

*The International Federation of Freight
Forwarders Associations*

*Fédération Internationale des Associations de
Transitaires et Assimilés*

*Internationale Föderation der
Spediteurorganisationen*

OFFSHORING & LOGISTICS

Marriage of Interest(s)

Marco L. Sorgetti, Director General of FIATA

The GLOBAL SERVICES FORUM – Beijing, May 28th 2013

The subject matter



- * Short introduction to FIATA
- * Outsourcing, offshoring and logistics
- * Dealing with the concepts
- * Good moves, bad moves, no moves?
- * Facilitation and standards are crucial
- * Case studies
- * Conclusions and thanks

History & Presence



- * FIATA was founded on 31th of May 1926 in Vienna.
- * FIATA is the largest non-governmental organization in the field of transportation. Its influence is worldwide.
- * FIATA has consultative status with UN/ECOSOC (inter alia), UNECE, UNESCAP, ESCWA, UNCTAD, UNCITRAL, etc.
- * FIATA is the recognised representative body of the freight forwarding and logistics industry for
 - UN & governmental organisations, e.g. WCO, WTO, UN specialised agencies
 - private sector organizations, e.g. IATA, ICC, IRU, UIC, etc.

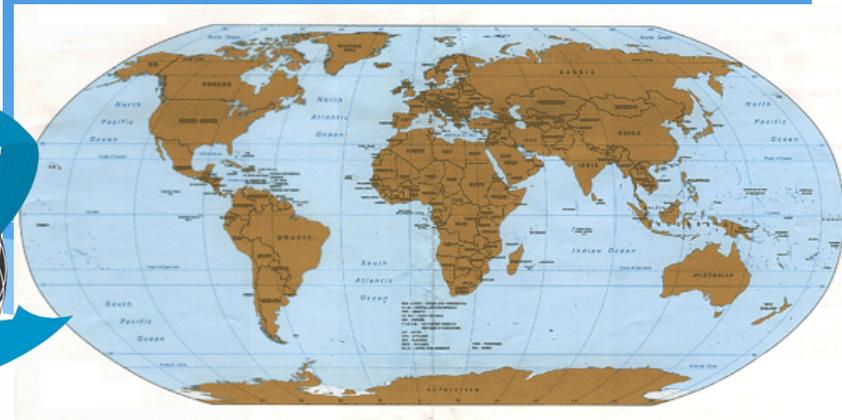
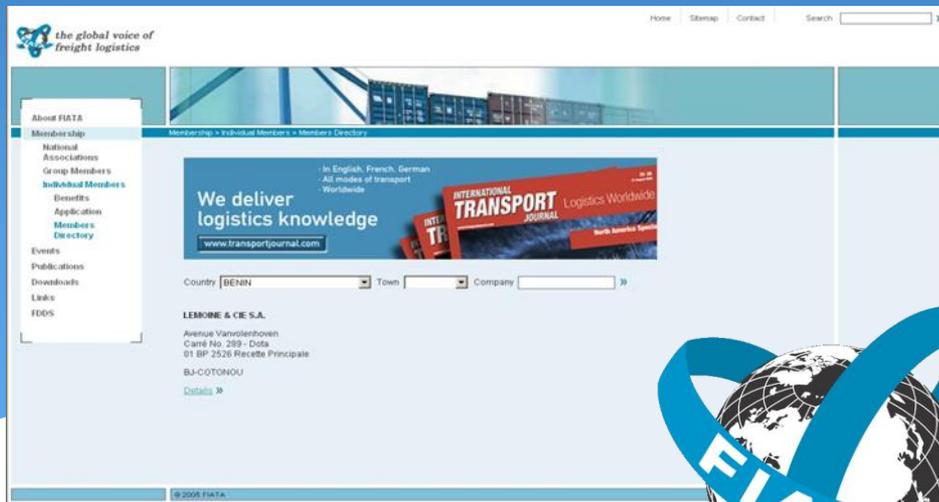


GLOBAL MEMBERSHIP

In 2013 FIATA represents

109 Association Members in 103 countries, and

5538 individual Members in 164 countries



FIATA by numbers



40,000 companies

Over 1 million FBL's



10 million FTE's



150 countries

FIATA: the WORLD at congress

Each year some 1000 participants gather for the **FIATA WORLD CONGRESS**



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Targeting Trade Custom

FIATA's Statutes enshrine suitable objectives:

2.1.3 Being active in the determination of customary usage/regulations in international business;

2.1.7 Conducting training and further training seminars;

2.1.8 Promoting solidarity and fair competition and the exchange of business and technical experience;

2.1.9 Dealing with specific and general questions in commerce and transport

This means that FIATA must support outsourcing and offshoring, in as much as this is a general trade practice and in particular FIATA Members' practice.

