Situational Review of the APEC SME Logistics Service Provider

Preliminary Investigation into Chokepoint 3 of the 2009 Supply Chain Connectivity Framework Plan

APEC Committee Trade and Investment

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Executive Summary

This report provides a basic understanding of the logistics situation of local/regional logistics sub-providers in the APEC region, and summarizes the key growth issues these SME companies are facing. The China conducted region-wide survey and seminar were designed to provide the foundational knowledge for confronting Chokepoint 3: Lack of capacity of local/regional logistics sub-providers, as identified in the APEC Supply-chain Connectivity Framework Action Plan. This study is also indicative of the evolving focus of APEC initiatives from resolving border issues, to investigating and resolving behind-the-border issues to trade.

The recent financial crises have jumpstarted rapid changes in the global supply chain, and has both brought upon increased challenges and new opportunities for the SME logistics service provider. This study looks into what factors are hindering SME growth, and what are the necessary aids to promoting SME logistics service provider understanding, development and action to take advantage of these new opportunities.

We discovered cross-border service capabilities to be a primary weakness of SME logistics providers, and we found individual governments seem adequately aware of the issue, as “Enhancing international logistics ability” and “Establishing industry standards” were reported most often by APEC economy government institution representatives as policies put in place to promote logistics capacity development. However, further investigation revealed in many instances SME’s are not taking advantage of many resources in policy, finance and education. After looking over the results and discussing the key issues faced by SME logistics providers in a seminar following this study held in Suzhou, China, we infer an overarching issue of information distribution and access to be a key factor hindering resource access and ultimately SME logistics service provider capacity development.

Results and conclusions are the product of analysis on primary data collected in a region wide survey of local SME logistics providers and the government institutions regulating them. Discussion of results follows the presentation of our findings, and is followed up by suggestions for developing an APEC wide platform to facilitate the communication and collaboration among APEC SME logistics providers.

Introduction

Since establishment of the Bogor goals in 1994, APEC economies have been guided by the principle of open regionalism for creating long-term growth, with numerous initiatives implemented to support trade and regional economic capacity building. Japan's 2010 report on "APEC 2010 Economies'" progress towards the Bogor goals since 1994 shows considerable reduction in tariffs, with the simple average applied tariff rate for the 2010 economies falling from 8.2% in 1996 to 5.4% in 2008, well below the world average of 10.4 % in 2008. And while tariff rates and other border measures have fallen, global efforts to further liberalize trade and investment have increasingly focused not only on border measures, but also on trade and investment facilitation and the reduction of non-tariff barriers. [1]

Attention to "behind-the-border" issues and the need to initiate structural reform to further liberalize trade was specifically promulgated in the APEC Leaders' Statement on 2010 Bogor Goals Assessment in the 18th APEC Economic Leaders' Meeting.[2] This study and report follows APEC's evolving trade and investment agenda; with increased focus on structural issues limiting inter-economy trade. In particular, we look at the situation of regional small and medium sized logistics enterprises, and build a foundational understanding for stakeholders to use in efforts to improve SME logistics provider capacity.

This report is an initial step in meeting the objective laid out by the Supply-chain Connectivity Framework Action Plan: "To improve understanding on the current situation of local/regional logistics and to explore ways to enhance engagement and competitiveness of local/regional logistics sub-providers in the region.[3] Our study groups were logistics sub-providers and logistics regulatory bodies in each economy, and we commonly use the term Small and Medium Enterprise (SME) logistics providers when referring to local/regional logistics sub-providers throughout this paper.

A regional survey was conducted to gather information and gain a basic understanding of APEC SME logistics providers' situation, and served as an informative foundation as we confront "Chokepoint 3: Lack of capacity of local/regional logistics sub-providers". Results were first presented at the "Seminar on Enhancing the Capacity of APEC Local/Regional Logistics Sub-providers" held in Suzhou, China on August 24-25, 2011. In addition to presentation of findings, the seminar served as a platform for discussion and experience sharing by participants from Chile; China; Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Mexico; Peru; Papua New Guinea; the Philippines; the Russian Federation; Singapore; Thailand; the United States and Viet Nam.

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[1] The Report on APEC's 2010 Economies' Progress Towards the Bogor Goals, pg. 85-86. A report prepared by Japan on 14 November, 2010. APEC 2010 Economies refers to Australia; Canada; Japan; New Zealand; the United States; Chile; Hong Kong, China; Korea; Malaysia; Mexico; Peru; Singapore and Chinese Taipei.

[2] Leaders Statement on 2010 Bogor Goals Assessment. 14 November, 2010, Yokohoma, Japan. Specifically, leaders stated: "Given the significant impact of non-tariff measures on trade and investment flows, it is evident that further progress will need to be made in this area. Therefore, areas for further work will include standards and conformance, customs procedures, intellectual property rights, and government procurement, along with other issues. APEC will also further address "behind-the-border" issues by facilitating structural reform."

[3] 2010 CTI Report to Ministers, Appendix 5: APEC Supply-chain Connectivity Framework Action Plan. Pg. 85.

We conclude this report with an exploration into ways to enhance engagement of smaller logistics providers in cross-border business, and offer a new approach to SME logistics provider cross-economy collaboration for consideration by APEC stakeholders.

Study Design & Methods

1. **Study Design**

   This study was based on traditional paper-based questionnaires sent to the target population by email. Study conclusions were based on quantitative analysis performed on the questionnaire data, and inferences were drawn from telephone and face-to-face interviews complementing our understanding of survey results. Time and financial restraints were significant factors that pose some limitations to external validity, and suggestions are made in the Discussion and Next Steps section for improving the mechanism for cross-economy logistics industry studies such as this one.

2. **Sample Selection**

   This study utilized APEC Secretariat correspondence for questionnaire distribution. The questionnaire was forwarded through the Secretariat's mailing list to Committee on Trade and Investment (CTI) offices in each economy. The regional CTI offices were instructed to distribute the questionnaires to logistics related government institutions and SME logistics providers in their respective economies. Randomness in the sample selection was inherently achieved by way of passive response collection on the part of the researchers. That is, questionnaires were sent to SME providers by an APEC economies' local CTI office, while feedback was voluntary. SME logistics providers that chose to respond were part of the study, while those who did not respond were not; i.e. "willingness to respond" served as the randomizer.

   CTI regional offices collected the responses of their economies and forwarded them to the researchers, or the respondents returned the questionnaires directly to the researchers. 56 usable questionnaires were returned from both SME logistics providers and the government bodies regulating them. Data was received from government and small and medium enterprise respondents in twelve APEC economies: Australia; Brunei; Canada; Chile; Chinese Taipei; Hong Kong, China; Japan; Mexico; Malaysia; the Philippines; Singapore and Thailand.

3. **Measurement and Calculations**

   This study attempted to measure variables that would indicate the operational strength, future trends, and overall situation of each economies' SME logistics provider group. It also attempted to measure the level of assistance provided to the SME logistics provider by each economies' regulatory (government) bodies. We further attempted to measure the overall perceived level of assistance received by SME logistics providers from their respective economy's government bodies and other common education/training sources (i.e. Do SME logistics providers feel there are adequate resources available to them for building capacity?)

The paper-based questionnaire survey was the primary measurement instrument used in the study. This method was chosen for lack of availability of other more controlled sampling and data collection methods. Inferential results were based on analysis of the data in the context of supplemental information acquired by telephone and face-to-face interviews during the project, and at the seminar in Suzhou, China.

4. Data Analysis

Mean based quantitative results are presented in this study. Qualitative conclusions are based on these results and expanded with inferential results based on interviews and seminar conclusions (Seminar Discussion Topics and Developments). Because of time and financial limitations, this study can only provide a basic understanding of the general situation of the logistics sub-providers in the region, and only direct statistical analysis was possible.

Results: SME Logistics Services in the APEC Region

1. What is an SME Logistics Service Provider?

In this report we interchangeably use the term "Small and Medium Enterprise (SME) logistics provider" with "local/regional logistics sub-provider". We have found that even though the concept of SME is well known and commonly used throughout all economies, survey results show that the definition and understanding of the term differs significantly among economies. We further discovered that when one speaks of "logistics" in different economies, they may not necessarily be speaking of the same type of service. These are two primary examples that illustrate the difficulties that arise when trying to compare and analyze data cross-economy and very often cross-culturally.

SME Logistics Company Requirements

Based on survey responses, we found that different economies may define and "SME" logistics company based on one or all of the following factors: number of people employed, annual income and/or capital investment (Figure 1).

Figure 1: SME Classification Requirements for logistics companies in responding economies. ***As reported by APEC economy government institution respondents.***

Economy	Workforce Size	Annual Income	Capital Investment	Notes
Australia	Less than 20	USD 81 - 650K		Enterprise qualifies by meeting one or both criteria

Brunei	Less than 100			
Canada	Less than 50	Less than USD 1,003,361		Enterprise qualifies by meeting one or both criteria
Chile		Less than USD 4M		Amount is after taxes
China	20-1000	USD 156,433 - 469,300		Enterprise qualifies by meeting both criteria
Chinese Taipei	Less than 50	Less than USD 3,423,544		Enterprise qualifies by meeting one or both criteria
Hong Kong, China	Less than 50			
Japan	Less than 100		Less than USD 642,963	Enterprise qualifies by meeting one or both criteria
Korea	Less than 100	Less than USD 9,276,481		Enterprise qualifies by meeting one or both criteria
Malaysia	Less than 50	Less than USD 1,661,433		Enterprise qualifies by meeting one or both criteria
Mexico		USD 364 – 45,455		
New Zealand	Less than 20			
Peru	Less than 300			
The Philippines		USD 100 - 500K		
Russia	Less than 250	Less than USD 33,264,587		Enterprise qualifies by meeting both criteria
Singapore	Less than 300		Less than USD 6,476,238	Enterprise qualifies by meeting one or both criteria
Thailand	Less than 200		Less than USD 33,168	Enterprise qualifies by meeting one or both criteria
The United States	Less than 100	Less than USD 21M		

Source: Survey Results

When comparing SME logistics providers APEC wide, we must acknowledge that each economy defines their SME businesses differently. Taking these results into account we may assume that an SME logistics service provider in Russia with an annual income of over USD 30 million will have different needs compared to one in Mexico, where an SME logistics provider will at most have an annual income slightly over USD 45 thousand. There have been efforts to standardize the term "SME" regionally by some organizations like the European Commission's unilateral definition[4], and although the benefits gained by APEC following a similar route may be further considered, the advantages leading to more accurate analysis and better regional strategy development are clear. Other alternatives to standardization of terms, policies and/or regulations were discussed during the seminar and are presented later in this paper.

Logistics Services in Different APEC Economies

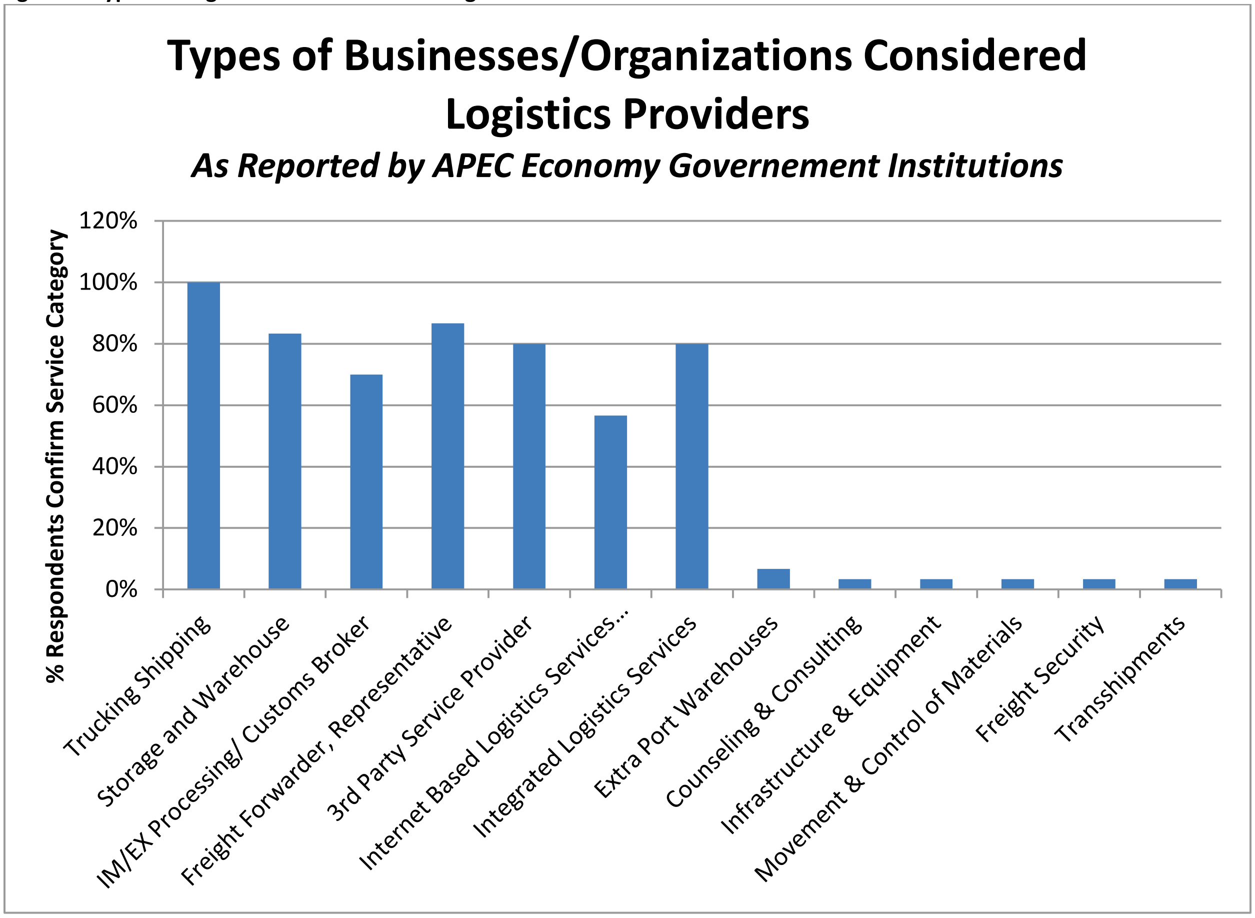
As an example, in China the low threshold to market entry and common need for highly localized services are a couple of the factors that lead to a large number of freight forwarder enterprises in the logistics industry. However, although making up a considerable portion of the industry (by number of companies), freight forwarders in China are not considered logistics service providers. This distinction is one example of how different understandings of the term "logistics service provider" in APEC economies can lead to distortions in cross-economy data interpretation.

In our survey we found that there is a general consensus in defining traditional logistics services such as trucking and shipping, storage and warehousing and freight forwarding; however some economies also consider counseling and consulting, freight security and other non-traditional logistics related activities to be logistics services (Figure 2).

Further, a large percentage of economies consider freight forwarding, import/export processing, internet based logistics platform providers and other value added service providers who are not directly involved with moving goods to be logistics service providers (Figure 2). The mixed understanding of the term "logistics service provider" leads us to caution when considering results of cross-economy studies.

[4] The European Commission made recommendation in 2003 to unilaterally define a small and medium enterprise for the European Union.

