

Logistics in Japan and ASEAN Nations

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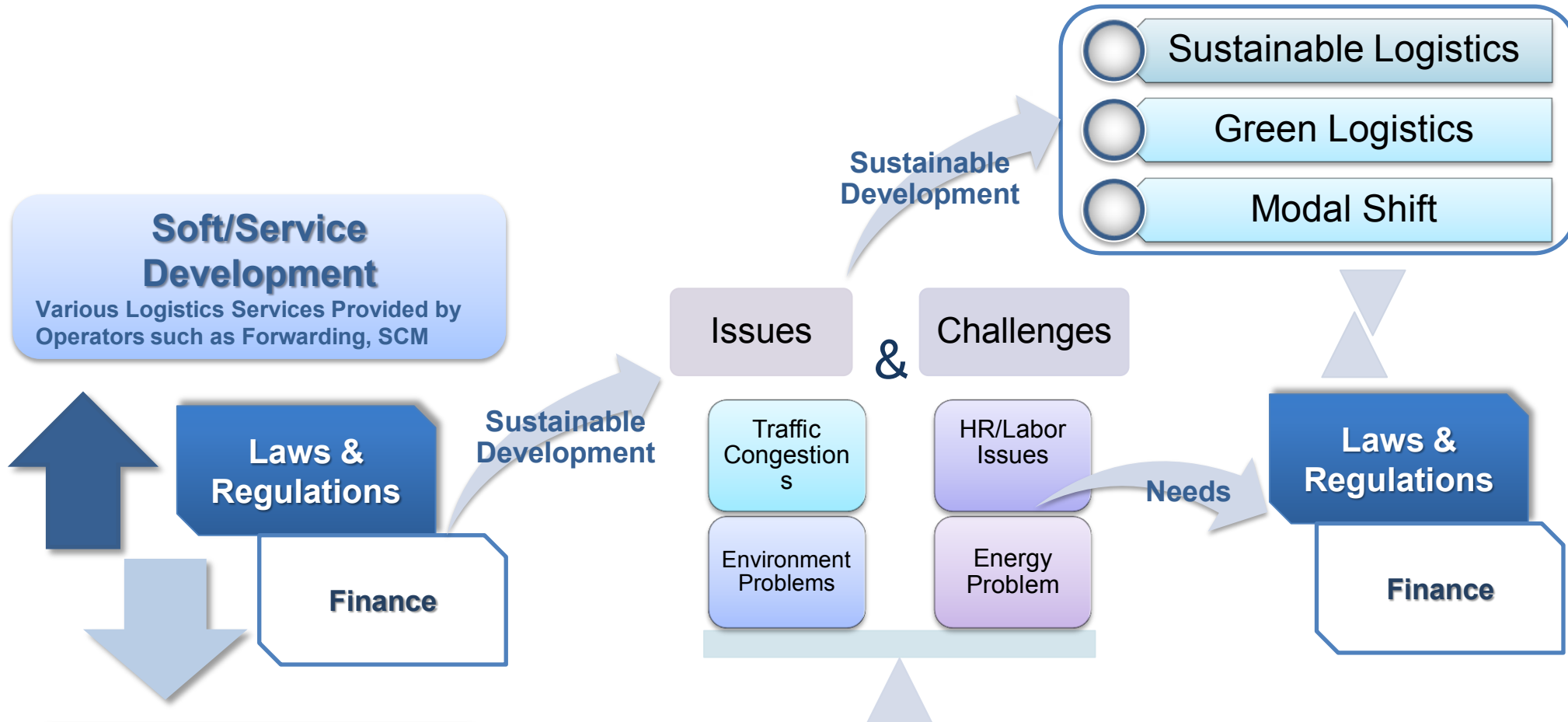
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I Introduction ~Key Factors for Logistics~

II Laws and Regulations for Logistics

- **Freight Forwarding Business Act**
- **Warehouse Business Act**

III Advancement of Logistics System in ASEAN



 **Laws/ Regulations And Finance Serve as the System Base for Development of Logistics**

Logistics Business	Related Legislations
Trucking Business	Motor Truck Transportation Business Act
	Road Transportation Vehicle Act
	Road Traffic Act
Freight Railway Business	Railway Business Act
Domestic Shipping Business	Domestic Shipping Business Act
	Maritime Transport Act
	Ship Safety Act
	Ship Officers and Small Ship Driver Act
	Marine Traffic Safety Act
Ocean-Going Shipping Business	Maritime Transport Act
	Ship Safety Act
	Ship Officers and Small Ship Driver Act
	Marine Traffic Safety Act
Harbor Transport Business	Harbor Transport Business Act
Air Cargo Business	Civil Aeronautics Act
Freight Forwarding Business	Consigned Freight Forwarding Business Act
Warehouse Business	Warehouse Act
Truck Terminal Business	Automobile Terminal Act



Purpose

- ✓ **To Ensure Quality of service
(To Protect Users)**
- ✓ **To Ensure the Safety**
- ✓ **To Ensure the Sound Competition**

I Freight Forwarding Business Act

Framework of Cargo Transport Business

Each actual transport (such as truck, ship, airplane, railway transport) has individual act respectively. On the other hand, Freight forwarding has only one act across the type of transportation.

