



Trade Facilitation

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21 February 2013

Agenda

- 1. Understanding the Business**
- 2. Express Delivery Services & Trade Facilitation**
- 3. Questions & Answers**
- 4. UPS Afternoon Program**

Understanding the Business

About UPS

- World's largest package delivery company and a global leader in supply chain services
- 2012 revenue US\$54.1 billion
- Daily delivery volume 16.3 million packages and documents
- 2% of global GDP moves around world in UPS trucks and planes
- Serves more than 200 countries and territories around the world
- World's 9th largest airline



Understanding Our Business

UPS Asia Pacific

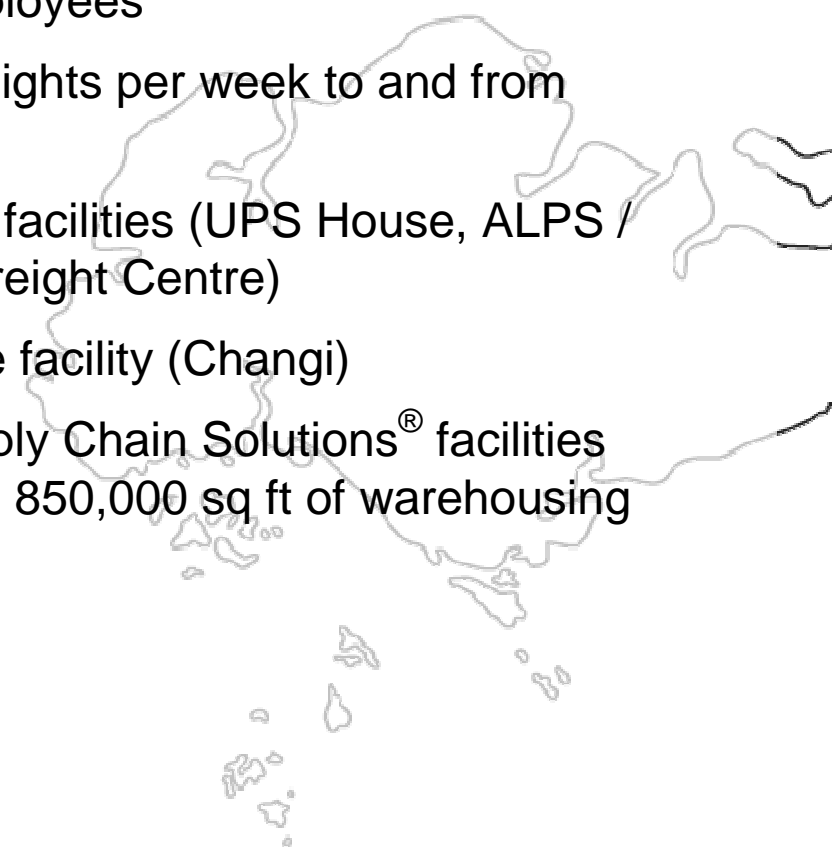
- **REGIONAL HEADQUARTERS** Singapore
- **ASIA PACIFIC AIR HUBS** Shanghai, Shenzhen, Hong Kong
- **EMPLOYEES** 15,265
- **FACILITIES** 295 (admin offices, package centers, hubs, gateway offices, distribution centers and warehouses)
- **AIRCRAFT/FLIGHTS** 23 aircraft; 230 intra Asia Pacific flights; 122 international flights
- **VEHICLES** 1,987 (package vans, trucks, trailers and vans and motorcycles)
- **BROKERAGE OPERATIONS** Australia, China, Hong Kong, India, Japan, Korea, Macau, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, Thailand and Vietnam



