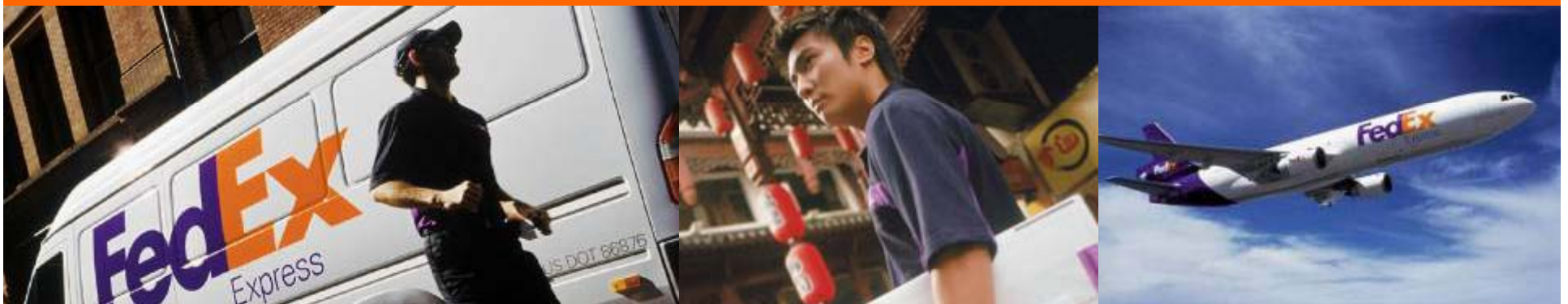


Logistics & Supply Chain Considerations: Latin America and Caribbean

University of Florida – Latin America Business Environment
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Global Express Networks – Statistics

- ❑ Serving over 230 countries 800,000 employees
- ❑ Over 800,000 employees worldwide
- ❑ More than 1,700 aircraft
- ❑ Over US\$ 95 billion annual revenues
- ❑ More than US\$ 80 billion in duties and taxes
- ❑ Approximately 30 million shipments daily
- ❑ 25% average annual growth '95 – '01

Express Air Cargo, not “courier”

- ❑ From lobsters to whales have been transported via “express”. The Physical Internet, “The Economist”, June 17, 2006)
- ❑ The “express” nature of a shipment is determined by the needs of the shipper or the consignee, and not by the size, value or nature of the merchandise or article to be shipped.
- ❑ In today’s competitive environment, a successful and complete international trade transaction is no longer defined as “airport to airport”, but rather “door to door” and time-definite

Express Services, Our Value Proposition

- ❑ **Technologically advanced automation and processes linked to extensive global networks to ensure fast, reliable, consistent services**
- ❑ **Value-added features (on-line tracking and tracing, web-based shipment visibility, just-in-time inventory management, logistics services, etc.)**

Logistics and Air Express

- ❑ **“... in the 21st Century, an unquestionable law will determine competitive success – the survival of the fastest.”**
- ❑ **“Speed and agility will take center stage... accelerated production cycles, international sales and distribution, flexibility, individualized products and express delivery...”**

Alvin Toffler (Futurist), 1990

LAC Overview



- **50 Countries**
- **Area: 9 million square miles**
- **3,300 employees**
- **24-72 hour service from most Latin American locations to the US, Europe and Asia**
- **Aircraft serving:**
 - South America: 1 DC-10, and a network of feeder aircraft
 - Mexico : 3 DC-10s, 727 and a network of feeder aircraft
 - Central America : 1 Airbus and a network of feeder aircraft
 - Puerto Rico & Caribbean: 2 DC-10s and the most extensive network of feeder aircraft

LAC Overview



- Extensive route authority and line haul to key markets in Latin America and the Caribbean
- Full range of services to handle any international express shipment
- More than 15,000 customers on-line via the internet or our proprietary network, FedEx Net m