Figure 2: Types of Organizations Considered Logistics Service Providers in Different APEC Economies



Source: Survey Results

Logistics Enterprises vs. Logistics Service Providers

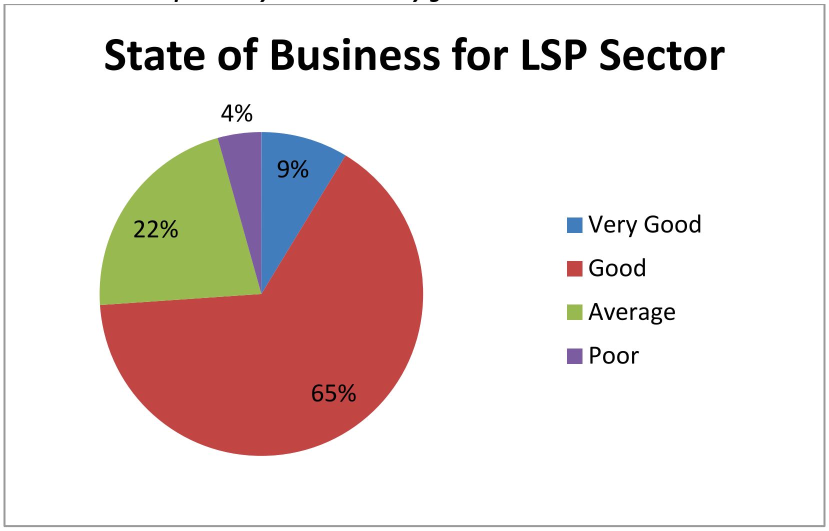
When cross referencing the average reported number of logistics service providers in the region, with the average reported number of logistics enterprises in each economy, we found 76.2% of enterprises in the logistics industry are logistics service providers.

2. What is the Overall State of the Logistics Industry?

Industry Situation

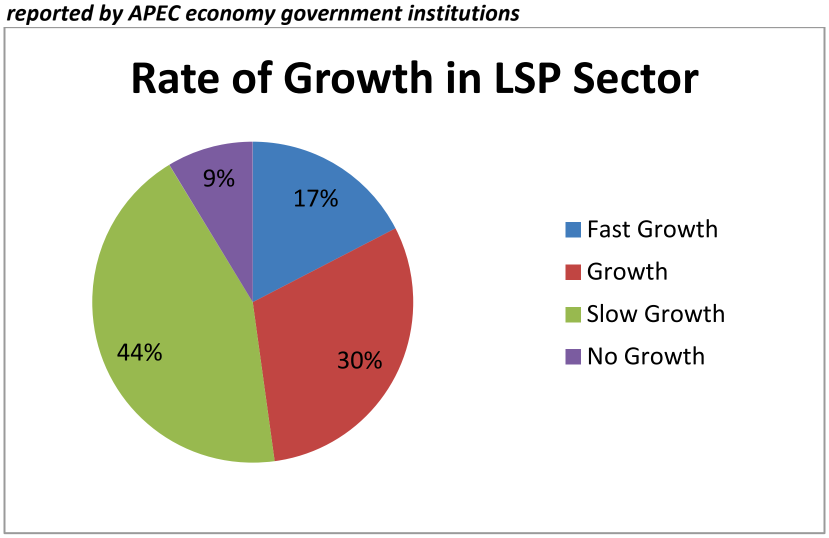
In general, we found APEC government institution respondents consider the state of business in their respective logistics sectors to be “good” (Figure 3), while and the vast majority report growth in their economy’s logistics industry (Figure 4).

Figure 3: General State of Business for Logistics Industry in APEC Region Economies. ***As reported by APEC economy government institutions.***



Source: Survey Results

Figure 4: Rate of Growth in APEC Region Logistics Service Provider Industries. ***As reported by APEC economy government institutions***



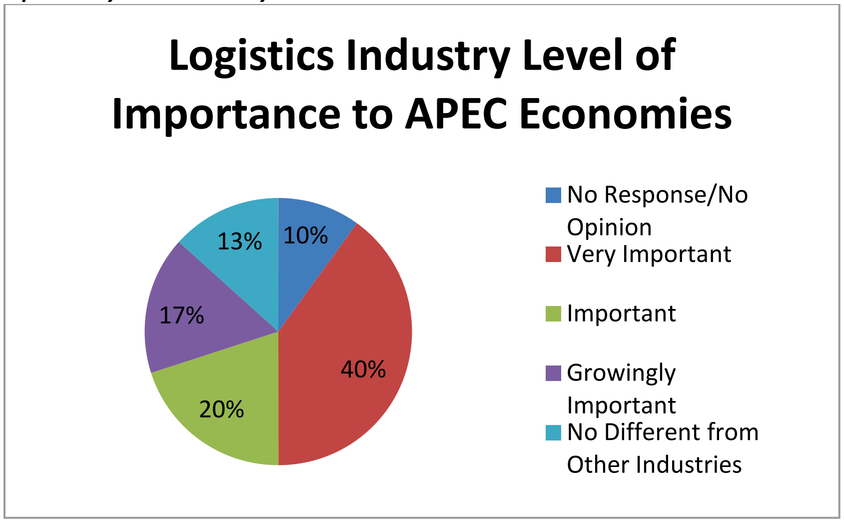
Source: Survey Results

However, although most government institution respondents rate their logistics sectors as "good" (Figure 3), over half report "slow" to "no growth" in their respective economies (Figure 4). Considering the changing global business environment and growing need for specialized logistics services in vertical markets, we expected much more rapid growth to be reported.

Logistics Industry Value to APEC Economies

Our results further demonstrate that the logistics sector is highly valued by APEC economies, and we can assume this should result in many economies meeting slow growth in the sector with mitigating policies and programs (Figure 5).

Figure 5: Reported Importance of the Logistics Sector to APEC Economies. ***As reported by APEC Economy Government Institutions***

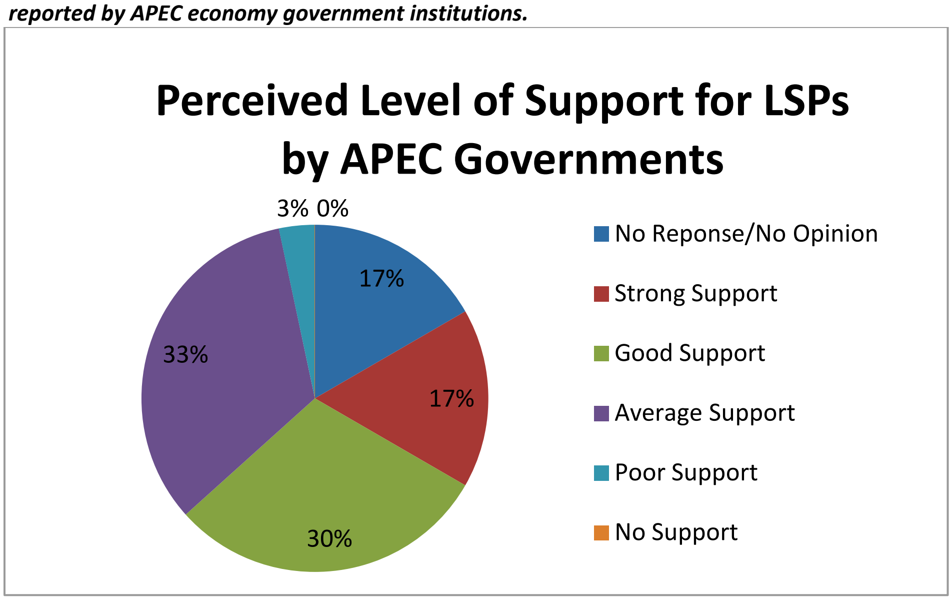


Source: Survey Results

Measuring Government Support in APEC Economies

In our survey, we first asked government respondents how well they believed their respective institutions supported the logistics sector. On a quintile scale, the greatest percentage (33%) believe there is “average” support, while 47% believe there is either “good” or “strong” support for the logistics sector in their economies (Figure 6).

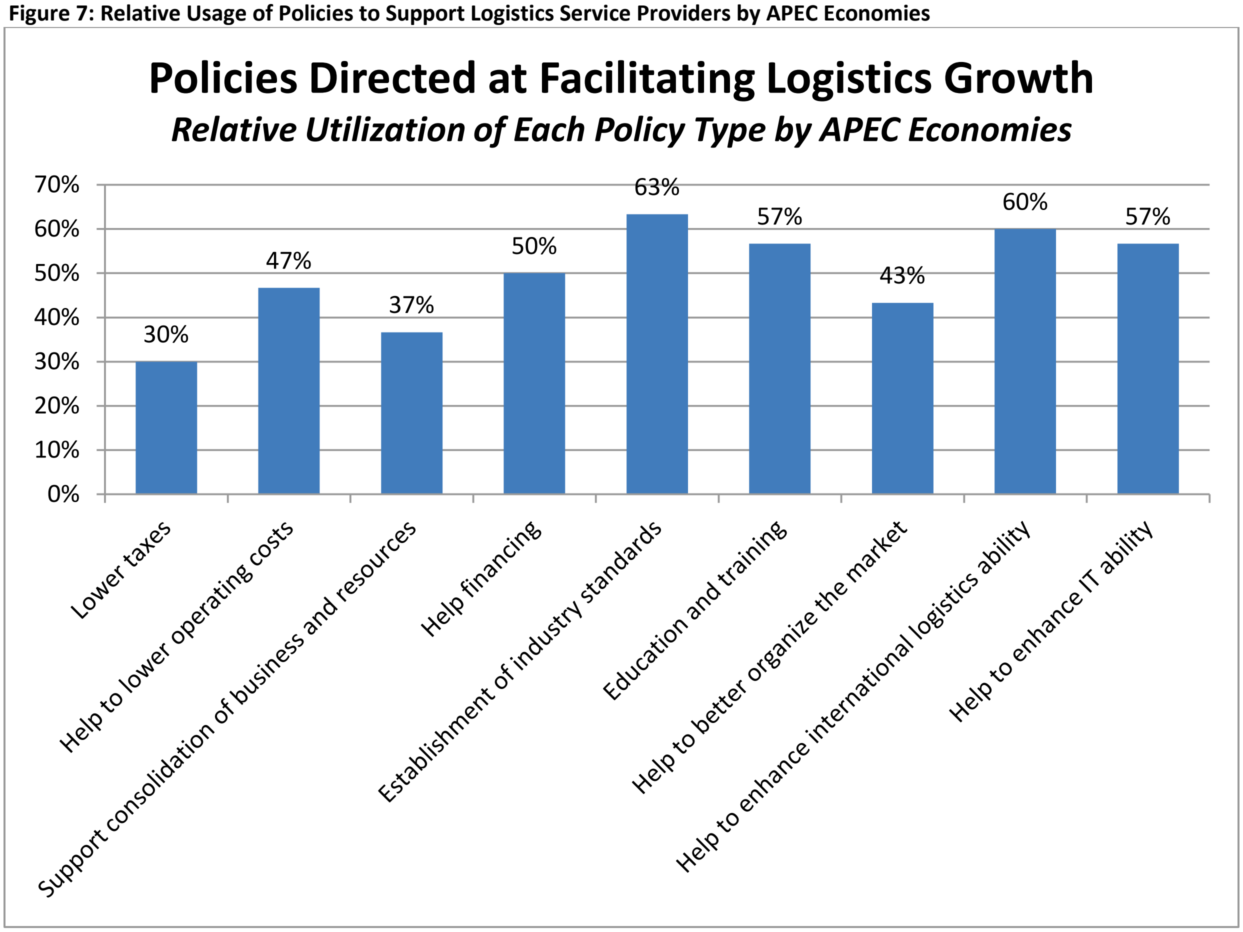
Figure 6: Level of Government Support for APEC Region Logistics Service Providers. ***As reported by APEC economy government institutions.***



Source: Survey Results

We continued our investigation by trying to determine what types of policies were being utilized by each economy to support the logistics industry. We first identified the relative usage of each policy type in the APEC region as a whole (Figure 7), and further asked respondents to rate how effective each policy was at supporting logistics service suppliers in their economy (Figure 8). In general we found no policy type was used particularly more often than any other. Policies directed at “enhancing international logistics ability” and “establishing industry standards” were utilized by most APEC economies, with a relative utilization rate of 60% and 63% respectively; while polices directed at “lowering taxes” were utilized by the fewest proportion (30%) of surveyed APEC economies (Figure 7).

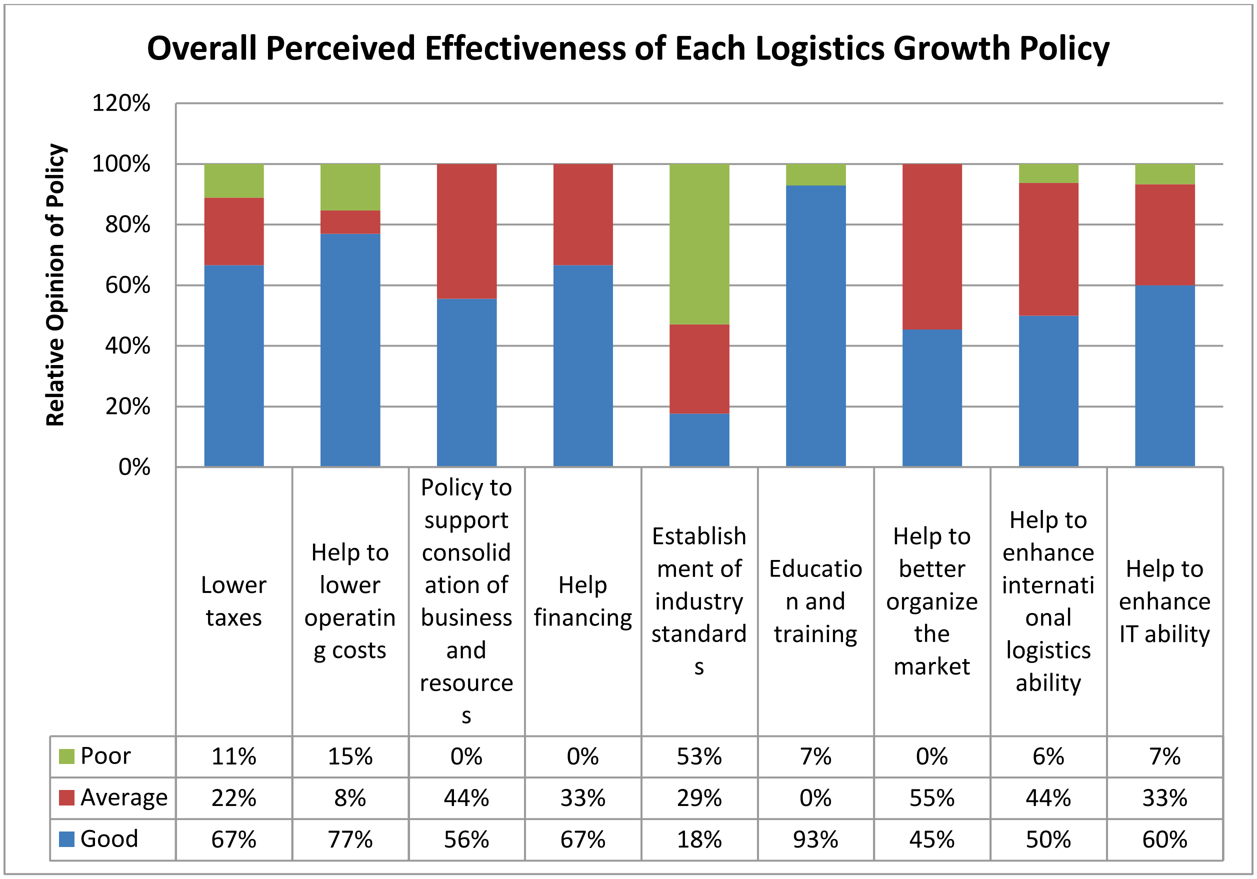
Figure 7: Relative Usage of Policies to Support Logistics Service Providers by APEC Economies



Source: Survey Results

In most cased, government institution respondents rated the effectiveness of each policy type to be “average” or “good” with one notable exception; more than half of economies utilizing policies to “establish industry standards” rated those policies to be “poor”, or ineffective (Figure 8).

