



# The Logistics Bulletin

Issue 1 : A brief overview of the Asia Pacific logistics sector

April 2003



*The world of logistics is ever-evolving with great strides made by the industry towards providing better logistics solutions. Nevertheless, continuing efforts are being devoted to developing a systematic approach to lowering overall logistics cost and fulfilling customers' increasing demands.*

*Leading logistics providers have adopted a dynamic process in reengineering themselves continuously to stay ahead. We, at PricewaterhouseCoopers Corporate Finance, are privileged to be involved with some of these progressive logistics providers.*

*Welcome to the first edition of PricewaterhouseCoopers quarterly coverage of the logistics sector, The Logistics Bulletin. Prepared by the logistics team at PricewaterhouseCoopers Corporate Finance Pte Ltd, it aims to provide an industry coverage from the capital market's perspective. In this issue, we discuss the industry landscape as well as major trends in the regional logistics sector in Asia Pacific. We trust you will find the information contained in this edition informative and useful.*

*We will be delighted to have your comments regarding this bulletin and any suggestions you may have regarding the coverage. Please address them to us. Our contact details can be found at the end of the bulletin.*

*I believe with the level of foreign direct investments being channelled into Asia, especially China, the logistics industry in Asia Pacific will be in for an exciting time ahead. We look forward to your support to make 2003 an interesting and fruitful year.*

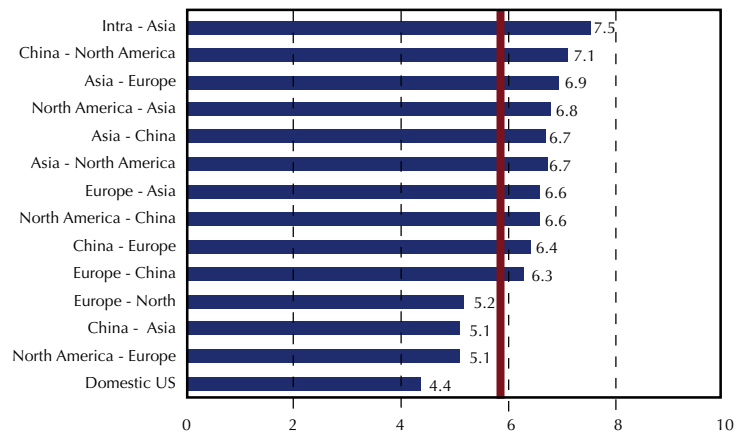
*Benjamin Kan  
Managing Director  
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## A Growing Market

Compared to the more matured markets in Europe and North America, the Asian logistics industry is projected to show the strongest growth in the near future. Asia-related markets are expected to show the fastest growth and account for over 50% of world airfreight cargo in 20 years (currently about 40%). China and India are expected to show the strongest growth, and the Chinese and Indian logistics markets are expected to grow more than 40% annually over the next 10 years.

## World Airfreight Growth, 2000 - 2019 (%)

**World Average, 5.7%**



Source: PricewaterhouseCoopers Analysis, Airbus Industrie

Most of the future growth will be driven by time-sensitive services. The fastest-growing sectors were computing equipment, electronic components & telecomm equipment, with a total market size of 17.8% in 1999, up from 7.6% in 1980. The fast growth of these sectors suggests that future airfreight will increasingly comprise of these sectors.

The key drivers behind the high growth of logistics services in Asia are mainly due to the following reasons:

- **Globalisation**

Asia, as a low-cost manufacturing base, is an essential link in the global supply chain of many MNCs. In recent years, the focus has been on China, which leads in the region in foreign direct investment (“FDI”).

As companies operate globally, their logistics needs increase correspondingly and their supply chains also become increasingly complex. Hence, demand for capable logistics service providers (“LSP”) able to meet all their requirements also increases.

- **Outsourcing**

Traditionally, many companies in Asia usually manage their own logistics needs in-house, partly due to the lack of capable 3<sup>rd</sup> Party Logistics (“3PLs”) service providers. However, as local logistics companies become more capable, Asian manufacturers are outsourcing their logistics needs to capable LSPs in an effort to focus on their core business and reduce costs.

IDC, an independent research house, predicts that outsourcing of logistics requirements by businesses will grow at a 5-year compounded average growth rate of 42%, reaching about US\$30bn by 2005.

