SOUTHEAST ASIA FREIGHT:
THE ROAD TO GROWTH

As the world slowly emerges from Covid-19 lockdowns and economies rebound, the freight industry stands poised to meet the supply chain challenges and requirements of clients in Asia. These requirements are, in many cases, changing dramatically as logistics strategies are adjusted to a post-pandemic world. There has been a noticeable shift to building up resilience by diversifiying operations and suppliers. At the same time, the need to remove excess costs and curb any over-reliance on any transport node - whether that is a specific border, airport or port – is as acute as ever.

We believe intra-Asia trade will continue to grow as economies recover from Covid-19. Consumption and economic growth rates are expected to accelerate. Even more parts of Asia will transition into middle-income countries, further boosting household expenditure rates.

As this paper details, intra-Asia trade – especially to and from Southeast Asia and within the ASEAN bloc – is set to receive a series of boosts from new trade agreements and facilitating regulations in the months and years ahead. For Southeast Asia, with a population of more than 650 million, this reduction of trade restrictions and ease of doing business will support economic growth and trade. Most of Asia is connected by land, making trucking services a cost-effective and efficient option for many customers.

DHL Global Forwarding's role is to reduce complexity, and sustainably and transparently enhance efficiency in supply chains to better serve our customers.

The free movement of trucks across borders creates new opportunities for seamless intermodal processes that increase business efficiency and reduce logistics costs. As barriers to trade are removed, road and multimodal solutions using trucking services as their foundation will create ever more attractive logistics solutions.

DHL will continue to roll out the region's leading road and multimodal solutions developed in partnership with our customers as we all prepare for the next decade of, hopefully, pandemic-free business and trade.

Sincerely yours,

THOMAS TIEBER
CEO, DHL Global Forwarding Southeast Asia

THE TRADING LANDSCAPE
INTRA-ASIA TRADE GROWTH

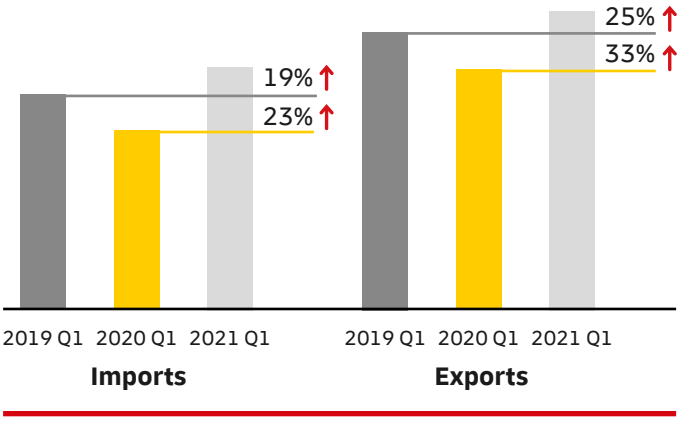
Economic indicators point toward increasing trade across Asia in the coming years as post-Covid-19 recoveries supercharge demand. This will have a direct impact on contract logistics, forwarding, trucking and parcel supply chain demand.

The World Bank predicted on June 8 of this year that the global economy would expand by 5.6% in 2021. Growth in the East Asia region is projected to strengthen to 7.7%, primarily reflecting a strong rebound in China where growth, supported by buoyant exports, is projected to pick up to 8.5%[1]. Given the interlinked nature of Asia's pre-assembly supply chains, China's export growth will have a beneficial knock-on impact across the region in terms of trade demand and volumes.

Many of Southeast Asia's leading economies are also poised for renewed economic growth. In Indonesia, for example, GDP growth is expected to rebound to 4.4% in 2021 and strengthen further to 5% in 2022. Thailand's economy is forecasted to recover gradually over the next two years, with growth picking up to 2.2% in 2021 and 5.1% in 2022. Growth in the Philippines is projected at 4.7% in 2021 and 5.9% in 2022, while Malaysia is expected to rebound to 6% in 2021 and Vietnam is forecast to expand 6.6% on average this year and next.

The United Nations Conference on Trade and Development (UNCTAD) also expects East Asian economies to drive trade growth in 2021 much as they continued to do even during the pandemic. Comparing first quarter trade patterns in 2021, 2020 and 2019, UNCTAD's May 2021 Global Trade Update found that East Asia, which includes most of Southeast Asia, saw imports rise 23% versus Q1 2020 and 19% versus Q1 2019. Exports in the period were up 33% versus Q1 2020 and 25% compared to Q1 2019[2]. "During Q1 2021, trade continued to rebound not only in sectors related to COVID-19 (e.g. pharmaceuticals, communication and office equipment) but also increased for most other sectors, such as minerals and agri-food," noted UNCTAD.