Figure 8: Overall Effectiveness of Each Logistics Promotion Policy in APEC Economies. ***As reported by APEC government institutions.***



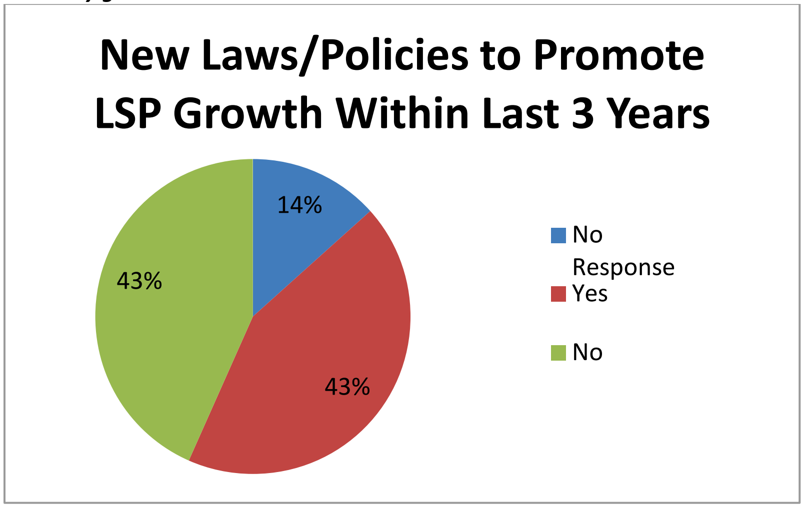
	Lower taxes	Help to lower operating costs	Policy to support consolidation of business and resources	Help financing	Establishment of industry standards	Education and training	Help to better organize the market	Help to enhance international logistics ability	Help to enhance IT ability
Poor	11%	15%	0%	0%	53%	7%	0%	6%	7%
Average	22%	8%	44%	33%	29%	0%	55%	44%	33%
Good	67%	77%	56%	67%	18%	93%	45%	50%	60%

Source: Survey Results

The low performance of government policy efforts to establish industry standards is a notable issue in the region. Based on interviews we discovered SME logistics providers have most trouble understanding and meeting foreign economy standards. When further cross-referencing this result with the SME logistics service providers' level high importance in attaining regulatory assistance (Figure 26), we can assume it is an issue that should be further investigated.

When looking at more recent developments, we found that there is not a very large proportion of APEC economies creating new laws or policies directed at growth in the logistics sector (Figure 9). Only about half of government respondents report any new logistics facilitation policies implemented in the last three years.

Figure 9: Percentage of APEC Economies Implementing New Laws or Policies Directed at Logistics Sector Growth in the Last 3 Years. ***As reported by APEC economy government institutions.***



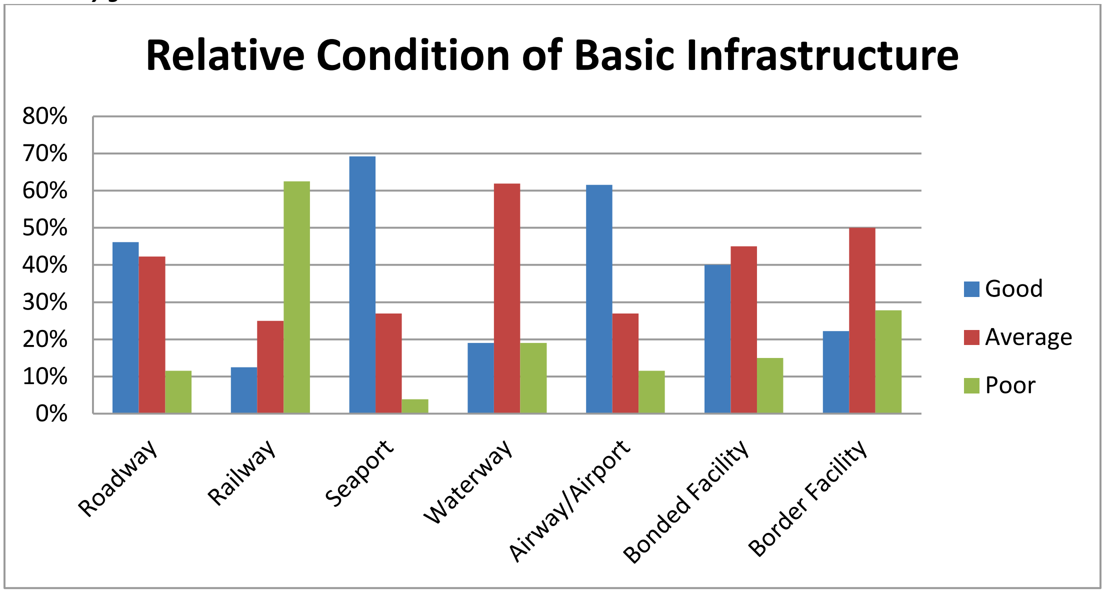
Source: Survey Results

Policy has been a common tool of choice for most APEC economies when considering strategies to promote trade at the border. However, our study interviews confirmed that there is increasing consideration in other forms of capacity building such as soft infrastructure development and modernization of tools, government process optimization, documentation reduction and better utilization and implementation of education and technological resources.

General Look at Basic Infrastructure

APEC economy government support through investment in hard infrastructure facilities continues in most economies, and survey results indicate that aside from railways, government respondents believe the condition of most hard infrastructure facilities in their economies to be "average" or "good" (Figure 10).

Figure 10: General Condition of Hard Infrastructure Facilities in APEC Economies. ***As reported by APEC economy government institutions.***



Source: Survey Results

"Poor" railway systems and just "average" ratings for waterways and border facilities indicate there is still significant room for improvement. Many new green initiatives and pushes for increased process efficiency are naturally leading to higher investment and improvement of railway infrastructures; and we assume railway conditions will become better at an increasing rate over time.

Continuing our probe into reasons for just "average" ratings for waterways and border facilities was beyond the scope of this report. However, in interview discussions we found much dissatisfaction with overly complex customs procedures, documentation, goods processing and other similar issues. This may provide some insight into the overall mediocre rating of border facilities by government respondents in most APEC economies.
When cross-referencing these results with enterprise respondents' general utilization rates of each major form of land-based transport (multi-modal included), we find railway usage markedly low (Figure 11).

Figure 11: Relative Usage of Land-based Transport in APEC Economies

	Type of Transport Mode		
	Roadway	**Railway**	**Multi-modal**
Usage:	64%	16%	26%

Source: Survey Results

3. What is the Overall Situation of Regional SME Logistics Service Providers?

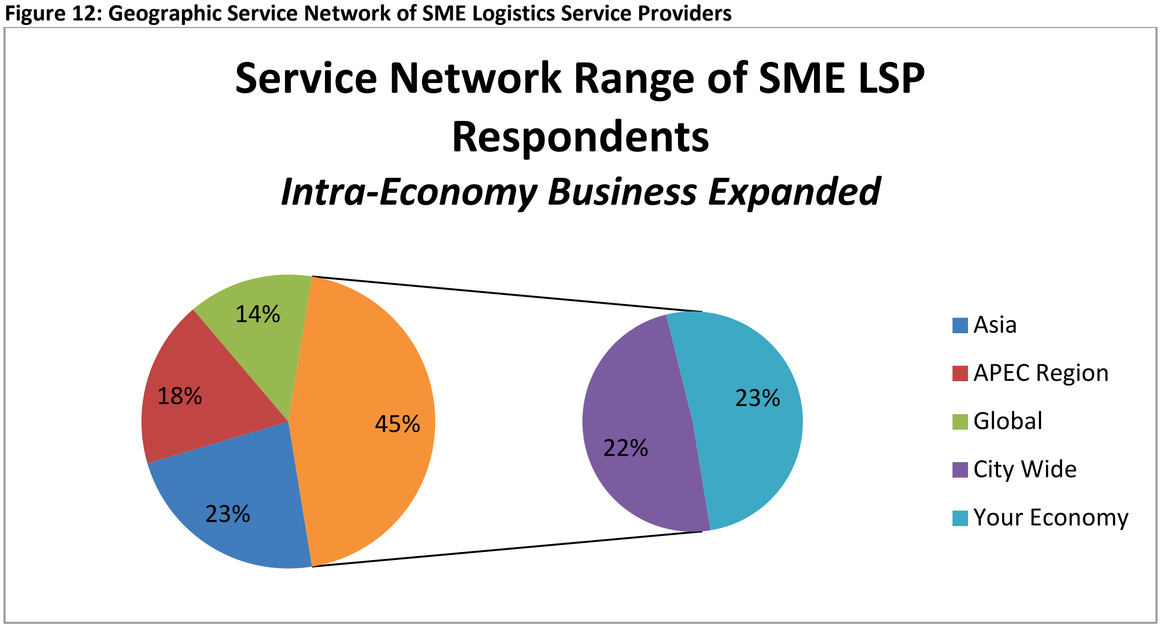
This was a key component to our study. Regardless of how they are classified, SME companies make up the largest proportion of business in all economies. Yet aside from limited information, our understanding of the SME logistics provider in the region as a whole is largely incomplete.

Understanding the local situation and “behind-the-border” issues facing the SME logistics service providers are key to facilitating trade improvement.

Geographic Business Reach

In our survey we broke up the logistics market into four geographic areas, and asked SME respondents to indicate in which region(s) they did most of their business. We found that nearly half of SME logistics service providers (45%) do not engage in cross-border international business (Figure 12). However for those that do engage in cross-border business, on average 31% of their total 2010 annual income came from business in the APEC region.

Figure 12: Geographic Service Network of SME Logistics Service Providers



Source: Survey Results

However, in a follow-up question we asked respondents: “Do you provide cross-border international door-to-door integrated services?” to which 73% of respondents answered “Yes”. Difficulty interpreting the data was later compounded when we observed an 83% response rate (Figure 13) to the question of what types of international logistics services SME respondents offered to their customers. It is difficult to reconcile 83% of respondents offering different types of international logistics services when only 55% claim to engage in international business (Figure 12).

As a result, the data are inconclusive as to estimating the level of international business actually conducted by SME logistics service providers, however interview follow-ups added support to our consensus that “cross-border service capabilities” are a primary weakness present in the majority of SME logistics service provider respondents. Further support can be found when we observe that “difficulty in setting up integrated services across borders” was listed as a significant barrier to trade by the highest percentage of SME logistics service provider respondents (Figure 16). Based on information gathered from this study, we believe improving cross border collaboration and ultimate logistics business capabilities should be a primary concern for APEC stakeholders.

Situational Overview of Logistics Services

We investigated the general logistics service offerings of SMEs as well as the extent to which they have engaged in international business. In Figure 13 we began with a look at the most basic components of the typical supply chain, and the level of involvement of SME logistics service providers for each mode of trade. We found that most companies will handle import and export processing, as well as arrange international shipping for both import and export bound shipments. However no companies reported arranging for pick-up of goods at the foreign manufacturer for import bound shipments, while under the export trade mode, a very small percentage (8%) organize delivery to customer final destination in the foreign economy. This is not surprising considering the difficulties reported in finding integrated logistics partners (Figure 15), and dealing with other-economy regulations and policies (Figure 15).

Figure 13: Types of International Services Offered by SME Logistics Service Providers

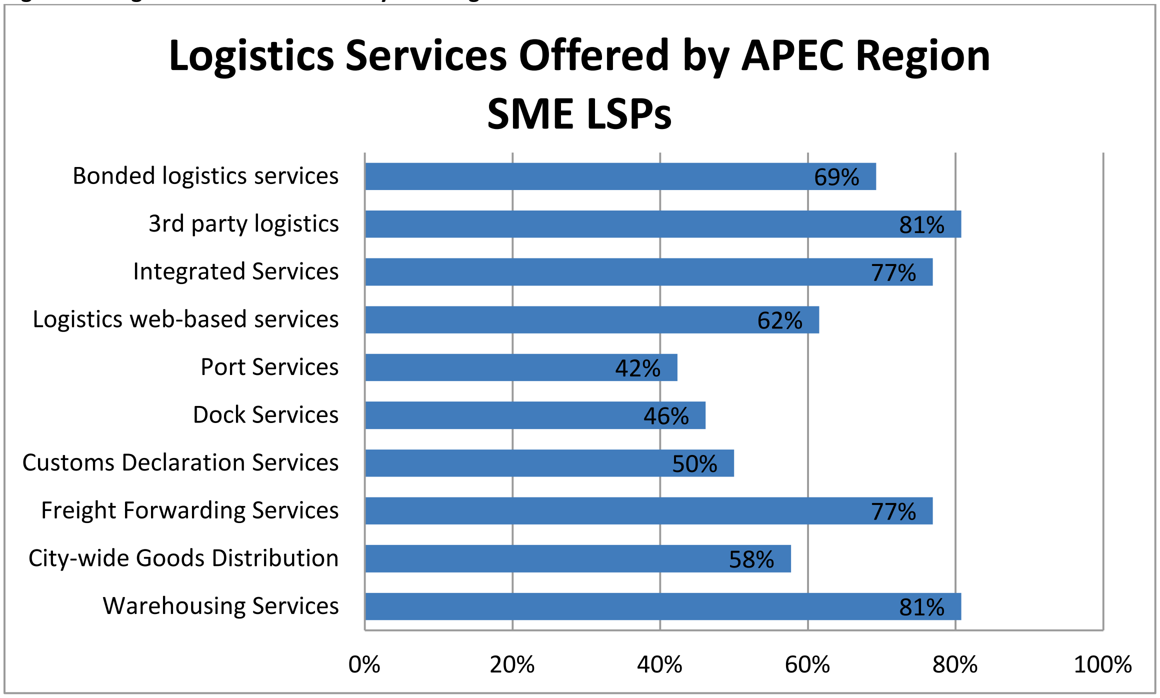
Response Rate:	83% of those surveyed provided an answer to the question: "For int'l logistics, what range of services do you provide to your customers?"

