,531	1,620	1,705	1,830
	Lesotho	1,680	1,680	1,695	1,695	1,795
	Namibia	1,686	1,800	1,800	1,750	1,650
	Tanzania	1,197	1,197	1,197	1,195	1,195
	Mozambique	1,100	1,100	1,100	1,100	1,100
	Madagascar	1,262	1,255	1,040	1,090	1,090
	Mauritius	876	876	876	705	705
	Seychelles	737	737	660	675	675
Other regions (for comparison):	Sub-Saharan Africa (excluding high income)	2,031	2,044	2,143	2,205	2,252
	Sub-Saharan Africa	1,992	2,005	2,100	2,156	2,201
	Middle income	1,403	1,443	1,519	1,562	1,598
	Upper middle income	1,371	1,418	1,448	1,495	1,513
	North America	1,355	1,355	1,375	1,422	1,452
	OECD members	1,041	1,045	1,049	1,062	1,070
	European Union	1,034	1,045	1,039	1,035	1,042

Logistics Performance Index

	Overall			Customs		Infrastructure		International shipments	
Country	Score	Rank	% of highest performer	Score	Rank	Score	Rank	Score	Rank
Germany	4.23	1	100.00	4.12	2	4.44	1	3.86	8
South Africa	3.78	20	86.03	3.60	18	3.78	21	3.62	23
Botswana	3.05	57	63.41	3.05	48	2.96	54	2.91	70
Tanzania	2.99	61	61.69	2.78	60	2.81	60	2.98	63
Namibia	2.74	79	54.08	2.65	73	2.76	64	2.69	86
Mozambique	2.68	84	52.20	2.49	88	2.24	116	3.06	58
Zambia	2.43	114	44.32	2.25	119	2.26	113	2.51	106
Congo, Dem, Rep,	2.38	127	42.65	2.22	123	2.01	146	2.33	135
Angola	2.24	139	38.47	1.80	157	2.13	129	2.37	128
Madagascar	2.15	147	35.79	2.33	112	2.12	131	2.17	149
Zimbabwe	2.08	151	33.55	2.00	144	2.21	123	2.08	153
Lesotho	2.03	154	31.80	1.91	151	1.96	149	1.84	158

Logistics Performance Index

	Overall			Logistics quality and competence		Tracking and tracing		Timeliness	
Country	Score	Rank	% of highest performer	Score	Rank	Score	Rank	Score	Rank
Germany	4.23	1	100.00	4.28	1	4.27	3	4.45	2
South Africa	3.78	20	86.03	3.75	22	3.92	17	4.02	24
Botswana	3.05	57	63.41	2.74	75	2.89	70	3.72	43
Tanzania	2.99	61	61.69	2.92	58	2.98	60	3.44	64
Namibia	2.74	79	54.08	2.63	86	2.52	100	3.19	85
Mozambique	2.68	84	52.20	2.44	109	2.75	79	3.04	97
Zambia	2.43	114	44.32	2.42	114	2.36	119	2.74	124
Congo, Dem, Rep,	2.38	127	42.65	2.33	123	2.37	118	2.94	102
Angola	2.24	139	38.47	2.31	128	2.21	130	2.59	141
Madagascar	2.15	147	35.79	1.93	153	2.01	148	2.35	151
Zimbabwe	2.08	151	33.55	2.13	141	1.95	150	2.13	158
Lesotho	2.03	154	31.80	2.16	138	1.92	151	2.35	150

SADC Negotiations on Trade in Services

State of play

- SADC Protocol on Trade in Services based on GATS
- Six priority sectors in first round:
  - Communication, construction, energy-related, financial, tourism, transport
  - Includes courier services, but excludes distribution and business services, inter alia
- Negotiations have been taking place since 2012
- Four sectors including transport finalised in August 2017
- Discussions on possible regulatory principles for transport and logistics services still under discussion

Issues within SADC affecting transport and logistics services

- Reciprocity basis for Protocol on Transport, Communication and Meteorology
- Bilateral transport agreements
- Route/cabotage restrictions (third country rule)
- Road user charges
- Vehicle standards including axle weights
- Issues related to trade facilitation (documentation and clearance processes, drivers and crew visas, checkpoints)
- Link between transport efficiency and industrialisation
- Infrastructure
- Harmonisation of standards
- Integration of transport modes
- Single carrier licences

