



Introducing The Modern Logistics Philosophy To Improve The Competitiveness Of Air Cargo In China

Prepared by: Jianwen Tian
CAAC Management Institute of China
jwtian@163.com
13811852212



Content

- The value of modern logistics
- The analysis of air logistics development in China
- The development trend of Air Cargo
 - The construction of airport logistics park to promote the Air logistics development.
 - The airways' development
- Revelation and reflection

Why Logistics?



The Modern Logistics Is The Result of Global Economy and Technology Development

Since the 20th century,

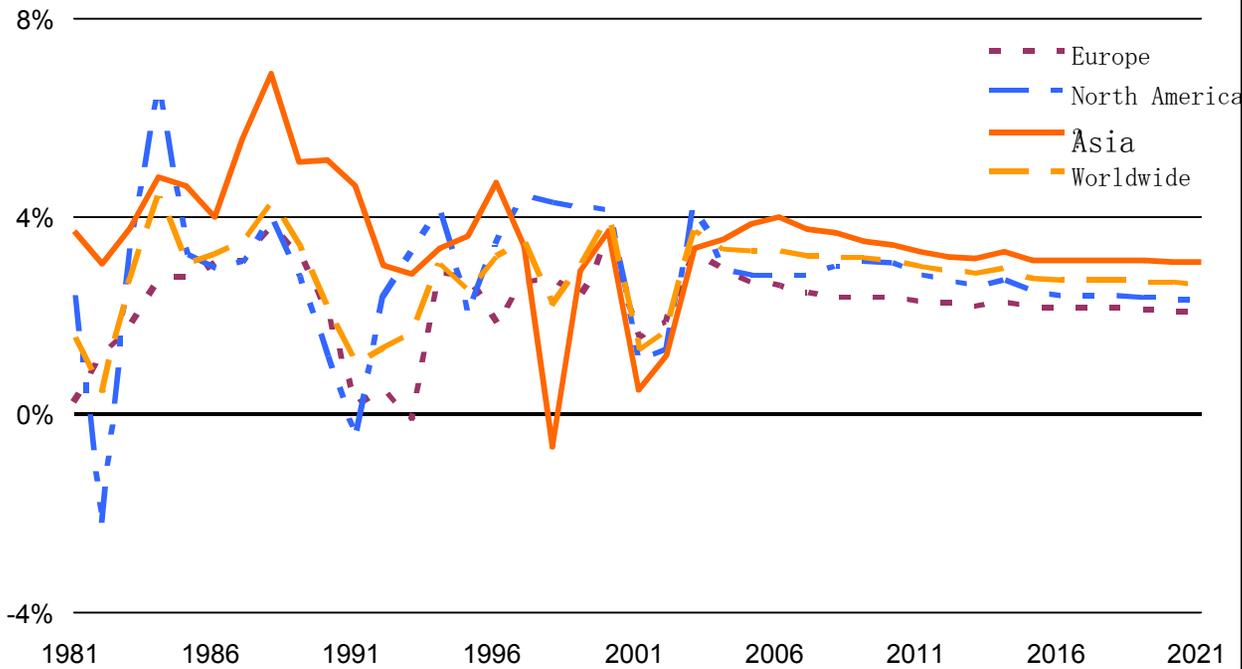
- **Economic globalization**
- **Trade liberalization**
- **Contraction of goods lifecycle**
- **Higher service level required by customers**
- **Uprising of the enterprises strategic alliance**
- **Prevailing of flow reconstruction**
- **Other factors, such as global focus on the environment**

make the logistics be the focus of enterprises all over the world. To utilize logistics to improve service level and meet customer demands, it becomes an important strategy for enterprise to enhance competitive advantage, and also be took as a national development strategy by many countries.

Asia GDP Growth Remains Above 3%, Promoting The Air Cargo Development

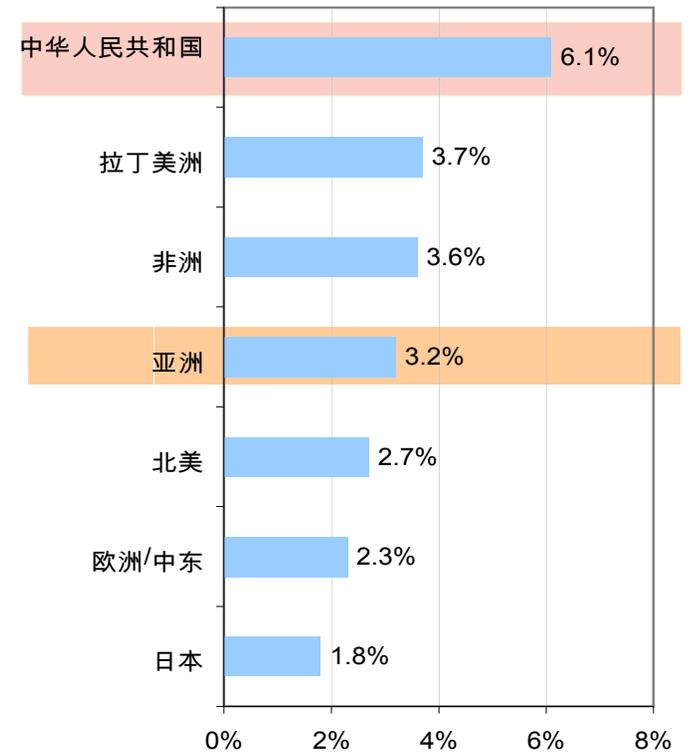
The GDP Growth In Each Area (1981-2021)

The real change of GDP(%)



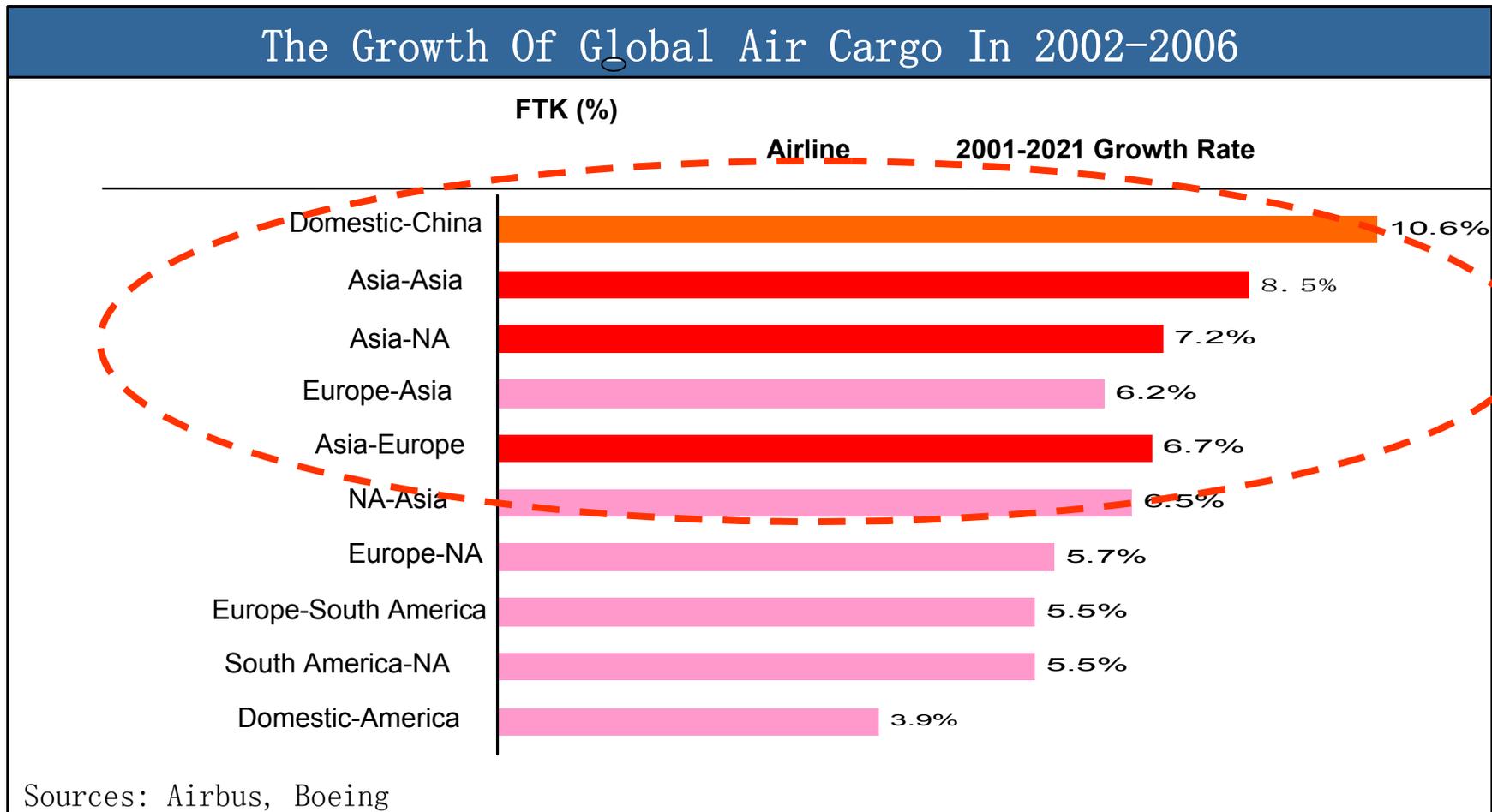
Sources: Boeing

The GDP Growth Forecast (2001-2021)