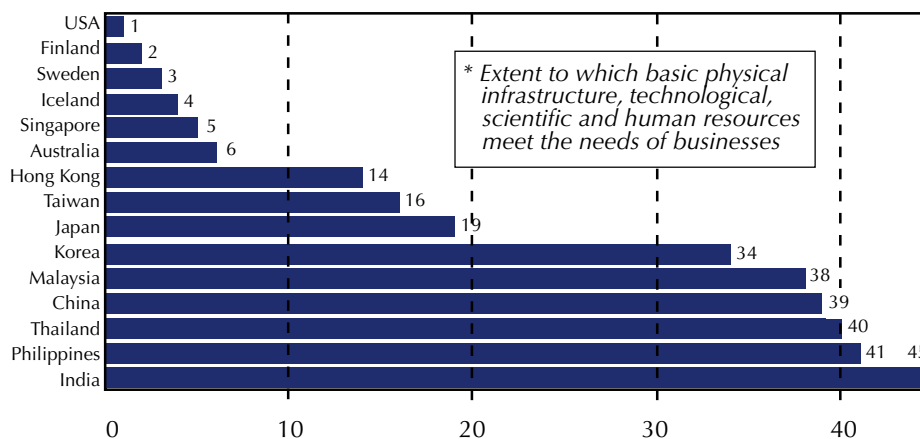
## Infrastructure

Unlike Europe, Asia is a diverse continent with varying levels of economic, social and infrastructure development. Singapore and Hong Kong are ranked highly in terms of their global infrastructure (the extent to which the country is able to facilitate business operations) while countries like India, Philippines and Thailand are ranked considerably lower down in the list.

Given the increasing trade volumes, the lack of adequate infrastructure in various Asian countries results in congestion and delays, thus increasing the cost of doing business in these countries. Ultimately, this inefficiency threatens to hold back their economic growth and prevents them from realising their full potential growth.

Some of the Asian governments have realised that an efficient transportation and logistics infrastructure can be a strong competitive edge in the global economy. Not surprisingly, many Asian countries harbour ambitions of becoming regional trade and logistics hubs, and have embarked on development projects to improve and build bigger and more efficient world-class sea, air and land infrastructure.

**Global Infrastructure\* Ranking (2001)**



Source: PricewaterhouseCoopers Analysis, The World Competitiveness Yearbook, 2001

## Seaports

Asian seaports command a dominant share of global container throughput. Currently, Singapore and Hong Kong are the undisputed transshipment hubs in Asia. Besides their excellent geographical locations, both are equipped with reliable and sophisticated world-class infrastructure and professionals. However, Singapore and Hong Kong face intense competition from other neighbouring ports.

The fastest growing ports in Asia are the Chinese ports, most notably Shanghai, and Port of Tanjung Pelepas (“PTP”) in Malaysia. While these smaller ports are overshadowed in terms of container throughput by Hong Kong and Singapore, they have shown strong growth over the past few years.

PTP was named by Lloyd’s List, an international shipping guide, as the best emerging container terminal in 2000. In addition, when China is looked at in its entirety, its volume throughput is the highest in the world. In 2000, Chinese ports had a total throughput of 38mn TEUs. This is projected to grow to over 84mn TEUs by 2012, making China the largest country in terms of container throughput. This is not surprising given the increasing number of manufacturing facilities being set up in the country.

## Global Port Throughput by TEU

World Ranking 2001	Name of Port	Total TEU Throughput (mn)	Market Share (%)
1	Hong Kong	18.1	8.4
2	Singapore	17.0	7.9
3	Busan	7.5	3.5
4	Kaosiung	7.4	3.4
5	Rotterdam	6.3	2.9
6	Shanghai	5.6	2.6
7	Los Angeles	4.9	2.3
8	Long Beach	4.6	2.1
9	Hamburg	4.2	2.0
10	Antwerp	4.1	1.9
11	Port Klang	3.2	1.5
12	Dubai	3.1	1.4
13	New York/New Jersey	3.0	1.4
14	Tokyo	2.9	1.3
15	Manila	2.9	1.3
16	Felixstowe	2.8	1.3
17	Bremen/Bremerhaven	2.7	1.3
18	Gioia Tauro	2.7	1.2
19	Tanjung Priok	2.5	1.1
20	San Juan	2.4	1.1

Source: PricewaterhouseCoopers Analysis, Containerisation International

## Airports

In 2000, four of five busiest airports in the world in terms of air cargo throughput were in Asia. Hong Kong was the largest, handling more than 2.2mn tons of air freight, followed by Narita with 1.9mn tons, and Singapore with 1.7mn tons. Seoul ranked 5th with 1.6mn tons.

Going forward, Hong Kong is expected to continue its top position due to its role as a shipment hub for incoming and outgoing China airfreight. Also, Hong Kong benefits from the lack of direct links between China and Taiwan.

Due to its high cost, air-freight is used mainly for transporting low-volume, high-cost goods requiring very short delivery times. Therefore, the top three leading Asian economies in the global technology and electronics industries, i.e. Japan, Taiwan and Korea, also account for the largest volume of trans-pacific air cargo with the US. The other major cargo routes are mainly intra-Asian.

## Consolidation in Asia

Unlike the more developed markets in North America and Europe, it is more challenging for 3PLs in Asia to offer customers an end-to-end suite of services across the various Asian countries.