South America



Lift Capacity (lbs):
 MEM-VCP 114,000
 VCP-MEM 90,000

- DC10-30
- 727-200
- - - Feeder
- ▲ Call Center

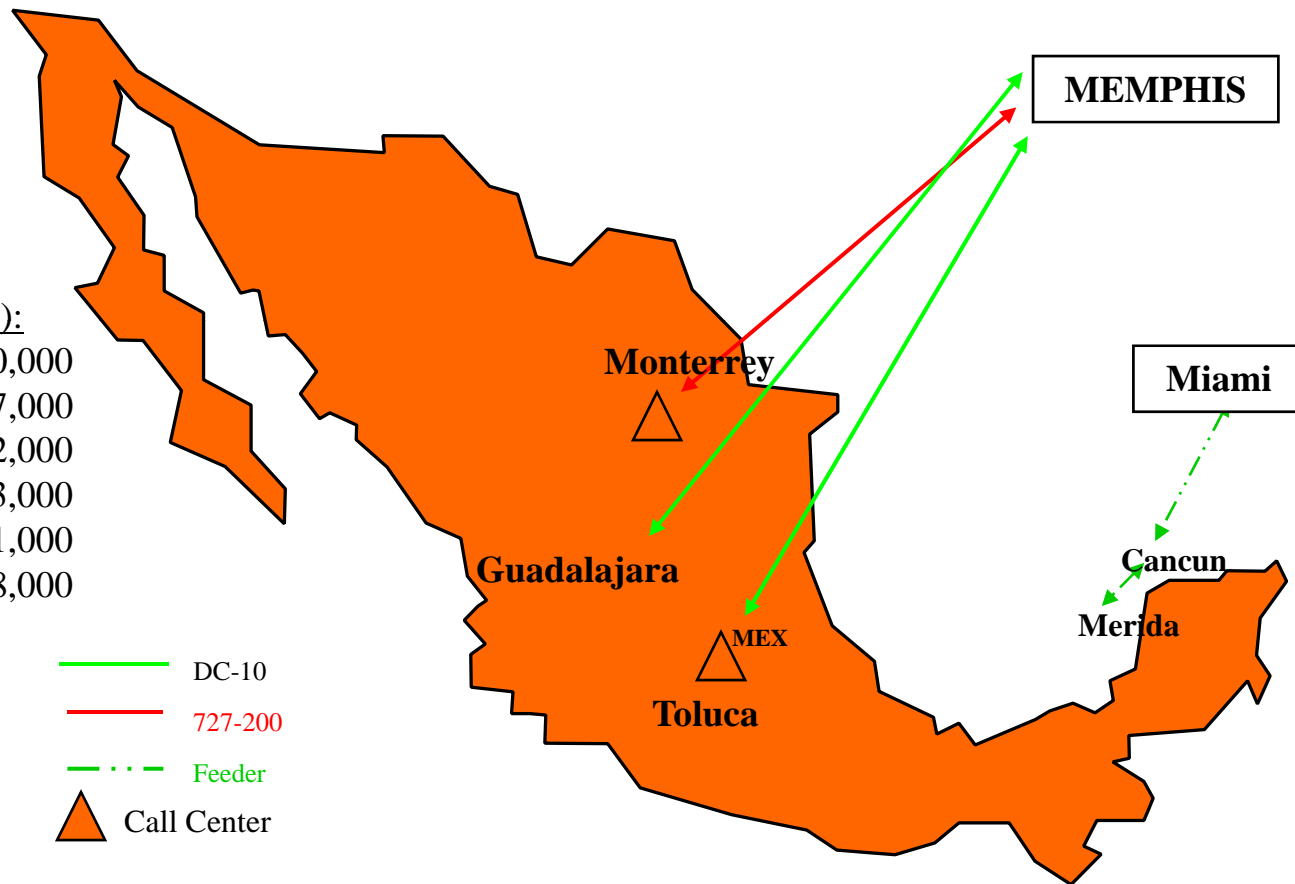


Mexico

Lift Capacity (lbs):