FIATA encourages all efforts deployed to create additional facilitation for traders in general and logistics service providers in particular.



The thoroughfare approach

- * From the online business dictionary: offshoring
 - * The moving of various operations of a company to another country for reasons such as lower labour costs or more favourable economic conditions in that other country.
- * FIATA sees two sides of this coin
 - * Similarly to other service providers FIATA Members are principal service providers in facilitating outsourcing and offshoring for traders
 - * FIATA Members are also offshoring and outsourcing service users in their own right, e.g. Bookkeeping services, warehousing or distribution services
- * As such FIATA Members are **both recipients and sellers** of Business Process Outsourcing and Knowledge Process Outsourcing, or Offshoring, if this happens in another country.

In principle also logistics resort to offshoring to reduce cost, increase efficiency by focussing on the core business. This creates thoroughfare trade lanes, where costs and benefits may flow in both directions.

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Concepts create values

- * UNCTAD asked to identify success factors in developing offshoring capacities and overcoming challenges
 - * Besides risk management, nature of functions, market characteristics and availability of services, the key element, for logistics, is **the availability of standard procedures or the ability to create same**
- * FIATA provides two main standard instruments allowing services' mobility to create a more dynamic logistics market:
 - * **FIATA DOCUMENTS**, shortly available in electronic format
 - * **Vocational Training standards with a FIATA DIPLOMA** that can be used all over the world.

Trade Facilitation & FIATA documents

- FIATA has created several documents and forms to establish a uniform standard for freight forwarders worldwide
- Each document has a distinctive colour and carries the FIATA logo
- All FIATA documents will be made available electronically



FIATA documents are multimodal native

Consignor

Compared to order of

Notify address

Place of receipt

Ocean vessel

Part of discharge

Marks and numbers

Number and kind of packages

Description of goods

Gross weight

Measurement

according to the declaration of the consignee

Declaration of interest of the consignee in timely delivery (Clause 5.2)

Declared value for all relevant rates according to the declaration of the consignee (Clause 7 and 8)

The goods and instructions are accepted and dealt with subject to the Standard Conditions printed overleaf.

*Take in charge in apparent good order and condition, unless otherwise stated herein, at the place of receipt for transport and delivery as mentioned above. One of these Multimodal Transport Bills of Lading must be surrendered duly endorsed in exchange for the goods, in witness whereof the original Multimodal Transport Bills of Lading all of this tenor and date have been signed in the number stated below, one of which being accepted by the offeree to be void.

Freight amount

Freight payable at

Place and date of issue

Charge insurance through the undersigned

Number of Original Bills

Stamp and signature

not covered Covered according to attached Policy

For delivery of goods please apply to:

Stamp on signature

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Shippers or Forwarders Principals

Consignee

Marks and numbers

Number and kind of packages

Description of goods

Gross weight

Measurement

according to the declaration of the consignee

The goods and instructions are accepted and dealt with subject to the General Conditions printed overleaf.

We certify taking assumed control of the above mentioned consignment in external apparent good order and condition

at the disposal of the consignee with a reasonable instruction* to be forwarded to the consignee

Instructions as to freight and charges

Stamp and date of issue

Stamp on signature

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Training standards help

- * FIATA Diploma in Freight Forwarding and FIATA Higher Diploma in Supply Chain Management ensure uniform standards (based on the FIATA Minimum Standards, FMST, in 14 identified learning modules which stipulate contents, topics, duration, delivery and assessment methods)
 - * The programme is offered currently in 52 countries around the world
 - * Uniform industry standards for training guarantee consistent quality (e.g. FIATA Diploma holder from Australia or Zimbabwe are expected to have similar levels of knowledge & skills
 - * Applying Association Member are required to conform to FMST and benefit from flexibility to add specific local contents.
 - * The courses' material is evaluated by FIATA's ABVT for compliance and validated or revalidated every four years to ensure adherence to latest FMST

THIS IS FIATA'S CONTRIBUTION TO THE CREATION OF A GLOBAL LOGISTICS KNOWLEDGE BASE OF PROFESSIONALS WHO ASSIST TRADERS IN THEIR OPERATIONS, INCLUDING OUTSOURCING AND OFFSHORING.