Type of Transportation	Regulation of Actual Transport	Regulation of Freight forwarding
Truck	Motor Truck Transportation Business Act	Consigned Freight Forwarding Business Act
Ship	Maritime Transport Act Domestic Shipping Act	
Airplane	Civil Aeronautics Act	
Railway	Railway Business Act	

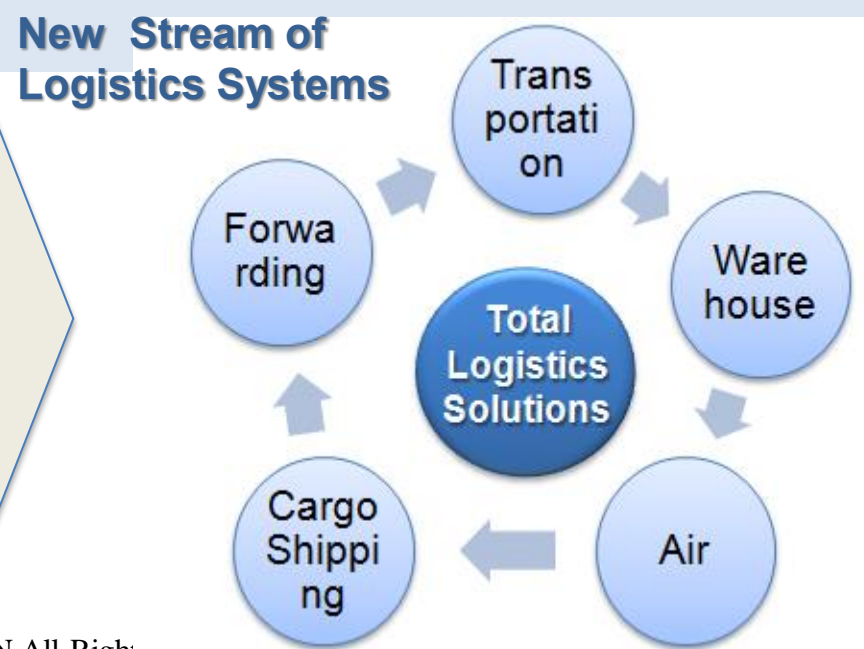
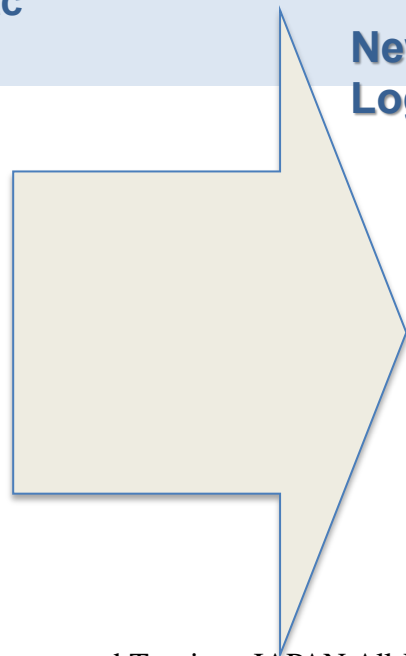
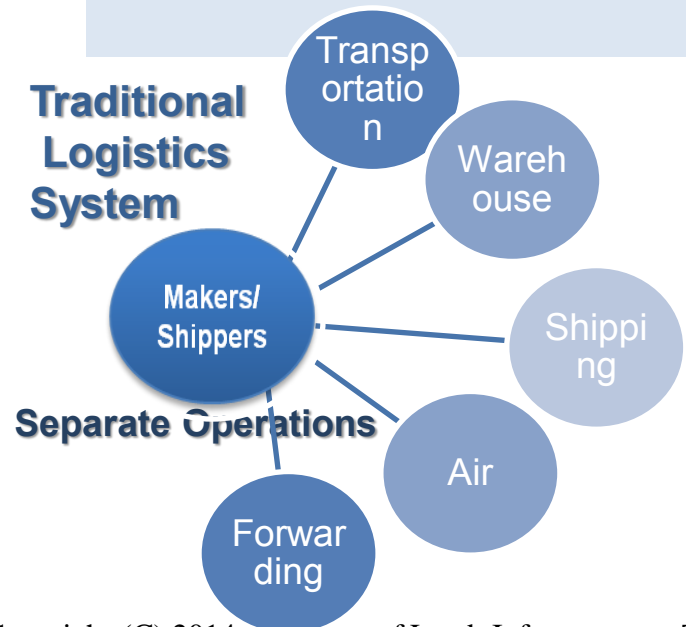
Freight Forwarding Business

Freight forwarding business is to transport cargo by using actual carriers (such as truck, ship, airplane, railway).



