

TRANSPORTATION IN CHINA

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“China is a sleeping giant and when she awakes she shall astonish the world”. – Napoleon Bonaparte 1803

There are a lot of changes going underway in China as we write these words, running in parallel we can find changes in the economic arena, management, building infrastructure and obvious significant advances in the domestic transportation systems.

From our perspective the sleeping giant is awake already and is ready to astonish us as well. We haven't seen anything yet.

Under the development transportation plan from the Chinese government, there is the target that “by 2010, the country will have added almost 17,000 thousand km of new track and upgraded about 13,000 km of existing track to accommodate high-speed passenger trains with a top speed of 320 kms / hr.” (Wall Street Journal, 2007)

The Xinhua News agency reported that the opening of the Qinghai to Tibet railway is expected to carry 75% of the inbound freight going into Tibet cutting transportation costs significantly.

All of the above comments and news are the important piece to keep up with the fastest industrialization pace that China is been under for the last 10 years. On top of these actions, China will be benefited since a high number people and towns in the interior mainland will be added to the main stream of the economy, as well as to a higher exposure for more opportunities.

It is very important to keep also in mind that with the new Free Trade Agreement that China and 9 more nations of the south-east asian nations had signed, there are also forces and challenges to meet the demand and offer of services of half of the world-wide population (once India joins). Transportation plays and will play a crucial role to keep up with the growing demand of China and the ASEAN Nations in the very near future.

As in the United States and in the NAFTA region happened 10+ years ago, it is imperative that the Chinese government not just plan in how to put more kilometers of rail tracks on the country. It is very important from our perspective that we make sure that those new rail lines and the ones been upgraded, will deliver the goods and services on time every day that the markets will demand. Because more rail lines not always mean more and better rail & Intermodal services. We need to make sure how and when to grow depending mainly on various market, economical and infrastructure forces.



China's Intermodal development plan, should consider that it will become a system, in consequence the system will have to make sure that within the country and within the ASEAN countries, it will bring value and will enhance the national / regional competitiveness in the global economy.

When creating a reliable Intermodal system that will meet customers expectations, we need to keep in mind that we will need the assistance, guidelines and leadership of the government at all levels, since there are strengths and weaknesses that you can find in each mode of transportation. Each mode's strengths will bring to live a robust Intermodal transportation system. Having the system built, there is also a need to have public policies and public policies makers that understand and think of "competitiveness" of the actual and future policies to issue. It is very important to have a lined-up public policy engine along with the Intermodal system developers. There are no recipes to build and Intermodal system inside a country and within an economical block. In our experience in helping to develop the NAFTA Intermodal Transportation system across the three countries, we found that there are differences in cultures, values and stakeholders that we needed to adapt in order to make effective changes and to build a truly seamless Intermodal network and system.

We strongly believe that the China Intermodal system will have to be conceived as a domestic player and developer, but also, as an extension of the ASEAN and occidental markets that will need to use the same infrastructure that a local Chinese Intermodal container is and will be using. In that case, the options and infrastructure will be lined up to meet all markets needs.

According to IBM Business Consulting Services, worldwide freight logistics, represent 7% of the global GDP. In China according to IBM, the cost of logistics represents 22% of the GDP, while in the US the number is close to 9%.

If we take into consideration the cost of logistics in China today, there is also a need to achieve a truly integration planning of the various transportation modes as well as the various actual and future agencies that will be responsible to deal with congestion, environmental and energy issues. In this case a planning in a per mode basis will hinder rather than boost and Intermodal development system as well as it will promote a lack of a per transported container value.

The actions that we propose to be taken into consideration when planning in a per country basis but also in a per block basis are common in every country and in every block as our experience have taught us in the NAFTA Intermodal transportation development and with Mexico & Central America.

We need to make sure that China and his business partners, other countries and stakeholders, rapidly achieve common standards, to level the playing field for everybody trying to use and to develop the system.

Leveling the playing field is very important because it encompasses all the actual and potential areas to be developed and to be streamlined. With this action, China would be able to achieve in a lesser time the things and tasks in a non-leveled field environment.

While all the work in the field and with the stakeholders and countries is important, we need to consider and promote a mechanism that will ensure and bring up to speed education, knowledge transfer and best practices into the whole transportation engine inside China and the ASEAN countries.

“China, for example, is now the third largest producer of manufactured goods, its share having risen from four to 12 percent in the past decade. It should easily surpass Japan not only in a share of manufacturing but also of the world’s exports. Competition from “the China price” already powerfully restrains manufacturers’ prices worldwide”. (Mapping the Global Future, Report of the National Intelligence Council’s 2020 Project).

The volumes that will travel on rail tracks in China main land, will need to have a well planned infrastructure along with a well planned marketing and sales program, since the offer may not be at the same level with the demand of services. China has to take in to consideration the creation of different business units (all underneath the same Intermodal umbrella) that will service different markets with different type of services with differentiated level of services.

In our experience in the western side of the world and it will certainly will happen in China and the ASEAN nations, there is a need to fulfill to have a domestic Intermodal containers pool (set of equipment that will be used just for the countries and rail participants) and the creation of an ASEAN Intermodal Container pool, due to the natural imbalances that international trade creates.

Railroads in the US and in Canada, typically used to provide each piece of equipment to be loaded and for the past 5 years there is a tendency to move away from owning the piece of equipment, in consequence creating distortions in some markets, since the US is more focused to developed some Intermodal lanes (profitable ones) and to leave the less profitable ones on their own.

We see a good chance to create from the beginning of the China Intermodal system an equipment engine that will make sure that every market is served, but more importantly, it will for sure secure the development of more lanes, markets and logically will bring more people and towns into the economical integration. This is something to take into consideration when thinking in the ASEAN economical integration

CONCLUSION

There is a lot of potential to be developed in China. We strongly believe that the opportunity is there, but we also see that the development could happen in a intelligent way and or in the opposite way.

The China / ASEAN Intermodal system should be created in an intelligent way, market oriented and customer focused, since there will be no other chance to think and plan the whole system from scratch.

Systems and the IT piece will for sure accelerate the integration intramodes and intermodes and it will be a key player during the operation and information exchange once the system is up and running.

We feel very excited to have this opportunity to participate and to contribute to some extent in the intelligent creation and evolution of the whole China Intermodal System.

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