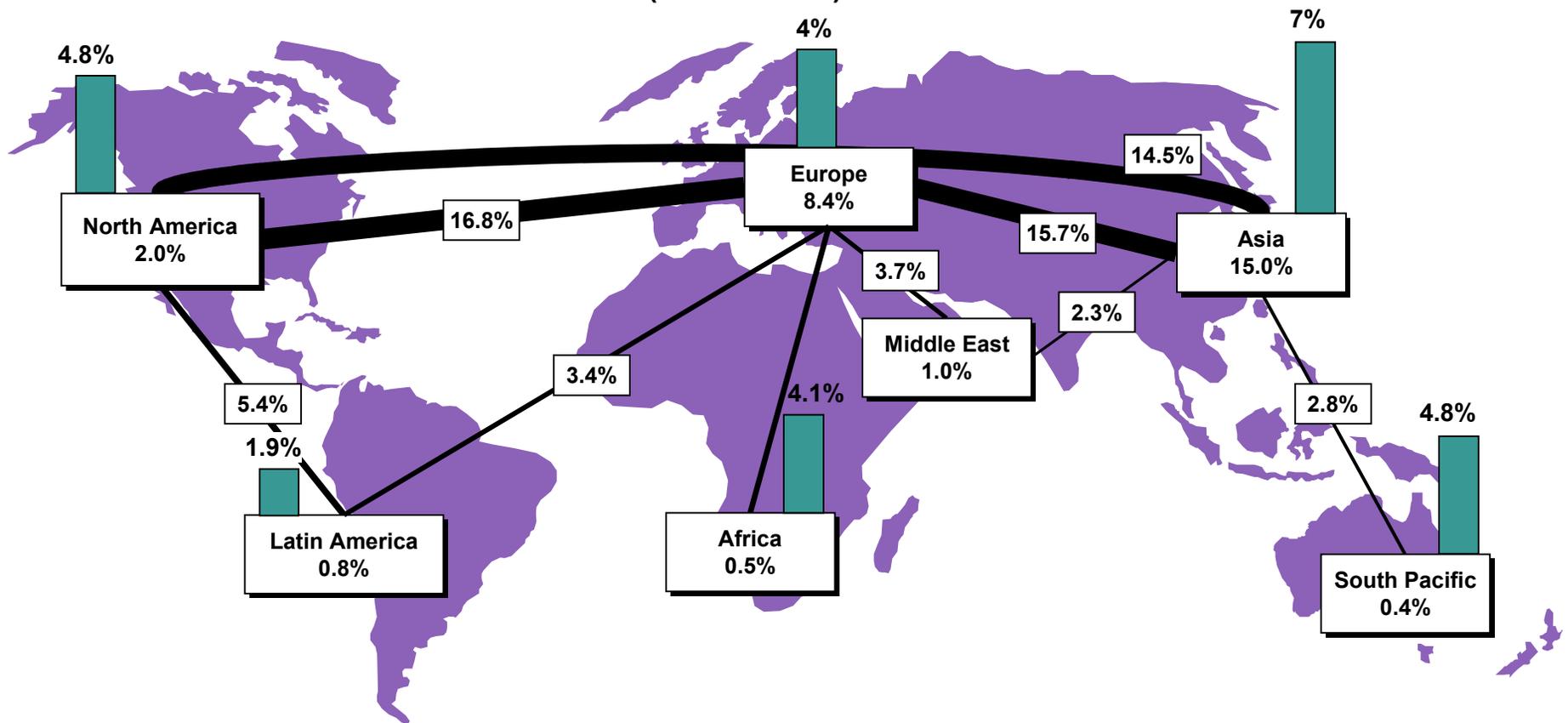
来源: 波音

China And Asia – The Fastest Growing Area of Freight Amount



North America and Asia-Pacific are the two fastest growing air cargo traffic markets

Air Cargo Traffic Within and Between Regions
(2001 – 2006)

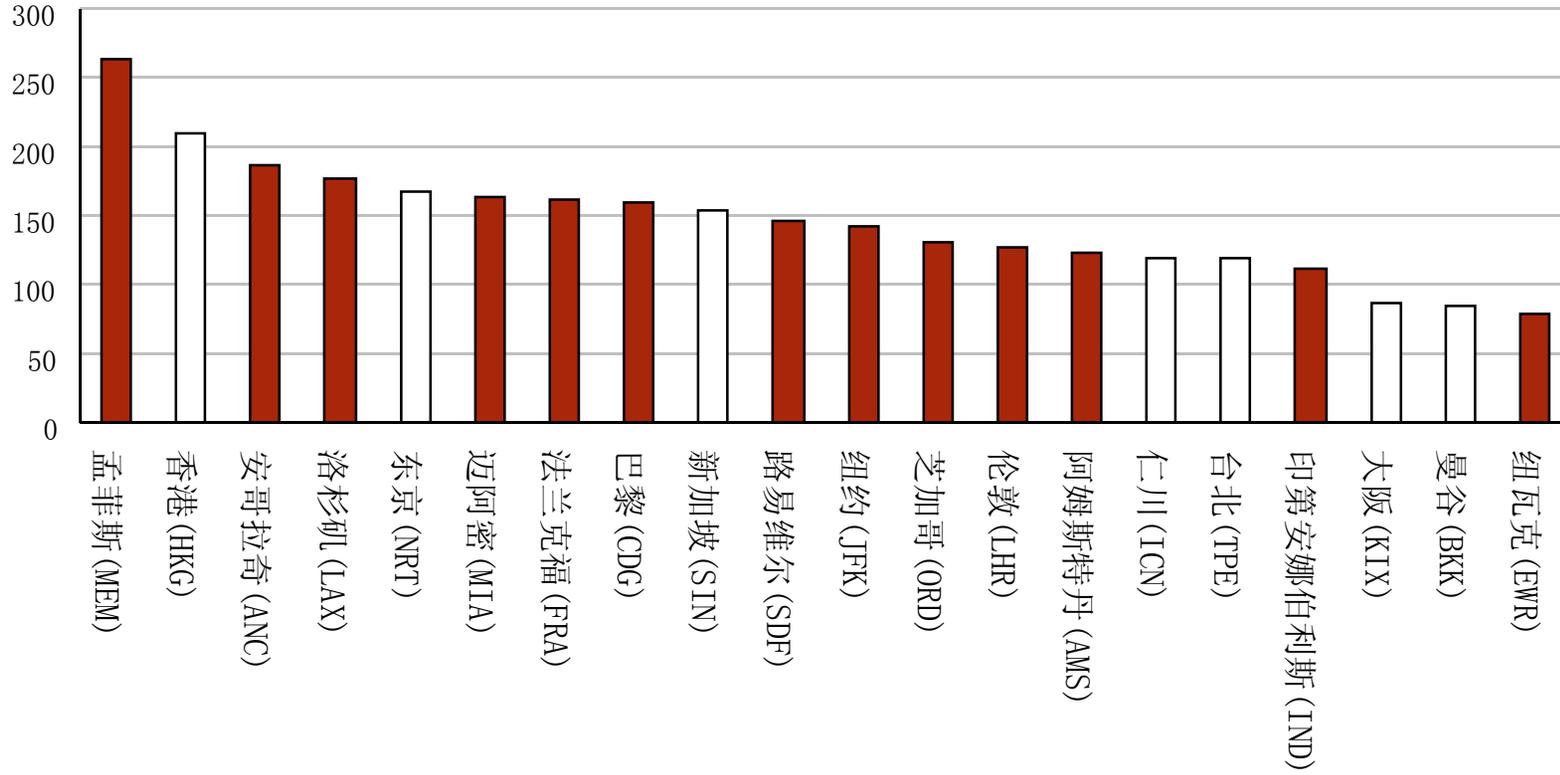


Development of Periphery Airports

- The logistics parks are being built in South Korea, Japan, Singapore, Thailand and Hong Kong.
- Opportunity co-exists with challenge, and cooperation parallels with competition.



Rank Of Global Cargo Airport (2001)



Main Cargo Airports In Asia(2002)

World Rank	Airport	Total Cargo (tonnes)	% Change
2	HONG KONG (HKG)	2 504 584	19.3
3	TOKYO (NRT)	2 001 822	19.1
6	INCHEON (ICN)	1 705 880	43.2
7	SINGAPORE (SIN)	1 660 404	8.5
14	TAIPEI (TPE)	1 380 748	16.0
17	BANGKOK (BKK)	956 790	13.7
20	OSAKA (KIX)	805 430	(7.5)
23	TOKYO (HND)	707 301	(2.5)
25	BEIJING (PEK)	669 347	13.2
26	SHANGHAI (PUG)*	634 966	80.1
28	GUANGZHOU (CAN)	592 559	11.5