Service Type	**Trade Mode for which Service is Offered:**		
	Import	**Export**	**Import & Export**
Pick-up goods at mfg and deliver to port	0%	44%	40%
Import / Export processing	8%	4%	88%
Arrange Int'l shipping	8%	4%	88%
Deliver goods to the point of destination	36%	8%	44%

Source: Survey Results

In general, we found the following distribution of logistics services offered by APEC region SME logistics service providers (Figure 14):

Figure 14: Logistics Services Offered by SME Logistics Service Providers



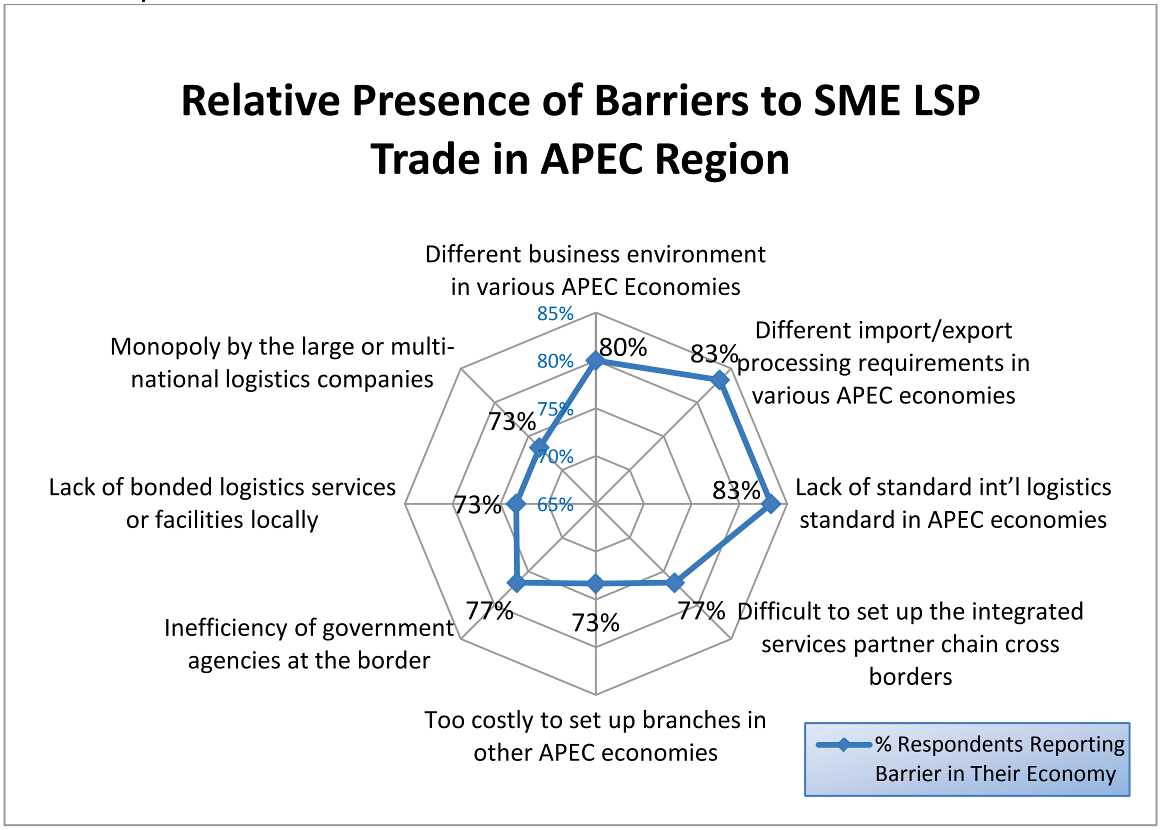
Source: Survey Results

Challenges to Doing Business in the Region

We investigated the challenges facing SME logistics service providers from the point of view of the enterprise, as well as from the point of view of the government institutions tasked with aiding the enterprises to better do business. We believe this gives a more holistic picture of the situation.

When questioning government institution respondents, we noted that each barrier was considered present in most economies. At minimum, 73% of surveyed economies believed all barriers were present in their economy (Figure 15).

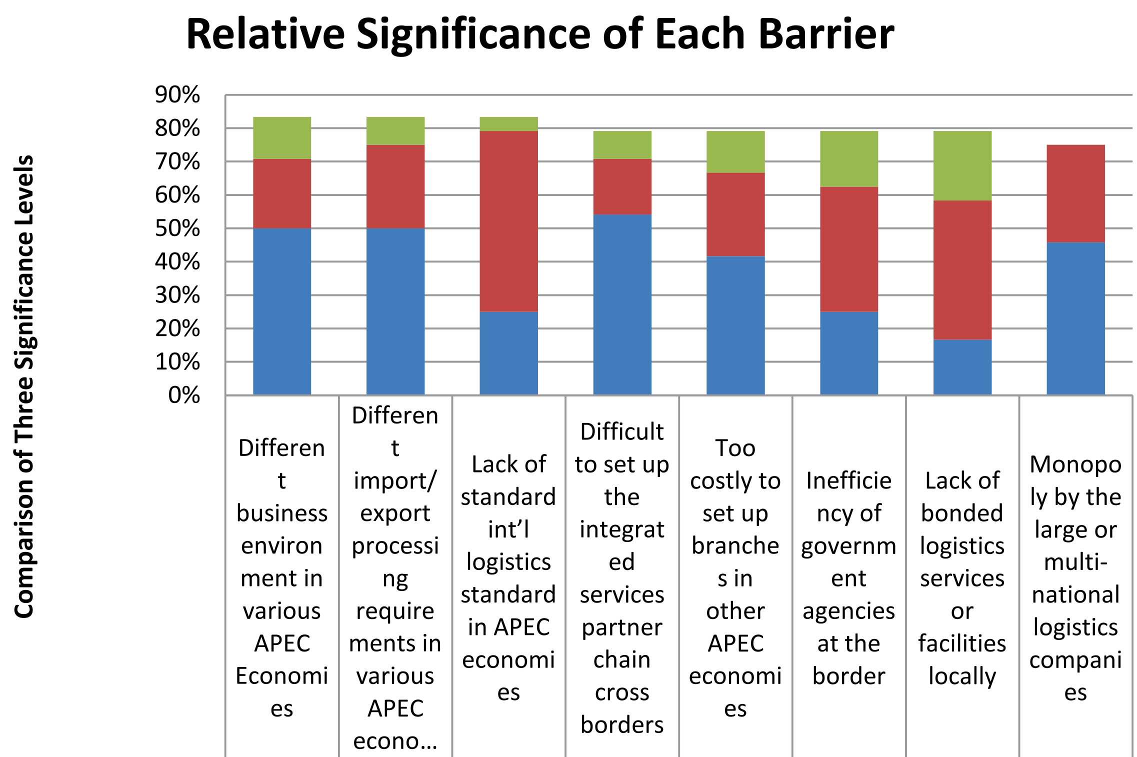
Figure 15: Existence of Various Barriers to Trade Across APEC Economies. ***As reported by APEC government institution respondents.***



Source: Survey Results

We further asked the relative significance of each barrier to trade in the government institution respondents' respective economies. Barriers as a result of different business environments, different import/export requirements, difficulty in finding cross-border integrated service partners and difficulty in competing with monopolies held by large or multi-national logistics companies ranked as the most significant challenges to SME logistics provider trade (Figure 16).

Figure 16: Relative Significance of Each Trade Barrier for SME Logistics Service Providers. ***As reported by APEC economy government institutions.***



	Different business environment in various APEC Economies	Different import/ export processing requirements in various APEC econo...	Lack of standard int'l logistics standard in APEC economies	Difficult to set up the integrated services partner chain cross borders	Too costly to set up branches in other APEC economies	Inefficiency of government agencies at the border	Lack of bonded logistics services or facilities locally	Monopoly by the large or multi-national logistics companies
Small Challenge	13%	8%	4%	8%	13%	17%	21%	0%
Challenge	21%	25%	54%	17%	25%	38%	42%	29%
Significant Challenge	50%	50%	25%	54%	42%	25%	17%	46%

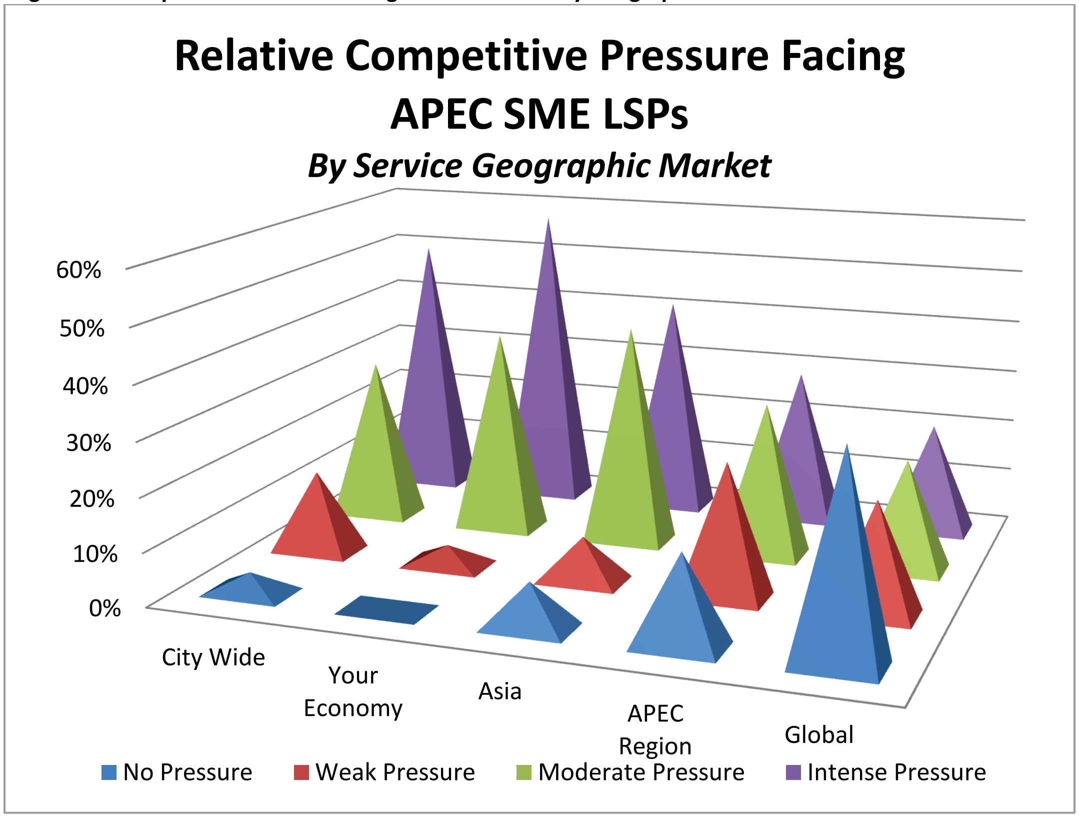
Source: Survey Results

The results in Figure 16 indicate that the government institutions in APEC economies generally recognize the most significant challenges to trade facing SME logistics service providers are related to cross-border collaboration and internationalization of their business.

We supplemented our understanding of the challenges facing SME logistics service providers by gathering data on their perspectives on the issue; looking at which restraints they were reporting internally and externally, as well as a general look at sources of competitive pressure.

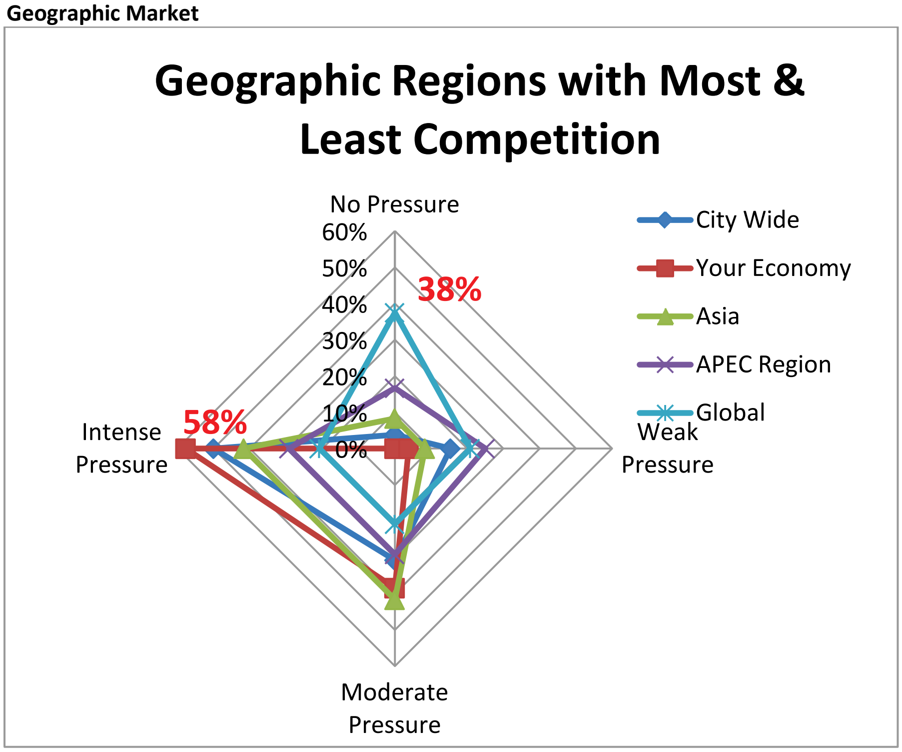
While government institutions report large and/or multinational logistics providers to be a major barrier to SME logistics provider growth, SME logistics service providers report the majority of competitive pressure they are experiencing is coming from their own economy (Figure 18). From this study, it is unclear whether global logistics giants have done exceptionally well capturing regional markets in APEC economies, or if government institution respondents have a different opinion of the significant challenges to SME growth. Relative sources of competitive pressure by geographic market are presented in Figure 17.

Figure 17: Competitive Pressure Facing APEC SME LSPs by Geographic Market



Source: Survey Results

Figure 18: Major and Minor Sources of Competitive Pressure Facing APEC SME LSPs by Geographic Market

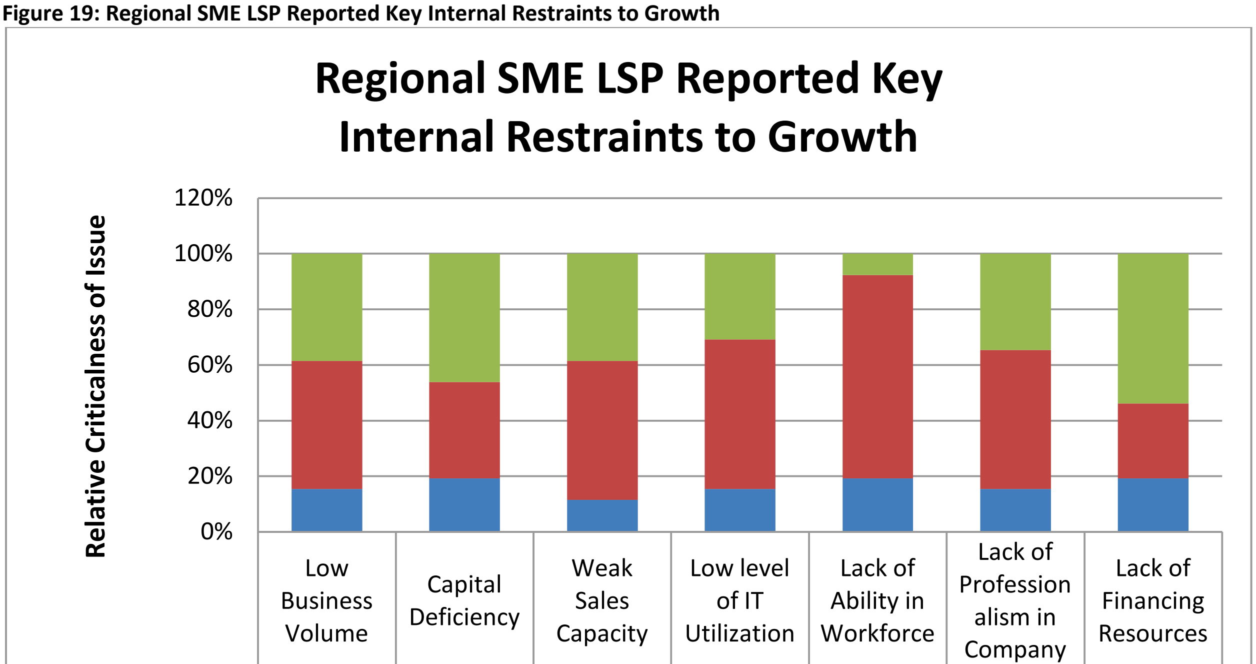


Source: Survey Results

Most competitive pressure felt by SME logistics service providers is in fact coming from within their own economy. This leads us to predict many local/regional logistics sub-providers to be keenly interested in expanding into global markets, were the current companies involved are experiencing the least competitive pressure.