Demand Shift from Separate Logistics Operations to Total Logistics Operation Service

- ◆ Business Models of Industries Became More Seamless Flow
 - ➡ Needs from Business Sectors for More Total Logistics Service
- ◆ Trans-Modal Logistics Systems:
 - ◆ One Entity Provides Multiple Logistics Functions Such as Transportation, Warehousing, Cargo Shipping, Air, and Forwarding Service Based on Customers' Business Needs
 - ➡ Logistics Company Conducting Forwarder, Trucking and/or Warehouse Business
 - ➡ Forwarder May Act as Consultant and/or Operator to Propose and Implement the Most Efficient Overall Logistics etc

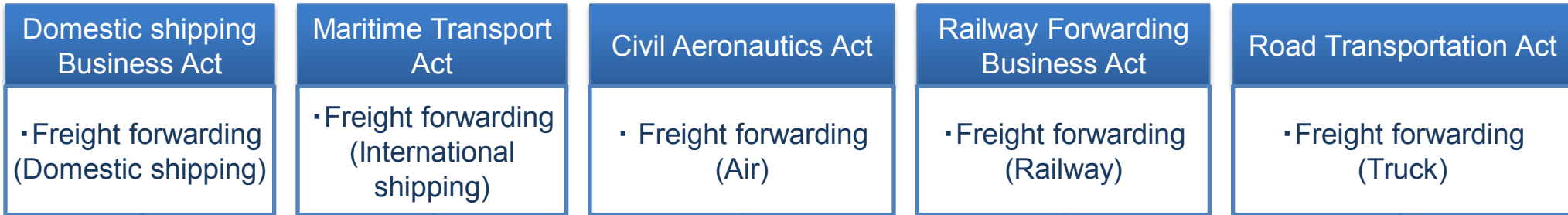


Features of Freight Forwarding Business

1. No Need to Invest in Facilities (I.e. Trucks, Airplane, Ships)
 2. Possible to Start the Business Only with Knowledge and Experience
- ➔ **Enables Entrance of Non-Professional Level Business Entities**
3. Pose Primary Responsibility for Shippers

- 
- Need for the Protection of Shippers (Users)

- 
- **Regulations are Imposed by The Consigned Freight Forwarding Business Act**



Economic Structure Shifts from Heavy Industry to Soft Industry

- Diversified Trend of Logistics Needs : More Smaller Packages, Higher Frequency, More Speedier Service
- New Needs for Multi-Modes Transportation: Regulation System to Meet Seamless Multi-Mode Transportation

In 1990

Enforcement of “Consigned Freight Forwarding Business Act”

Established the New Act Based on the Growing Need for Multimodal Transport

○ Business Entry: **Permission System**

○ Fare: **Advance Reporting System**

In 2003

Amendment of “Consigned Freight Forwarding Business Act”

Promote Free Business Deployment by Further Deregulation

○ Business Entry: 1st Class Freight Forwarding Business: **Registration**

○ Fare: **Ex Post Facto Report System**

**Characteristic
1**

- **Examinations of Ability to Achieve the Business Plans for Each Transportation Mode such as Marine Transportation, Air Transportation, Railroad Transportation and Truck Transportation**

**Characteristic
2**

- **Approval Needed for “Terms of conditions”**
➡ **Clarifications on Conditions (I.e. Liability for Transportation)**