EAST ASIA TRADE GROWTH PATTERNS



Source: The United Nations Conference on Trade and Development (UNCTAD)

Increased trade volumes and economic activity will translate into growth in logistics and road transport demand, according to an analysis by Transport Intelligence (Ti). The consultancy expects Asia Pacific's real contract logistics demand growth over 2020-2025 to increase by 7.6%[3], with demand across the entire region forecasted to increase by 8.2% this year. China leads the way with its contract logistics market expected to expand by 9.7% over 2020-2025. Indonesia, Vietnam, Malaysia, Laos, Singapore, Thailand and the Philippines are expected to enjoy real contract logistics market growth rates over 2020-2025 of 9.3%, 12.4%, 9%, 11.1%, 3.8%, 6.2% and 11.7%, respectively.

[1]https://www.worldbank.org/en/publication/global-economic-prospects
[2]https://unctad.org/system/files/official-document/ditcinf2021d2_en.pdf
[3]https://www.ti-insight.com/whitepapers/post-covid-19-forecasts-global-contract-logistics-growth-2020-2025/

CONTRACT LOGISTICS DEMAND GROWTH OVER 2020-25

Source: Transport Intelligence (TI)

"The region hosts a number of fast-growing emerging markets, with increasingly significant manufacturing sectors," noted Ti. "Vietnam, for example, has benefitted from the US-China trade war, with an increasing number of high-tech multinationals entering the country. Indonesia is hoping for similar growth, with its "Making Indonesia 4.0" strategy a central pillar of this. Meanwhile, China retains very strong growth rates, which will see retail contract logistics benefit from an economic shift in focus toward private consumption."

Asia Pacific's freight forwarding market is forecasted to grow at **13.2%**

According to Ti, the global freight forwarding market will grow at a rate of 11.6% in real terms with Asia Pacific forecasted to grow at 13.2%. Based on Ti's Regional Freight Forwarding COVID Recovery Tracker 2021, the Asia Pacific forwarding market will be 3.6% larger than it was at the end of 2021. "Market growth will continue to be led by China (15.4% growth), as demand for Chinese goods from US consumers continues to grow," notes Ti's latest freight forwarding market forecast. "However, others such as the Indonesian freight forwarding market is forecast to rebound by 10.7% after a disappointing 2020."

Meanwhile, Southeast Asia will see e-commerce growth of 5.5%[4] in 2021, helping drive both B2B and B2C demand. Singapore, Malaysia, Indonesia, the Philippines, and Vietnam will be the top five Southeast Asian markets leading the charge in terms of market growth over the coming year.

Indeed, in a recent white paper[5] published by DHL Express on the growth potential of the e-commerce market, it was predicted that close to 80% of all B2B sales interactions between merchants and professional buyers will take place on digital channels by 2025, accounting for an expected 70% increase in online B2B e-commerce transactions to reach US$20.9 trillion by 2027[6].

The US-ASEAN Business Council also predicts ASEAN is well-positioned to harness the opportunities brought about by e-commerce which demands fast, often cross-border, door-to-door transport. Between 2014 and 2019, total e-commerce activity in the ASEAN-6 economies grew at a CAGR of 43.4% from US$5.5 billion to US$33.6 billion[7].

"Home to 650 million people and a youthful demographic with close to 60% of the population being below 35 years of age create a long tail for growth in the region's economy," reported the Council."This presents significant opportunities for all the players along the e-commerce value chain. E-commerce benefits stakeholders across the ecosystem. It allows merchants to transcend geographical boundaries to reach more markets, and also reduces entry barriers for small businesses."

Between 2014 and 2019, total e-commerce activity in the ASEAN-6 economies grew at a CAGR of 43.4% from US$5.5 billion to US$33.6 billion. "Home to 650 million people and a youthful demographic with close to 60% of the population being below 35 years of age create a long tail for growth in the region's economy," reported the Council.

For its part, Ti expects Asia Pacific's express and small parcels market to grow at a CAGR of 10.7%[8] over the 2020-2024 period. "Without as much economic disruption in 2020 as other regions, Asia Pacific is expected to sustain a more normal growth trajectory over the forecast period which will keep express growth moving at pace," notes Ti.

[4]https://www.adb.org/what-we-do/economic-forecasts/september-2020
[5]https://www.dhl.com/global-en/home/press/press-archive/2021/dhl-express-uncovers-next-wave-of-e-commerce-growth.html
[6]https://www.researchandmarkets.com/reports/5028717/business-to-business-e-commerce-market-size
[7]https://www.usasean.org/sites/default/files/uploads/reports/usabc_e-commerce_study_summary.pdf
[8]https://www.ti-insight.com/whitepapers/post-covid-19-forecasts-express-and-small-parcels-growth-2020-2024/

REGULATORY FACILITATION

In many parts of Asia, divergent customs and tax regimes have delayed efforts to convert domestic operations into viable international production, distribution, and sales networks. However, in Southeast Asia, administrations committed to the ASEAN Economic Community (AEC) are encouraging customs officials to facilitate, rather than hinder, companies that seek to expand their operations across the wider region. And these facilitation efforts are now opening up new trade routes and opportunities.

The ASEAN Economic Community Blueprint 2025 pledges "greater connectivity, efficiency, integration, safety and sustainability of ASEAN transport to strengthen ASEAN's competitiveness and foster inclusive regional growth and development".