Understanding Our Business

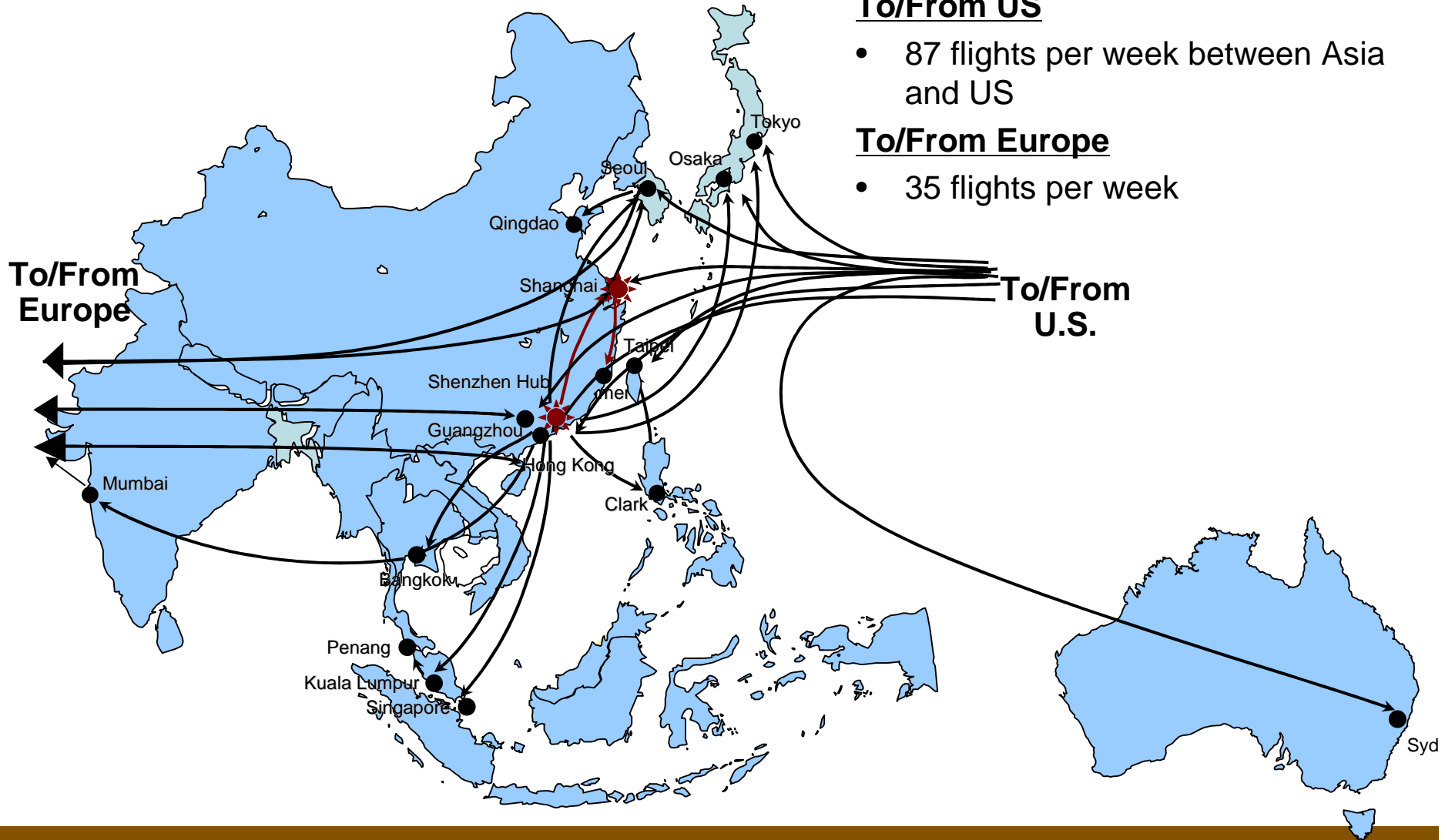
UPS in Singapore

- Established in 1988
- Asia Pacific region headquarters
- 1300 + employees
- 32 weekly flights per week to and from Singapore
- 2 operating facilities (UPS House, ALPS / Changi Airfreight Centre)
- 1 brokerage facility (Changi)
- 7 UPS Supply Chain Solutions® facilities operating in 850,000 sq ft of warehousing space



Understanding Our Business

Our Asia Pacific Network



Intra-Asia

- 90 flights per week to/from Shenzhen Asia Pacific Hub

To/From US

- 87 flights per week between Asia and US

To/From Europe

- 35 flights per week

Understanding Our Business

The Nature of Modern Supply Chains

What's Out	What's In
Forecasting Demand	Responding to Demand
Static Visibility	Actionable Visibility
Competing on Product and Price	Competing on Responsiveness
Single Silo Decision Making	Collaboration decision making



Understanding Our Business

What We Do

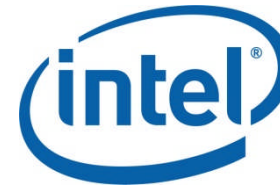
- Integrated, door-to-door delivery
- Close custodial and administrative control
- Track & trace technology to monitor precise movement
- Facilitation of Customs Clearance
- High level of reliability
- Global Network
- Speed