A second major overall issue discovered when investigating the SME itself, was the general need for financial resources. In our investigation into the internal restraints of SME logistics service providers, we discovered "capital deficiency" and "lack of financing resources" were rated as the top two critical internal restraints to growth (Figure 19).

Figure 19: Regional SME LSP Reported Key Internal Restraints to Growth



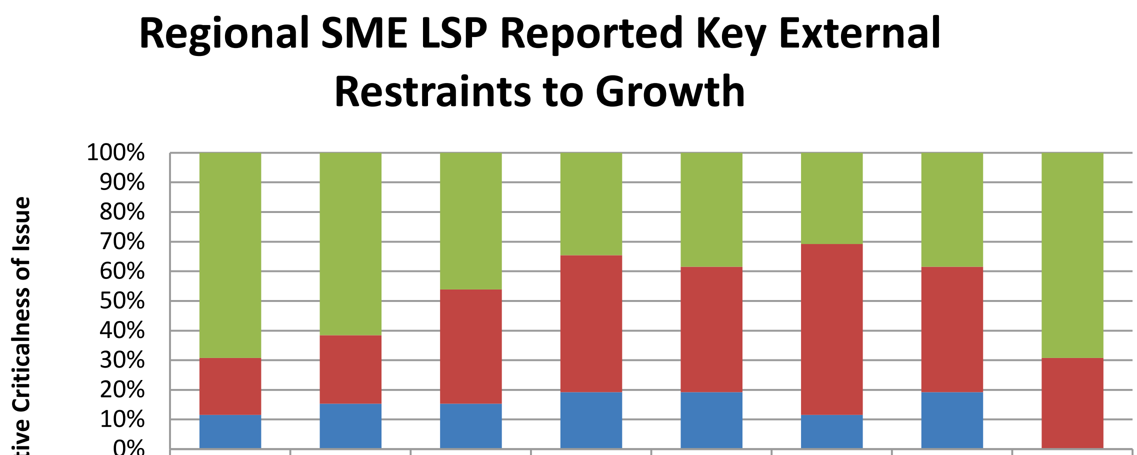
	Low Business Volume	Capital Deficiency	Weak Sales Capacity	Low level of IT Utilization	Lack of Ability in Workforce	Lack of Profession alism in Company	Lack of Financing Resources
Critical Issue	38%	46%	38%	31%	8%	35%	54%
Moderate Issue	46%	35%	50%	54%	73%	50%	27%
Slight Issue	15%	19%	12%	15%	19%	15%	19%

Source: Survey Results

Issues of finance and access to capital were one of the key issues discussed by participants in the seminar that followed this study.

When considering external restraints to growth, the need for "development models", "financing channels", "trained personnel to offer professional logistics services" and issues with "high shipping costs" all topped the list as critical restraints (Figure 20). However, no less than 80% of respondents considered every issue to be at minimum a "moderate" restraint to growth.

Figure 20: Regional APEC SME LSP Reported Key External Restraints to Growth



	Lack of successful development models	Poor financing capability and lack of financing channels	Lack of connection of logistics infrastructure, among different transport modes	Lack of industry standards, regulation of market order and related laws	Lack of policy support from governments like incentives for setting up offices,…	Lack of trained personnel leading to their inability of offering professional…	Lack of information technology application like limited access to information…	High Shipping Costs
Critical Issue	69%	62%	46%	35%	38%	31%	38%	69%
Moderate Issue	19%	23%	38%	46%	42%	58%	42%	31%
Slight Issue	12%	15%	15%	19%	19%	12%	19%	0%

Source: Survey Results

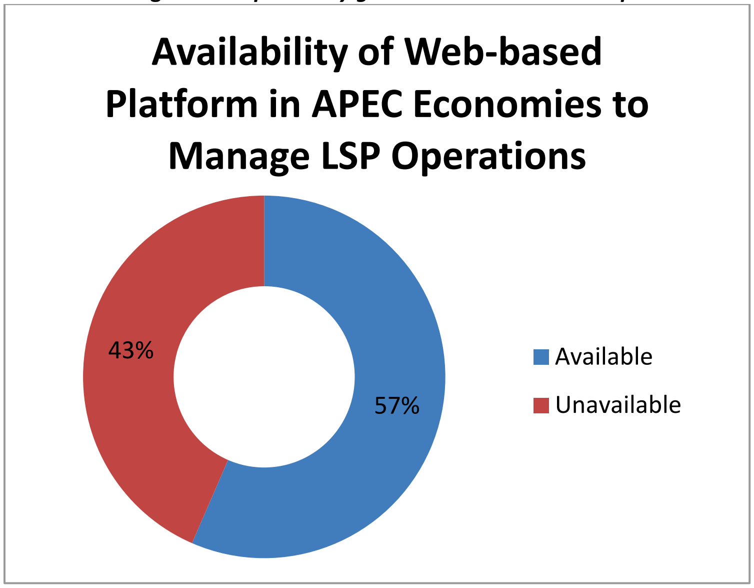
Having access to professional people in the logistics field and education in general was another key issue discussed in the seminar that followed this study.

Degree of Modernization

A key difference between modern and traditional logistics lies in the use of IT processes to aid the business of moving goods. We began our inquiry into the level of modernization and specialization of the APEC regional logistics service industry by asking government institution respondents to what degree SME logistics service providers were utilizing IT systems to manage trade related operations in their economies.

Our findings (Figure 27: Resources Used by APEC Region SME Logistics Service Providers) suggest that web based platforms are the best way to reach SME logistics service providers in the region. In understanding the degree of modernization in the region, we first investigated the prevalence of web based IT systems to facilitate logistics in the region. On the whole, only 57% of government institution respondents claimed there to be such systems in their economy (Figure 21).

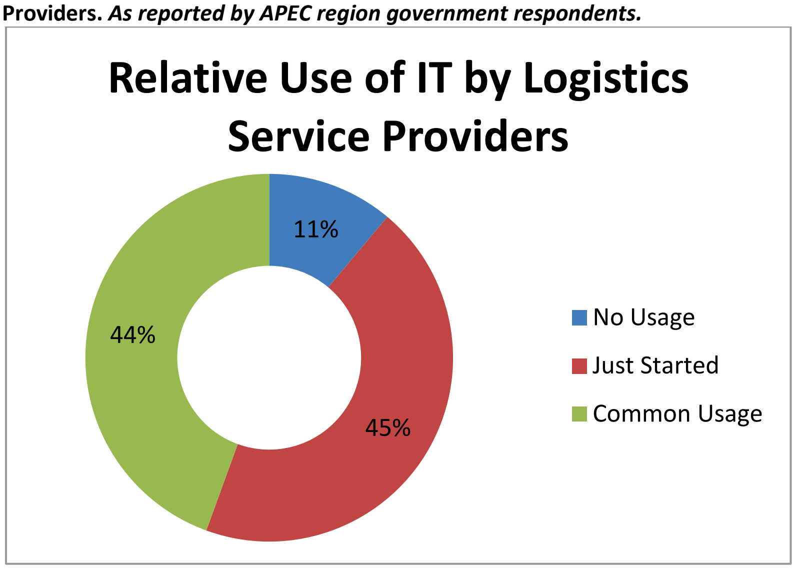
Figure 21: Presence of Web-based LSP Operations Management Platform in the APEC Region. ***As reported by government institution respondents.***



Source: Survey Data

Common usage of IT resources by SMEs is quite low, and many are just starting to modernize and take advantage of both new and old technologies (Figure 22). Less than half of companies have been engaged in modern logistics using IT, and though many have just started, experience and interviews tell us it will still be some time before business processes and internal user habits enable the actual efficiency gains expected from the various technologies implemented.

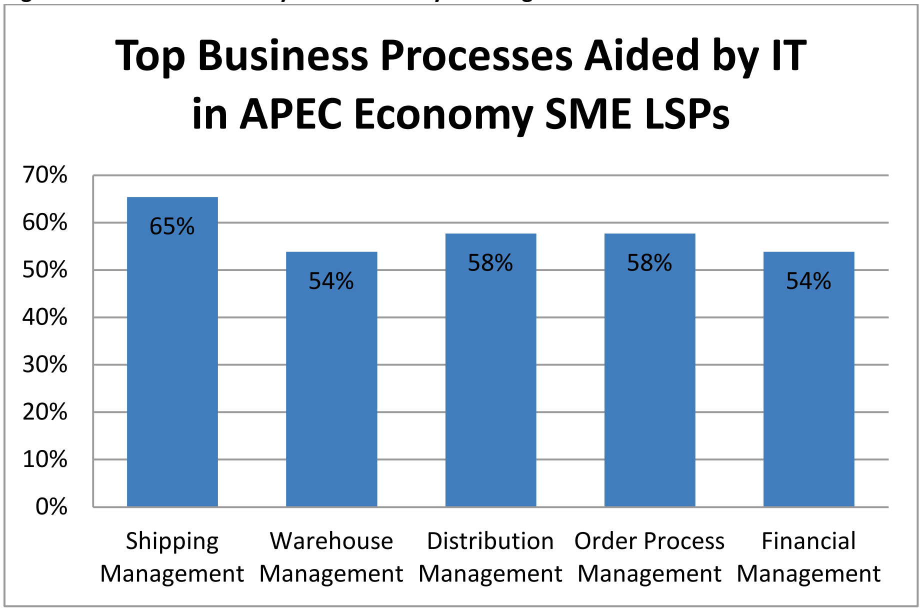
Figure 22: Usage of IT Resources by APEC Region SME Logistics Service Providers. ***As reported by APEC region government respondents.***



Source: Survey Results

We continued our investigation into the level of modernization by asking SME logistics providers whether or not they utilized ERP software in their business. Of APEC SME logistics service provider (LSP) respondents, 96% utilize ERP software in their businesses (Figure 23).

Figure 23: ERP Tools Used by APEC Economy SME Logistics Service Providers

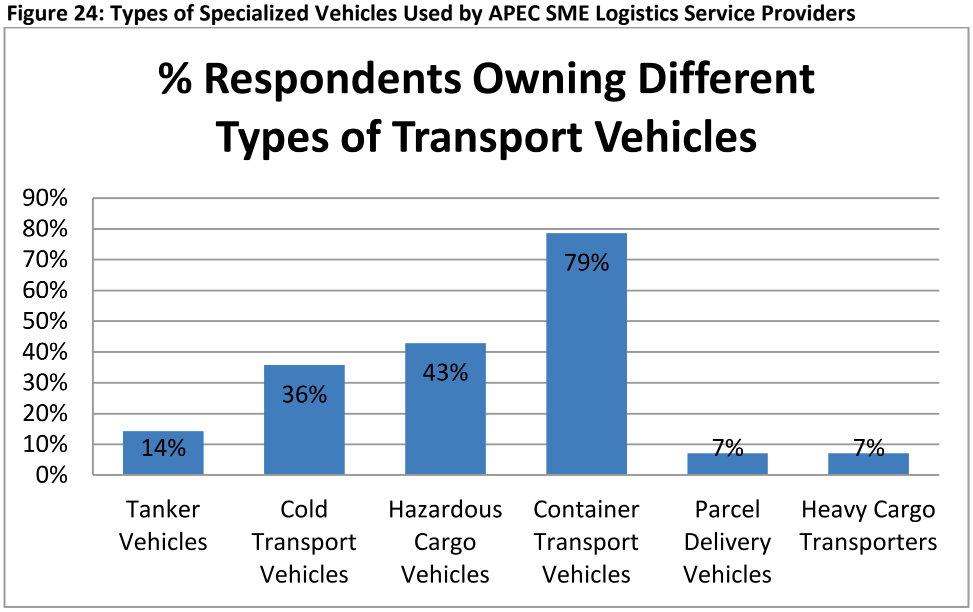


Source: Survey Data

Degree of Logistics Service Specialization

Measuring the degree to which logistics providers are specialized in vertical markets was beyond the scope of this study, however we can postulate a low level of vertical market specialization in traditional logistics services through observation of types of specialized transport vehicles owned by SME logistics service providers in the APEC region (Figure 24). Of SME LSP respondents surveyed, only 54% utilized specialized cargo vehicles. This serves as a partial indicator of readiness for expansion into other specialized vertical logistics industries.

Figure 24: Types of Specialized Vehicles Used by APEC SME Logistics Service Providers

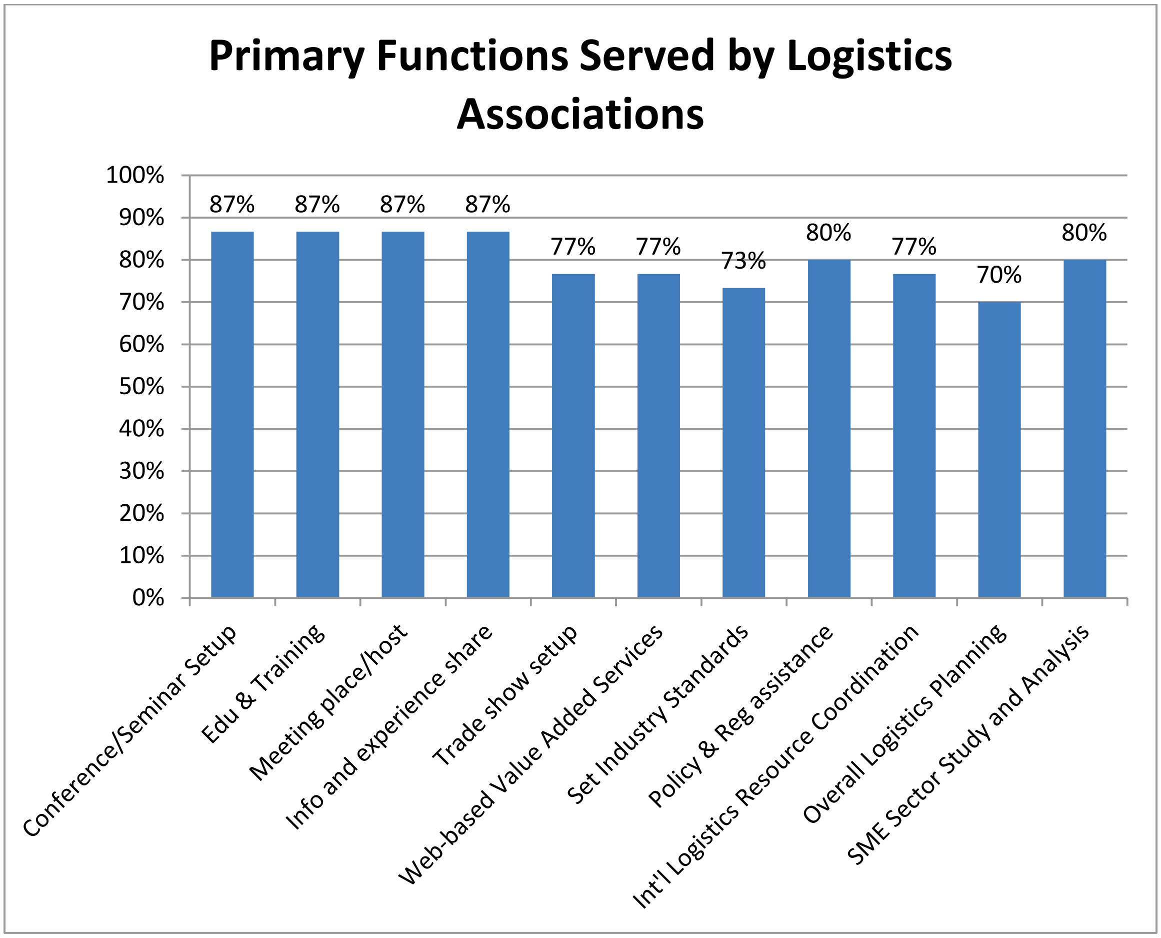


Source: Survey Results

Education, SME LSP Goals and Potential Trends

Logistics industry associations and coalitions have traditionally been key sources of information and education for SME logistics companies. In many cases these associations can pool together the resources and will of its members to voice opinion and provide access to relevant resources. As such, we investigated the primary reasons for which APEC region SMEs were going to logistics associations as a proxy to understanding what are some of the key issues they are facing in the industry (Figure 25). The results and our interviews indicate SMEs are generally looking for information on policy and regulations, and are further utilizing logistics associations as point of contact with other businesses and experienced partners.