Other issues affecting transport and logistics services

- **Industrialisation**
  - SADC Industrialisation Strategy and Roadmap launched in 2015
- **Transport and trade facilitation**
  - Tripartite Transport and Transit Facilitation Programme 2017
- **Services and value chains**
  - Next round of work on trade in services to include services and value chains

Logistics services in the value chain

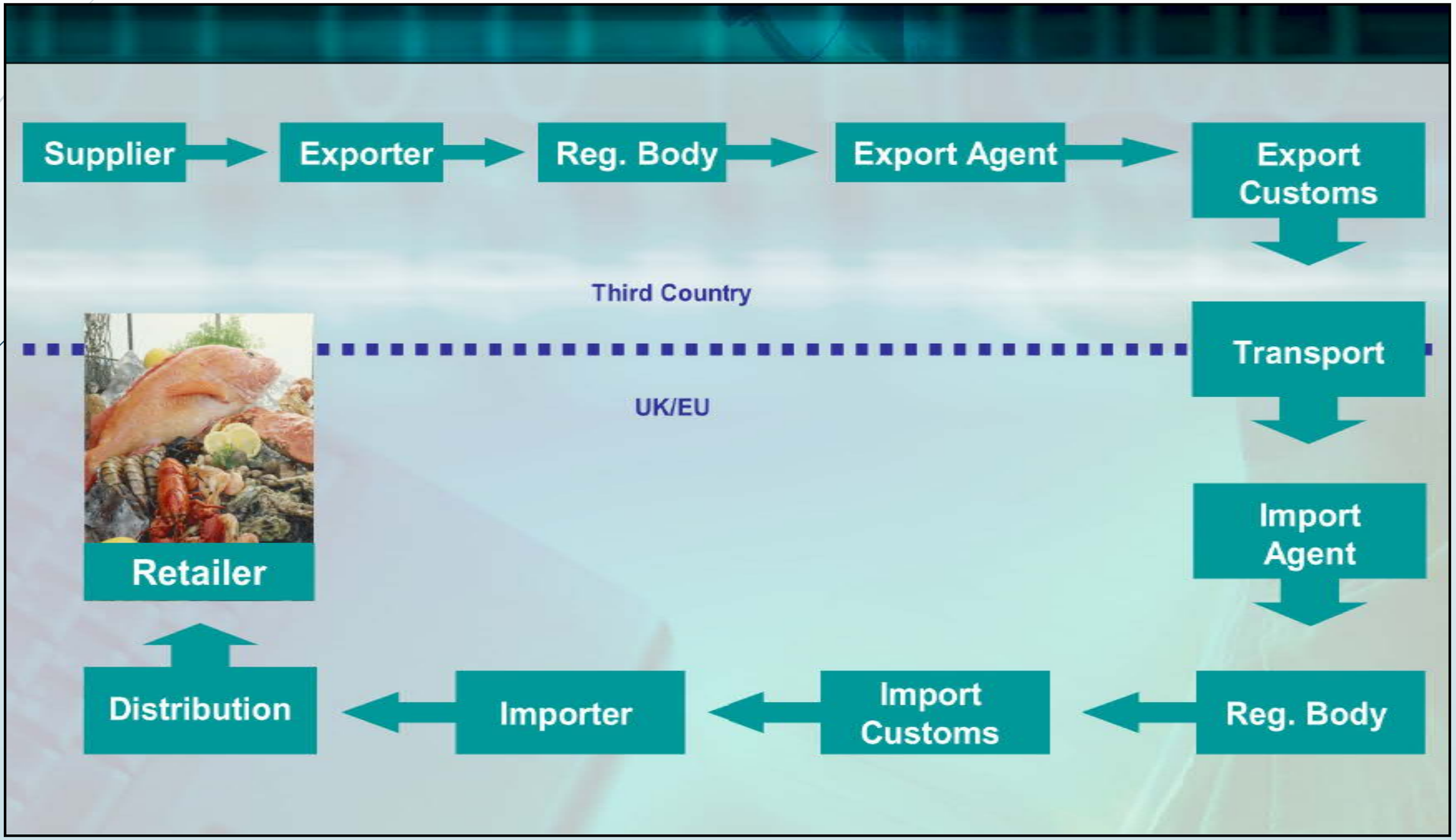
Stage in value chain	Services
Design	Design services
R&D	R&D services
Sourcing of intermediate inputs	**Logistics and transportation services; supply chain management services**
Manufacture and assembly	**IT services/ production process management services; testing services; parts inventory tracking**
	Network and communications services; data analytics and processing services
	Utilities, including telecommunications and electricity
Management of the firm	Human capital management services
	IT services
	Financial and treasury services
	Legal, accounting, and other professional services
Warehousing	**Inventory management services; logistics and transportation services**
Marketing, branding and sales	Online sales
	Sales force management services
	Financial services (such as customer finance or equipment leasing services)
After sales	Digital services including cloud computing, social media, customer relationship management; IT services
	Maintenance and repair services