Understanding the Business

Our Customers

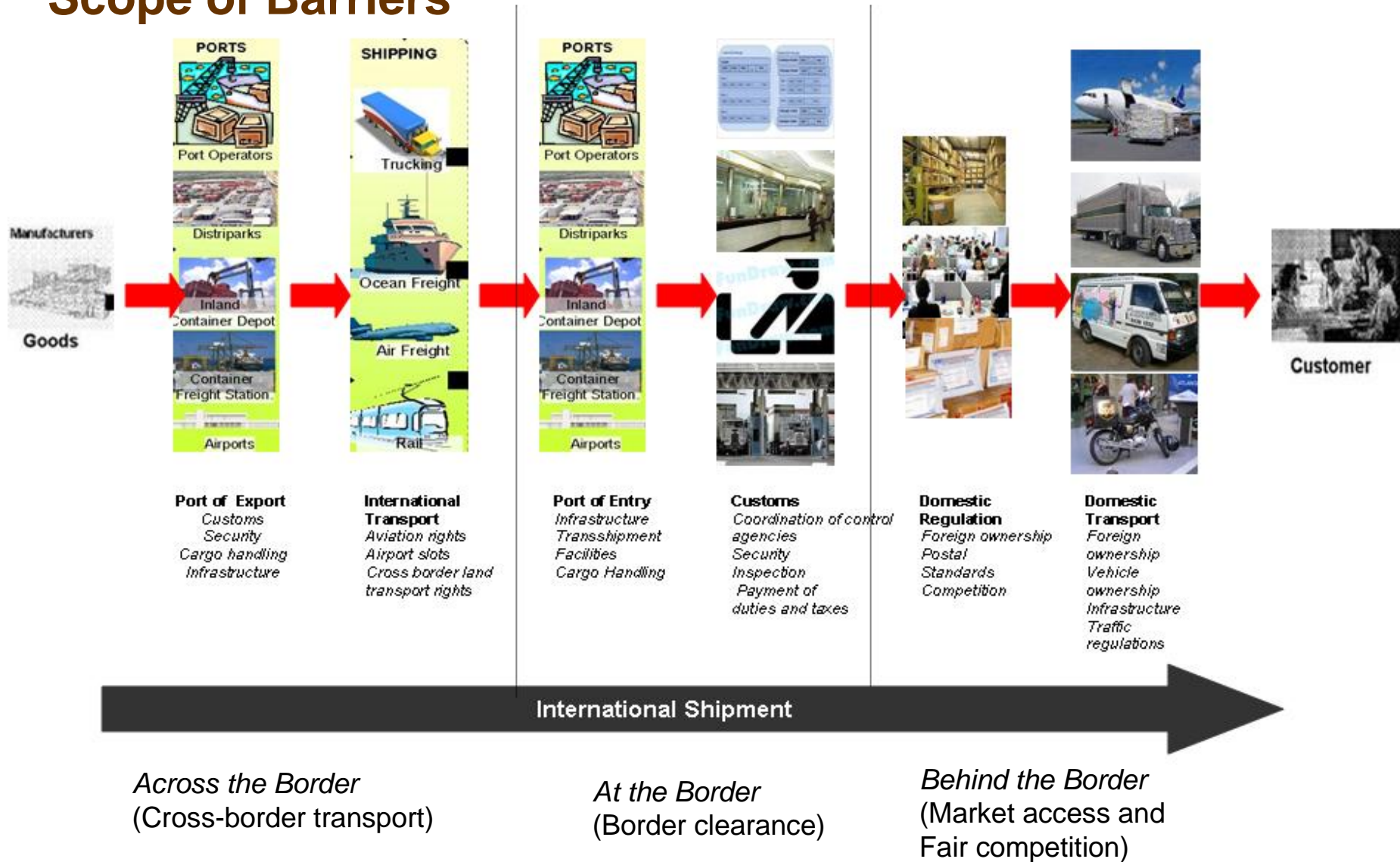
- High-value added manufactures
 - Fast-moving consumer electronics
 - Medical devices and pharmaceuticals
 - Precision instruments
- Urgently needed replacement/repair parts
 - Manufacturing
 - Oil/gas
 - Aviation
- Samples and late orders
- Commercial documents
- Freight Forwarding
 - Textiles & Garments
 - Auto components
 - Telecom Equipment



Express Delivery Services & Trade Facilitation

Express Delivery Services & Trade Facilitation

Scope of Barriers



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Supply Chain Barriers the Biggest Drag on Global Trade

A report published by the World Economic Forum states that dismantling supply chain barriers could provide a larger boost to world trade and global GDP than reducing import tariffs. Sub-Saharan Africa and Southeast Asia could benefit the most with regard to gains in GDP. Supply chain barriers range from inefficient customs administration to poor infrastructure.

