Transshipment services: The emergence and growth of logistics services

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
TRANSSHIPMENT SERVICES
THE EMERGENCE & GROWTH OF LOGISTICS SERVICES

ELVA WILLIAMS-RICHARDS
MAY 1, 2019
SERVICES IN PERSPECTIVE

3.5%
57.4%

$362B (50%)
of World FDI
THE GAP & OPPORTUNITIES

1. Service represents high percentage up to 80% GDP. For 201/226 countries/economies—services is the leading contributor of GDP—many instances over 80%.

2. Developing/LDC economies are not growing in line with the world—with output lagging /low GDP growth, and trade deficits-

3. Developed countries specializes in high value service—Telecommunications, IT & Computer, intellectual property and other high skilled labour----DC/LDC focused on lower value e.g. travel and transportation.

4. Economist and analyst believes there is a strong potential for DC/LDC to further develop their service sector by adding greater value to the service supply chain and close the gap with GDP growth.

5. Transshipment Logistics has emerged as one of the service sector with opportunities ---to close the gap in GDP growth and advance SDG goals 8 & 17
Modern Transshipment ports have evolved to include logistics facilities and industrial parks, as part of their operations and key value driver—on port or in close proximity to enable a wide range of value-added services to be performed.

This is seen as a response to customer demands and global trends where transshipment ports operations are deepening their role in the supply chain such as warehousing and storage, display, pick and pack, reconsolidation and distribution of cargo.

This wider range of value-added services now commonly regarded as Port-Centric Logistics (PCL).
LOGISTICS VALUES ADDED SERVICES

Transshipment ports –can add value while cargo is waiting on the port to be picked up--
WHY DEMAND FOR LOGISTICS SERVICES

- Changes in shipping industry and movement of cargo
- Changes in consumer demand and consumption patterns
- Phenomenal advancement in technology –impacting the way in which service and goods are delivered.
- Companies wants to focus on core and strategic drivers for their business
- Outsourcing logistic supply chain management to markets and specialized service providers best suited with right operating and technical skills
- Contributes to economic growth through job creation and investment activities, taxes, foreign exchange etc.. hence focus of many countries.
• The increased use of mega containerships in Transocean trades has driven the development and use of large transshipment hubs serving as container distribution and collection centers for large trading areas.

• The Caribbean constitutes a major crossroads for international trade due to;
  • proximity to the Panama Canal, and
  • being a major focal point for north/south Atlantic trades and trades with the east and northern coasts of South America.

The Caribbean region is seen as having the potential to be one of the major beneficiary of the enlarged Panama Canal, which will see the passage of vessels up to 13,000 TEUs.

Source: Data adapted from Drewry Shipping Consultants
THE VALUE PROPOSITION

Maritime & hinterland access - Effective transport modes

Proximity to key production & consumption centres & major trade routes

Flexible capacity expansion
Reduced port costs
Maritime port clusters

Ideal MULTIMODAL platform

Strategic Location & Market Proximity

Excellent CONNECTIVITY
LOOK AT THE AMERICAS -- OPPORTUNITIES?

THE AMERICAS COUNTRIES & POPULATION

- USA
- BRAZIL
- MEXICO
- COLOMBIA
- ARGENTINA
- CANADA
- VENE
- OTHERS
THE AMERICAS -

- 55 Countries (NTH, STH & CAR)
- Population +- I B Est.2017
- GDP $25.9 Trillion Includes The 3 Of 10 World Largest Economy GDP Per Capita Of ($58,000 -46,200), With # 1 USA
- The Richest in the World in Natural Resources.
- High level of consumer demand -US--25% of World GDP.
- Mature & stable democratic systems of Government

Source: IMF
TRADE ECOSYSTEM OF SERVICES “ONE STOP SHOP”

INTEGRATED MARITIME SERVICE CENTRE

AUXILIARY SERVICES

• Bunkering
  • LNG SUPPLIES
  • Cruise Ship

• Ship Chandlery-ship Supplies

• Ship Repairs –Engine/painting/welding

• Installation of Motor Vehicle parts- Ja major hub

• Cruise Ships/Tourist

• Gastronomy/food supply

• **Sale of Water**

• Waste Disposal and Recycling
LOGISTICS PERFORMANCE INDICIES

Germany 2018

- LPI
- Timeliness
- Customs
- Infrastructure
- Tracking & tracing
- Logistics competence
- International shipments

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<th>Year</th>
<th>LPI Rank</th>
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<th>Customs</th>
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LOGISTICS MUST HAVE

- GOVERNMENT AS THE ENABLER FACILITATOR OF TRADE & INVESTMENT –

- CREATE LEGAL AND REGULATORY ENVIRONMENT THAT IS RELEVANT AND FACILITATES:
  - Efficient and cost effective to do business
  - Efficient Tax System — Incentive Schemes — Special Economic Zones
  - Infrastructure Development — Directly or via PPPs
  - Skilled, Reliable and Flexible sustainable Labour Supply
  - Technology Integrated Process — Customs And Other Government Agencies.

- ENGAGE PUBLIC PRIVATE PARTNERSHIPS SECTOR
  - Provide Innovative Financing Solutions –
  - Investment In Long Term Infrastructure — Pension Funds
  - Public Private Partnership with entities that have the capacity (Shipping line, Global Port Operator, or Major supplier with connectivity and links and the Financial Capacity
JAMAICA’S STORY & VALUE PROPOSITION

• 2013 Launched ambitious reform program to stabilize economy and reduce debt. Debt buy Back/ public sector reform. IMF Program/Key Objects.