MEM-TLC	150,000
TLC-MEM	137,000
MEM-GDL	112,000
GDL-MEM	123,000
MEM-MTY	41,000
MTY-MEM	48,000

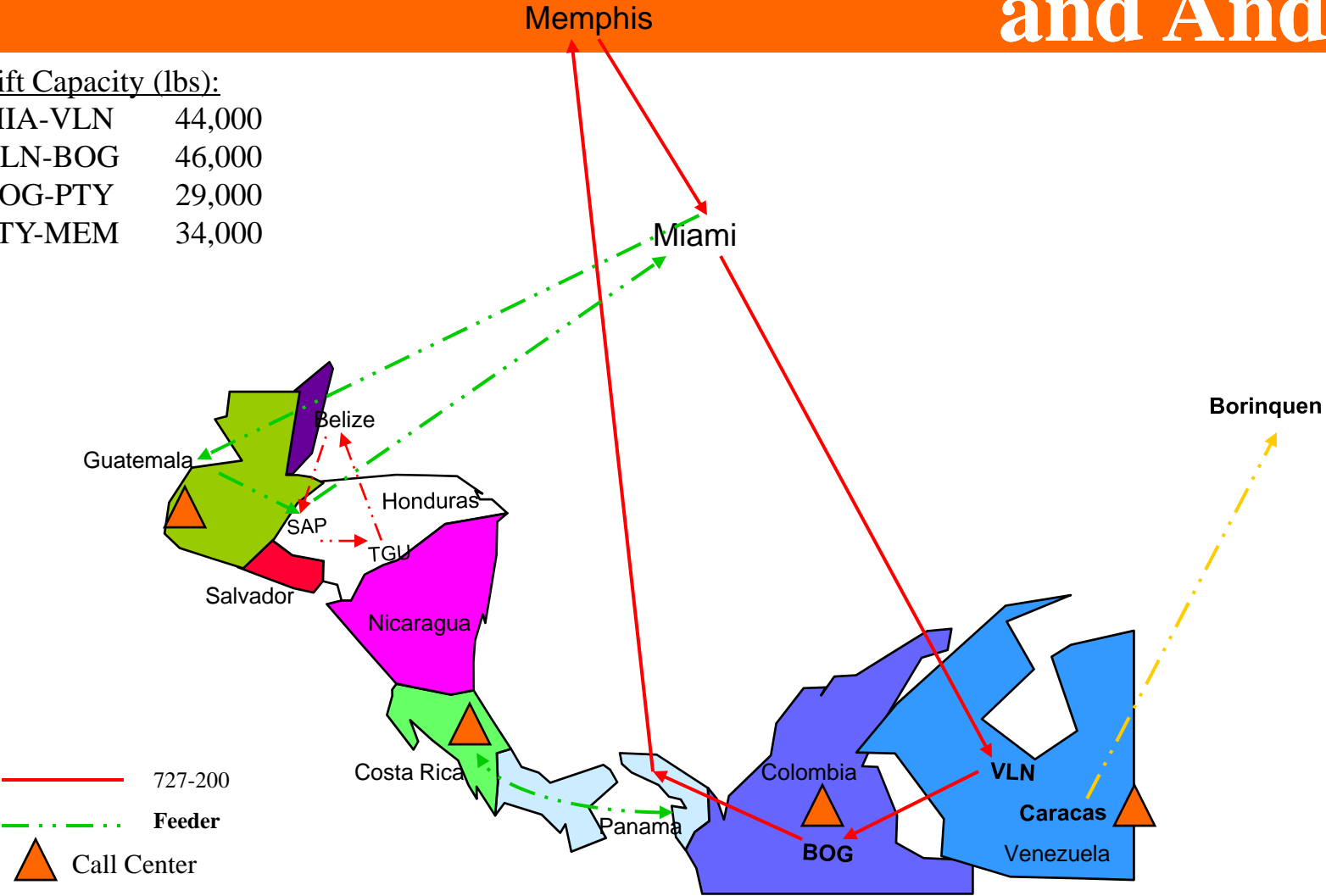
- DC-10
- 727-200
- · - · - Feeder
- ▲ Call Center



Central America and Andean

Lift Capacity (lbs):