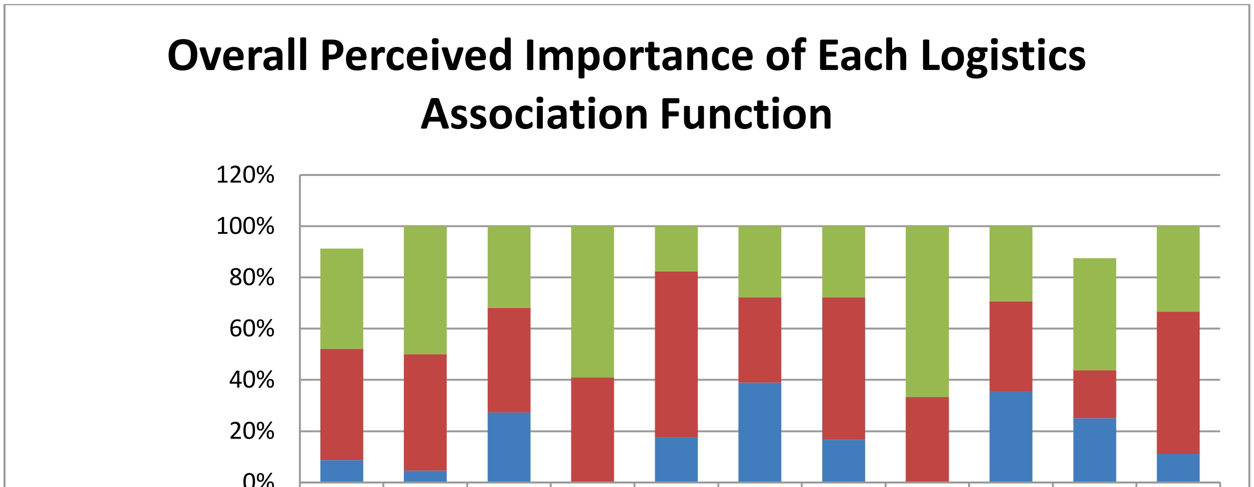
Figure 25: Kinds of Help APEC Region SME Logistics Service Providers are Looking for in Logistics Associations



Source: Survey Results

Taking a closer look, ratings of "very important" for the association functions: "Education & Training", "Info & Experience Sharing" and "Policy & Regulatory Assistance" all support this conclusion (Figure 26).

Figure 26: Relative Importance of Each Logistics Association Function

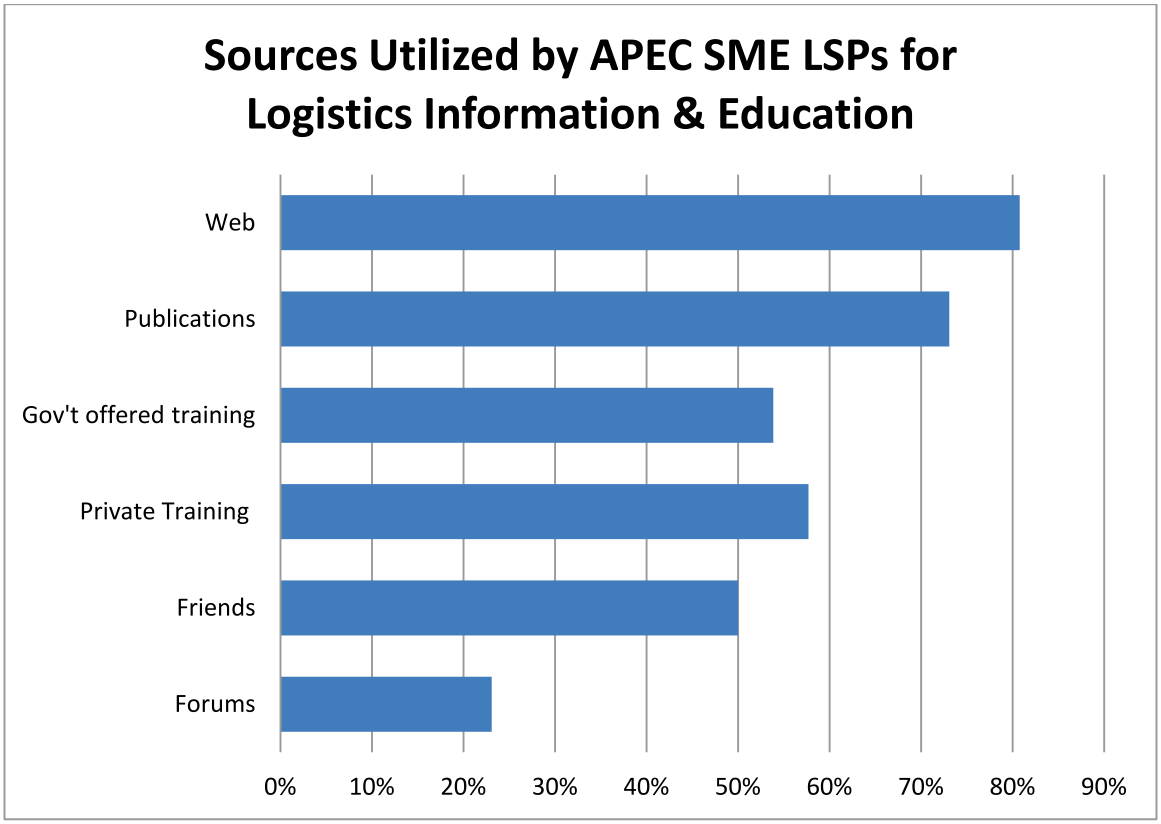


	Conference/Seminar Setup	Edu & Training	Meeting place/host	Info and experience share	Trade show setup	Web-based Value Added Services	Set Industry Standards	Policy & Reg assistance	Int'l Logistics Resource Coordination	Overall Logistics Planning	SME Sector Study and Analysis
Very Important	39%	50%	32%	59%	18%	28%	28%	67%	29%	44%	33%
Important	43%	45%	41%	41%	65%	33%	56%	33%	35%	19%	56%
Limited Importance	9%	5%	27%	0%	18%	39%	17%	0%	35%	25%	11%

Source: Survey Results

We also looked at what other possible places SME logistics service providers were going to for help. We discovered the two resources utilized most often were the world-wide-web and logistics publications (Figure 27).

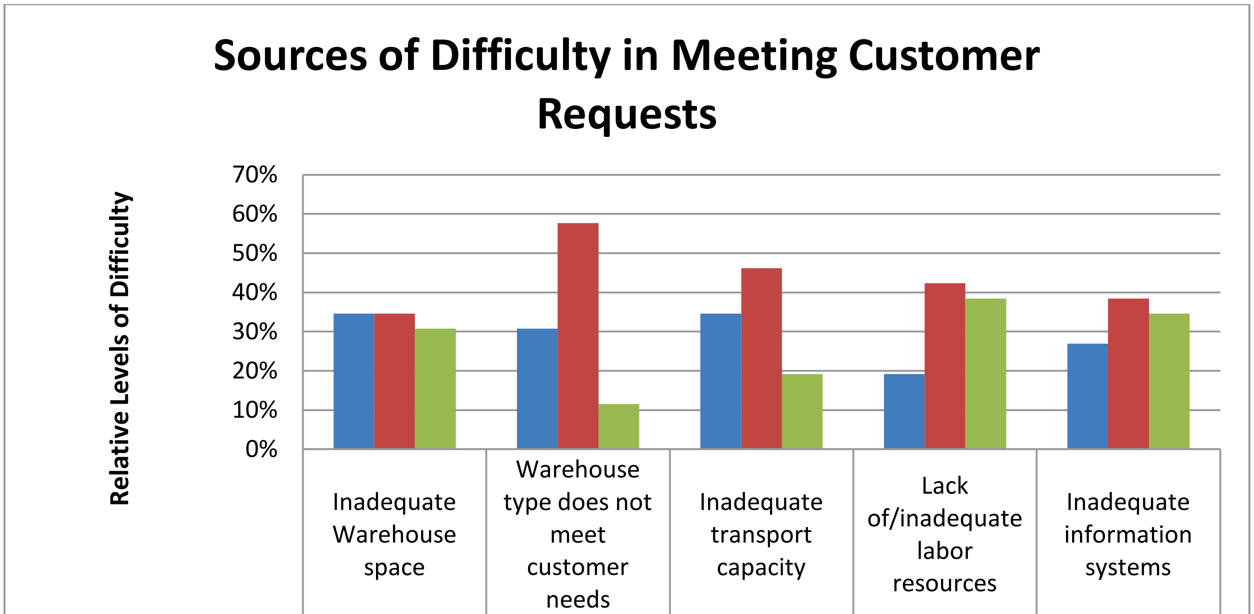
Figure 27: Resources Used by APEC Region SME Logistics Service Providers



Source: Survey Results

Finally, we made further investigation into the logistics provider – customer relationship. When looking at traditional logistics, with 89% of SME logistics service providers being unable to meet customer requests because of a lack of required warehousing (Figure 28), we can presume this is one of the primary issues that would prevent SMEs from expanding into specialized vertical logistics markets which have special requirements on warehousing (e.g. pharmaceuticals, various foods, high tech products, etc.)

Figure 28: Sources of Difficulty in APEC Region SME Logistics Providers Meeting Customer Requests

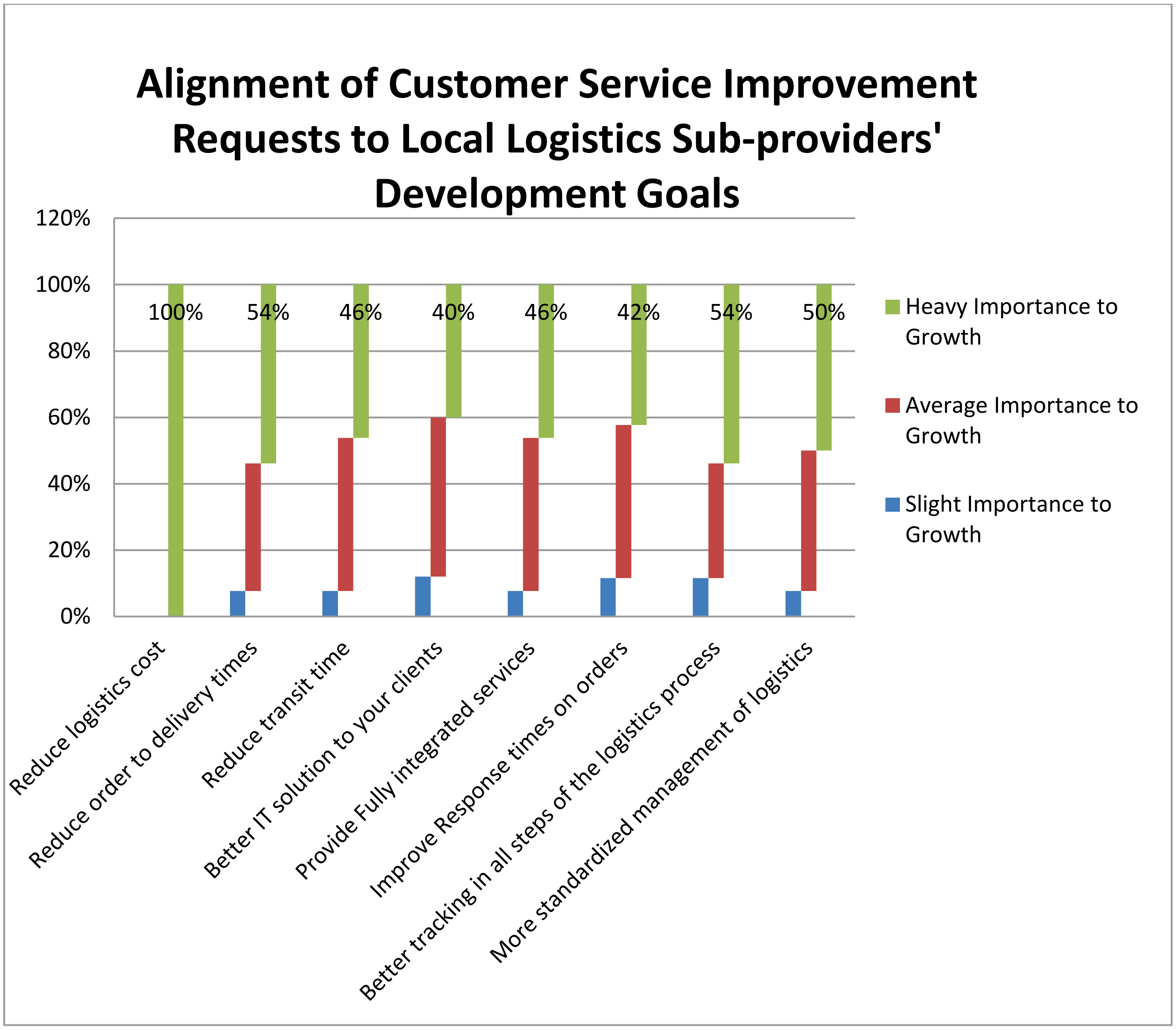


	Inadequate Warehouse space	Warehouse type does not meet customer needs	Inadequate transport capacity	Lack of/inadequate labor resources	Inadequate information systems
Significant Difficulty	35%	31%	35%	19%	27%
Common Difficulty	35%	58%	46%	42%	38%
Minimal Difficulty	31%	12%	19%	38%	35%

Source: Survey Results

We wanted to gain insight on the future trends regional SME logistics service providers may establish by embracing the belief that businesses are driven by their customers' demands. We presented typical customer requests made in the industry, and asked respondents to rate the importance of each to their own business growth (Figure 29). Aside from the importance of reducing costs – a given, better tracking of orders and reduction of order-to-delivery times ranked among the most importance issues SME logistics service providers wished to tackle in order to grow. These in fact are key concerns that are difficult to resolve in cross-border cases given current technologies and process; however they are key issues that were brought up in the seminar that followed this survey, and are approached in the discussion section of this report.