* PUG+SHA ≈ 1 120 000 tonnes

NO. 15th
in 2001

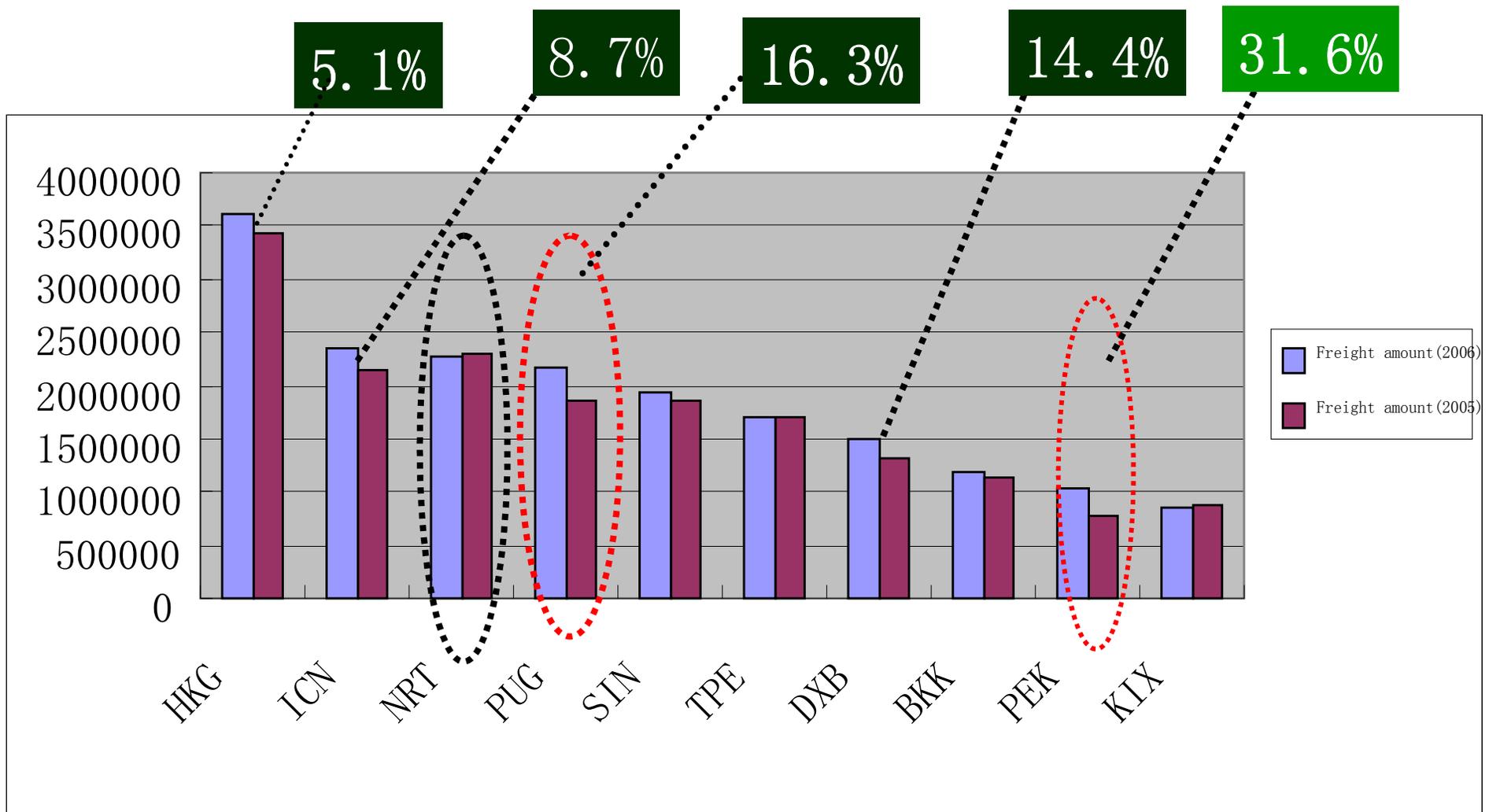
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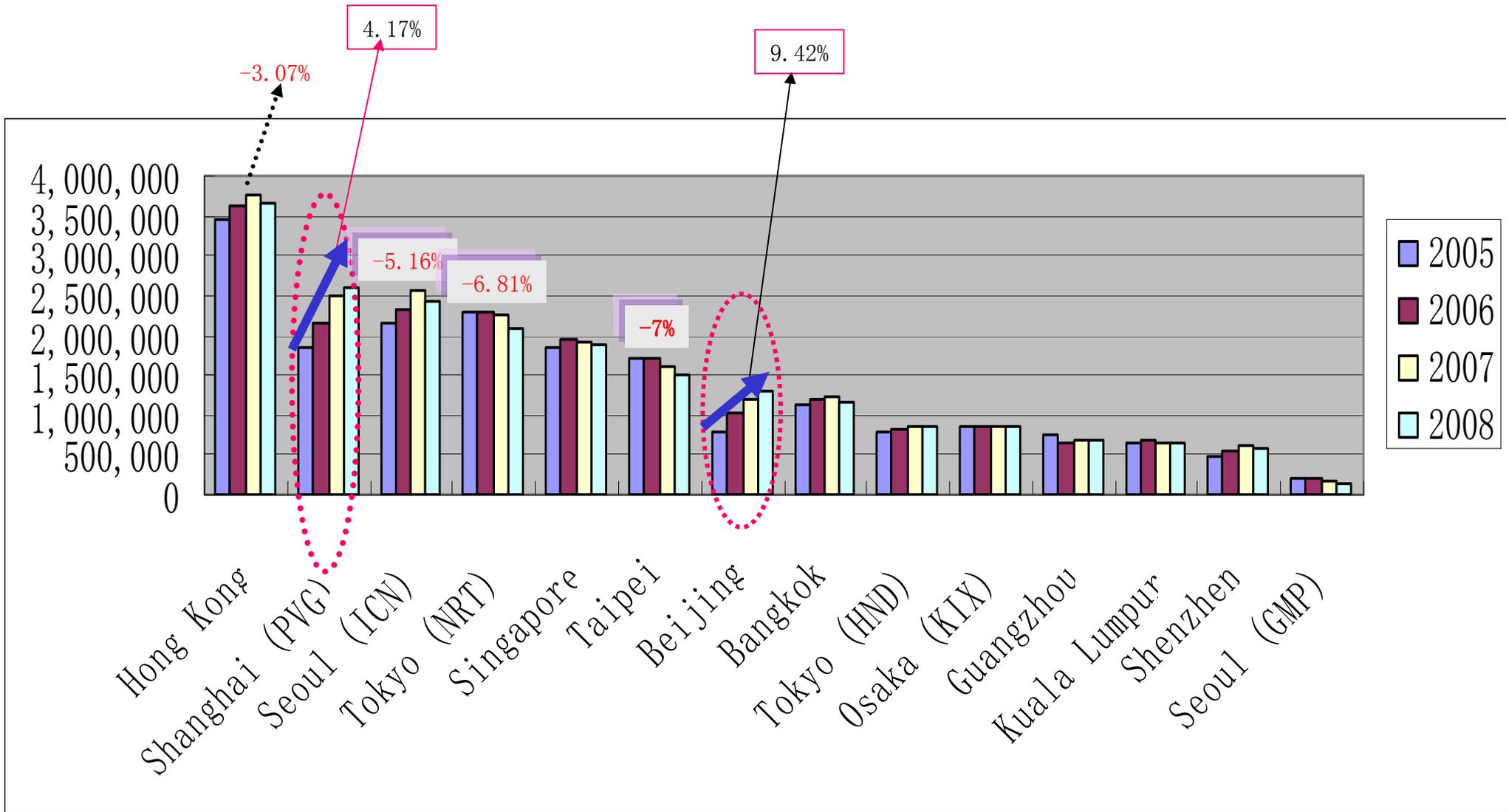
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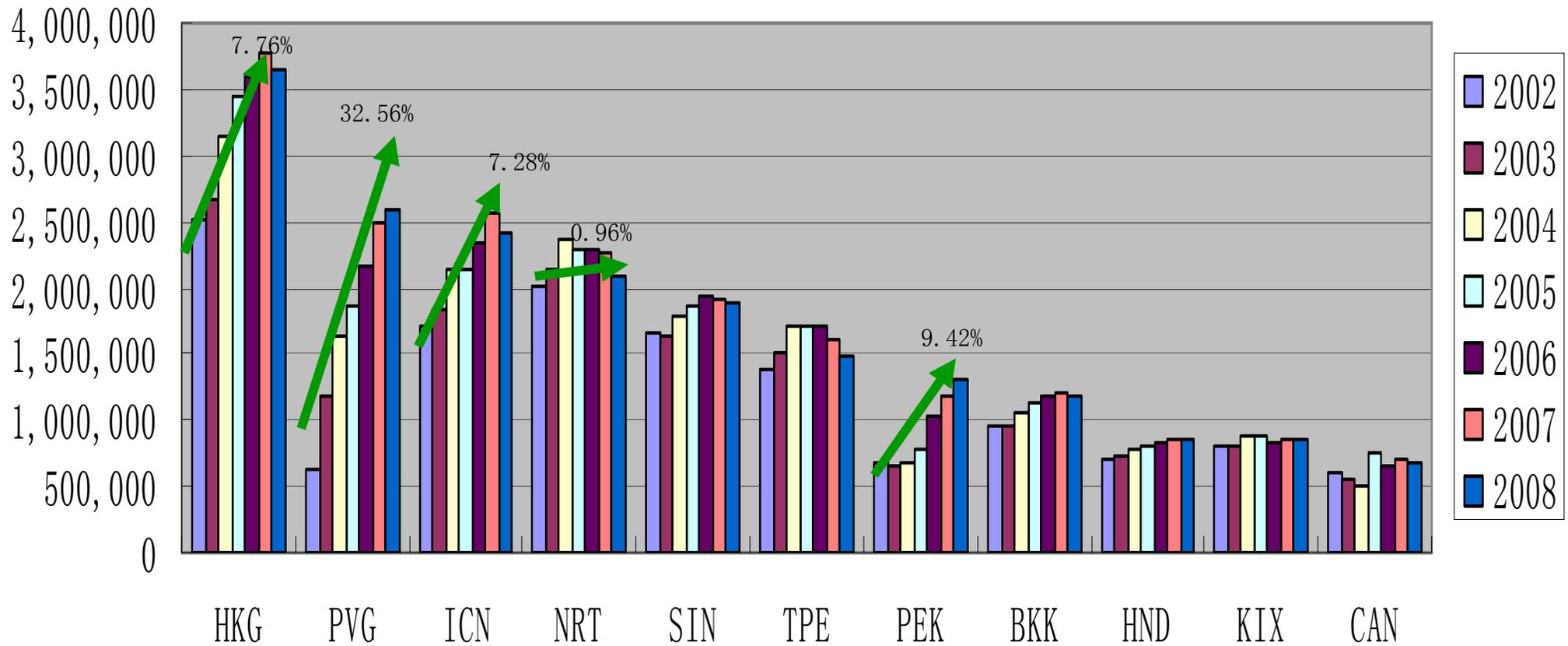
Rank Comparison Of Freight Amount Between Asian Airports in 2006-2005



Rank Comparison Of Freight Amount Between Asian Airports in 2007-2008

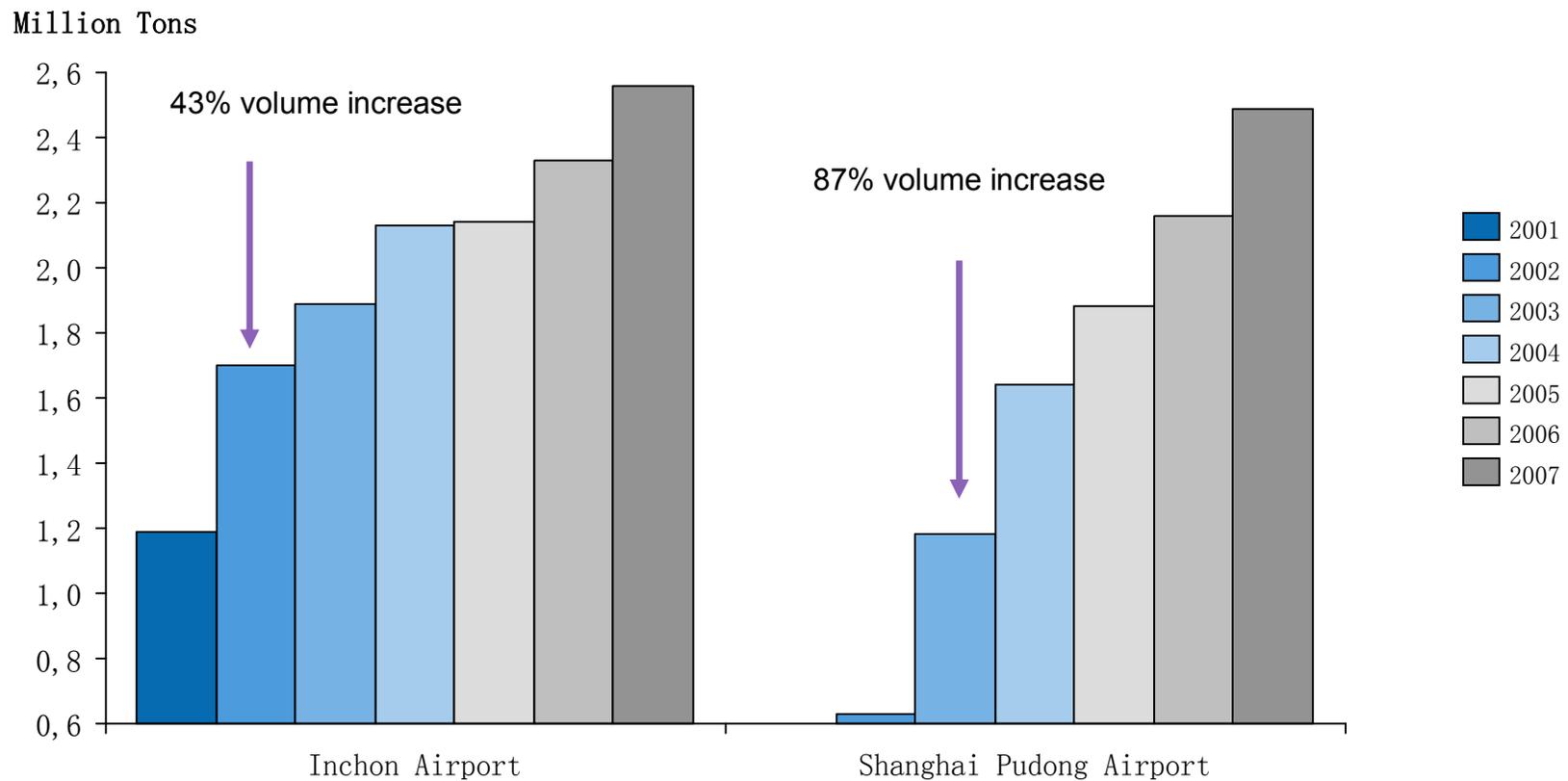


Rank Comparison Of Average Increase Rate Among Asian Airports 2002-2008



Airport infrastructure investment had resulted in significant air cargo volume growth in several airports around the world