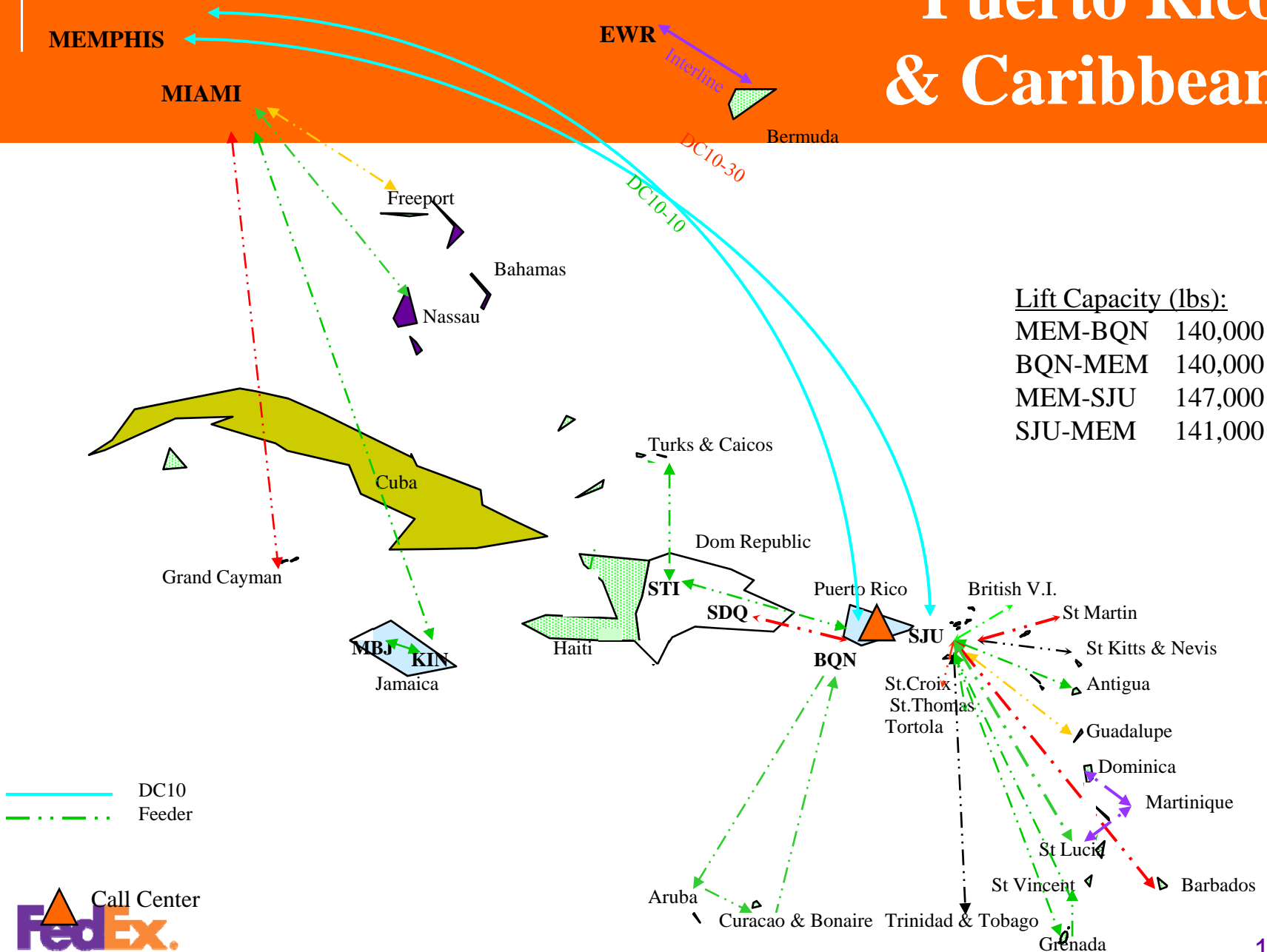
MIA-VLN	44,000
VLN-BOG	46,000
BOG-PTY	29,000
PTY-MEM	34,000



- 727-200
- - - Feeder
- ▲ Call Center



Puerto Rico & Caribbean



Lift Capacity (lbs):

MEM-BQN	140,000
BQN-MEM	140,000
MEM-SJU	147,000
SJU-MEM	141,000

— DC10
- - - Feeder



Factors that affect what shipping method you use

- **Destinations Served**
- **Reliability**
- **Speed**
- **Tracking & Tracing**
- **Other value-added service**
- **COST!!!**

Additional factors to consider in choosing your method of transportation

- **Supply chain efficiency (cost/ speed to market, etc)**
- **Supply chain visibility – information flowing among the participants in the supply chain with impact on service and security**
- **Automation (use of information technology)**
- **“Green” considerations**