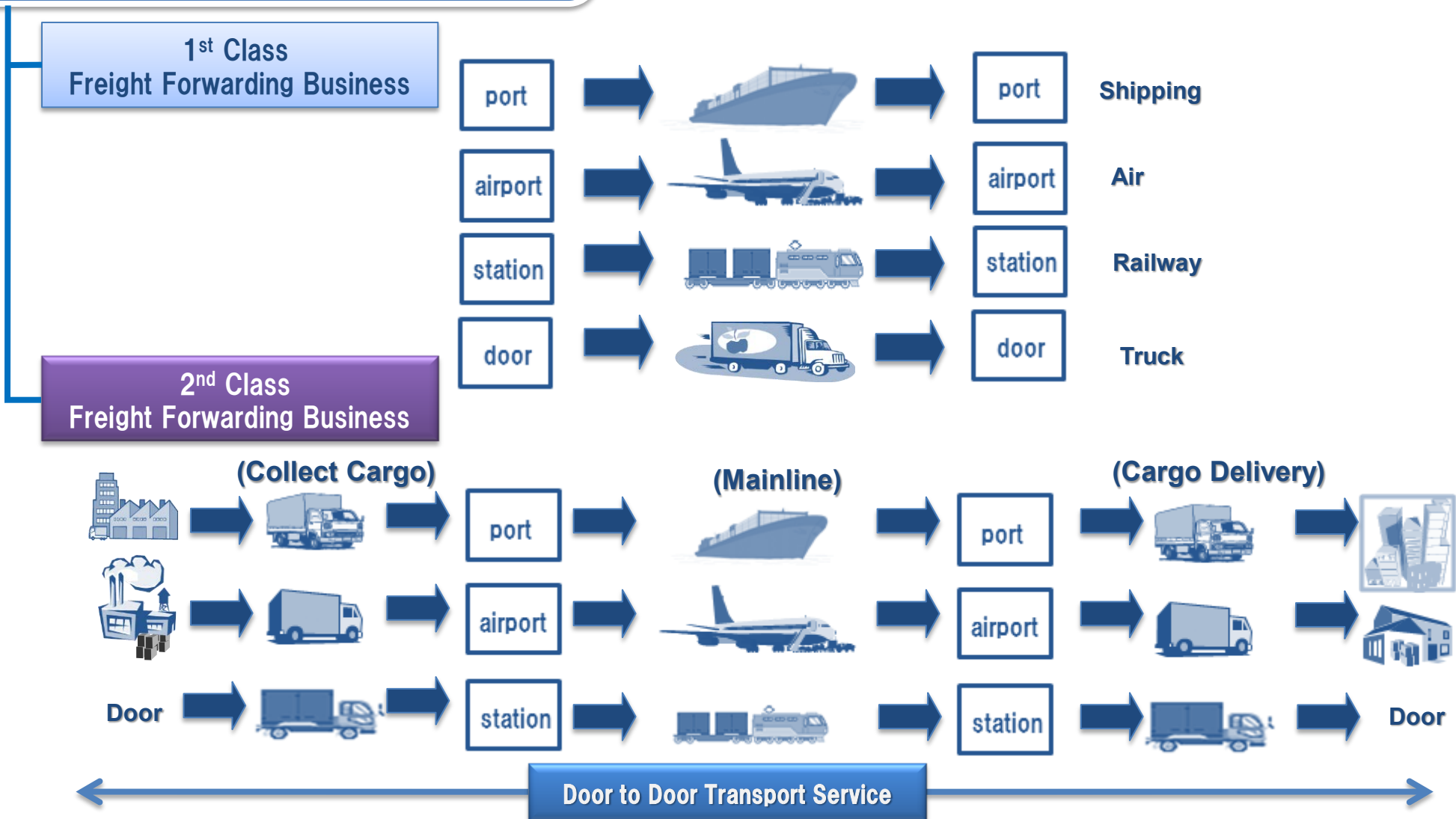
**Characteristic
3**

- **Post- Reporting on Charges and Fees (After the Incidents/Changes)**
➡ **Simplification of Procedures**

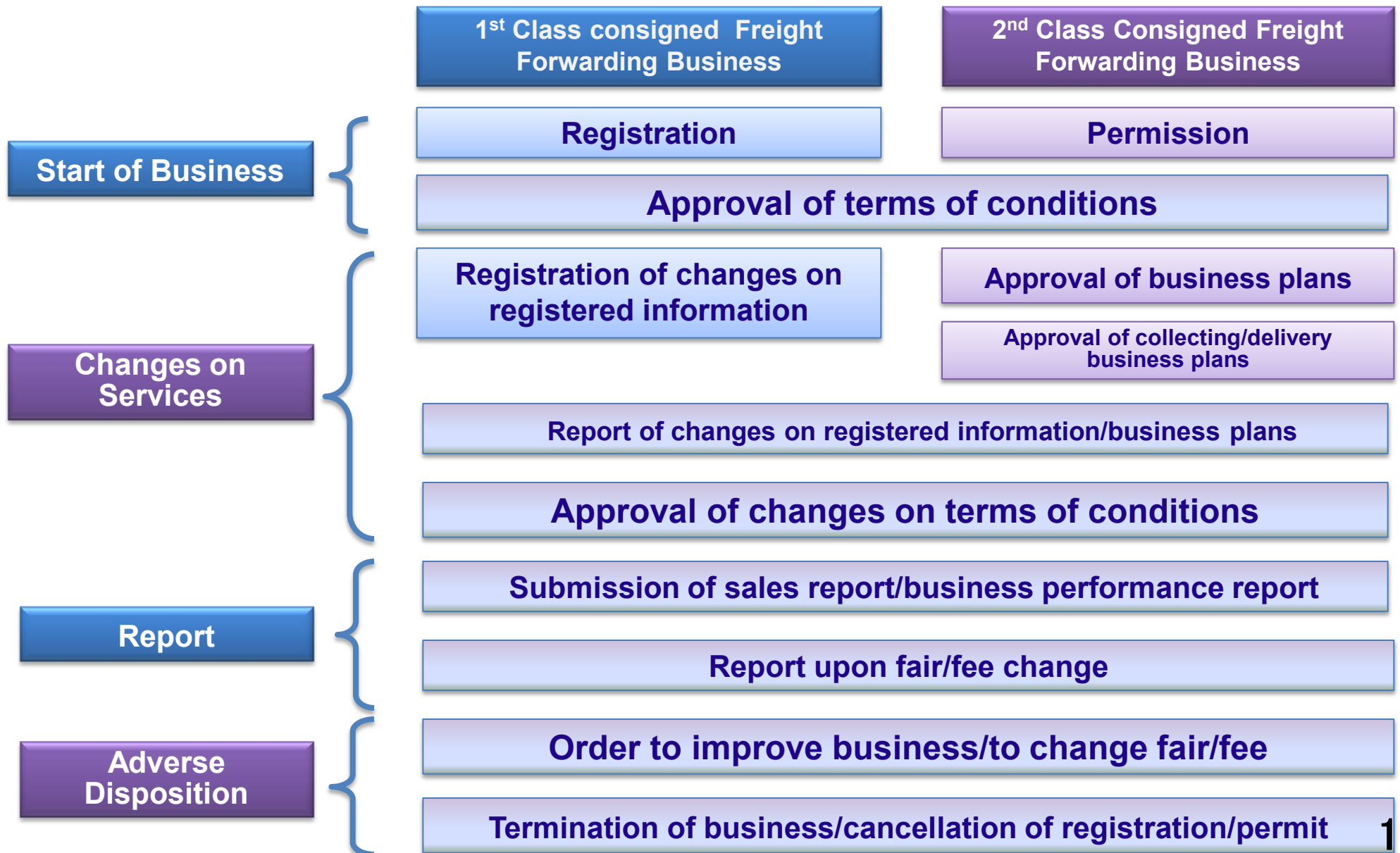


**Regulation Management Philosophy:
Post-Submissions & Post-Reporting Checking System**

Freight Forwarding Business



2nd Class Freight Forwarding Operator Provides Door to Door Transport Service Taking a Responsibility of Shipper