The ASEAN secretariat recently published its 'COVID-19 Recovery Guidelines for Resilient and Sustainable International Road Freight Transport Connectivity in ASEAN' report, for example. It contains multiple pledges to build-out the trans-ASEAN logistics network to improve seamless transport, reduce border controls and friction, and encourage regional trade. Indeed, at the heart of the ASEAN bloc, there is now a commitment by companies to reduce the transaction costs of trade and encourage regional investments to help boost economic growth and speed up integration.

Making the most of the bloc's huge economic potential will require continued commitment to bolstering cross-border transport arteries. Helpfully then, the ASEAN Economic Community Blueprint 2025 pledges "greater connectivity, efficiency, integration, safety and sustainability of ASEAN transport to strengthen ASEAN's competitiveness and foster inclusive regional growth and development".

It includes a commitment to building an efficient, safe and integrated regional land transport network within ASEAN and to work with neighboring countries to support the development of trade and tourism, through better cross-transport infrastructure integration with ports and airports, and "coordinated efforts at policy and operation levels to develop ASEAN land transport trade corridors".

These commitments are also now supported by a range of tangible actions, plans and trade agreements that will accelerate the removal of trade barriers to cross-border intra-Asia trade.

ASEAN CUSTOMS TRANSIT SYSTEM

The ASEAN Customs Transit System (ACTS) promises to add real purpose to ASEAN's efforts to improve inter-regional transport options, creating options for

MAIN FEATURES OF ACTS

- A single electronic Customs transit goods declaration from departure, through transit countries, to destination
- A single guarantee valid for the whole regional transit journey to cover the duties and taxes at risk
- A single-vehicle for the whole journey from departure, through transit countries, to destination
- Faster outward and inward clearance due to automated real time information availability at all Customs points in the journey
- Customs controls carried out in one country are accepted by other countries
- Full end-to-end computerization of ACTS operations

new road-based logistics networks able to support the outbound and inbound supply chains of leading OEMs.

Launched in Cambodia, Laos, Malaysia, Singapore, Thailand and Vietnam in 2020, ACTS is a computerized customs transit management system designed to enable licensed operators to move goods across borders using a single document and without having to pay duties and taxes otherwise due when goods enter or leave a country.

ACTS is designed to help achieve the ASEAN goals of reducing trade transaction costs by 10% in three years and doubling intra-ASEAN trade by 2025. It is already moving quickly to achieving those aims and opening up new cross-border trucking logistics opportunities in the process.

At the time of this paper's publication, 500 qualifying vehicles have been licensed to operate across borders under ACTS with plans in place to further roll out the scheme in the near future.

If cargo has to be inspected at road borders or undergo rigorous customs procedures and/or charges, this not only undermines trucking's speed advantage over air and ocean transport, it also threatens the cargo's security and integrity. ACTS essentially removes those impediments to cross-border trans-ASEAN road transport.

At the time of this paper's publication, 500 qualifying vehicles have been licensed to operate across borders under ACTS with plans in place to further roll out the scheme in the near future. A permit allows goods to be transported across borders on the same truck from departure to destination point, thus eliminating the need to transfer goods to a local truck at a border.

Not only does ACTS speed up intra-ASEAN transport, it also creates new opportunities for those seeking to reconfigure post-COVID supply chains. For example, manufacturers looking to diversify some production out of China to reduce risk and increase supply chain resilience now have improved options to set up regional supply chains in Southeast Asia.

By bypassing normal import and export customs regimes because operators do not need to make a Customs declaration at each border during the journey, ACTS generates administrative and cost benefits, and opens up new, more competitive, intra-regional trade lanes. For example, there is now no need to transfer goods to a different truck in each country, and the duties and taxes at risk are covered by a single guarantee for all the countries involved in the transit operation.

Business users can lodge e-transit declarations directly with ASEAN Customs authorities via ACTS. And they can also track the movement of their cargo from loading at departure to its final destination.

ASEAN-CHINA FREE TRADE AREA

The ASEAN-China Free Trade Area came into force at the start of 2010, creating one of the world's largest free trade areas. It reduced tariffs to zero on 7,881 product categories, or 90% of imported goods. It has vastly increased trade and freed up road transport between the ASEAN bloc and China, and especially between China and Vietnam, creating new synergies between China and the ASEAN bloc of countries.

THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement between the Asia-Pacific nations of Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam.

RCEP's current members represent almost a third of the world's total population and around 30% of global gross

domestic product. RCEP aims to create a larger free trade zone than currently in place in either North America or Europe, with plans in place to eliminate tariffs on cross-border trades across large swathes of the group's economy including e-commerce.

Dynamar, a shipping consultancy, expects intra-Asia trade to benefit from RCEP which could come into force next year. According to Dynamar (quoted in the Journal of Commerce November 27, 2020), the RCEP agreement could generate an extra 2.2 million TEU in container volumes in the intra-Asia market[9]. This corresponds to around 5.2% of 2019 intra-Asia volumes of 42.7 million TEU. Similar growth in trade will also benefit trucking volumes either as part of shipping-based multimodal solutions or cross-border services.