According to the report, **if all countries improved their border administration and transportation and communications infrastructure just halfway to global best practices, global GDP could increase by 4.7 percent and global exports by 14.5 percent, compared to increases of 0.7 percent and 10.1 percent, respectively, from the elimination of all import tariffs.**

The report, entitled *Enabling Trade: Valuing Growth Opportunities*, is available online at www.weforum.org.










Source: WEFForum.org

What's in it for us

- ❑ **Time-in-Transit**
 - Responding to modern and leaner supply chains
- ❑ **Custodial Control & Visibility**
 - Customers demand full visibility & control to maintain quality control
- ❑ **Cost**
 - Logistics cost is typically about 20% of total trade costs in the Asia Pacific Region.
 - Affected by network efficiency, how fragmented the supply chain is, operational seamlessness.

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At the Border Barriers: Border Clearance

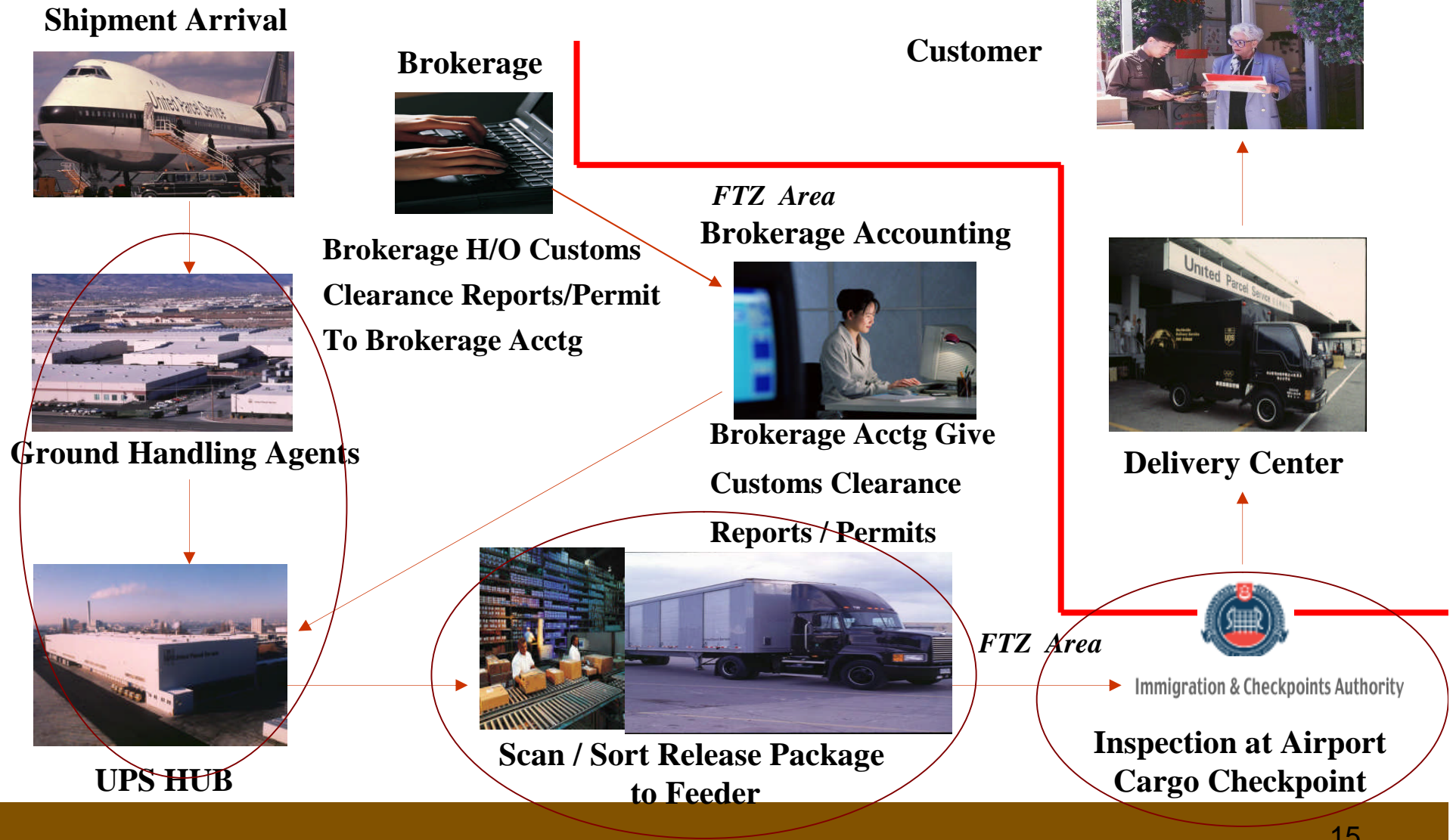
Economy	Lead Time for Imports*	Clearance Time with physical inspection	Rate of physical inspection
	3 days	2 days	35%
	4 days	4 days	17%
	2 days	1 days	6%
	2 days	1 days	1%
	1 day	1 days	5%
	3 days	4 days	31%
	2 days	2 days	8%
	4 days	4 days	6%
	2 days	1 day	2%