1st Class Freight Forwarding Business

Characteristics

- ◆ **Registration** to MLIT is Necessary to Start Business
- ◆ **Criteria for Registration**
 - ✓ To Have the Necessary Facilities to Conduct the Business
 - ✓ To Have the Financial Foundation Necessary to Conduct the Business
 - ✓ No Past History Records on Law Violations

Confirm Only the Necessary Minimums for Each Criteria

2nd Class Freight Forwarding Business

Characteristics

- ◆ **Approval** from MLIT is Necessary to Start Business
- ◆ **Criteria for Approval**
 - ✓ To Have a Proper Business Plan
 - ✓ To Have Appropriate Pick-Ups/Collection and Delivery Operation Plan
 - ✓ To Have an Ability to Perform the Proper Business (Facilities and Financial Foundation are Needed for the Business)
 - ✓ No Past History Records on Law Violations

2nd Class Operators are Required to Operate Seamlessly between Mainline and Truck transport

Precise Examinations are Required to be Conducted to Obtain Permission

1st Class Forwarding Business	Registration	Submission Contacts
Ocean Marine Shipment	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Cargo Vehicle	Director of the District Transport Bureau	District Transport Bureaus Branch
Railways	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Inland Marine Shipment	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Air	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Operations by Forigners (Ocean Marine/International Air)	Minister of Land, Infrastructure, Transport and Tourism	MLIT
2nd Class Forwarding Business	Approval	Submission Contacts
Ocean Marine Shipment	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Cargo Vehicle		
Railways	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Inland Marine Shipment	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Air	Minister of Land, Infrastructure, Transport and Tourism	District Transport Bureaus
Operations by Foreigners (Ocean Marine/International Air)	Minister of Land, Infrastructure, Transport and Tourism	MLIT

II Warehouse Business Act

- Warehouse companies provide not only a storage Function, but also play an important role in Supply Chain such as Distribution Processing etc.. In Japan, Transportation Business and Warehouse Business work together to provide the efficient transport service.



Warehousing Industry act as a Pivot of SCM, and Supports the SCM by Playing a Very Important Role.

Business Warehouse	Warehouse Registered Under the Warehousing Business Act	Bonded Storage Area (Warehouse/Shelter) Designated Bonded Area Under the Customs Law
Personal Warehouse	Warehouse Manufacturers and Wholesalers Use to Store Its Own Cargos	

Warehousing Business Act Article 2-1 :

The term “Warehouse” means a structure for preventing articles from being lost or damaged or a piece of land or a surface of the water to which alterations have been made for preventing articles from being lost or damaged which is used for storage of articles.

Warehousing Business Act Article 2-2

The term “Warehousing Business” as used in this Act means a business of storing deposited articles in the Warehouse.

Exclusions

Non-Consignment Goods

- Safe Custody (IE : Bank Deposit金)
- Temporary Storage During the Transit Under the Transport Agreement (I.E.: Shelter, Temporary Storage, Distribution Center)
- Storage During Service such as Repairing
- Personal Storage

Non-Sales Purpose

- Agriculture Warehouse
- Warehouse Business Provided for Members of the Mutual Union

Exclusions Under the Laws and Regulations

- Safe Custody (I.e: Safety Box of Banks)
- Storing of Goods Followed After the Completion of Service such as Repairing
- Temporary Holdings of Belongings Such as Lockers
- Car Parking, Bicycles Parking

Class 1 Warehouses	<ul style="list-style-type: none"> • <u>No Restrictions on Goods Stored</u> Except the Hazardous Materials • Have Features such as Water-Proof Function, Humidity-Proof Functions, Thermal Insulation Function, Fire-Proof Functions
Class 2 Warehouses	Class 1 Warehouses which Do NOT NEED Fire-Proof Functions (Livestock Feeds, Glasses, Canned Products etc)
Class 3 Warehouses	Class 1 Warehouses which DO NOT NEED Water-Proof, Humidity-Proof, Thermal Insulation, Fire-Proof, Mouse-Proof Functions (Ceramics, Raw Timbers etc)
Open-Air Warehouses	Warehouses to Store Lumbers, Tiles at Open-Air
Silos & Tanks	Warehouses to Store Bulk Cargos such as Grains and Liquid Commodities
Warehouses for Hazardous Goods	Warehouses to Store Designated Hazardous Goods Using “Shed” or “Tank”
Cold Stores	Warehouses to Store Goods That are Appropriate to be Stored Under 10°C Such as Frozen Seafood, and Meats etc
Timber Pond	Warehouses to Store Raw Timbers on the Surface of a Storage Pond