Logistics services and perishable foods

WTO Trade Facilitation Agreement (Article 7:9) – Perishable goods

- 9.1 With a view to preventing avoidable loss or deterioration of perishable goods, and provided that all regulatory requirements have been met, each Member shall provide for the release of perishable goods:
  a. under normal circumstances within the shortest possible time; and
  b. in exceptional circumstances where it would be appropriate to do so, outside the business hours of customs and other relevant authorities.
- 9.2 Each Member shall give appropriate priority to perishable goods when scheduling any examinations that may be required.
- 9.3 Each Member shall either arrange or allow an importer to arrange for the proper storage of perishable goods pending their release. The Member may require that any storage facilities arranged by the importer have been approved or designated by its relevant authorities. The movement of the goods to those storage facilities, including authorizations for the operator moving the goods, may be subject to the approval, where required, of the relevant authorities. The Member shall, where practicable and consistent with domestic legislation, upon the request of the importer, provide for any procedures necessary for release to take place at those storage facilities.
- 9.4 In cases of significant delay in the release of perishable goods, and upon written request, the importing Member shall, to the extent practicable, provide a communication on the reasons for the delay.

Perishable Food Supply Chain



2005 UK perishable food imports/exports = £37 billion

Supply Chain Costs

- As a percentage of the wholesale product price a key supplier to UK grocery multiples assessed the costs of his supply chain as:
  - **64% of berries from Chile**
  - **70% of tomatoes/bell peppers**
  - **80% of apples**
- Spoilage rates vary from **5% to 30%** and can reach **50%** for soft fruit

Extract from UK “Hermes” report by SITPRO

Market and documentation

- Substantial UK market with significant supply chain costs
- No single company sees or manages the whole movement
  - some activities, transactions and costs are invisible or hidden to participants
- Little realisation of true costs of documentation
  - many companies focus on just-in-time deliveries
- Paper documentation is a major administrative burden on business and government
  - Costs perishables supply chain more than **£1 billion annually** (11% of costs in sectors analysed)
  - Consumers pay more than necessary
  - Development of perishables trade from developing countries inhibited
  - Potential savings of over **£700 million** from straight-through electronic processing

Scale of paper documentation

150	**Documents in a typical single complete consignment transaction from grower to retailer (= up to 225 pieces of paper)**
1 billion	**Pieces of paper generated each year by UK perishable food imports supply chain**
30%	**Data entered more than once**
189 million	**Duplicate consignment entries**
Over 90%	**Paper documentation subsequently destroyed – much non-recyclable**
0.5%	**Consignment cost savings from each day saved in supply chain**

ITC reforming logistics services for effective trade facilitation

- **Delivering integrated logistics services through a coherent regulatory framework**
  - More effective coordination between government actors and interests, with public-private dialogue displacing regulations
- **Updating entry and operational restriction regulations**
  - Complex Government regulations and licensing requirements may discriminate against competitive logistics services, restrict market access and deter providers seeking to offer new services
- **Providing better access to infrastructure**
  - Improving infrastructure accessibility through appropriate policy changes is crucial to making the supply chain competitive and cost-effective, and to correcting market failures

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