One key driver of RCEP trade will be China's commitment to reduce tariffs on regional shipments of many products including, if ratified, some agricultural, chemical, food and auto products. The removal of tariffs is expected to drive road freight movements both between ASEAN and China, and within ASEAN, with the harmonization of the rules of origin also expected to benefit carriers.

Indeed, tariffs will eventually be eliminated on 90% of the trade in originating goods between member countries if pledges become reality. Some tariff lines will have duties removed immediately when RCEP enters into force, while others will see duties eliminated over a period of time. There are also product categories that may not be subject to duty reduction at all. Industries most affected will be those that traditionally carry high duty rates, such as food, agriculture, consumer good and automotive. It should also be noted that tariff reductions may vary depending on the precise RCEP country of origin. For food products, tariffs are still maintained for 39% of food products from Southeast Asian nations, Australia and New Zealand; 44% from China; and 51% from South Korea.

CHINA'S BELT & ROAD INITIATIVE

China's Belt & Road Initiative (BRI) was officially launched in 2013 and seeks to build global connectivity and market integration. A large part of BRI is the export of China's infrastructure building capability via large scale developments. Southeast Asia has been a major focus of BRI including major infrastructure projects in Myanmar, Laos, Malaysia, Indonesia and the Philippines designed to build intermodal linkages via new ports, railways and free trade zones.

One key part of BRI is the Sino-Singapore (Chongqing) Strategic Connectivity Demonstration Project, also known as Chongqing Connectivity Initiative, or CCI. It has also previously been called the Southern Transport Corridor. It seeks to establish an International Land-Sea Trade Corridor (ILSTC) between Chongqing and Singapore, linking two parts of BRI – The Silk Road Economic Belt and the 21st Century Maritime Silk Road. The Yusof Ishak Institute reported last year that

ILSTC was off to "a positive start" with the two countries "expanding the breadth and depth of their cooperation, including connecting more transportation lines and increasing the scale of freight transport"[10] over the previous two years.

Taking Chongqing as its operational centre, with Guangxi, Guizhou, Gansu, Qinghai, Xinjiang, and other western provinces as its key nodes, the ILSTC promotes multimodal transport via railway, shipping, highway, and other means of transportation, reaching Southeast Asian countries such as Singapore through coastal border ports in the Beibu Gulf in the far south of China bordering Vietnam. While a large focus of the project includes rail-sea links from Chongqing to southern Chinese ports and on to Singapore by sea, cross-border highway transport is also critical.

[9]https://www.joc.com/maritime-news/trade-lanes/container-trades-eye-boost-intra-asia-economic-deal_20201127.html

[10]https://www.iseas.edu.sg/wp-content/uploads/2020/09/ISEAS_Perspective_2020_99.pdf

According to the Yusof Ishak Institute, there are three cross-border highway routes being planned: an east route from Nanpeng (Chongqing) to Pingxiang (Guangxi) to Hanoi (Vietnam); a middle route from Nanpeng (Chongqing) to Mohan (Yunnan), then from Mohan to Vientiane (Laos) and then Bangkok (Thailand), Kuala Lumpur (Malaysia), and finally to Singapore; and a west route starting from Chongqing to Ruili (Yunnan) and ending in Yangon (Myanmar).

BRI's linkages to Southeast Asia open up huge new multimodal options that will enable shippers to efficiently manage shipments end-to-end to generate security, speed or costs improvements, often under a single transport document.

The China-ASEAN highway connections are currently works in progress. All of the routes identified require infrastructure upgrades in often difficult terrain with political disarray in Myanmar also now threatening the viability of the western route. "The ILSTC cross-border highway transportation centre line from Mohan (Yunnan) to Vientiane (Laos), for instance, has approximately 80% of the route located along mountainous terrain and plateaus, passing through tunnels, bridges, and culverts along the way," notes the Yusof Ishak Institute. "Landslides, mudslides, and other natural disasters often occur during the rainy season, causing frequent interruption and serious damage to the transportation infrastructure."

BRI's linkages to Southeast Asia open up huge new multimodal options that will enable shippers to efficiently manage shipments end-to-end to generate security, speed or costs improvements, often under a single transport document. For example, intra-Asia trucking services from ASEAN can now plug into rapid transit intercontinental rail services from East Asia to Europe utilizing overland highways to and from China or using short sea regional shipping via key port hubs. OEMs with diversified supply chains can benefit, for example, from the ability to consolidate cargo from across Southeast Asia and China and use full load shipments direct to Europe by rail and then onward to depots in Europe. The solution guarantees security, speed and reliability but at a more affordable pricing point than air freight, and with far quicker transit times than sea freight options.