Asia is not a large homogenous market without borders or impediments, unlike the US. Geographic hurdles, extensive bureaucracies, economic differences, language, cultural and relationship barriers all hinder the ability of a single entity to offer a complete pan-Asia solution.

As companies operate globally, they have brought along their existing LSPs servicing them in their home-base. The large global American and European LSPs have typically expanded geographically along with their existing MNC customers. However, while the larger global LSPs tend to have their global networks in place already, their networks and infrastructure in Asia are not as established as some of the local players. At the same time, the Asian players do not have as comprehensive a global network or capabilities as their more established European or US counterparts.

This has resulted in consolidation in the Asian logistics industry as both local and global LSPs seek to acquire capabilities and network to create a global distribution network linking Asia, US and Europe together seamlessly.

## Outlook

Clearly, despite the current economic downturn, the outlook for the Asian logistics industry is indeed promising. Driven by strong economic growth, especially from China, demand for logistics services is expected to increase significantly in the future.

Both global and local LSPs are building up their networks and logistics infrastructure in the region. The current ongoing consolidation process is expected to result in fewer, but much larger and more capable LSPs emerging in Asia in the next few years, similar to what has occurred in the US and Europe.

Operating in their home markets, the local LSPs currently have an edge over their foreign counterparts. However, the local players need to quickly capitalise on their strengths in the region and seize the opportunity to build up their own capabilities and infrastructure before their foreign competitors do so in the region. Local LSPs who still remain complacent and do not recognise or appreciate the speed at which the changing trends in the logistics industry in Asia are occurring will find it increasingly difficult to compete and survive against the competition.