Silos and Tanks



Warehouses for Hazardous Goods



Cold Stores



Timber Pond

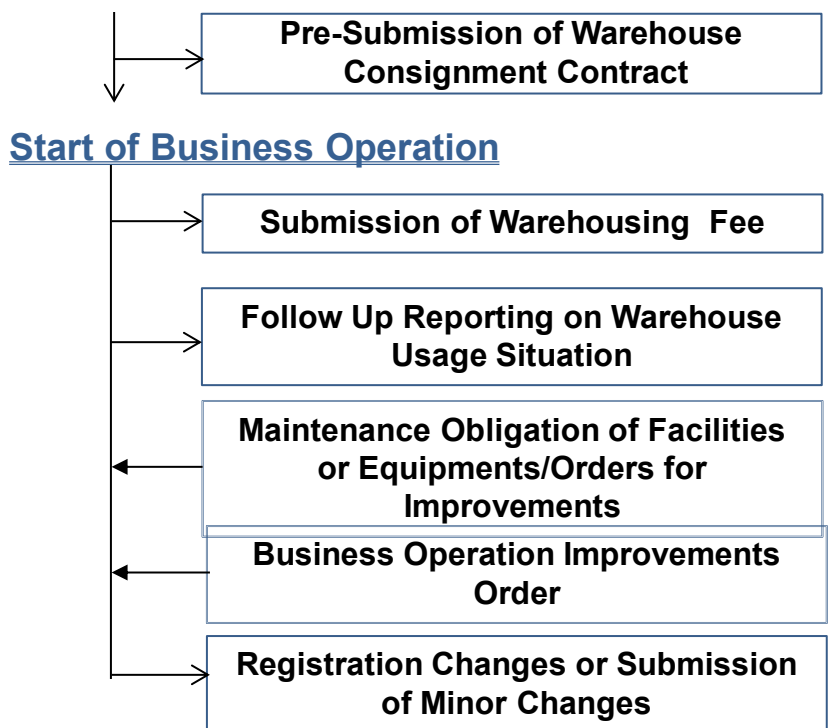
○Registration Administered by Minister of Land, Infrastructure, Transport and Tourism (Formerly Approval), Fee Payments Processed After the Registration(Formerly Pre-Payments Before Registration)

- ### Sample Application Criteria for Business Registration
- Location of the Warehouse
 - Types of the Warehouse
 - Facilities and Equipments of the Warehouse
 - Types of Goods Stored
 - Share Capital or Gross Capital Amount of Share
 - Attached References: User Authorization Proof of the Warehouses and Land, Warehouse Plan, Map of Neighborhoods Near the Warehouse, Location Maps of Chief Warehouse Administrators etc

Registration Standards

Applicants Shall NOT Fall Under Following Refusals of Registration (Article 6-1)

- Warehouse Facilities or Equipments Fails to Conform the Necessary Facility and Equipment Standards
- Fails to Conform to Surely Secure the Appointment of Warehouse Operation Managers
- Sentenced Imprisonment of Over 1 Year or Has Past Criminal Record Within 2 Years
- Revocation of Registrations within 2 years



Why does the Registration Administered by Minister of Land, Infrastructure, Transport and Tourism Necessary?

To Tie the Bond Between Producers and Consumers as the Knots of Logistics

To Store the Valuable Goods that are Quintessential to Lives of Nationals in Great Volume and Safe Manner

Securing the Appropriate Warehousing Business Operations is Important for Stability of Our Nation's Economy

- Maintenance of Facility and Equipment Standards of Warehouses
- Appropriate Management by the Chief Warehouse Administrator

Criteria for Chief Warehouse Administrator

- To Have Over 2 Years Experience on Warehouse Management in Leader/Coaching Positions
- To Have Over 3 Years Operational Experience on Warehouse Management etc

Job Expectations for Chief Warehouse Administrator

- To Prevent Fire at the Warehouse
- To Secure the Proper Operation of Warehouse Management Work
- To Prevent the Labor Related Disasters/
- To Train Site Workers

	Operator with Effective Area of Over 100,000m ²		Operator with Effective Area Under 100,000m ²	
	Approval	Submission Contacts	Approval	Submission Contacts
Business Registration	Minister of Land, Infrastructure, Transport and Tourism	Competent Local Transport Bureaus /Branch	Director –General of Competent Local District Transport Bureaus	Competent Local Transport Bureaus /Branch
Registration of Change (Add Facilities/Equipments of Warehouses, Major Structure Changes of Warehouses etc)	Competent Director-General of Warehouse Location	Competent Transport Bureaus /Branch of Warehouse Location	Competent Director-General of Warehouse Location	Competent Transport Bureaus /Branch of Warehouse Location
Minor Changes (Warehouseman’s Name, Capital etc)	Director –General of Competent Local District Transport Bureaus	Competent Local Transport Bureaus /Branch	Director –General of Competent Local District Transport Bureaus	Competent Local Transport Bureaus /Branch

* Competent Local Transport Bureaus/Branch mean Local Transport Bureau or Branch which has Jurisdiction Over the Principal Business Office of Warehouseman.