THE GREATER MEKONG SUB-REGION – CROSS-BORDER TRANSPORT FACILITATION AGREEMENT (CBTA)

The Greater Mekong Sub-region – Cross-Border Transport Facilitation Agreement (CBTA), or 'Early Harvest' agreement, saw member countries of the Greater Mekong Sub-region (Cambodia, China, Laos, Myanmar, Thailand, and Vietnam) ratify a Cross-Border Transport Facilitation Agreement (CBTA) in 2015. The agreement has now entered into force. It allows each member country to issue up to 500 GMS Road Transport Permits and Temporary Admission Documents (TADs) for goods and passenger vehicles registered, owned and/or operated in that country. Vehicles must carry with them the original Permit and TAD issued by the competent authorities where the vehicle is registered and can remain in any other participating GMS country for up to 30 days on each journey. This vehicle 'passport' is then stamped by the Customs department of each member country visited on entry and on exit to ensure a 30-day time limit is observed.

CASE STUDY
FASHION & APPAREL SOLUTION DHL ASIALINE (FTL)

CHALLENGES

- There is an increased number of factories that have moved to Southeast Asian countries, such as Vietnam.
- Growing demand of importing finished fashion products to China
- Customers importing products to China have specific requirements. Form E (Certificate of Origin) is needed for tax reduction in China, while their products need to undergo commodity inspection (CIQ) before being released to the market.
- With air freight and ocean freight, Form E can only be applied after the flight/vessel has departed from the place of origin. At the same time, the consignee can only begin import clearance when Form E arrives at the destination, which is sent separately.
- As such, shipments can get stuck at the destination while waiting for the documents to be ready. Adding on to the complexity, shipments can only be delivered to the consignee after inspection by authorities are completed, causing further delay in transit time.

DHL SOLUTION

- DHL Road Freight provides the container and seal number to customers three working days before pick-up so that Form E can be applied in advance.
- Form E will follow the shipment so import customs clearance can be performed right away when the truck arrives at the border.
- DHL will also apply for the inspection to be performed at consignee's warehouse so total transit time is shortened as the shipment can be delivered to the consignee right after the import clearance is completed.

OUTCOME

DAY -2 (Vietnam)
Shipper to apply for Form E

DAY 0 (Vietnam)
Pick-up

DAY 0
Export Customs clearance completed by Vietnam

DAY 1
Import Customs clearance completed by China

DAY 2 (China)
Delivery

THE FUTURE OF ROAD FREIGHT IN SOUTHEAST ASIA

WHY ROAD?

Road transport is the bedrock of logistics networks from Europe to South America, the USA to Africa. Asia is no different.

As well as being the foundation of last-mile pickup and delivery and domestic trunk route transport, road transport logistics solutions are now playing a growing role in international long-haul solutions across Asia.

The advantages are clear. Trucking is significantly cheaper and generates less emissions than air freight, while offering increased security and faster lead times than ocean freight. The latest freight platform and telematics technology sees highly trained drivers operating state-of-the-art trucks monitored 24/7 from regional control towers, a combination that offers unmatched transparency and cargo visibility. At its best, road freight enables businesses to ship to a far greater range of locations than either air or sea, doing so at a 'golden mean' of relatively low costs and high speed.

Moreover, landlocked countries in Asia such as Laos, Nepal and Mongolia are highly reliant on trucks, while in large parts of remote and rural Asia, road transport is the only delivery option available.

Road freight makes up nearly

⅓ of ASEAN's

entire logistics market

Particularly during the Covid-19 pandemic, road-only or multimodal solutions with a large road component have offered more stable pricing and capacity and, in many cases, easier border access.

Trucking is significantly cheaper and generates less emissions than air freight, while offering increased security and faster lead times than ocean freight.

Road solutions are also highly flexible with trucks able to manage door-to-door local, cross-border, long haul and short haul deliveries. Businesses have the option of deploying hub-to-hub and consolidation services depending on their logistics requirements.

Cross-border trucking in Southeast Asia, and from ASEAN to other parts of Asia, continues to grow, driven by e-commerce consumer spending and the door-to-door logistics solutions consumers and businesses demand. According to Nick Bailey, Head of Research at Ti, road freight already makes up nearly one third of ASEAN's entire logistics market – significantly more than any other mode, with growth in the coming decade expected to outpace the use of trucking logistics solutions in other parts of the world.

Future growth is underpinned by ASEAN's commitment to speed up border crossings and improve the ease of doing business to boost economic growth and bolster transport resilience.

TECHNOLOGY: HOW DIGITALIZATION IS TRANSFORMING INTERNATIONAL ROAD TRANSPORT IN ASIA

Technology is adding to the viability of road-only and multimodal solutions in Asia. New digital freight forwarding marketplaces allow cargoes to be matched efficiently with trucking capacity. Route optimization technology has improved operational efficiency while reducing the carbon footprint of road freight by hugely curbing, for example, the number of truck journeys made without a load. Big data is now being used to predict volumes and needed capacity supported by artificial intelligence (AI) algorithms to reduce overall cost burdens and improve price points.