* From port of discharge to buyer's warehouse, DES to DDP

World Bank Logistics Performance Index, 2012

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Import Package Flow



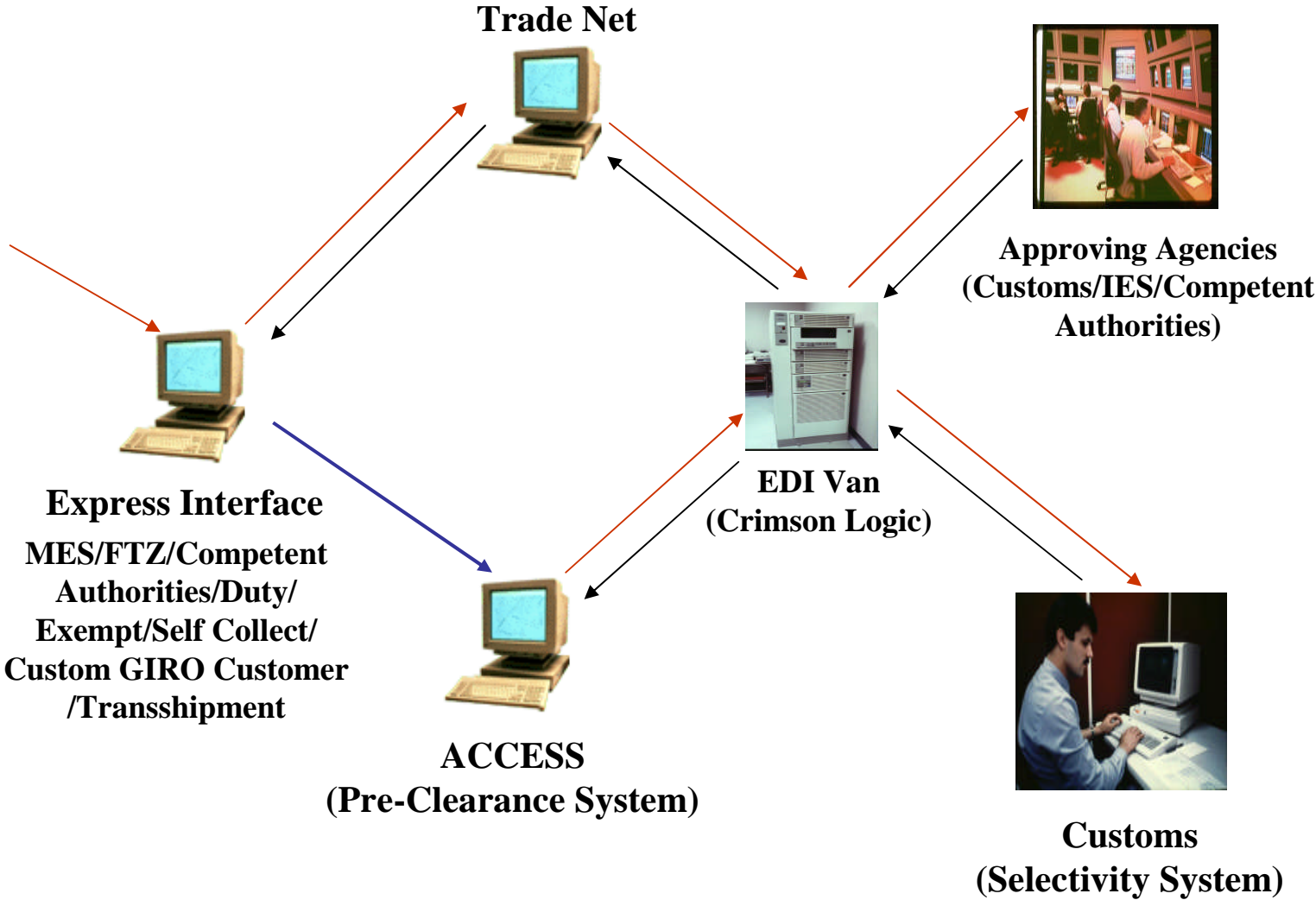
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Import Data Flow