Cargo Security and Facilitation

- **Cargo Security is one of the most serious and important challenges for exporters**
- **Security is at the top of our priority lists and should be a critical consideration for all int'l shippers**
- **Cooperative public-private relationship is needed to succeed collectively in the new security environment**

SECURITY: WCO SAFE Framework of Standards

- **Authorized Economic Operator**
 - C-TPAT (U.S.)
 - PIP (Canada)
 - AEO (European Union)
- **Public-Private Cooperation**
- **Advance cargo information (inbound/outbound/transits)**

Just-In –Time Inventory

- **Ship what is needed only when it is needed**
- **Helps control inventory carrying cost**
- **Inventory carrying costs have risen faster than transportation costs over the past 2 years (9% vs. 5.9% above 2006 levels)**

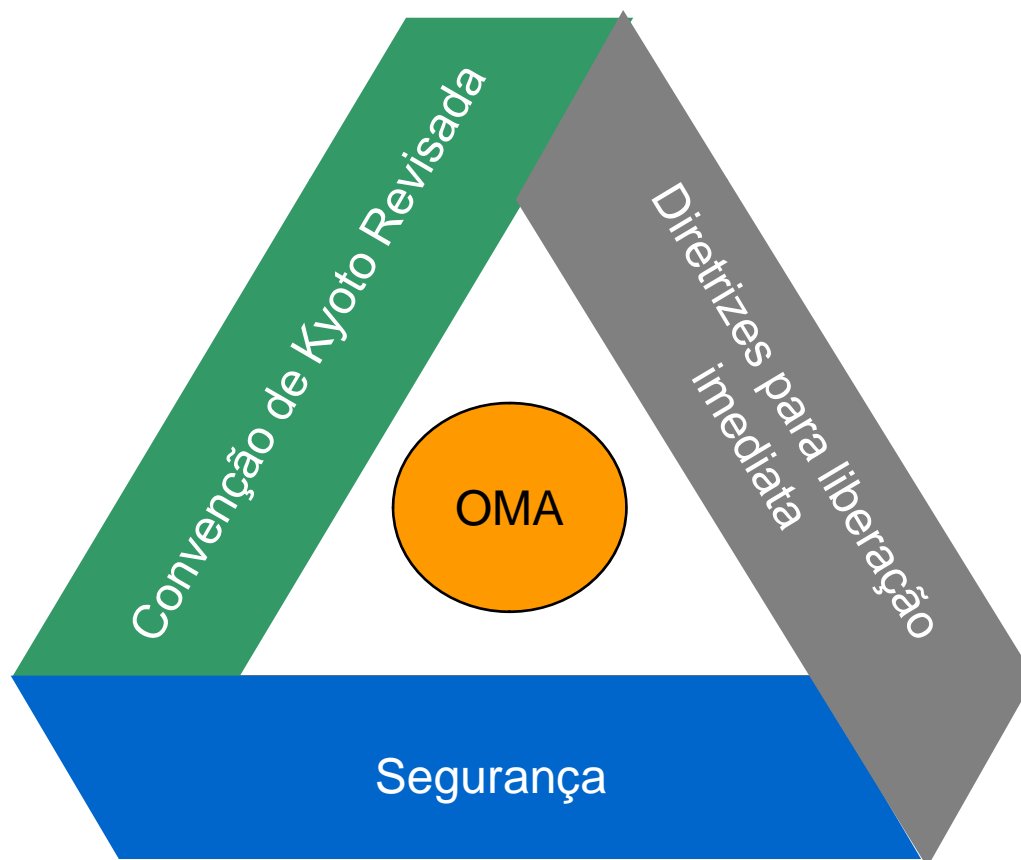
Challenges Can Become Opportunities

- **“Near-shoring” or “near-sourcing”**
- **Export opportunities based on cost advantage afforded by geographical proximity**

Customs Modernization – Global Best Practices

- **WCO Revised Kyoto Convention**
- **WCO Immediate Release Guidelines**
- **WCO SAFE Framework of Standards**