Moreover, the Covid-19 pandemic has accelerated the adoption of all things digital, removing paper from supply chains and creating new opportunities for synchronistic logistics operations matching Less-than-Truckload (LTL) and Full-Truckload (FTL) services to diversified inbound and outbound supply chains.

A survey by IBM earlier this year found that trucking and its customers will continue to embrace digital innovation through the rest of this decade. Innovations including truck platooning, crowdsourced delivery, optimized predictive maintenance, driver/truck/road-specific routing, smart cargo and automated driver assist will become increasingly routine, all powered by digital technologies such as cloud computing, AI, Internet of Things (IoT) and advanced analytics.

The IBM survey of 1,320 executives from 1,188 companies involved in trucking or ancillary services concluded that many of these road freight capabilities are already available and in use while others will be in use by 2030[11].

DHL GLOBAL FORWARDING myDHLi

Underpinning DHL's technological backbone for road freight is myDHLi. This multimodal portal includes QUOTE + BOOK + TRACK, which offers rapid access to instant and competitive quotes and bookings.

It enables customers to monitor emissions, provides full shipment visibility in the past, present and future. It also helps customers to anticipate changes in delivery dates and avoid additional costs while also collecting all relevant shipment information in one place - from quote details to final invoices.

myDHLi takes collaboration in the logistics industry to the next level by simplifying information sharing. The portal connects and collects all shipping data in one place, making it easy for customers to follow their shipments and share the information with their customers, colleagues and partners. It gives users full control. myDHLi informs proactively about all major shipment milestones. It also sends automatic notifications regarding significant changes to all stakeholders who follow shipments in myDHLi, helping cut daily workloads.

myDHLi also allows powerful analysis of logistics spend, volumes, customs activity, and service quality, enabling data-driven decisions to effectively manage supply chains.

[11] https://www.ibm.com/downloads/cas/7PVEWQLD

CASE STUDY
TECHNOLOGY

Security and speed are critical when meeting the logistics needs of the world's leading technology companies. The ability to move cargo seamlessly across borders while guaranteeing full end-to-end supply chain visibility is critical.

CHALLENGES

The client needed to simplify its logistics processes and improve overall supply chain efficiency to bolster business competitiveness. Chief among the client's aims was to linearize its shipping lead times, gain full shipment visibility and reduce distribution costs.

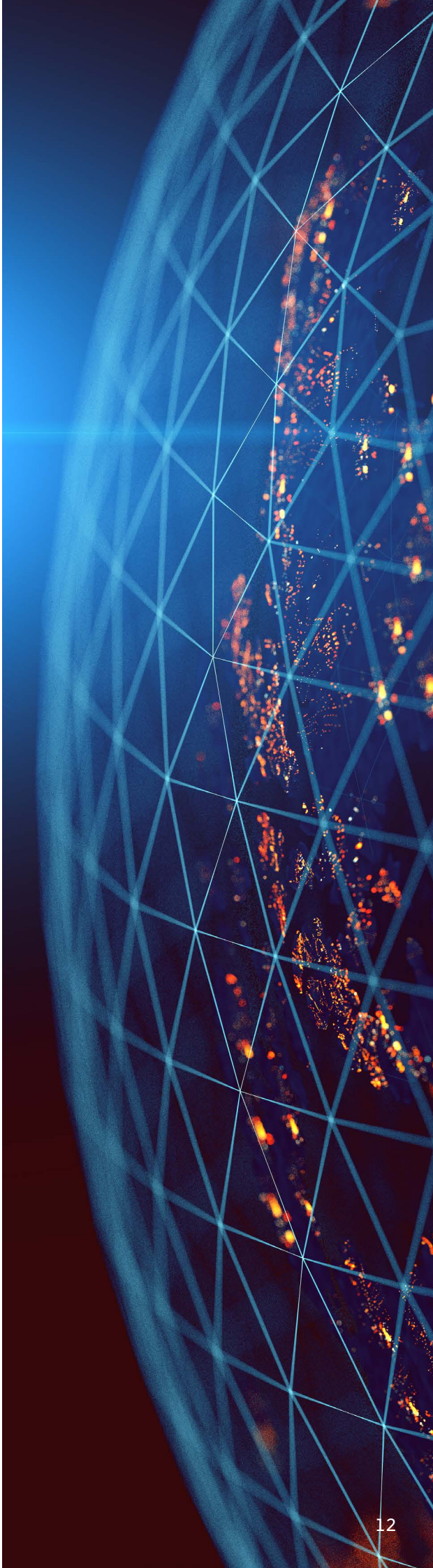
DHL SOLUTION

Leveraging DHL's intra-Asia trucking services, specifically DHL's LTL International Road Freight Network which spans the ASEAN region, DHL recommended road logistics solutions to limit reliance on more costly air freight solutions. Scheduled trucking services provided reliability and short lead times, while DHL also simplified documentation and operational processes and provided full visibility from factory gate to customer door while removing border delays. Consolidation of client cargo enabled efficient and cost effective solutions from origin to destination. Cargo flows are leaner from using trucking rather than air freight, with DHL Global Forwarding providing a dedicated linehaul network and timetable.