Data Management



Transfer Data from OPSYS via FDC RS to Brokerage



Border Clearance – Imports Needs

- Separate and expedited customs clearance process for express delivery services
- Electronic pre-clearance / Payment
- Submission of Single Manifest combining all goods in shipment
- Apply regardless of weight or value
- Import de minimis

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Import De Minimis

- ❑ Thresholds below which any duties and taxes are waived.
- ❑ Argument is that it costs more to collect taxes and duties than to simply waive them.
- ❑ De minimis levels range anywhere from 15 pesos (Philippine) to AUD 1,000 (Australia).

Economy	De Minimis	USD Equivalent
Australia	AUD1000	\$1034
Brunei	None	None
Canada	CA\$20	\$20
China	50 RMB (amount of duties collected and only for advertising materials)	\$7.83
Chile	US\$30	\$30
Chinese Taipei	NTD3000	\$101
Hong Kong China	No duties or taxes apply to all imports	NA
Indonesia	US\$50	\$50
Japan	10,000 yen	\$130
Korea	\$100	\$100
Malaysia	500 Ringgit	\$162
Mexico	\$50	\$50
New Zealand	NZ\$399 and if duty collected is below NZ\$60	\$330 and if duty collected is below NZD\$49
Papua New Guinea	None	None
Peru	US\$50	\$50
Philippines	15 pesos	\$0.34
Russia	145 Euros	\$199
Singapore	S\$400	\$322
Thailand	THB1000	\$32
Vietnam	1,000,000 VND	\$50
US	\$200	\$200

De Minimis Levels in the APEC Region

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Import De Minimis









- ❑ Anything below de minimis level is an informal entry and “cleared by manifest”.
- ❑ Higher de minimis = less paperwork = savings in private compliance costs for customs clearance.

	CA	ID	JP	MY	PH	TH	APEC-6	APEC-21
Gross domestic product (US\$ million in 2010)	1,574,051	706,735	5,458,872	237,959	188,719	318,850	6,911,135	35,269,199
Imports < US\$200								
Resource savings in								
merchandise transit time	23.2	3.4	1.7	0.3	1.6	2.4	33	
public administration	4,174.3	37.3	233.7	19.7	17.8	65.6	4,548	
private compliance costs	1,284.6	11.5	71.0	6.0	5.5	20.2	1,399	
<i>Sub-Total</i>	<i>5,482.1</i>	<i>52.1</i>	<i>306.5</i>	<i>26.0</i>	<i>24.8</i>	<i>88.1</i>	5,980	
<i>less</i> tax revenue foregone	28.7	3.4	2.6	3.4	4.1	9.6	52	
Net economic benefit	5,453.4	48.7	303.9	22.5	20.7	78.5	5,928	30,250
Benefit-cost ratio	191.0	15.4	118.1	7.6	6.0	9.1	115.2	
NEB as share of GDP (%)	0.3465	0.0069	0.0056	0.0095	0.0110	0.0246	0.0858	0.08577

Savings for Express Delivery Services from \$200 de minimis, CAPEC Study, 2011

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Border Clearance - Exports

Economy	Lead Time for Exports*	Cost (US\$)**
	3 days	918
	3 days	454
	3 days	285
	2 days	178
	2 days	707
	2 days	415
	2 days	310
	3 days	500
	1 day	324