• Review and Implement Critical Legislative Program. Including Social Net for Vulnerable (PAT PROGRAM).

• Public Sector Transformation ---Improve Efficiency and Productivity/Techology

• Programs and Policies were supported by Effective and Consistent Communication to the People. Why the reform was necessary, how it will affect them and the expected gains to them.

• Political Maturity demonstrated –despite changes in Governing Political Party. Policies

• Was Seen by some as BITTER MEDICINE
**REFORM PROGRESS**

- Macro Economic Stability
  - Jamaica Public Debt to GDP fell to 96% from 135% in 12/13. (41%) Target 60% 2025/26
  - Economic Growth 2% (GDP projected at 1.3% in 2020
  - Unemployment at 8.7% down from 16.5% for years. Target 7% in 2020
  - FDI is growing from $180M to $280M
  - Special Economic Zone (SEZ-ACT) Tax Incentives
  - Trade Facilitation Systems/Technology Implemented – (PCS/ASYCUDA/NSW)

- Revised Customs
- Security Enhancement Programs
- One-stop shop-customizable; incentives; increase “stickiness”
- Significant Investment in Infrastructure (Road, Ports, Real Estate-Fuel/Electricity LNG).
- Significant Financial Reform-
  - GOJ significantly reduce activity in Financial market
  - Low stable Interest Rate central bank 1.25% -down from 12% last decade reached up to 33% (Gov. Target 2.5% 2020)
  - Very Active Stock Market
REFORM PROGRESS

- **Low Inflation Rate** (2.4% vs. 26.49% 2008)
- Enhance Youth Training Programs – HOPE
- Supported by Corporate Governance Framework
- Strengthened Integrity and Oversight Commission to manage corruption.

- **PROGRAMS NEEDING HIGH FOCUS**
  - Further Security Enhancement Programs
  - Improve Public Security/Reduce Crime murder rate.
  - Public Sector Reform – consolidation Technology/reduce bureaucracy.
  - Mechanism to Leverage and manage the policies to ensure desired outcome
PORT COMMUNITY SYSTEM

PCS Objectives

- Collaboration
- Business Process
- Optimization
- Improve logistic performance
- Increase productivity
- Reduce transit time

PCS Functionalities

- Reporting
- Movement
- Authorization
- Customs
- Tracing & Tracking
- Business Intelligence
- Invoicing
- Truck Appointment
PCS BENEFITS

- Paperless Transactions
- Streamlined Procedures
- Event Driven
- Interoperability
- Data Security

Project Schedule (Go-Live)

- Import
- Jan 2019
- Other Ports
- Appointment System
- Mar 2019
- Export
- Mar 2019
- Kingston
- May 2019
- Other Ports
- Airport
- Jul 2019
- Import
- Nov 2019
- Export
Jamaica For Logistics

- Modern port – a world-class transhipment hub
- Connectivity: connected to over 140 ports globally.
- Clients
  - Global Container Shipping Lines (12)
  - Auto Carriers (2)
  - Regional Feeder Lines (5 KFTL/CMA/CGM 30 year Concession)
- CMA/CGM expanding its logistics capabilities/reach via acquisition of CVAC—$1.65 billion
- Global transhipment hub
  - Capacity - 3.2m TEU
  - Fully Panama Canal capable
Recommendations.

• Assess Competitive Capacity –of Country

• Implement programs Productivity Capacity/Efficiency – Reduce Cost

• Infrastructure Development—Road/Port - Energy

• Increase Employment Capacity and productivity, Flexible & adaptive curricula (linking taught with real-world)

• High focus on technology skills –for value chain (KPO, ICT) –innovation entrepreneurial

• Regulatory Environment --Make Relevant & Consistent

• Macro Economic and Social Environment Stability.
Recommendations Cont’d

• Trade Facilitation System/Security Process (Logistics)

• Tax Incentives (Economic Zones)

• Develop Medium and Small Size Enterprises – Encourage capacity development – re tooling and Technology to enhance efficiency

• Implement Measures/Incentives to integrate Informal Sector as part of the formal process.

• Improve Access to Financing

• Encourage Private Public Participation (PPP).

• Improve Data & Analytic Capabilities

• COLLABORATE --
• Cost reduction...
• Greater efficiency...
• Better forecasting....
• Enhanced Logistics opportunities...
• Increased responsiveness...
• Improved client experience... happy customers
FINAL THOUGHTS

LDCs Future

- Effective Policies
- Infrastructure Development
- Integration (cluster)
- Technology
- Collaboration
- Build workforce Capacity/Flexibility

SUSTAINABLE DEVELOPMENT GOALS

1. No Poverty
2. Quality Education
3. Gender Equality
4. Affordable and Clean Energy
5. Decent Work and Economic Growth
6. Reduced Inequalities
7. Partnerships for the Goals
TECHNOLOGY AND SERVICE

AIRBNB
1. World Fastest growing holiday website—accommodation
2. Launched in Aug. 2008-Cal USA
3. 2009 had 21,000 quest
4. Now 6m—serving in over 90 countries with 800,000 properties
5. 2018 --$2.6 billion in annual revenue
6. Believed to be worth $38B
7. How much real estate – accommodation does this company owns

Global Online Shopping worth $22.1 Trill. (UNCTAD) and is growing.

• UBER
  • Established in 2009 in California
  • Revenue of $11.27 B per year
  • Operating in 785 metropolitan across the world
  • Est. Valued $90 -$100B. Plans to go public in May 2019
  • How Many Cars Uber owns?
THANK YOU