OUTCOME

Smooth flows of LTL shipments was achieved with efficient data entries at the destination; reduced lead times, leaner cargo flows and reduction in logistics costs. This was possible via consolidation.

Door-to-door transit times was shortened by two weeks. Security was guaranteed via the DHL Security Centre, while the deployment of a tailored door-to-door GPS system across modes hugely improved visibility for the client. More than 30% savings was achieved for the client versus air freight solutions.



SUSTAINABLE ROAD FREIGHT

Road freight is on an inexorable path toward a greener, more efficient future. Technology and a shift toward more sustainable and carbon efficient fuels are together transforming road freight. Alternative fuels including electric, hydrogen-electric and renewable natural gas are increasingly becoming the carbon-friendly fuels of choice as fleets are renewed and distribution networks for last-mile and long-distance trucking upgraded.

Autonomous technology also monitors other areas of operation including idle time, fuel efficiency and tire pressure, while automated route optimization software helps map optimal truck paths and fleet efficiency, improving efficiency and reducing emissions.

Autonomous technology is also being deployed on a commercial level to improve safety and reduce costs and CO2 emissions. Automation helps drivers and truck manufacturers maintain efficient speeds and acceleration rates and to warn drivers of potentially dangerous lane changes and the exact location of other vehicles. Autonomous technology also monitors other areas of operation including idle time, fuel efficiency and tire pressure, while automated route optimization software helps map optimal truck paths and fleet efficiency, improving efficiency and reducing emissions.

SUSTAINABLE ROAD FREIGHT

DPDHL GROUP'S SUSTAINABILITY ROADMAP

Deutsche Post DHL Group is playing its part. On the roads in Asia, we believe sustainable road solutions will be central to our shift to reducing emissions. For example, shipping 300 kilograms from Jakarta, Indonesia, to Bangkok, Thailand using vans to collect and deliver door-to-door and flying the package from Jakarta takes four days. By extending the lead time by two days and instead only flying from Jakarta to Singapore and trucking cross-border into Thailand, a 54% reduction in CO2 emissions is generated as well as significant cost savings.

The Group's accelerated roadmap toward delivering on decarbonization pledges includes a commitment to Science Based Targets backed up by a EUR 7 billion investment in climate-neutral logistics until 2030.

The company also set a target of reducing greenhouse gas emissions by 2030 by committing to emissions targets in line with the Paris Agreement through the Science-Based Targets initiative (SBTi). At the heart of that commitment is the expansion of DHL's zero-emission e-vehicle fleet which will help the company achieve its goal of net-zero emissions by 2050.

By 2030, the Group will have more than 80,000 e-vehicles on the road. It is also committed to using sustainable aviation fuels, designing all new buildings as carbon neutral, offering a comprehensive portfolio of green products and electrifying 60% of our last-mile delivery.

CEO Frank Appel said: "We are turning our yellow Group into a green company and making an important contribution to our planet and society."

By 2030, the Group will have

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CEO Frank Appel said: "We are turning our yellow Group into a green company and making an important contribution to our planet and society."

CONCLUSION

With renewed economic growth poised for Southeast Asia, intra-Asia trade will increase in the coming years. One of the driving factors behind this growth is the rise of e-commerce which is expected to see a 70% increase in online B2B e-commerce by 2025[12]. The opportunities brought about by the rise in trade volumes and economic activity will translate into growth in logistics and road transport demand, especially in Asia, connected mainly by land.

In addition, Southeast Asia is set to benefit from easing trade restrictions from new trade agreements and regulations, which will facilitate companies seeking to expand their operations across the region, and open up new trade routes and opportunities. Most notably is the ACTS introduced in 2020. This has created options for new road-based logistics networks and enabled licensed operators to move goods across borders using a single document without paying duties and taxes otherwise due when goods enter or leave a country.

TRADE GROWTH IN SOUTHEAST ASIA

1. Increase trade volumes and economic activity in a post Covid-19 world is driving demand for logistics and road transport

2. Forecasted market growth

GLOBAL FREIGHT FORWARDING	ASIA PACIFIC
11.6%	13.2%

3. Cross-border trucking in Southeast Asia continues to grow, driven by e-commerce consumer spending and the door-to-door logistics solutions consumers and businesses demand