World Bank Logistics Performance Index, 2012

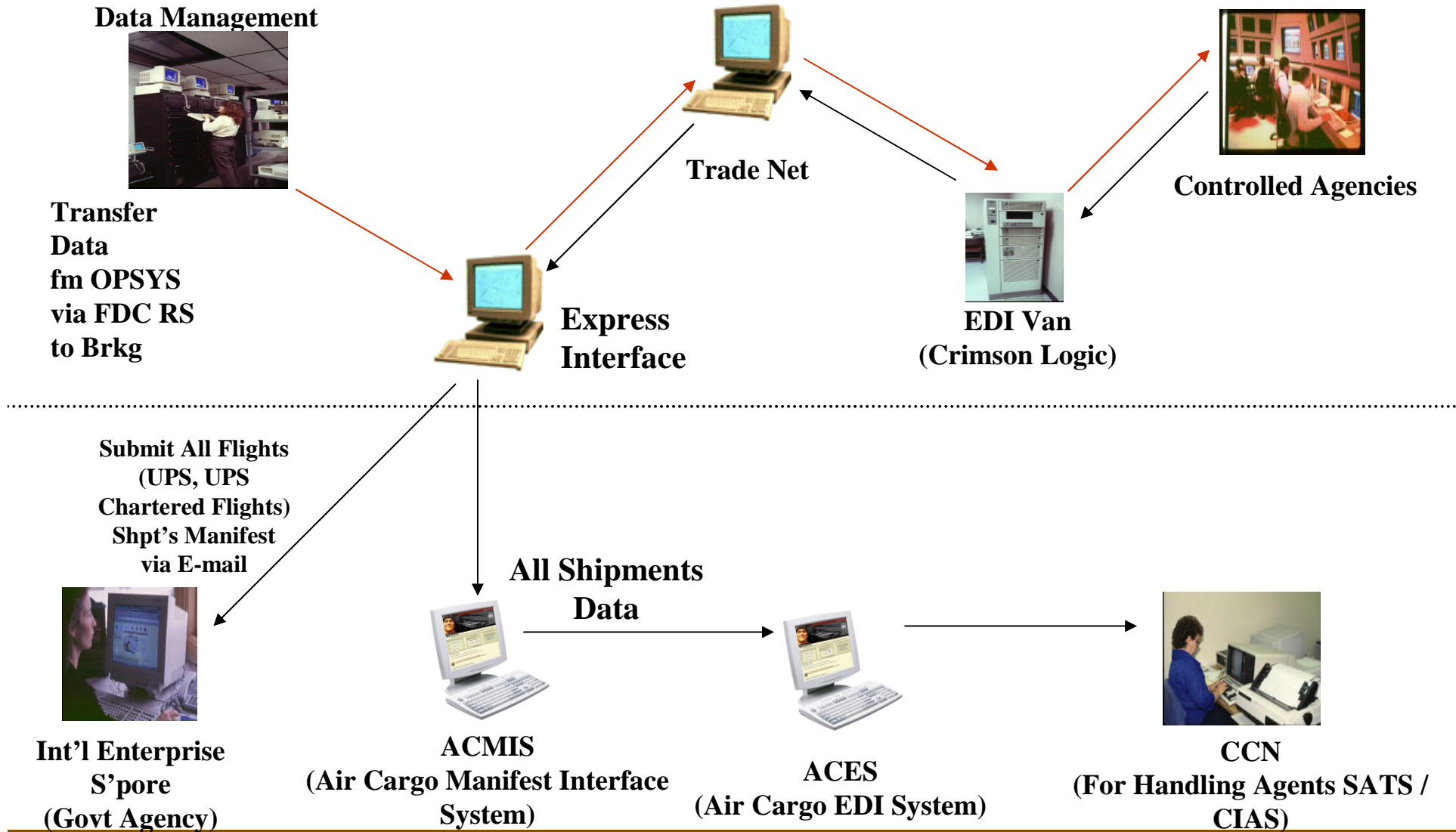
* From point of origin to port of loading

** For 40 ft container or semi-trailer (including agents fees, port, airport & other charges)

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Border Clearance – Export Data Flow

For Restricted Articles/Strategic Goods (3 days before export)



Border Clearance – Export Thresholds

- Increased need for submission of information for security purposes prior to export.
- Export threshold as risk management technique

Country	Formal Export Threshold
Australia	AUD 2,000 / USD 2,000
China	RMB 5,000 / USD 800
Japan	JPY 200,000 / USD 2,500
Korea	KRW 2,000,000 / USD 1800
New Zealand	NZD 1000 / USD 800
Philippines	USD 100
Singapore	SGD 400 / USD 320
Thailand	THB 500,000 / USD 14,500
Taiwan	TWD 50,000 / USD 1,600

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Border Clearance – Export Package Flow



Transportation – A Critical Component But Not in Sync

- ❑ Most transportation issues are separately regulated, i.e. trade agencies are not allowed to touch.
- ❑ Air rights system that is archaic
 - Permission to fly is granted route by route, carrier by carrier, pursuant to carefully calibrated, highly mercantilist bilateral agreements.
- ❑ Land transportation issues highly sensitive, seldom dealt with
- ❑ Multi-modal transport highly complex.