Air Cargo Volume Growth after major infrastructure investment



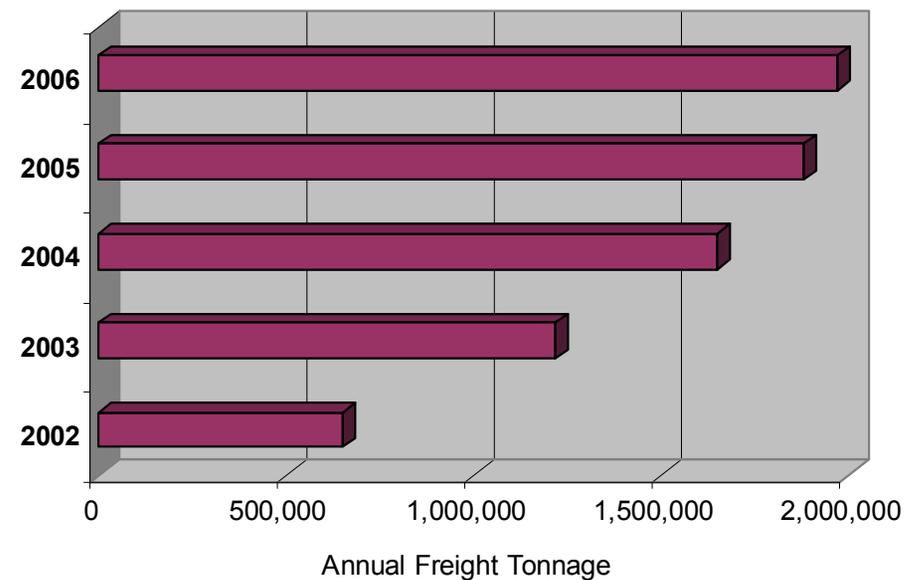
Source: Civil Aviation Management Institute

Shanghai has established itself as the dominant hub for China/U.S. air cargo

Yangtze River Delta (Shanghai)

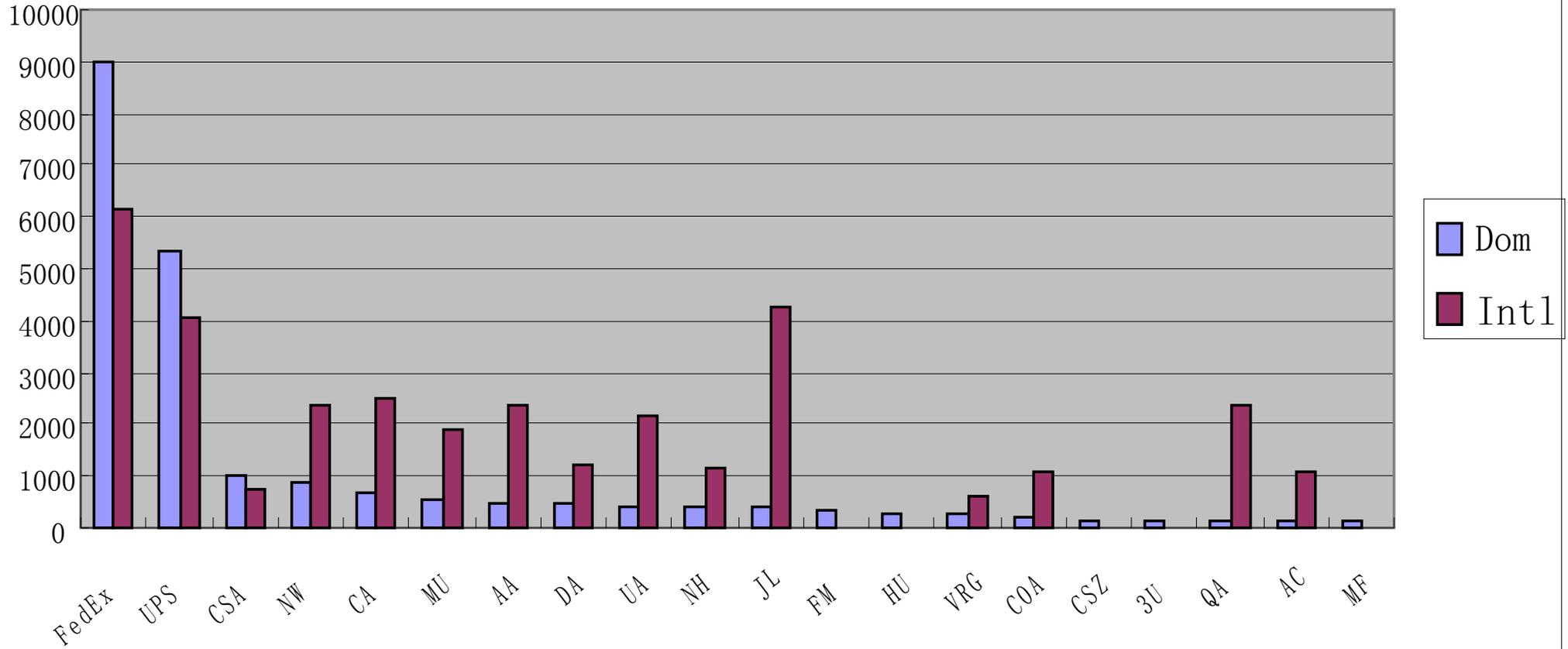
- BY 2001 local government realized the importance of air cargo and has subsequently invested to improve cargo operating environment and facilities
- Pudong International Airport has enabled growth in international tonnage via Shanghai:
 - 1980: 14,000 metric tons
 - 2003: 510,000 metric tons
- 53% of China's air cargo in 2004

International & Domestic Freight Growth at Shanghai's Pudong International Airport

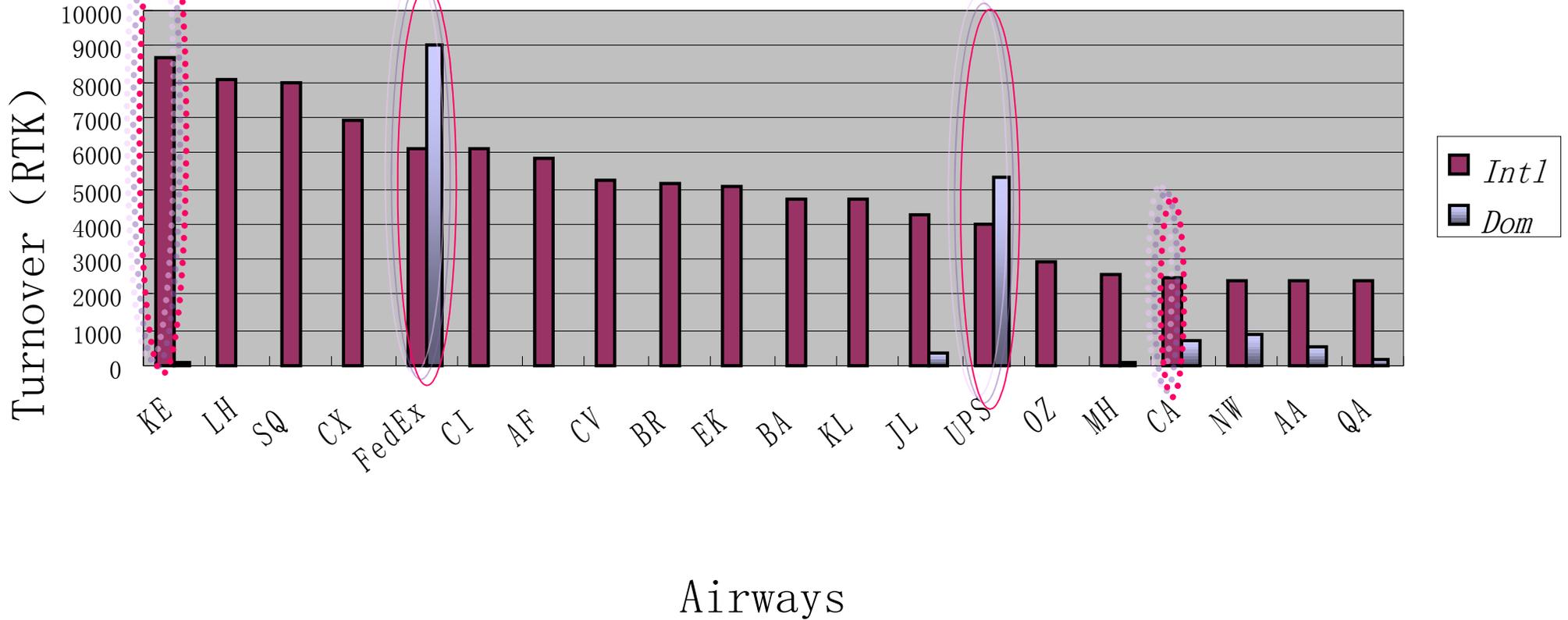


Source of Data: Airports Council International, 2007.

Top 20th Airways Worldwide In Domestic Cargo Turnover



Top 20th Airways Worldwide In International Cargo Turnover



	America	China	HK	TPE	Japan	Europe	Korea	Singapore
Dom Cargo	7	8	0	0	2	0	0	0
Intl Cargo	4	1	1	2	1	4	1	1

At the airport level, efficient infrastructure investment translate to the improvement of connectivity, efficiency, cost and service