GLOBAL BEST PRACTICES BASED ON WCO



SECURITY

Supply Chain Security at a global level

Seamless movement of the goods

Implementation of consistent risk analysis tools

Certainty
+
Predictability
=
FACILITATION

Free Trade Agreements and Trade Facilitation

- **DOHA Development Round and Trade Facilitation**
- **FTA's negotiated between the U.S. and Latin America**
 - Chile
 - DR-CAFTA (or CAFTA-DR)]
 - Peru
- **Colombia (???)**
- **Panama (???)**

Trade Facilitation

- ❑ **The objective of trade facilitation is to reduce transaction COST and TIME by eliminating or reducing administrative and procedural requirements (burdens) associated with bringing goods and services across international borders**
- ❑ **It has been called the “plumbing” of international trade**

Trade Facilitation (cont.)

- ❑ Trade Facilitation is not “high” trade policy, but contributes to increased trade flows and global competitiveness
- ❑ It does represent “a deepening of the trade agenda”, by helping ensure that things work better at the operational level
- ❑ Trade Facilitation is not necessarily controversial, as free trade can be
- ❑ It is reinforced by trade treaties, but its benefits can be sold apart from them and can perhaps be realized more quickly

Express Industry Trade Facilitation Objectives

- ❑ **Separation of physical control (release and admissibility) from fiscal control (duty and tax payments)**
- ❑ **Adoption of realistic de-minimis provisions**
- ❑ **Minimal, standardised data for release/clearance purposes**
- ❑ **Application of automated systems to allow for:**
 - **electronic transmission and processing of pre-arrival shipment information, to enable immediate or expedited release/clearance**
 - **paperless environment**
 - **use of risk management techniques for control purposes**
 - **special procedures for authorised operators**
 - **electronic funds transfers for duty/tax payments**

Express Industry Trade Facilitation Objectives (cont.)

- Govt. Service hours adapted to commercial needs (24/7)**
- Transparency in publication of Customs rules and procedures and in their uniform application throughout the territory**
- Transparency in consultation with trade on planned new legislation and regulations**
- Right of Appeal in Customs matters**
- “Single Window” Systems**

Recent Express Industry Initiatives

- **Brazil customs modernization workshop (Aug 2008)**
- **Peru modernization and trade facilitation efforts (2007 & 2008)**
- **Guatemala (2006 – 2008)**
- **Dominican Republic (2004 +++) – Trade Facilitation Workshop Feb 2009**
- **Argentina & others ongoing**

Automation & Facilitation

- Automation is a key aspect of any customs modernization program, but is not an end in itself
- Automation must be part of a broader plan which must include regulatory changes and process improvements
- Customs automation must, by design, make the clearance process more efficient, faster, more transparent and simpler.
- Automation must be approached with clear and consistent goals established and agreed upon beforehand. These goals should be consistent from country to country and support process improvements recommended by Revised Kyoto
- Inefficient, outmoded or unnecessary processes must not be automated, they must be changed or eliminated

Considerations & Concerns

- Information about international shipments should be used as soon as possible after it is available**
- Ensure effective and intelligent use of that information**
- Tangible benefits should accrue to compliant actors**
- Significant focus on ensuring consolidation and institutionalization of new processes and systems**

New International Trade Environment

- Exporters face growing security and regulatory demands
- Exporters face rapidly changing rules and requirements
- Those exporters who are quick to learn, adapt and comply will have a competitive advantage
- Exporters need to clearly understand the new and changing environment of international trade before they can succeed in adapting to it

New Imperatives in a Changing Environment

- **Trade-related, value-added services (import/export, pre- and post-shipment)**
- **Visibility at each point in the supply chain (supporting World Customs Organization/WCO goal of achieving “secure supply chains”)**
- **Consistent, expedited customs clearance with predictable transaction costs**
- **Support for importers & exporters (consulting, education, other assistance)**
- **Ability to handle more than documents and small packages in all countries (the “express” nature of a shipment is not dictated by its size, weight or value!!!)**

International Trade – Express Industry Perspective

- ❑ **International trade has and will continue to foster economic and social development –creating opportunities for exporting and importing nations**
- ❑ **Express companies help traders overcome the barriers of distance, time and lack of access to the logistics and supply chains of the global economy**

THANK YOU!