Figure 29: Importance of Customer Service Requests to APEC SME Logistics Service Provider Company Growth



Source: Survey Results

Seminar Discussion Topics and Developments

Results of the survey were presented to members of APEC economies in a seminar held in Suzhou, China. Four major topics of concern were generally discussed during the two-day seminar, and can be generalized to issues of: finance, policy and regulation, education and training and information access.

1. **Access to Finance Solutions**

   SME logistics provider access to capital was a key issue discussed during the seminar, and the importance of finance solutions to SME logistics providers in the region was confirmed by respondents to the survey. The issue surfaced in speaker presentations and was a major concern expressed by seminar participants as well. There were several suggestions made during the seminar as first steps to resolving the issue:

1. Programs of mutual guarantee for banking loans to SME logistics providers. Specifically, groups of five or more SME providers can apply for a single loan. In this way a financial institution can base their credibility analysis on the combined assets of all the companies, while expecting the collateral of each company to serve one another interchangeably should one company default.
2. Program of direct government guarantee wherein the participating government would co-sign on a significant portion of the loan value, and repay that portion to the financial institution should the SME provider default. In the example provided by Peruvian participants, the Peruvian government co-signed up to 50% of an SME logistics provider's loan value.
3. Logistics industry specialized loans, in which warehouse bills, shipping orders or other logistics based forms of collateral were used to support financial institution loans to SME logistics providers or their customers.

2. Policy and Regulatory Assistance

In the survey, when rating the effectiveness of the policies to Establish Industry Standards, more than half of respondents felt their economy performed Poor, and only 18% believed their economy to perform Good. SME logistics providers also reported needing help in import/export processing, establishing cross-border logistics partners, as well as understanding and working under the foreign regulations and policies of different APEC economies. The need to improve policy was further emphasized as a critical issue by seminar attendees during discussion sessions. There were suggestions made during the seminar as first steps to resolving the issue:

1. Government subsidy of consultants and other expert advisors to SME logistics providers. This allows companies to have access to process optimization and/or business expansion or transition experts that would otherwise be out of reach due to a typical SME logistics provider's limited capital resources.
2. Continued expansion of trade liberalization and tariff reduction or elimination in more industries. In an example provided by a Hong Kong speaker, the liberalization of import/export policy in the Hong Kong wine industry led to new logistics demand in the vertical, and ultimately an increase of logistics providers from 200 in 2005 to 5000 in the wine industry today.

Building on knowledge acquired from interviews, it was also found that increased border security throughout the region has resulted in increased complexity in trade processes. This is having greatest impact on SME logistics providers, as they often do not have the resources or knowledge to deal with cross-economy regulations. Further, in cases where such knowledge or resources are available, in many cases SMEs fail to utilize such assistance measures. The reasons for low utilization need to be further investigated; however one reason pointed out by participants was the lack of information and by extension the need for better educative systems available to SME logistics providers.

3. Education and Training

In addition to survey results confirming the demand by SME respondents for resources of education and training, the need for continued improvement in the area was a point often raised by seminar participants. We've discovered the business environment and logistics service needs are evolving as a result of continued globalization and the changing nature of globalized supply and value chains. There is not only a need to educate the SME logistics provider in changing logistics services, but further there is a need for a better mechanism to provide the knowledge and information more quickly and effectively – as most SMEs do not have the time or resources to engage in lengthy educative processes.

In fact, a speaker from the United States presented the changes in global supply chain needs as an opportunity for SME logistics providers to break out of traditional logistics and capture the market in new logistics territories. In particular, the new global business environment of many industries is causing companies to look for specialized logistics services – many of which are not provided by the top 25 logistics providers in the world. Small and medium logistics service providers are more agile, typically have highly local knowledge and are well suited to provide these specialized logistics services. However SME logistics provider ability to adapt is heavily dependent on access to education and training resources.

The survey results showed that over 80% of SME logistics provider respondents look to the world-wide-web as a *Source for Logistics Training and Education.* Representatives from Mexico shared how their economy utilized the internet to provide a free logistics processes evaluation service easily accessible to SME logistics providers.

4. Information Access

Another key acknowledgment in the seminar was the fact that many policies and programs designed to facilitate SME logistics capacity building are in fact not being utilized by the SME businesses. Participants from both China and Malaysia pointed out that in many cases there are FTA's or other policies available to SME logistics service providers, however they fail to take advantage of them. The two major reasons for this revealed by participants were:

1. Lack of knowledge about such resources' existence.
2. Poor design of policy such that it does not necessarily benefit the small and medium sized company.

Our report was not probe information access per se, however it should be a key issue to investigate in future studies. The unawareness of resource availability is a key issue discussed later in this report.

Conclusions

Although external validity is hard to achieve in broad survey based studies because of the difficulty in repeating and variable control, we can find some confidence in the data when comparing results with those of a recent study done by Australia. In their report on supply chain connectivity of the APEC region, they note several major "bottlenecks" across the APEC supply chain that are reconfirmed by our results.[5] Of the 20 – 30 choke points identified in the supply chain, the participants in their report noted:

1) Lack of physical capacity or poorly maintained infrastructure;
2) Poor, numerous and cumbersome regulations that lead to confusion and high costs, making the regulation susceptible to corruption and unpredictable as to its application;
3) A lack of harmonised regulations, customs documentation and procedures including different non-transparent application of risk management techniques at-the-border;
4) A lack of transparency of regulations and their application causing uncertainty which serves as a barrier to entry into the logistics business, impairing competition, efficiency and innovation. This was particularly important for small to medium enterprises (SMEs) of which there are many in APEC;
5) Numerous jurisdictions or 'silos' to deal with, making the coordination of the distribution of goods unnecessarily complex and therefore costly;
6) A lack of appropriate regulations and use of world's best technology that led to poor performance of road safety across many APEC economies causing unnecessary deaths on roads;
7) Poor customs procedures, some still based on cumbersome paper documentation; and
8) A lack of freedom to operate across borders, either to freely establish logistics companies or to operate transport equipment.
9) … Restrictions on air freight still meant virtually empty aircraft were flown around simply to comply with outdated so-called 'freedoms of the air'.

Reported sources of bottlenecks above are in line with the major restraints and barriers to trade reported by respondents to our survey.

1. Need for Increased Attention to Transition and Adaptation Capacity Building

Although beyond the scope of this study, we can hint at recent changes in globalization, business practices and supply chain models with anecdotal reference. For instance, whereas many manufactures in China's Dongguan city area once required the ability of logistics providers to move large numbers of containers in high volume trading, we are now seeing manufacturers looking for logistics providers that are capable of moving small volume high-tech/high-value goods under increasingly shorter lead times. In many cases traditional logistics providers do not have the experience or technological capabilities to provide such services, and with limited education/training resources we are seeing significant development gaps. Our study has shown

[5] Supply-chain connectivity across APEC. Pg. 6 by, Centre for International Economics, Canberra & Sydney, June 2009.

that education and information ability are key areas where SME logistics providers are looking for improvement. Further, experiences shared by seminar participants also demonstrated that education tools and knowledge distribution are key areas where they are working to improve the logistics industry in their home economies.

Major growth opportunities in the logistics industry are coming from changing global value chains, and emerging business models. Yet with limited education/training resources and few models available to follow, it is difficult for a SME logistics service provider to take advantage of such opportunities. Further, with capital access limits, small company resources must be focused on existing core business process already generating income.

2. Need for Improved Cross-economy Information Distribution

Given the fact that SME finance issues have been a problem known very early on, there have been numerous policies implemented in the APEC region to aid the SME logistics service provider. However we continue to see respondents listing finance issues as a major burden to growth. It is possible that part of the issue may also stem from SME companies being unaware of the finance help available to them, and thereby failing to take advantage.

Beyond access to information about finance resources, information on trade procedures, standards and conformance changes and assistance, and many other potentially beneficial resources are not being accessed by the SME logistics service provider. This points to a fundamental problem in the cross-economy distribution and access to information that should be further investigated. Initial suggestions to approaching this problem are made later in this report.

3. Need for Better Method to Studying the Logistics Industry

Finally, meta-analysis of the survey conducted for this seminar brought up some key issues which were found to exist in many similar studies[6]. For this study and for many before it, the primary method to assess the situation of the logistics industry cross-economy is through very traditional survey based methods. Aside from inherent problems in sampling, distribution and data collection; it was found that there are different understandings of terms in different economies, it is difficult to compare different studies of the same phenomena, there are no general research methods for the logistics industry and in general there is limited comparability and repeatability across studies – leading to low levels of external validity for these studies. This leads to possible inaccuracies in cross-economy comparisons that are hard to avoid. Yet without an alternate mechanism for information collection and distribution, the traditional survey questionnaire is still the normative information gathering tool in the logistics industry. Beyond

[6] As reported by Prof. Lauri Ojala & Dr. Harri Lorentz of the Turku School of Economics, Finland in their presentation Towards an improved methodology in logistics cost and performance measurement through the LPIO network, presented to the Logistics Performance International Observatory, Thammasat University in Bangkok, May 12, 2011.

studying the industry, other points were made by seminar participants that lead to the notion of information availability and communication being a key issue to confront in the pursuit of effective cross-border collaboration and improved capacity of regional logistics providers.

Discussion and Next Steps

Based on the study and seminar:

- We have a changing global supply structure, and new modes of global business – all with new demands on the logistics supply chain.
- We have an increasingly complex system as a result, and most SME LSPs do not have the resources, skills or time to keep up with changes and modernize in pace with global business demands.
- All economies have their own regulations, policies and way of doing things because each economy is different, with unique localized demands. Asking them to change the way they do things is slow and laborious for each party involved.
- SME LSPs are unable to access cross economy information, and have difficulty finding help in other economies.
- SME LSPs greatest opportunities lie in vertical markets, and in providing advanced specialized logistics services or localized services that either cannot be offered or cannot be offered quickly by the largest logistics service providers in the world.
- Based on research and interviews, SME LSPs are indeed looking to expand to new markets and industries, but financial restraints and information are key limiting factors.
- Based on research and interviews, SME LSPs need knowledge and assistance to accomplish capacity growth.

The underlying importance of information and communication can be identified in all key issues revealed by the survey and discussed by interviewees. It was discovered that in some cases solutions to the issues encountered by SME logistics providers are in fact available, but due to lack of information or lack of communication the enterprise is either uninformed or lacks access to beneficial resources. Furthermore, an SME logistics provider's ability to expand into new markets or industries is dependent on his ability to acquire accurate information and collaborate with the necessary parties across economies.

1. An International Logistics Platform (ILP) to Support Smaller Logistics Service Providers

We suggest the formation of a logistics service provider network to serve as a platform for communication and collaboration among regional logistics providers. Such a platform would serve the dual purpose of facilitating trade, while acting as a mechanism to collect data on the evolving needs and situation of logistics service providers utilizing the system. This concept was well received by attendees at the conference, and some comments suggested such a platform would be beneficial to the APEC SME logistics community as a whole. The principle behind such a platform advances:

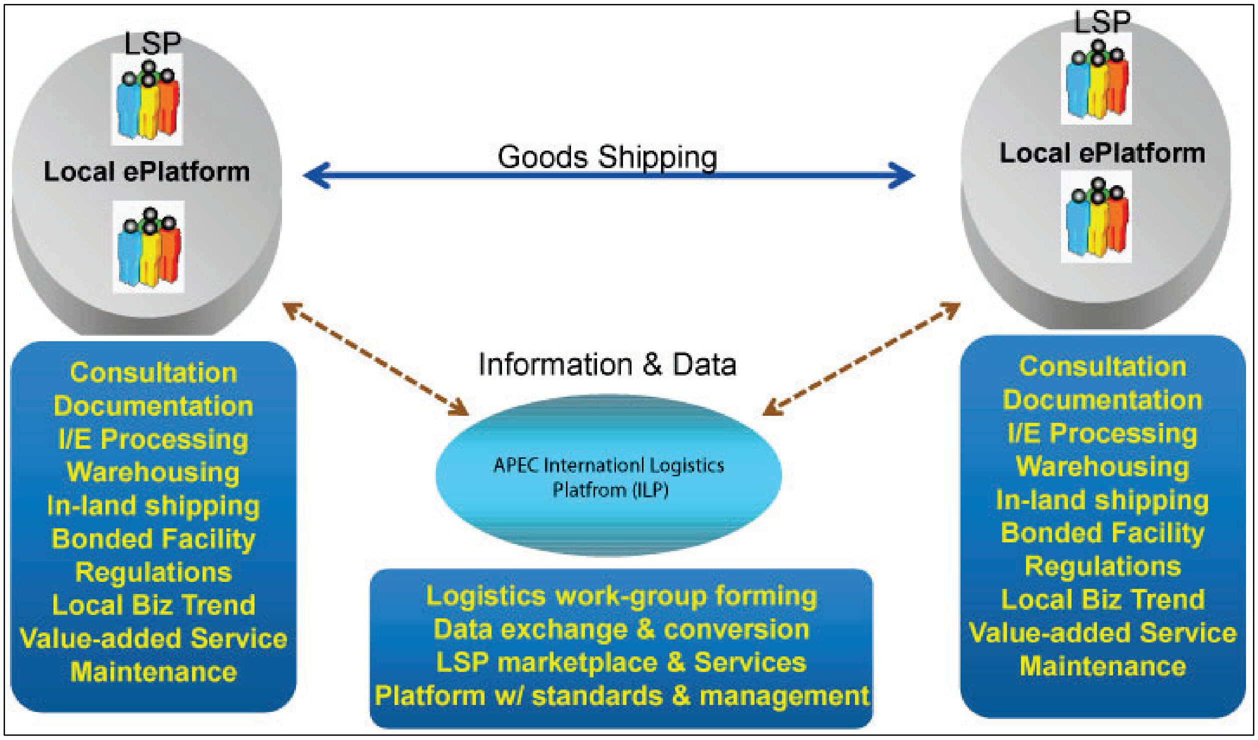
1) A cross-economy mechanism for interpretation is more effective in facilitating trade within a complex framework of differing policies, regulations and standards across APEC economies versus development of APEC regional standards and guidelines. By developing a higher-layer interpretation mechanism that allows each economy to communicate and collaborate using their own native policy/regulatory “language”, rather than expecting all economies to adapt to APEC wide standards and definitions. This strategy is in line with the principle of economies voluntarily aligning to APEC initiatives.
2) Logistics providers need a unified method to not only acquire, but make use of information across each APEC economy. This concept goes beyond the “single point of contact”, to include providing relational information network that allows the logistics provider to independently find partners and advisors with regard to their issue, and engage in communication.
3) With knowledge and information in hand, the logistics provider should be able to immediately find relevant partners in each economy that would allow him to begin collaboration and actually expand their cross border service capacity. This implies in addition to information digest and communication functions, such a platform would also include collaborative tools directed to the needs of the logistics service provider in particular.

In general, the communication/collaboration platform would serve three primary purposes:

1) Provide a logistics service communication platform in each economy’s own language
2) Provide a unified distribution mechanism for each economies’ regulating bodies to distribute relevant trade info regarding their economy
3) Provide a standardized data to observe changes in behavior and trends in real-time.