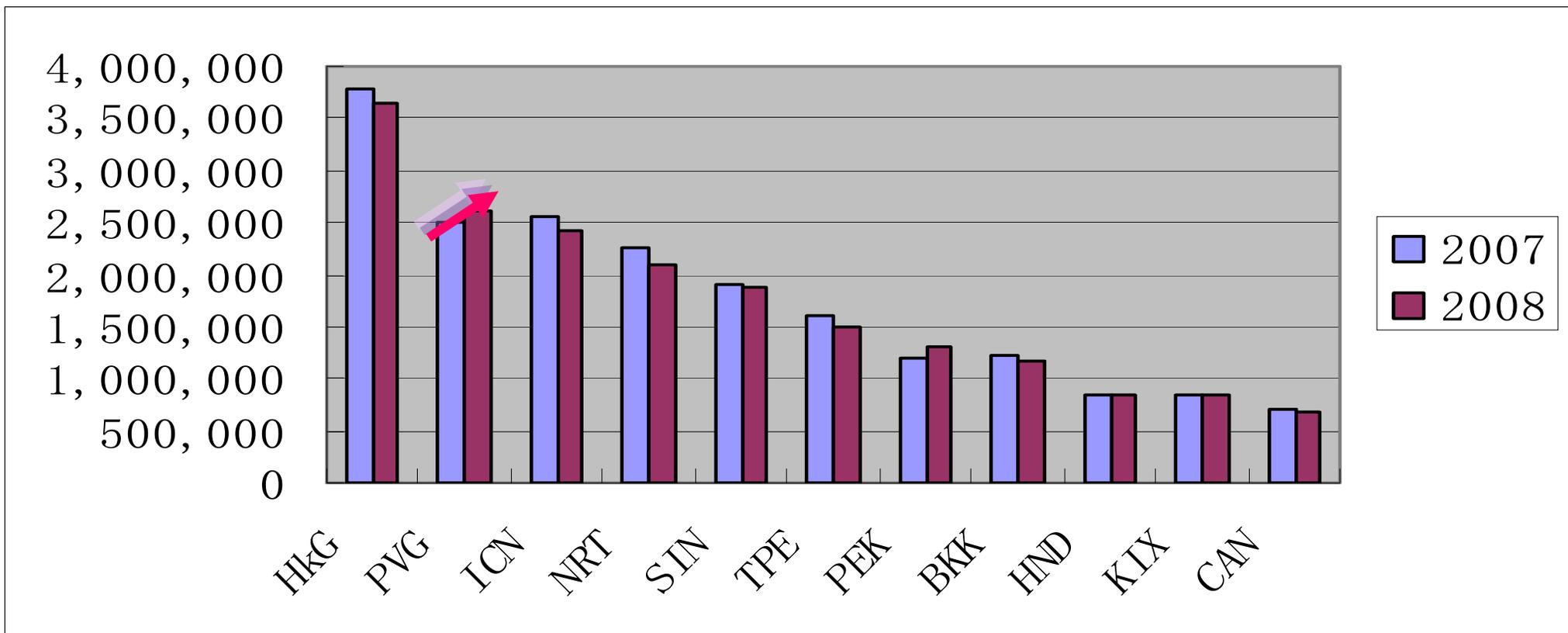
Airport	Position
Hong Kong	Hub of Asian Pacific region
Korean Incheon	Hub of Northeast Asia and US routes
Japan Narita	Hub of Northeast Asia and US routes
Singapore Changi	Hub of Southeast Asia



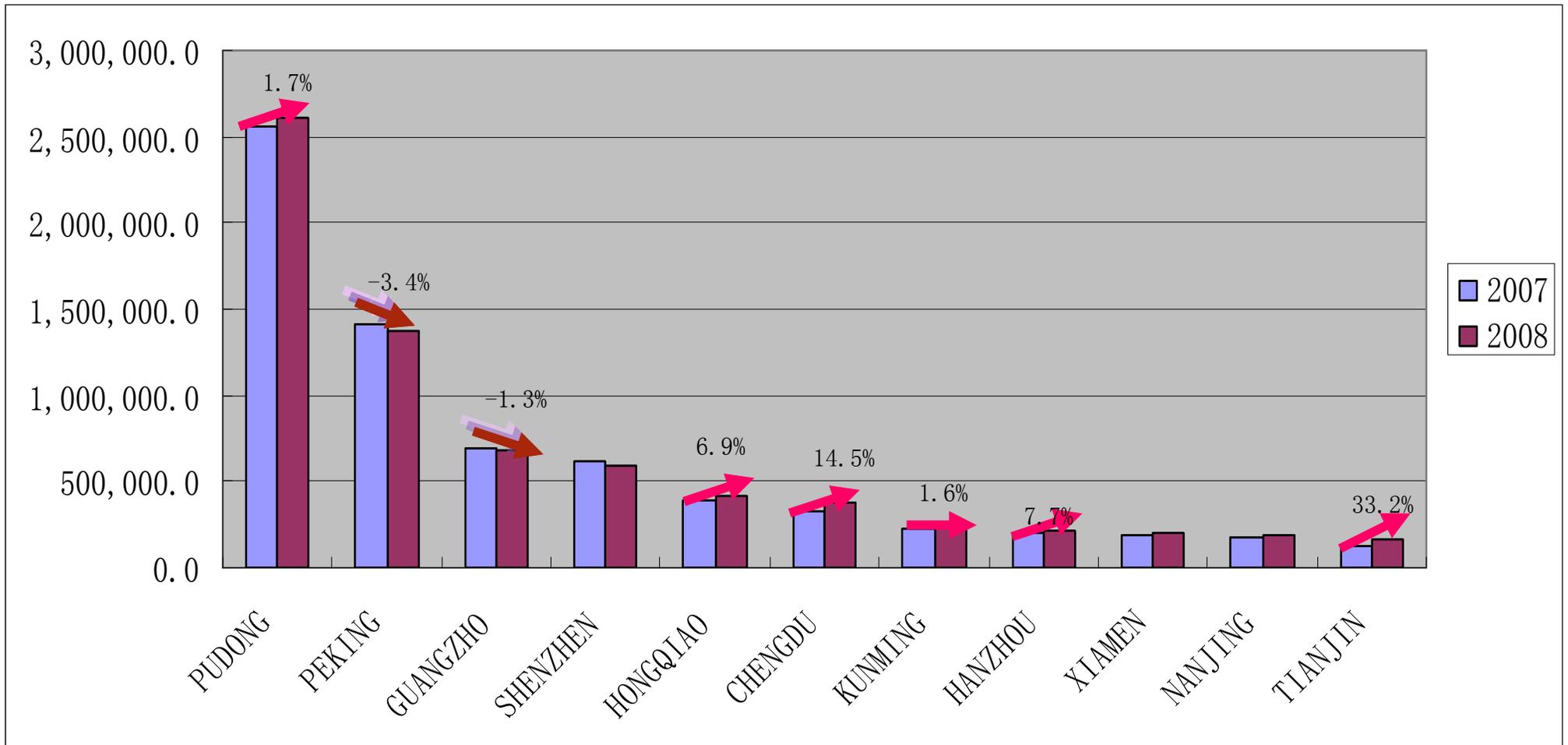
Key Factors	Hong Kong	Narita	Inchon	Changi
<ul style="list-style-type: none"> • Connectivity <ul style="list-style-type: none"> - Location - Openness of Air right - Connectivity 	●	◐	◑	◑
<ul style="list-style-type: none"> • Efficiency <ul style="list-style-type: none"> - Local air cargo volume - Airport operation - Cargo processing efficiency - Expansion capability 	◐	◑	◐	◑
<ul style="list-style-type: none"> • Cost <ul style="list-style-type: none"> - Airport fee - Airline cost - Other cost 	◑	◐	◑	◑
<ul style="list-style-type: none"> • Service <ul style="list-style-type: none"> - Free trade zone - Customs service 	◐	◐	◐	◐

● Very good ◐ Good ◑ Average ◒ Poor ○ Unacceptable

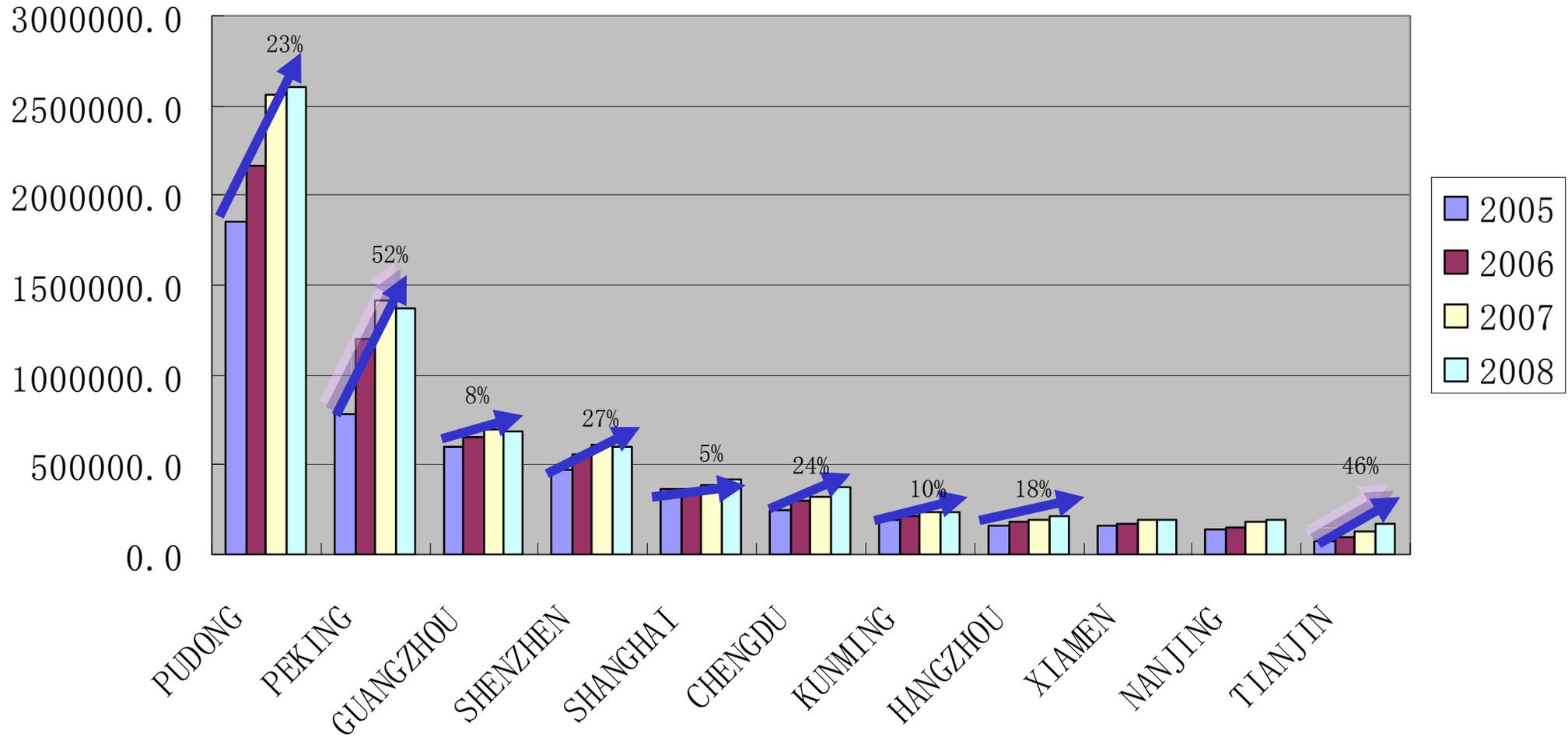
Rank Comparison Of Freight Amount Between Asian Airports 2007-2008