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Transportation – A Critical Component But Not in Sync



Cross-docking at Vietnam-China border

- Cross-border transport infrastructure underdeveloped
- Driver access
- Truck access
- Recognition of documentation
- Customs transit
- Insurance coverage
- Recognition of safety and security programs

Policies affecting movement of goods, documents, vehicles, and people







Enabling *Services that Move Goods*

Business Needs

1. Freedom of establishment – invest and own our business
2. Ability to innovate and create value for our customers
3. Ability to compete on a level playing field

- ➔ Foreign equity ownership restrictions
- ➔ Negative List for Scheduling Services
- ➔ Focus on attaining a *level playing field*.

Enabling Services that Move Goods – *Freedom of Establishment*

Market	Restrictions on Foreign Ownership for Express Delivery Services
	None
	None, liberalized in 2011
	Limited to 49% JVs; 51% JVs through Treaty of Amity
	None, geographical restrictions for domestic
	None, liberalized in 2009
	Restricted to 49% JVs in 2013; 60% in 2014 for ASEAN

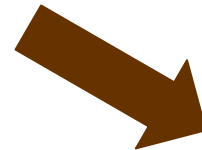
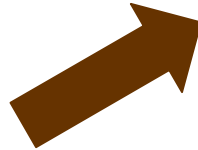
Enabling Services – A Case for Negative List Scheduling

UPS Small Package

- Express Delivery Services
- Customs Brokerage
- Paperless Invoice
- FTZ Facilitation
- Clinical trials
- Financial Services

UPS Supply Chain Services

- Air transportation and freight services
- Ocean freight
- Ground freight
- Customs brokerage international trade services
- Warehousing
- Contract logistics (distribution services and post sales support).



Communications Services

- CPC 7512 – Courier Services

Transportation Services

Services Auxiliary to All Modes of Transport

- CPC 741 – Container Handling Services, except those provided at airports
- CPC 742 – Storage and Warehouse Services
- CPC 748 – Freight Agency Services
- CPC 749 – Other e.g. Freight brokerage services, freight inspection, weighing & sampling, transportation documentation preparation services

▪ **Air Transport Services**

▪ **Customs Brokerage Services**

▪ **Distribution and Wholesale Services**

▪ **3PL Services**



▪ **Financial Services – Credit Services**

▪ **International vs. domestic**

Enabling Services – Regulatory Coherence & Fair Competition

Coherence with Postal Sector

- A clearly defined monopoly through application of price-weight multiple.

Country	Monopoly?	Price Weight Multiple
	Yes	No price-weight multiple. Fine of 37 baht for letters for violation of monopoly rights.
	Yes	Domestic: < 2 kg ≥ 10 times International: < 2 kg ≥ US\$9.00



Level playing field

- Prohibition from cross-subsidization which may result in predatory pricing.
- Fair and independent regulation.
- No mandatory fees to support universal service obligation.
- No preferences.



Express Delivery Services & Trade Facilitation

An Integrated Approach

- **Holistic, comprehensive approach to trade facilitation.**
 - Border Clearance
 - Transportation
 - Services
- **International variance across platforms:**
 - Trans-Pacific Partnership – Supply Chains Committee / Regulatory Coherence
 - ASEAN – ASEAN Logistics Roadmap / Connectivity Masterplan
 - WTO Trade Facilitation Agreement
 - APEC Supply Chain Connectivity Framework
 - World Bank and World Economic Forum Models
- **Mechanisms to consider:**
 - Single Window
 - National coordination agency representing whole of government
 - Regulatory Coherence
 - Regular review
 - Stakeholder and private sector input
 - Results and performance based



After This...

11:15 - 11:45 PM	Visit HGST Facility (UPS ALPS)
12:00 - 1:30 PM	Lunch
2:00 - 3:00 PM	Visit UPS Gateway (Changi Airfreight Center)
3:15 - 4:00 PM	Briefing by Immigration & Checkpoint Authority (ICA)

Thank you.