As a platform specifically designed for the logistics service provider, it would be separate but supportive of the business domain logistics supply chains. It would serve as an APEC wide communication and collaboration tool easily accessible by smaller companies with limited resources, and further provide a natural point of contact and information transfer between APEC stakeholders and smaller logistics providers.

Figure 30: International Logistics Platform (ILP) Simple Model Suggestion



2. A Capacity Building Program for Enhancing the Logistics Sub-Providers

The recommendations which are generated from the survey and the seminar need to be put into a limelight. APEC could take advantage of the various resources to address those concerns which logistics sub-providers have through implementing targeted multi-year program in a holistic manner. The capacity building program could be divided mainly into three parts which respectively focusing on the issues that logistics sub-providers are facing in the short-term, middle-term and long term. This cluster approach will effectively and sustainably consolidate the strengths and remedy the defects of the logistics sub-providers. This multi-year capacity building program will contribute to the two key areas of APEC, namely SMEs and Supply Chain Connectivity Framework.

3. Conduct Further Studies

This study was the first step in developing a better understanding of a key "behind the border" player in international business – the SME logistics service provider. Information regarding the local/regional logistics service provider is limited, and this study provides a general understanding of the overall situation facing the logistics SME region wide. We believe continued and more in-depth study into the SME LSP to better identify the differing needs of each within their individual economies is necessary.

Based on our experience in conducting this survey, we propose the initiation of 1:1 economy studies. While maintaining consistency with a broader APEC regional investigatory framework, this two level investigatory scheme should allow us to gather a local perspective on each economy situation, while maintaining outlook on providing data that can facilitate developing a fully integrated and functioning regional trade system. Ideally, this study would also be accompanied with one-to-one or even many-to-many experimental cross-economy trade projects to further justify the results and suggestions of these studies. With a better understanding of the local situation in each economy, and the support of real world experimental results, we will be better equipped to make accurate cross-economy comparisons and APEC region wide suggestions.

We invite comments and suggestions from the APEC community on this report and its recommendations directed to the authors of this proposal.

Appendix

I. Survey Form

Part 1. APEC Economy Government & Regulatory Assessment (For government officials & logistics associations)

1 Establishment of Terms

1.1	**Which of the following businesses/organizations are considered logistic providers in your economy?**	**Please mark with ✔ for all that apply.**
1.1.1	Trucking, Shipping	☐
1.1.2	Storage and Warehousing	☐
1.1.3	Import/Export Processing, Customs Broker	☐
1.1.4	Freight Forwarder, Representative,	☐
1.1.5	3rd Party Services Providers	☐
1.1.6	Internet Based Logistics Services Platform	☐
1.1.7	Integrated Logistics Services	☐
1.1.8	Others	
1.2	**The annual revenue range for a company to be considered an SME.**	USD _______ to _______

2 Market Overall Situation

2.1	**Total number of enterprises in the logistics sector?**	
2.2	**Total number of SMEs in the logistics sector?**	
2.3	**What is the total logistics market size?**	________ , Currency unit(________)
2.4	**What is the overall state of business for logistics SMEs in general?**	Very good / Good / Average / Poor
2.5	**What is the overall state of growth for the logistics SME sector in the last 3 years?**	Fast Growth / Growth / Slow Growth / No Growth

3 Policy & Regulatory Assessment

3.1	**In the last 3 years, have there been any**	Yes / No

	NEW LAWS or NEW INSTITUTIONAL POLICIES established to promote SME logistics enterprise development?	
3.1.2	**If Yes**, please rate how much the new laws or policies have helped.	Very / Good / Average / Poorly / None
3.2	**What policy and/or regulatory tools are used to promote SME development? Are they effective?**	**Please mark with ☑ for all that apply and using a red font effect level.**
3.2.1	Lower taxes	☐ Good / Average / Poor
3.2.2	Help to lower operating costs	☐ Good / Average / Poor
3.2.3	Policy to support consolidation of business and resources?	☐ Good / Average / Poor
3.2.4	Help financing	☐ Good / Average / Poor
3.2.5	Establishment of industry standards	☐ Good / Average / Poor
3.2.6	Education and training	☐ Good / Average / Poor
3.2.7	Help to better organize the market	☐ Good / Average / Poor
3.2.8	Help to enhance international logistics ability	☐ Good / Average / Poor
3.2.9	Help to enhance IT ability	☐ Good / Average / Poor
3.2.10	Other	
3.3	**Please rate how strongly you believe the government strongly supports to the SME logistics provider?**	Strong / Good / Average / Poor / None
3.4	**Do you think the logistics industry is treated as important by the government?**	Very Important / Important / Growingly Important / No Different from Other Industries

4 Assessment of Organizational and Institutional Support

4.1	**Are there any active trade or logistics associations supporting the development of SME logistics providers?**		Yes / No
If Yes, please list the top three at right →	4.1.1	Name:	
		Type: Private / Gov't / Hybrid	Website:
	4.1.2	Name:	
		Type: Private / Gov't / Hybrid	Website:
4.2	**Please rate the functions of the logistics or trade associations.** (Please rank from 1-3, 1: Less important, 2: Important, 3: Very important)		( ) Conference and seminar setup ( ) Education and training ( ) Meeting place/host ( ) Info and experience sharing ( ) Trade show setup ( ) Web-based value added services ( ) Industry standard setting ( ) Policy and regulation assistance ( ) Int'l logistics resources coordination ( ) Overall logistics planning ( ) SME sector study and analysis

		( ) Other
4.3	**Is there an established government unit dedicated to the logistics industry?**	Yes / No
4.4.1	If there is only One dedicated unit, please provide the name	
4.4.2	If there is no One dedicated unit, but there are more than one government unit, then please list them:	Name 1: Name 2: Name 3: Name 4
4.4.3	Do you agree there should be only one unit dedicated to the logistics industry?	Strongly / Agree / No Opinion / Disagree

5 Assessment of Soft and Hard Logistics Infrastructure:

5.1	**Basic infrastructure**	**Please rank their condition, 1-3** 1: Good, 2: Average, 3: Poor	
5.1.1	Roadway	( )	
5.1.2	Railway	( )	
5.1.3	Seaport	( )	
5.1.4	Waterway	( )	
5.1.5	Airway/Airport	( )	
5.1.6	Bonded Facility	( )	
5.1.7	Border Facility	( )	
5.1.8	Other	( )	
5.2	**Are the projects have been initiated by your economy helpful to support SMEs for int'l trade logistics?**	Less Helpfu l / Helpfu l/ Very Helpful	
5.3	**What is the status of logistics information technology usage by logistics SMEs?**	None / Just Started / Commonplace	
5.4	**Is there a website or electronic platform(s) available to aid/manage SME logistics provider operations?**	Yes / No	
5.4.1	If Yes, Please list and provided the top three web addresses.	1.	
		2.	
5.5	**What are the main challenges in execution of int'l trade logistics for SMEs?**	**Please rank challenge level, 1-3 for all that apply** 1: Less, 2: Average, 3: Strong	
5.5.1	Different business environment in various APEC Economics	( )	
5.5.2	Different import/export processing requirements in various APEC economics	( )	
5.5.3	Lack of standard int'l logistics standard in APEC economies	( )	
5.5.4	Difficult to set up the integrated services partner chain cross borders	( )	
5.5.5	Too costly to set up branches in other APEC economies	( )	

5.5.6	Inefficiency of government agencies at the border	( )
5.5.7	Lack of bonded logistics services or facilities locally	( )
5.5.8	Monopoly by the large or multi-national logistics companies	( )
5.5.9	Other	( )
5.5.10	Other	( )

Part 2. SME Logistics Provider Situational Assessment (For SME logistics providers)

1 **About Your Company**

1.1	**Where is your Headquarters Location?**	City: ____________________
1.2	**What is the capital structure of your company?**	100% Domestic / Foreign Invested / Joint Venture / Wholly Foreign Invested
1.3	**How many branches do you operate?**	
1.4	**How many people do you employ full time?**	< 10 / 10–50 / 51–99 / 100–199 / 200–499 / >500
1.5	**What percentage of your workforce conducts manual labor?**	____%
1.6	**What was your total corporate annual income for the year 2010?(in US$)**	<500K / 500K-1M / 1-2M / 2-5M / 5-10M / 10-20M / 20-50M / >50M
1.7	**What are the primary logistics services provided by your company?**	**Please mark with ☑ for all that apply.**
1.7.1	Warehousing Services	☐
1.7.2	City-wide Goods Distribution	☐
1.7.3	Freight Forwarding Services	☐
1.7.4	Customs Declaration Services	☐
1.7.5	Dock Services	☐
1.7.6	Port Services	☐
1.7.8	Logistics web-based services	☐
1.7.9	Integrated Services	☐
1.7.10	3rd party logistics	☐
1.7.11	Bonded logistics services	☐
1.7.12	Other:	☐
1.8	**Please rate the level of competitive pressure felt in each market for which you do business.**	1 None, 2 Weak, 3 Moderate, 4 Intense
1.8.1	Local/City Wide	( )
1.8.2	Your APEC Economy	( )
1.8.3	APEC Region	( )
1.8.4	Asia	( )

1.8.5	Asia-Pacific	( )
1.8.6	Globally	( )

2 Assessment of Customer Management Resources Available

2.2	**Please select the geographical range of your service network.**	**Please mark with ✓ for all that apply**
2.2.1	City Wide	☐
2.2.2	Your APEC Economy region only	☐
2.2.3	Asia	☐
2.2.4	Asia-Pacific	☐
2.2.5	Global	☐
2.3	**If you engage in international business, what percentage of your 2010 corporate annual income is a result of business with APEC related economies?**	____%
2.4	**What service improvement requests are often made by your customers?**	**Please rank importance to your biz development, 1-3 for all that apply.** 1: Slightly, 2: Average, 3: Important
2.4.1	Reduce logistics cost	( )
2.4.2	Reduce order to delivery times	( )
2.4.3	Reduce transit time	( )
2.4.4	Better IT solution to your clients	( )
2.4.5	Provide Fully integrated services	( )
2.4.6	Improve Response times on orders	( )
2.4.7	Better tracking in all steps of the logistics process	( )
2.4.8	More standardized management of logistics	( )
2.4.9	Other	( )
2.4.10	Other	( )
2.5	**Select which of the following issues most often leads to difficulty and challenge in meeting customer requests:**	**Please rank importance to your biz development, 1-3 for all that apply.** 1: Slightly, 2: Average, 3: Important
2.5.1	Inadequate Warehouse space	( )
2.5.2	Warehouse type does not meet customer needs	( )
2.5.3	Inadequate transport capacity	( )
2.5.4	Lack of/inadequate labor resources	( )
2.5.5	Inadequate information systems	( )
2.5.6	Other: ______________________	( )

3 Operational Resources Assessment

3.1	**How do you measure the annual volume of goods you manage?**	USD Amount / Volume / Weight / Combination of the three
3.1.1	Please list the total annual volume of goods managed for 2010. PLEASE DO NOT DOUBLE COUNT:	_______ (Unit:)
3.2	**How many land shipping automobiles**	< 50 / 50–100 / 100–300 / 301–500 /

	(Trucks) does your company own title to?	500-1000 / >1000
3.3	**Which types of the following specialized transport vehicles does your company own title to?**	A. Tanker Vehicles B. Cold Transport Vehicles C. Hazardous Cargo Vehicles D. Container Transport Vehicles E. Other: _________________
3.4	**Does your company use a public 3rd party warehouse?**	Yes / No
3.5	**Does your company own a private warehouse? And the total sq. meter**	Yes / No __________(sq. m)
3.6	**What is the average usage rate of your warehouse/warehouses?**	< 50% / 50%-70% / 71%-80% / >80%
3.7	**Does your company use bonded warehouse facilities?**	Yes / No
3.8	**What is your comparative usage of the following logistics modes?**	**Please fill in the % for all that apply**
3.8.1	Roadway transport mode	____%
3.8.2	Railway transport mode	____%
3.8.3	Air transport mode	____%
3.8.4	Combined transport mode	____%
3.9	**Does your company utilize an internal information management system (ERP etc.)?**	Yes / No
3.9.1	If Yes: Please select the primary system functions used:	1. Shipping Management ☐ 2. Warehouse Management ☐ 3. Distribution Management ☐ 4. Order Process Management ☐ 5. Financial Management ☐ 6. Other: ___________________________
3.10	**For int'l logistics, do you use a 3rd party's system platform to process the import/export logistics?**	Yes / No
3.10.1	If yes, please specify website address →	
3.10.2	Is your internal system connected to the platform, thereby enabling you to conduct electronic data transfer?	Yes / No
3.10.3	Are you satisfied with the platform?	Very satisfied / Satisfied / Not satisfied

4 Assessment of Logistics Industry Competitive Environment

4.1	**What are the INCOTERMS your company normally operates?**	FOB / CIF / DDP / EXW Other: ___________
4.2	**Rate the level of experience your company has with import/export procedures.**	None / Low / Moderate / Abundant
4.3	**Circle all sources where you may seek**	Forums / Friends / Private Training /

	information regarding import/export procedures in other APEC Economics.	Gov't offered Training / Publications / Web / Other:___________
4.4	**For int'l logistics, what range of services do you provide to your customers?**	**Please mark with ✔ for all that apply for both import and export mode.**
4.4.1	Pick-up goods at mfg and deliver to port	☐Import, ☐Export
4.4.2	Import / Export processing	☐Import, ☐Export
4.4.3	Arrange Int'l shipping	☐Import, ☐Export
4.4.4	Deliver goods to the point of destination	☐Import, ☐Export
4.5	**Do you provide cross-border international door-to-door integrated services?**	Yes / No
4.5.1	If Yes, what percentage of your orders is this type of business?	___%
4.5.2	If No, are you interested in improving your ability to provide this services?	Yes / No
4.6	**What is the main external bottleneck for Logistics SMEs?**	**Please rank challenge level, 1-3 for all that apply** 1: Less, 2: Average, 3: Strong
4.6.1	The lack of successful business experience	( )
4.6.2	Poor financing capability and lack of financing channels	( )
4.6.3	Lack of connection of logistics infrastructure, among different transport modes (railway, road, air, sea, inland waterway)	( )
4.6.4	Lack of industry standards, regulation of market order and related laws	( )
4.6.5	Lack of policy support from governments like incentives for setting up offices, tax exemption, etc	( )
4.6.6	Too strict market access limitations	( )
4.6.7	Lack of trained personnel leading to their inability of offering professional logistics services	( )
4.6.8	Lack of information technology application like limited access to information from customers, suppliers, partners, Customs and other related government agencies	( )
4.6.9	Other	( )
4.7	**Select which of the following own issues are your challenges?**	**Please rank the applicable issues,** 1: Slight, 2: Moderate, 3: Critical
4.7.1	High Shipping Costs	( )
4.7.2	Low Business Volume	( )
4.7.3	Capital Deficiency	( )
4.7.4	Weak Sales Capacity	( )
4.7.5	Low level of IT Utilization	( )
4.7.6	Lack of Ability in Workforce	( )
4.7.7	Lack of Professionalism in Company	( )

4.7.8	Lack of Financing Resources	( )
4.7.9	Other ________________________	( )

5. What work are you want APEC to do in promoting the development of Logistics SMEs ?

____