Rank Comparison Of Freight Amount Between China Airports 2007-2008



Rank Comparison Of Freight Amount Between China Airports in 2005-2008



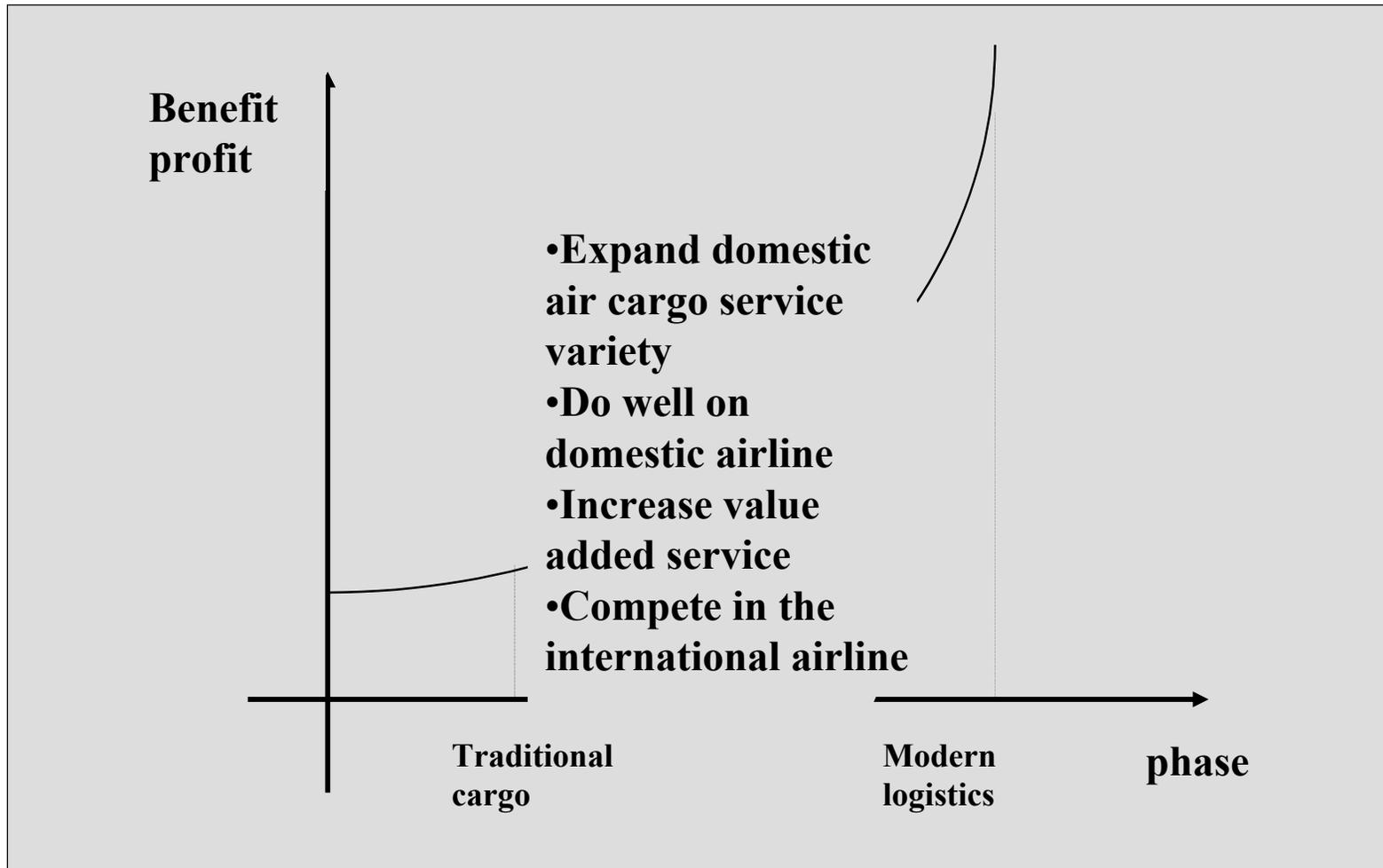
Air Cargo Will Focus on Express In The Future

The growth rate of China air cargo and express industry is higher than International one.

The air cargo only accounts for 2% of global trade shipping weight, but accounts for 40% of total value.

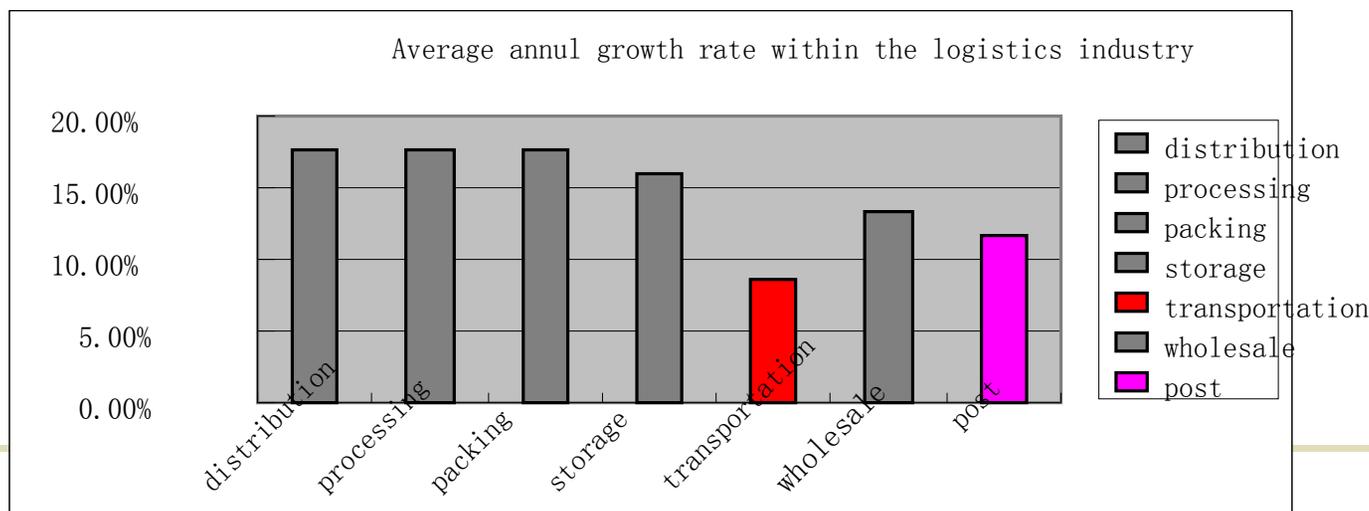
Now, the international express accounts for 6% of total global air transportation volume, and its share is estimated to be 36% by 2017.

Developing Orientation of Air Cargo

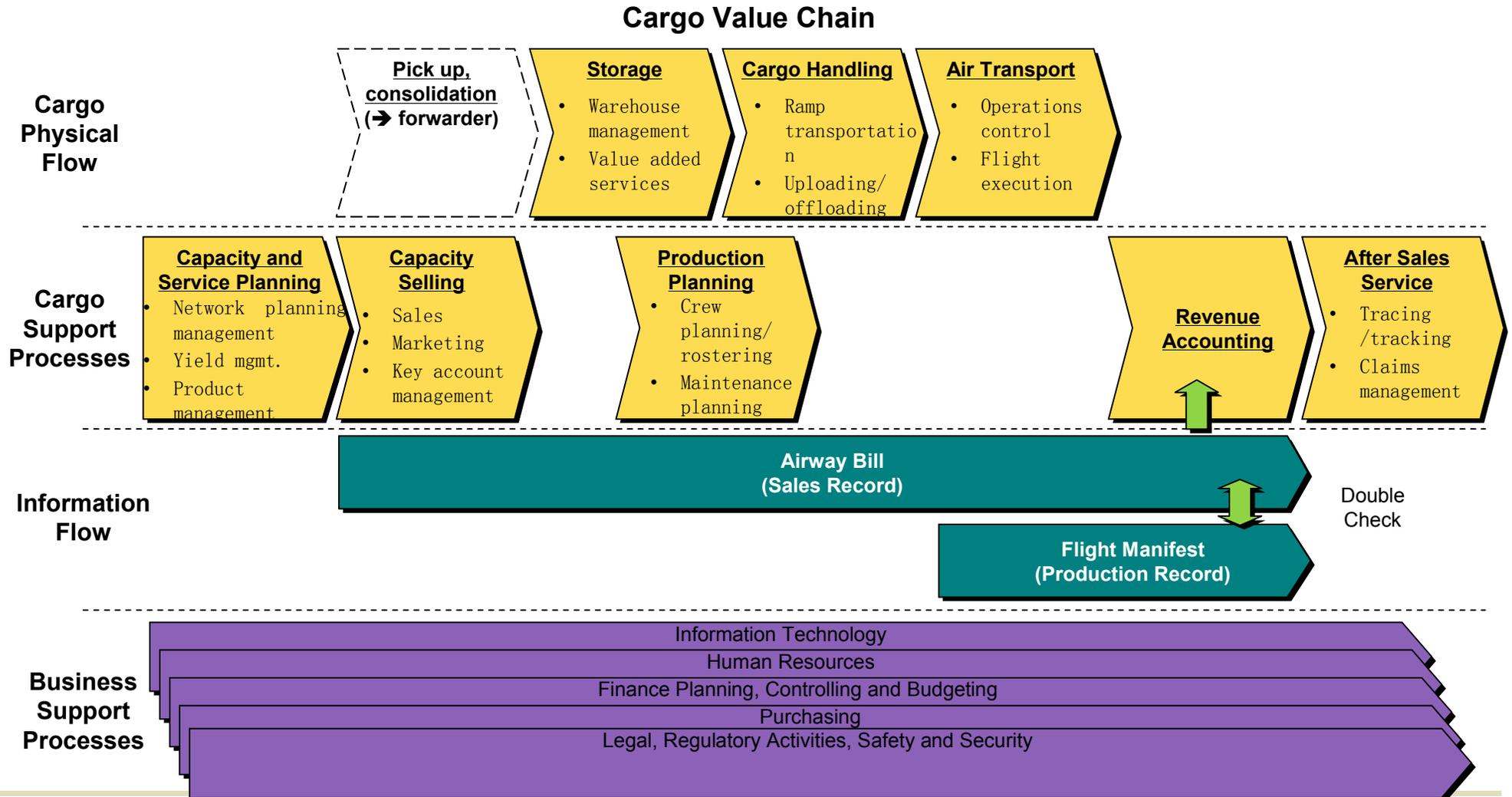


All Logistics Elements Analysis Slow Development Of Air Logistics

- since the 90s of the 20th century, there is a profound “logistics revolution”. On the one hand, boosted by the strong logistics demand, China logistics industry size increases quickly. According the statistics, China logistics industry value-added rose over 200%, from RMB225.7bn to RMB713.3bn, and average annual growth rate reaches 11%, which is 1 percent point higher than that of GDP during the same period.
- The structural difference within the logistics industry is very clear. The fastest developed departments are distribution, processing and packing logistics(average annual growth is 17.6%); The second is storage logistics(16%), wholesale logistics (13.4%),post logistics(12.7%), traffic logistics(8.6%).