* Competent Transport Bureaus/Branch mean Local Transport Bureau or Branch which has Jurisdiction Over the Warehouse Location

III Logistics Systems in ASEAN and Challenge Factors for Development

Country	LPI Rank	Customs	Infrastructure	International shipments	Logistics competence
Singapore	1	4.1	4.15	3.99	4.07
Japan	8	3.72	4.11	3.61	3.97
United States	9	3.67	4.14	3.56	3.96
China	26	3.25	3.61	3.46	3.47
Malaysia	29	3.28	3.43	3.4	3.45
Thailand	38	2.96	3.08	3.21	2.98
Philippines	52	2.62	2.8	2.97	3.14
Vietnam	53	2.65	2.68	3.14	2.68
Indonesia	59	2.53	2.54	2.97	2.85
Cambodia	101	2.3	2.2	2.61	2.5
Lao PDR	109	2.38	2.4	2.4	2.49
Myanmar	129	2.24	2.1	2.47	2.42

Ref: World Bank

Thailand Sets the Same Direction for Logistics Policy as ASEAN 2015 Policy

Single Market and Production Base

- Free flow of goods
- Free flow of services
- Free flow of investment
- Free flow of skilled labor
- Free flow of capital



The awareness of issues on logistics in Thailand

- **Current Transport Cost = 7.2 % of GDP**
Country's competitiveness
- **Fluctuation of Fuel Price**
Fuel cost in transport sector = 1.2 trillion baht/year
- **Imbalance in modal share of transport**
86% - road transport, shift more road trips to rail and water trips
- **Excessive private-car-oriented transport**
Lack of efficient public transport

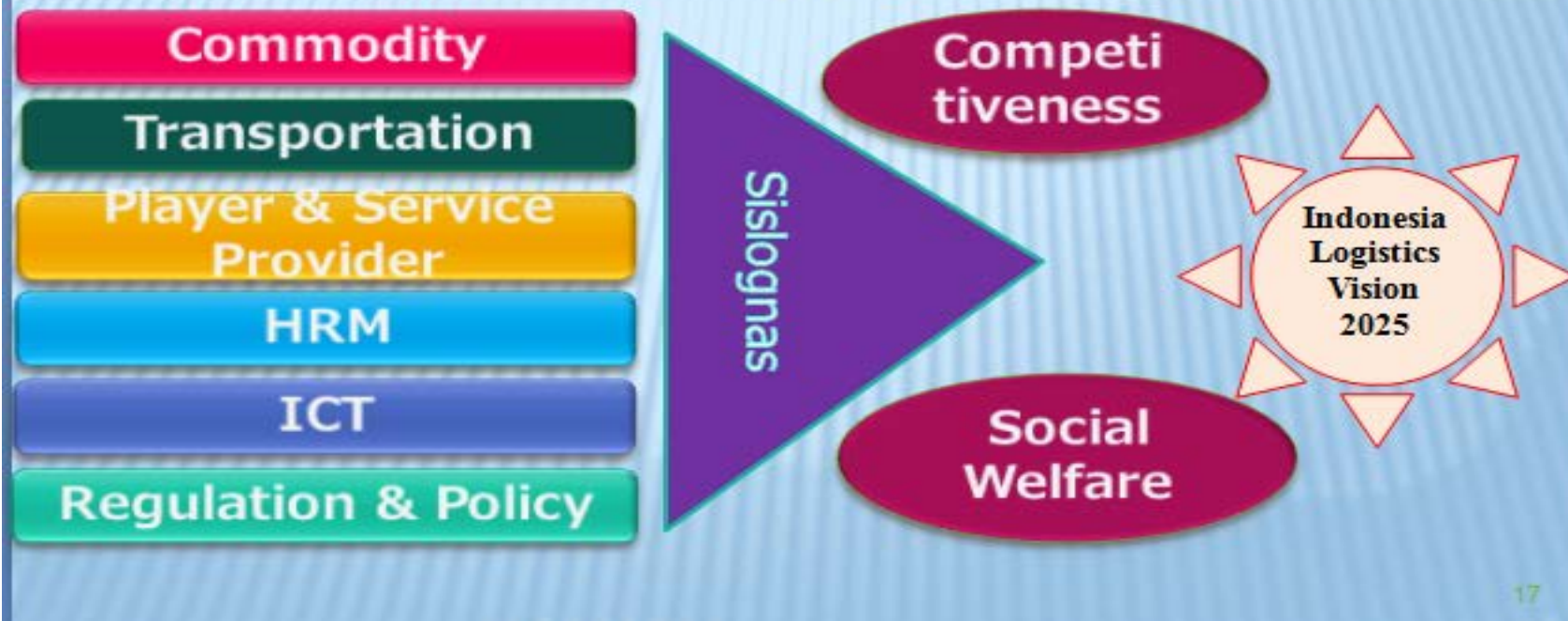
The Measures focused on MODAL SHIFT

- Develop and improve the existing railway network as the transport backbone of the country
- Develop the infrastructure development to enhance the freight transport by inland waterway and coast
- Develop the transport facilitation which enables the complete integration of railway and waterway with road transport and brings about the multimodal transport linking with production base and exporting gateway of the country

Indonesia Sets Sislogas as Its Original National Logistics Policy

NATIONAL LOGISTICS SYSTEM: APPROACH & KEY DRIVERS

1. **Paradigm : *ship follows the trade & ship promotes the trade***
2. **Using six key drivers: Comodity, Transportation Infrastructure, Player & Logistics Service Provider, ICT Infrastructure, HRM, and Regulation & Policy**
3. **Based on Supply Chain Management**