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Why moving? SK experience



- The Slovak Spectator reported the essential criteria on deciding outsourcing :
 - the size of the company
 - the complexity of its logistics
 - the costs associated with the activities that need to be outsourced
- Logistics outsourcing as appears suitable for large companies with many suppliers and clients around the world, with high added value products and high logistics costs
- Pros of outsourcing
 - reduction of costs
 - the possibility to focus on the core business
 - access to services provided by professionals
- The Author agrees that the partial or complete loss over logistics operations is a disadvantage. **This observation is common to many other studies.**

Moving to develop



- For traders to decide which services can be offshored and to which areas logistics performance is a key decision factor.

- FIATA Members contributed to the creation of the World Bank's logistics performance index (LPI), which features an [interactive map](#)

- This has been successfully associated with the degree of penetration of Foreign Direct Investments, i.e. high connectivity positively correlates with the amount of FDI that any given area may attract (see OECD's [recent findings](#))

- And the level of market opening (see [ICC's open market index](#))

- **Putting logistics on the map of the UN sustainable development goals will greatly improve the chances of both developed and developing nations to achieve sustainable development.**

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What do you expect?

- Outsourcing segments of the supply chain means also outsourcing their service components. The decision as to which elements can or cannot be outsourced depends on elements, which may be connected with the policy adopted by governments.
 - The greater the degree of facilitation in place, the likelier outsourcing might take place and eventually succeed.
 - Facilitation includes procedures and regulatory requirements, the general level of services, the availability of infrastructure.
 - Unsurprisingly **China significantly invests** in these areas in order to maintain and enhance its position in the global trade.

Facilitation is key



Value added services are crucial for supply (or value) chains. The final value of products or services is significantly dependent on market conditions, inter alia, logistics.

A recent study made by DHL discovered that the services DHL made available to SME's in Europe afforded them savings up to 80% on the market value of traded products; such finding relates directly with the level of facilitation provided to the SME's

The level of facilitation offered by LSP's is connected with IT interoperability, availability of Single Windows and the improvement of Customs procedure (see WCO's Revised Kyoto Convention)

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Findings in PRC

FIATA read the findings **published** by RMIT University of Australia on exploring key motivations for organizations in China to outsource and the mirroring obstacles.

- * Drivers:
 - * Economic advantages are a strong motivation for outsourcing in China
 - * cost reduction, cost saving, and capital investment reduction are the main concerns
 - * Strategic considerations, such as the use of outsourcing to accelerate re-engineering benefits, to focus on core competence, to increase flexibility, and to facilitate market penetration
 - * Environmental factors like information technology (IT) development and capability of supplier can influence organizations' decisions to outsource
- * Obstacles: Lack of capable service providers, loss of control, poor transportation and IT infrastructure, presence of local protection regulations, and lack of overall post-outsourcing measurement.



Logistics facts in PRC

FIATA learnt from the KLAKE Group some interesting information:

- * Outsourced logistics services in China are reported to be growing by 25 percent per year, compared to an annual growth rate of 7.5 percent for overall logistics services
- * China leads both North America with a 10-15 percent annual growth rate in third party logistics services and the rest of the world with 5-10 percent growth
- * Major factors are expected to fuel the growth of outsourcing:
 - * the increasing activity of multinationals in China
 - * The Chinese efforts to expand the country's logistics infrastructure
 - * The government appears committed to introduce greater liberalization
- * In China 70 percent of multinational corporations outsource their logistics services, only 16 percent of Chinese shippers do so.
- * Traditional Chinese state owned enterprises normally have their own in-house assets and logistics staff, therefore time may be required for the advantages of outsourcing certain services are strategically accepted and implemented.

In conclusion



- FIATA sees offshoring in the light of an opportunity to enhance trade facilitation, an area where FIATA is fully committed through the creation of business standards and facilitation instruments such as the FIATA DOCUMENTS.
- FIATA Members can be users, facilitators or recipients of offshoring related services
- Logistics connectivity improvement is a key element to work toward sustainable development and is worth being listed amongst the Sustainable Development Goals of the United Nations.
- FIATA wishes to thank UNCTAD, the People's Republic of China for the invitation to speak at this distinguished conference.
- FIATA also wishes to thank our Chinese Members, CIFA for the assistance and support.

MORE INFORMATION?

www.fiata.com



Thank you!