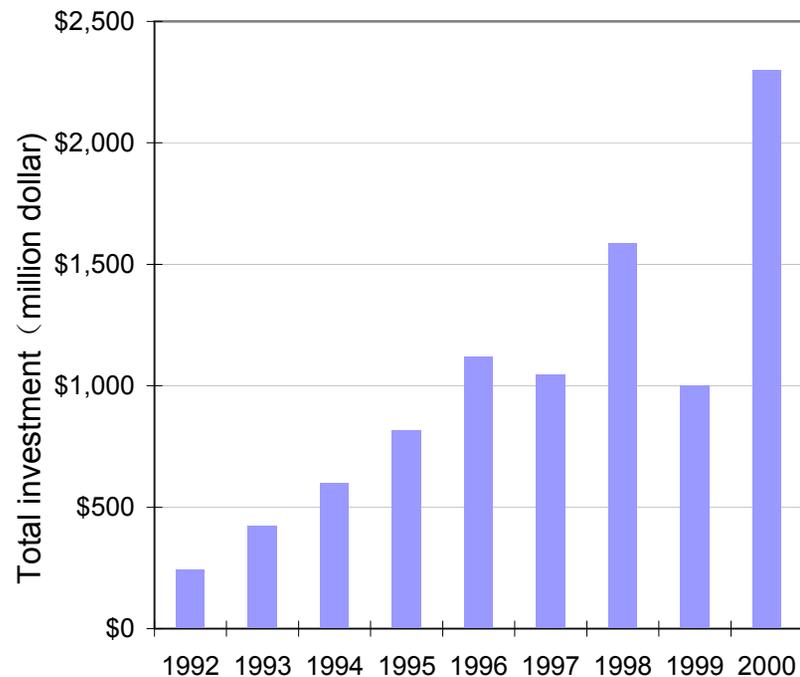


Air Cargo industry is a complex business



China Plans To Focus Investment On Airport Infrastructure, Supporting the Air Cargo Development

Investment Analysis On China Airport



Sources: CAAC, China statistical yearbook

Investment On Airport Infrastructure

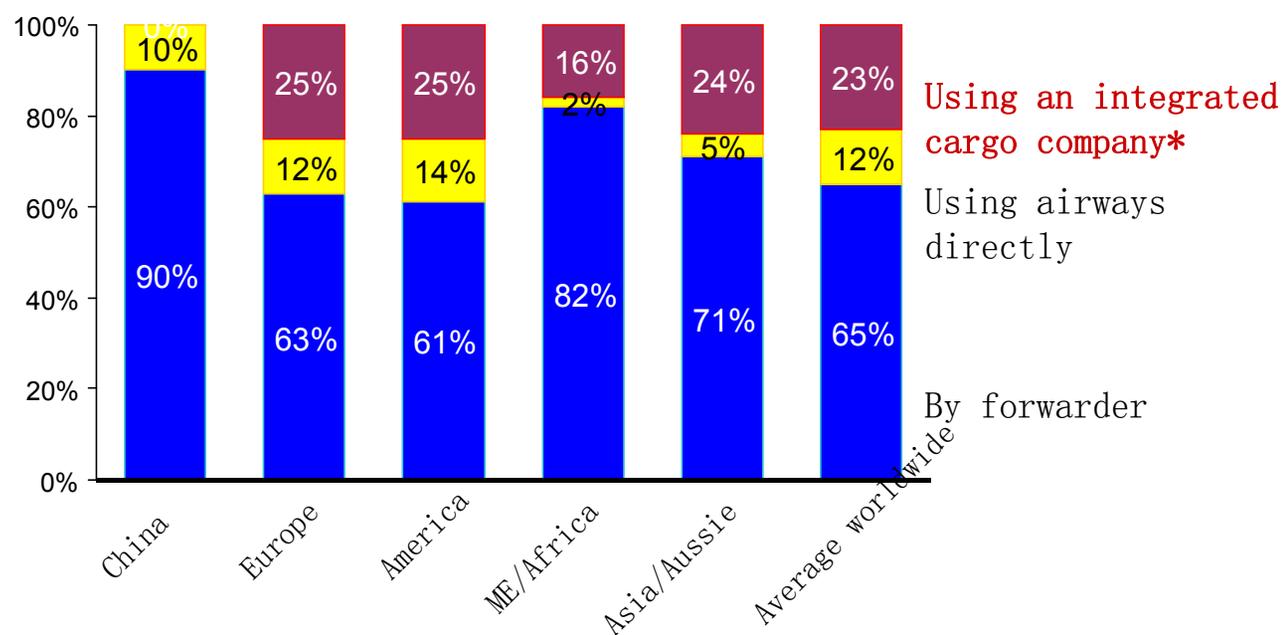
- **In the 10th Five-year plan, CAAC plans to increase 400 airplanes and raise the number of airport to 170.**
- **CAAC plans to set up air cargo centers around the main airports in Peking, Guangzhou and Shanghai.**

Analysis For The Slow Developing Air Logistics

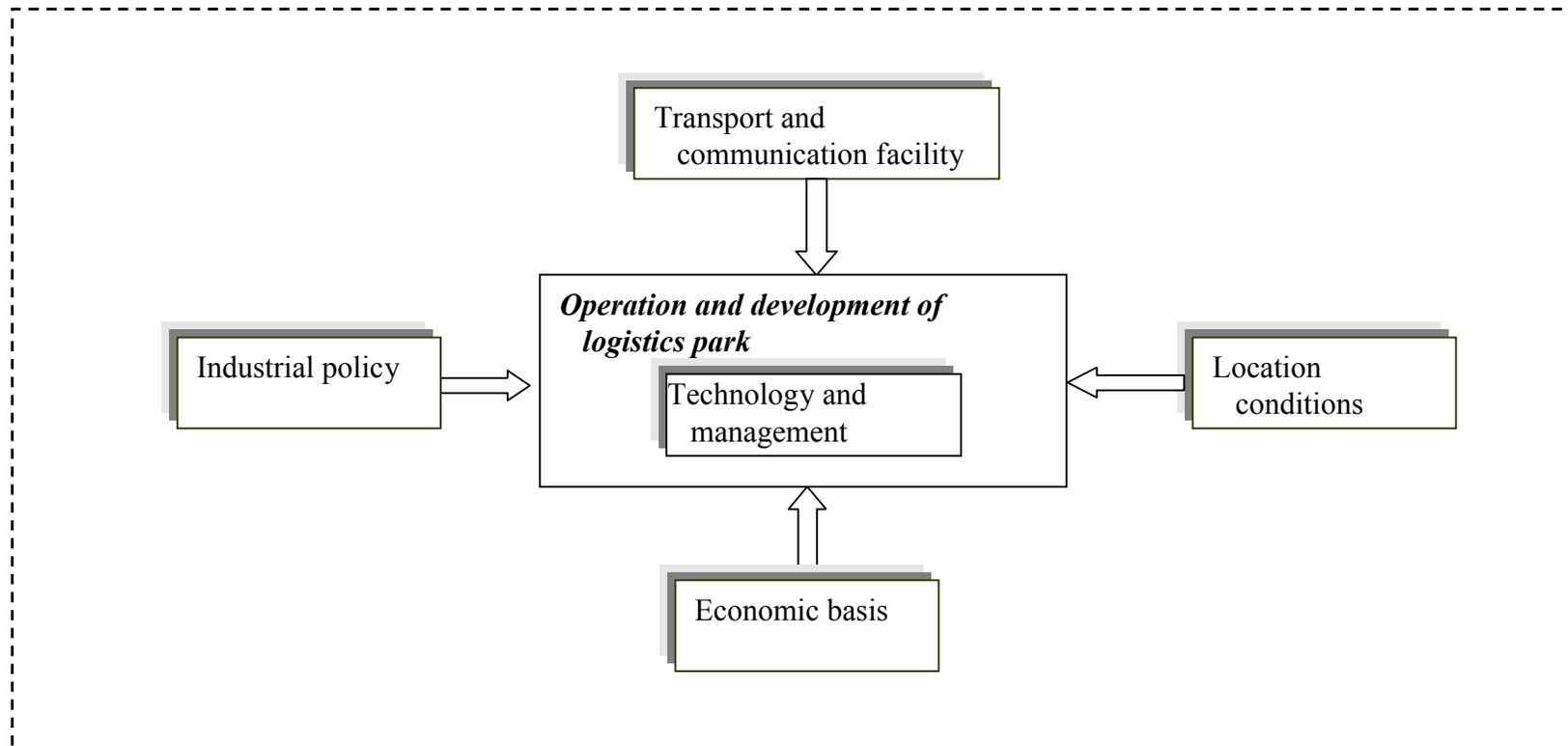
As for the air cargo and express, there is no an integrated Cargo company to offer cargo and express service in China.

。 。 。 But there is no an integrated air cargo company in China.

The proportion of Forwarder, Airways and integrated cargo company used by shipper in 2004 (freight parcel rate)



Analysis Element of Basic Environment Required By The Operation And Development of Logistics Park



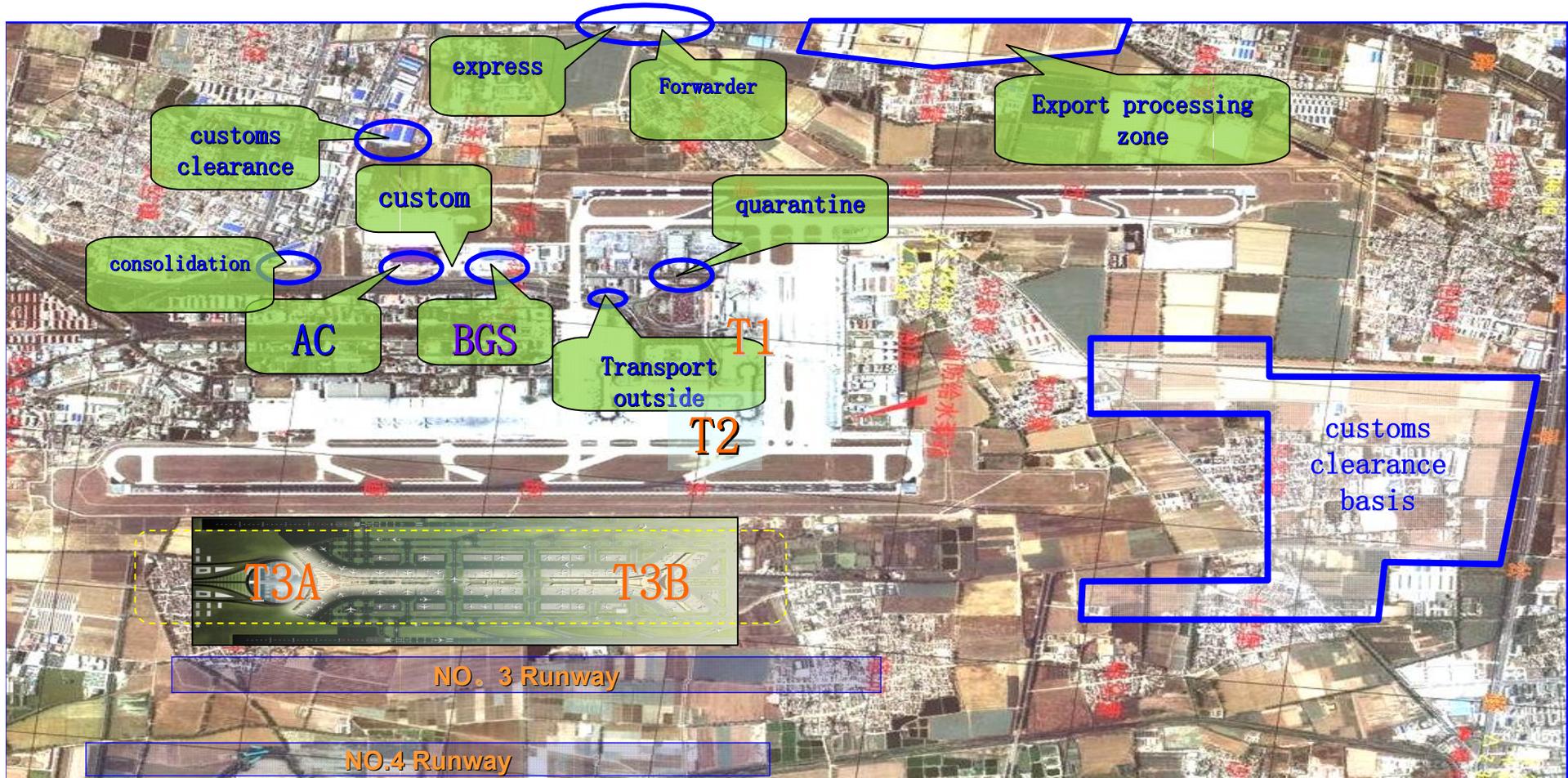
Panorama Of Baraki Air Cargo Distribution Center