## FINANCIAL HIGHLIGHTS OF LOGISTICS COMPANIES MARCH 2003

US\$m	Country	Market Cap	Turnover	Net Income	P/S	P/E	P/Book	Prof Margin
<b>Asia</b>								
YAMATO TRANSPORT CO LTD	JAPAN	5,521.60	6,980.73	164.48	0.77	26.67	1.97	2.4%
NIPPON EXPRESS CO LTD	JAPAN	4,279.23	10,813.10	126.91	0.40	28.38	1.65	1.2%
SINOTRANS LIMITED-H	CHINA	1,185.12	1,417.00	58.00	0.37	13.58	3.40	4.1%
SEINO TRANSPORTATION CO LTD	JAPAN	1,076.71	2,291.18	66.22	0.47	9.87	0.62	2.9%
TOLL HOLDINGS LIMITED	AUSTRALIA	1,072.56	1,233.81	44.90	0.79	20.99	4.01	3.6%
mitsubishi LOGISTICS CORP	JAPAN	942.51	1,076.62	59.38	0.88	17.05	0.85	5.5%
SEMBCORP LOGISTICS LTD	SINGAPORE	791.33	248.95	44.98	3.17	17.61	4.91	18.1%
HITACHI TRANSPORT SYSTEM LTD	JAPAN	512.14	1,676.70	47.73	0.31	11.57	0.61	2.8%
KINTETSU WORLD EXPRESS INC	JAPAN	321.41	661.13	8.88	0.47	33.37	1.60	1.3%
TONAMI TRANSPORTATION CO LTD	JAPAN	229.44	838.55	4.92	0.28	9.94	0.58	0.6%
SENKO CO LTD	JAPAN	223.64	1,255.80	14.81	0.18	15.70	0.64	1.2%
SANKYU INC	JAPAN	214.39	2,364.32	10.03	0.09	60.88	1.02	0.4%
MARUZEN SHOWA UNYU CO LTD	JAPAN	198.25	588.65	2.05	0.34	61.37	0.56	0.3%
YUSEN AIR & SEA SERVICE CO	JAPAN	188.77	395.86	6.27	0.44	16.14	1.30	1.6%
HANJIN HEAVY INDUSTRIES	SOUTH KOREA	142.29	1,545.42	7.64	0.08	16.25	0.15	0.5%
BALTRANS HOLDINGS LTD	HONG KONG	103.43	168.61	7.16	0.49	11.48	2.25	4.2%
HANJIN TRANSPORTATION CO	SOUTH KOREA	79.89	545.80	8.18	0.14	9.76	0.28	1.5%
KONSORTIUM LOGISTIK BHD	MALAYSIA	55.80	62.86	1.59	0.89	34.63	0.63	2.5%
HANSOL CSN	SOUTH KOREA	52.47	277.95	(29.40)	0.19	-	0.65	-10.6%
CWT DISTRIBUTION LTD	SINGAPORE	51.61	114.30	2.64	0.45	19.54	0.99	2.3%
E-LIFE INTERNATIONAL LIMITED	HONG KONG	51.37	10.67	(2.29)	4.41	-	2.26	-21.4%
K & S CORPORATION LIMITED	AUSTRALIA	51.20	161.82	(3.19)	0.32	-	1.68	-2.0%
TIONG NAM TRANSPORT HOLDINGS	MALAYSIA	25.29	34.70	0.94	0.61	21.09	0.70	2.7%
DAE YOUNG PACKAGING CO LTD	SOUTH KOREA	24.84	65.12	(22.22)	-	-	0.01	-34.1%
INTEGRATED LOGISTICS BHD	MALAYSIA	15.82	41.34	0.19	0.38	71.92	0.25	0.5%
SEMBAWANG KIMTRANS LTD	SINGAPORE	14.08	25.02	0.33	0.47	38.10	0.52	1.3%
ORIENTAL UNION HLDGS LTD	HONG KONG	13.85	8.89	(6.05)	1.56	-	0.31	-68.1%
POH TIONG CHOON LOGISTICS	SINGAPORE	13.84	23.24	1.30	0.64	11.82	0.85	5.6%
CENTURY LOGISTICS HOLDINGS B	MALAYSIA	11.23	25.86	0.27	0.43	42.48	0.61	1.0%
DONGBANG TRANSPORT LOGISTICS	SOUTH KOREA	9.55	310.38	(1.84)	0.03	-	0.14	-0.6%
FREIGHT LINKS EXPRESS HLDGS	SINGAPORE	9.33	40.46	(41.93)	0.23	-	1.02	-103.6%
TRANSOCEAN HOLDINGS BHD	MALAYSIA	6.45	11.63	(0.44)	0.58	-	0.89	-3.8%
TAMADAM BONDED WAREHOUSE BHD	MALAYSIA	6.06	5.11	(0.45)	1.14	-	0.62	-8.8%
GATI LTD	INDIA	5.17	53.00	0.90	0.10	5.73	0.60	1.7%
HAN EXPRESS CO LTD	SOUTH KOREA	2.22	66.67	(0.95)	0.03	-	2.23	-1.4%
<b>Europe</b>								
DEUTSCHE POST AG-REG	GERMANY	9,001.18	35,597.83	597.83	0.27	6.39	2.18	1.7%
TPG NV	NETHERLANDS	5,417.18	10,563.41	542.57	0.51	9.99	2.10	5.1%
STINNES AG	GERMANY	2,998.01	11,145.02	123.73	0.28	33.16	2.37	1.1%
EXEL PLC	BRITAIN	2,513.54	7,403.52	187.57	0.34	13.34	1.86	2.5%
TIBBETT & BRITTEN GROUP PLC	BRITAIN	277.23	2,365.17	4.18	0.12	65.74	1.31	0.2%
D. LOGISTICS AG	GERMANY	34.58	438.65	(23.25)	0.07	-	0.19	-5.3%
SWISSLOG HOLDING AG-REG	SWITZERLAND	33.65	859.15	(43.30)	0.04	-	0.22	-5.0%
<b>North America</b>								
UNITED PARCEL SERVICE-CL B	UNITED STATES	59,766.43	31,272.00	3,182.00	1.91	24.17	4.79	10.2%
FEDEX CORP	UNITED STATES	14,823.81	20,607.00	710.00	0.69	19.87	2.18	3.4%
CSX CORP	UNITED STATES	5,661.29	8,152.00	424.00	0.69	12.21	0.91	5.2%
EXPEDITORS INTL WASH INC	UNITED STATES	3,467.43	2,296.90	112.53	1.51	32.14	6.62	4.9%
C.H. ROBINSON WORLDWIDE INC	UNITED STATES	2,591.21	3,294.47	96.33	0.79	26.90	6.07	2.9%
CNF INC	UNITED STATES	1,362.40	4,762.12	101.81	0.29	21.60	2.07	2.1%
RYDER SYSTEM INC	UNITED STATES	1,303.39	4,776.27	93.67	0.27	11.33	1.17	2.0%
PITTSBURGH BRINK'S GROUP	UNITED STATES	691.73	3,776.70	26.10	0.18	8.12	1.32	0.7%
AIRBORNE INC	UNITED STATES	630.47	3,343.74	14.84	0.19	35.19	0.76	0.4%

Source: Bloomberg, 12 March 2003

## How We Can Help You

PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) is the world's largest professional services organisation. Drawing on the knowledge and skills of more than 125,000 people in 142 countries, we build relationships by providing services based on quality and integrity.

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Our team of dedicated professionals in the Logistics practice of PricewaterhouseCoopers Corporate Finance Pte Ltd are well-qualified to provide strategic and financial advice to companies who wish to make a difference and progress to the next stage of their growth.

Our international network of Corporate Finance Services professionals puts us in an ideal position to serve our clients effectively in any part of the world. With access to both local and global research and market intelligence facilities, as well as an international client and consultant base, we are able to efficiently identify targets and capitalise on opportunities across the globe to help you maximise the value of your local/cross-border transactions.

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