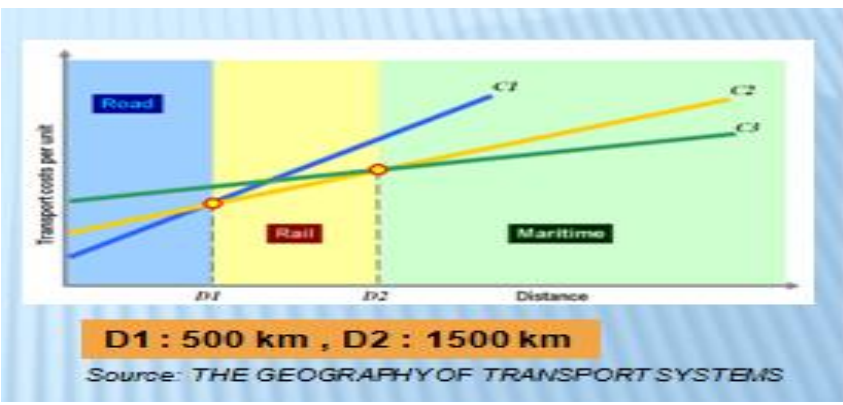


Indonesia's Logistics Cost per GDP was 27% in 2013

- **Congestion** that occurs in the Jakarta city resulted trucks can **only do one trip in a day** from industrial location to the port
- The shipping cost of container from Padang to Jakarta **Rp 5,4 million**, while the shipping cost of the same container from Jakarta to Singapore **only Rp 1,8 million**.
- The price of cement in Papua's **twenty times higher** than the price of cement in Jakarta, because the shipping cost is expensive.

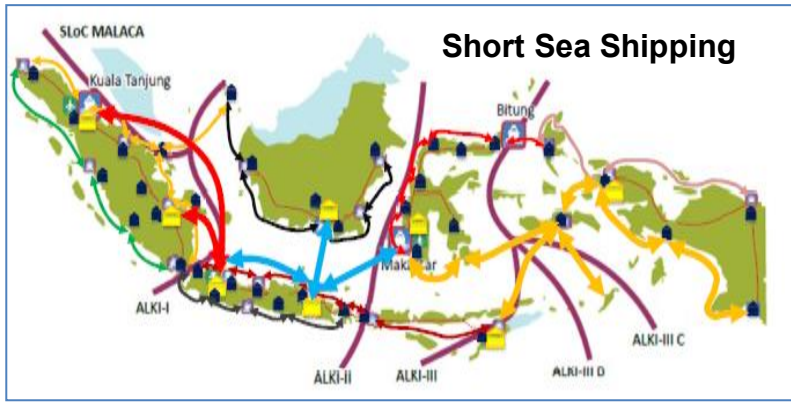


The shipping costs to be twice more expensive than in Malaysia or Thailand.



Indonesia has implemented policies in order to reduce traffic load in roads

- redirected and balanced using other modes of transportation such as rail and short-sea shipping
- Improve MULTI MODAL



Ref: Presentation from Indonesia MOT at Policy Dialogue

Key Steps to Realize the Advancement of MODAL SHIFT

Development of Hard Infrastructures

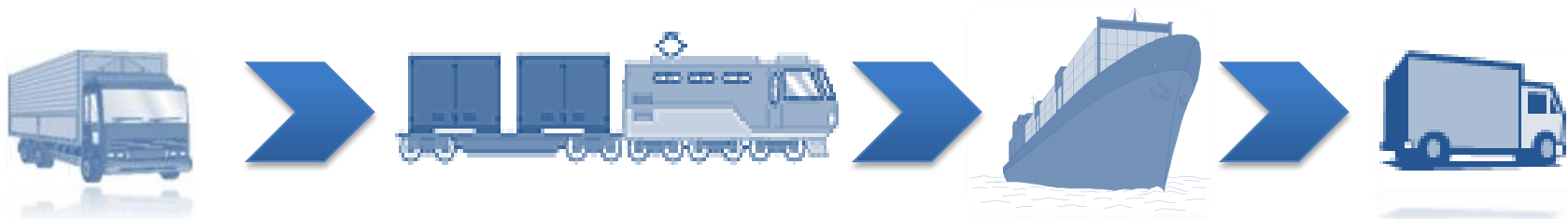
- Inland Shipping
- Railways etc

Service that Meets Cargo Owners High Expectations

- Rapidity → Reduction of Lead Time
- Punctuality → Controlled Logistics Schedule Management
- Less Damage to Cargos → Reduction of Loss

Door to Door Transport Service

- Development of Comprehensive Logistics Business Operators such as Forwarders
- Development of Seamless Multi-Modal Transportations



Common Challenges on Advancement of Logistics System in ASEAN Nations

Foreign Investments

- **Majority Equity Share Restriction for Investments Made by Foreign Companies**
- **i.e. Foreign Investment Restrictions in Myanmar's Case:**
 - **Warehouse: Myanmar Local Companies to Invest Over 40% in JV Format**
 - **Logistics : Difficult to Obtain the Company Approvals Unless Structured in JV Format with Myanmar Companies.**

Multiple Licensing

- **Multiple License Prohibition for Transport/Warehouse/Forwarding Business**

Custom Clearance

- **Long Average Process Time for Custom Clearance**
- **Unclear Classification Standards**

Logistics Professionals Management

- **Education/Training Need for Local Professional Logistics Managers/Specialists/Workers to Provide Efficient SCM**
- **Visa Acceptance Needs for Professional Logistics Workers to Teach, Monitor the SCM Logistics Site**

Overcoming these Issues will Lead to Enhancement of Logistics

Thank You