4. The region will see **70% INCREASE IN B2B E-COMMERCE BY 2027**

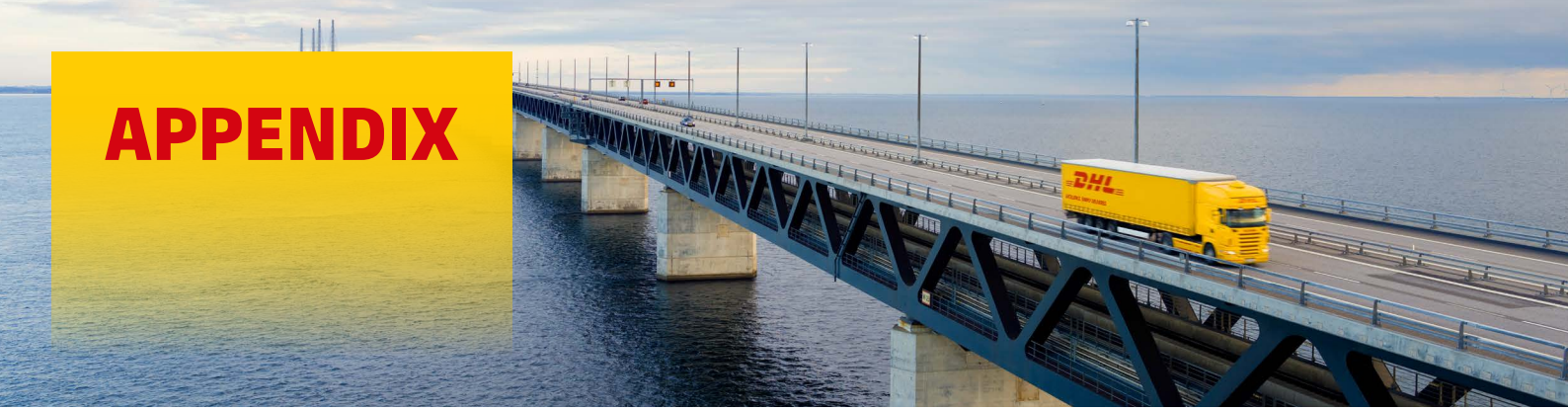
Road freight is now playing a burgeoning role in international long-haul solutions across Asia as it offers a cost effective and sustainable option. Road freight is significantly cheaper than air freight and generates less emissions while having increased security and faster lead times than ocean freight. With free movement of trucks across borders, it creates seamless intermodal processes which increase business efficiency and reduce logistics costs.

The future of road freight is greener with the use of alternative fuels, more efficient and smarter with the use of technology. Digital technologies such as cloud computing, AI, IoT and advanced analytics are already in use and will continue to bring about new innovations. The use of technology coupled with sustainable and carbon efficient fuels are together transforming road freight.

The removal of barriers to trade in Asia and growth sectors will continue to bolster road freight in the region. Road and multimodal solutions will create ever more attractive logistics solutions in Southeast Asia.

[12] https://www.researchandmarkets.com/reports/5028717/business-to-business-e-commerce-market-size

APPENDIX



DHL'S TRUCKING CREDENTIALS

Road transport has been a core element of the DHL success story. DANZAS, which was acquired by Deutsche Post in 1999, offered the first-ever international consolidation service (equivalent to modern day LTL service) in 1854 to/from St Louis in France from Zurich/Basel in Switzerland. DHL first rolled out its range of leading road freight products in Europe – DHL EUROCONNECT, DHL EURAPID, DHL EUROLINE AND DHL EURONET – since the 90's, the coverage now extends to over 2000 international lines. In Asia, DHL's commitment to best-in-class trucking services began in 2011 with the launch of a regular Less-Then-Truck-Load Singapore-Malaysia-Thailand service under the DHL ASIACONNECT banner. Vietnam and China were added in 2015, and 2011 saw the launch of DHL ASIALINE Full-Truck-Load services in Singapore, Malaysia, Thailand, Vietnam, China, Pakistan and Bangladesh. In 2019, DHL further expanded its product portfolio in Asia with the launch of Less-Than-Truck-Load services DHL ASIACONNECT+, which added Indonesia to the Southeast Asia road network via a multimodal connection.

DHL Global Forwarding's suite of road freight services are not exclusively for land movements but are also designed to be integrated across modalities to the exact specification of clients.

DHL ASIACONNECT

This is a Less-than-Truck-Load network of international services with regular scheduled departures from Singapore, Malaysia, Thailand, Myanmar, Vietnam, China, and a separate network connecting India and Bangladesh. Clients benefit from customs clearance, flexibility and lead time reduction even with small volumes, with door-to-door service levels assured from Singapore to China. GPS-equipped trucks ensure stable and safe truck monitoring and complete shipment track and trace visibility.

DHL ASIACONNECT+

DHL ASIACONNECT+ marries the best of DHL's Asian Less-Than-Truck-Load international road freight services with regular scheduled flights as well as barge connections. This service is available in Malaysia, Thailand, China and Indonesia with more countries due to be added in the near future. Standard tariff and lead time allow customers to manage and control their costs and inventories. A single point of contact for customers' end-to-end shipments across modes guarantees a standard level of services from Jakarta to Bangkok.

DHL ASIALINE

This Full-Load road service is available in Singapore, Malaysia, Thailand, Myanmar, Laos, Cambodia, Vietnam, China, Indonesia, India, Bangladesh and Pakistan. Exception management and contingency plans and emergency response services are included, while options include armed escorts, crane-lift and additional insurance.

FOR FURTHER INFORMATION

Contact our road freight experts

or visit our website

DHL Global Forwarding – Excellence. Simply Delivered.