Established on 15th March,1972, and dismantled in July 2003

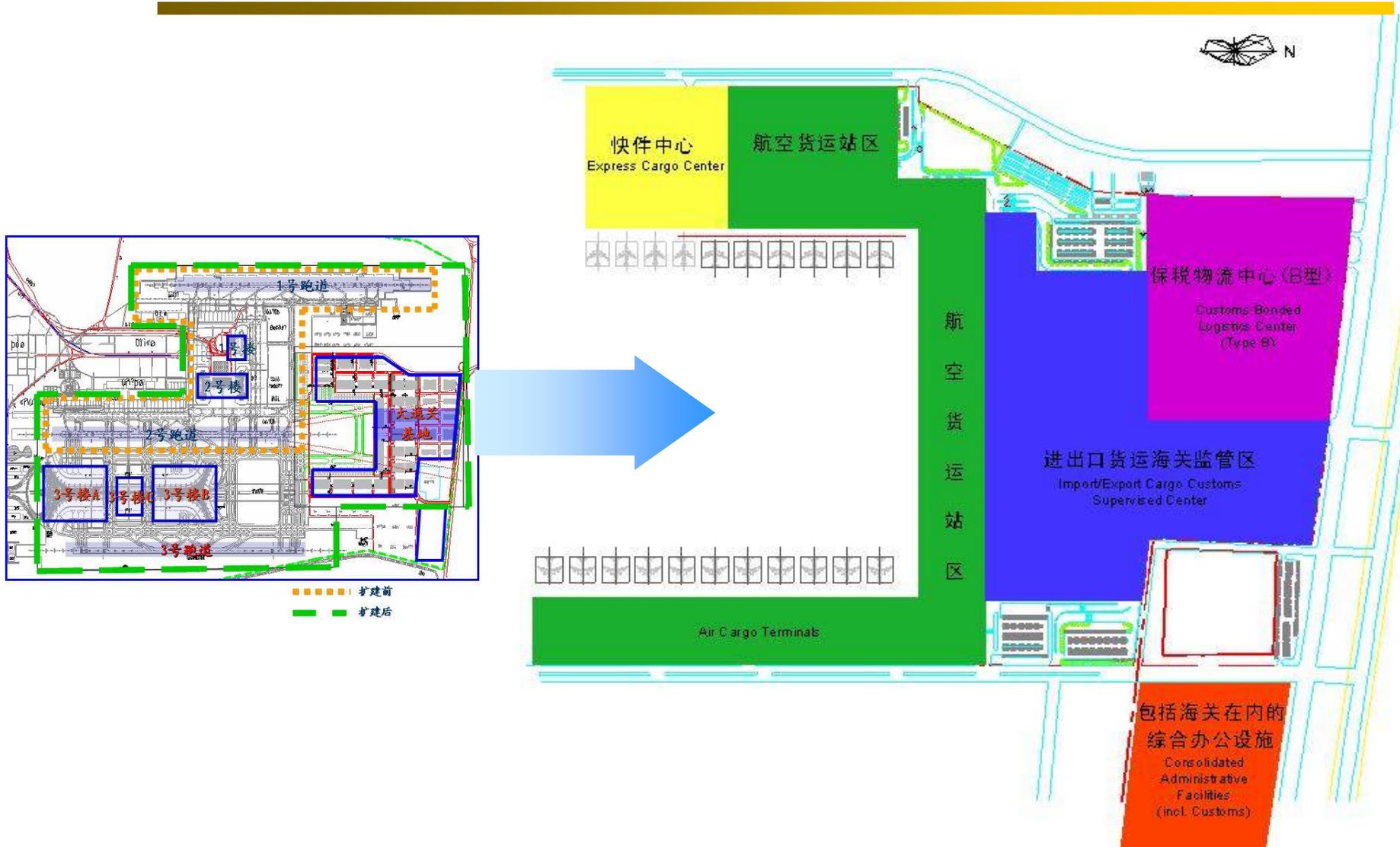


Current Condition Of Cargo Function Planning In Beijing Capital Airport

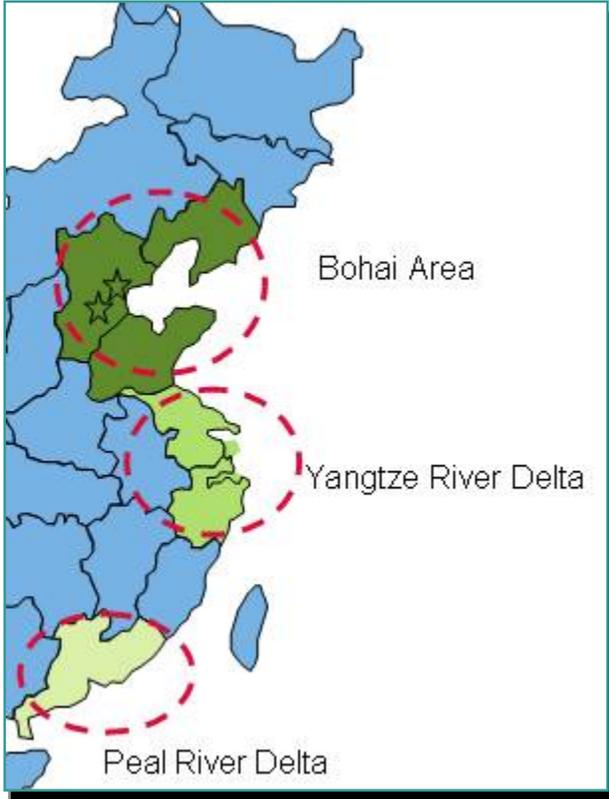


Historically, there has been no a united and reasonable planning on the logistics area around Beijing Capital Airport, resulting in low efficiency in air logistics and slow development.

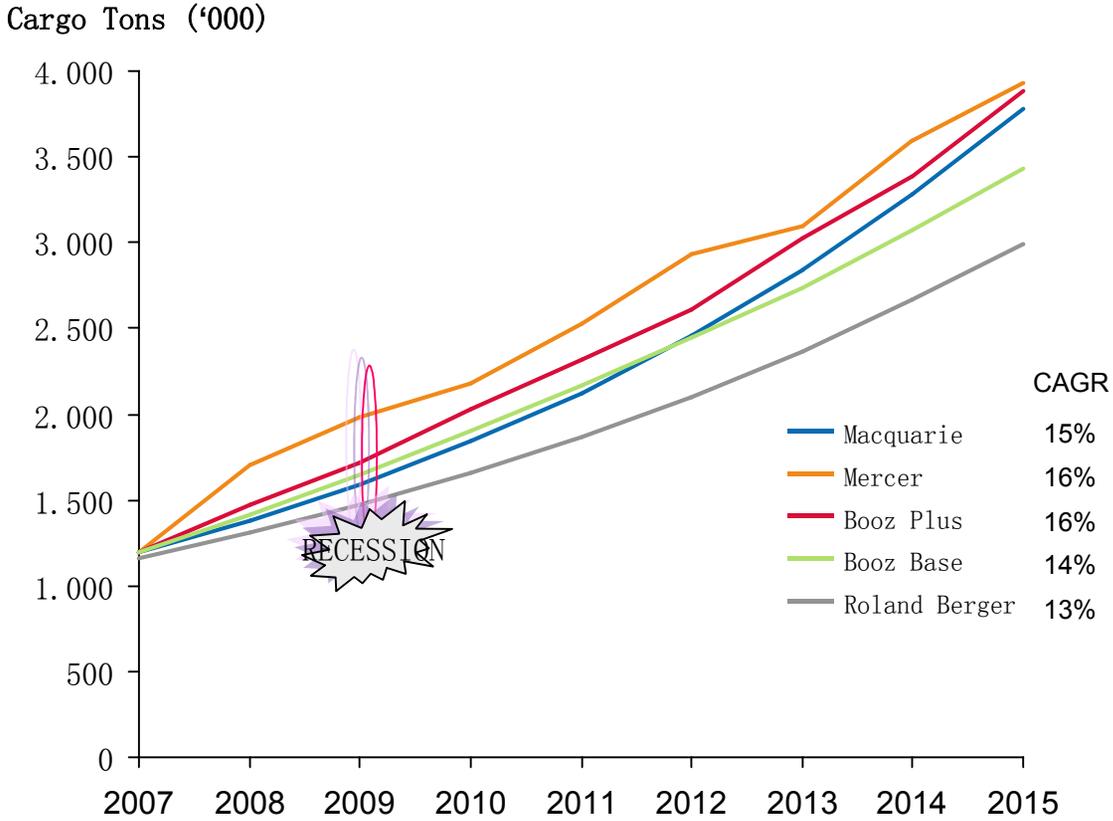
Drawing Of Site On Customs Clearance Basis In Beijing Capital Airport



The strong GDP growth will continue to support the growth of air cargo specially in three economy area



Forecasted Cargo Volume (2007-2015)



Revelation And Reflection

Enhance the Research: Whatever in Japan or America, some institutes continue to research and track logistics development, and form theories, in order to guide the practice.

In America: various big organizations, such as associations, committees and research institutes.

Enterprise Awakening

- The change of enterprise operating model and organizational framework - supply chain management
- With the economic development, the introduction of elegant living culture also activate the growth of air logistics system.

Revelation And Reflection

Cooperation In Air Logistics System

- Air logistics system includes airways, airport, enterprise, logistics outsourcing, third party logistics company, customs and commodity inspection department.
- Customs clearance for 24h? Area division management? Logistics efficiency?
- Cooperation between airways, especially base airways, and airport?
- Cargo airways and airport flight time assurance.

Outlook Of China Air Logistics Development

- **With the rapid economic development and continuous industry upgrade, bring new developing scope to air logistics.**
- **The air logistics ratio rises increasingly, particularly the demands for air cargo become diversified.**
- **The domestic and international logistics markets grow simultaneously, and the former potential is greater than the later.**
- **The door-to-door express becomes the developing trend.**
- **The hot competition point is the integration of logistics system.**

Thank You



Jianwen Tian

CAAC Management Institute of
China

jwtian@163.com

13811852212