

Policy framework to strengthen logistics in Korea

-Standardization, e-transformation, Collaboration -

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KEY TOPICS

1. Current state of logistics in Korea

2. Major issues in logistics

3. Policy to strengthen logistics in Korea

4. Int'l cooperative issues in Asia-Pacific region

Current state of logistics in Korea

➤ Korea's SOC investment level is 21st in the world

* *IMD report(2002)* : Singapore(1), Hong Kong(5), Malaysia(7), Japan(22), China(26)

	KOREA		Singapore		Hong Kong		Japan		China	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Road	0.88	22	4.60	2	1.72	10	3.07	4	0.14	41
Rail	0.032	20	0.134	2	0.146	1	0.053	17	0.006	37
marine	6.07	28	9.40	1	8.86	5	6.75	22	5.47	35
Total	5.78	21	8.89	1	8.09	5	5.76	22	5.27	26

* *Korea jumped from 29 (2001) to 21(2002)*

Current state of logistics in Korea

Market features

➤ *turnover : 30billion dollars(6.3% of GDP in 1999)*

Transportation	packaging	Information Service	shipping	storage
84.2%	5.6%	4.6%	3.5%	2.1%

High dependency on road transportation

- *Road transportation took 75%(domestic, 2001)*
- *Dependency on road transportation : 25.6% increase than 1996*
- *Congestion cost : (1991)2.1% of GDP > (1999)3.5% of GDP*

Major issues in logistics

Outsourcing : global trend

- *Benefits : Cost down, Specialty, Concentration on core competence*
- *Risk : Unstableness, Protection of internal information*
- *Relatively low rate of outsourcing*
 - * *25.7% of companies in Korea*
 - * *70% of Fortune 500 major companies*

e-commerce

- *48billion(2000, US \$) > 100billion(2001) > 142billion(2002)*
- *more than 90% is B2B business*
- *World's best information infrastructure [e.g. broadband access]*

Global competition

- *Global companies enter into Korea*
 - * *FEDX, UPS, DHL, TNT*

Policies to strengthen logistics in Korea

Standardization

- *Standardization of logistic facilities and information system*
- *Actualizing Unit Load system in field*

E-transformation

- *promoting e-transformation of companies*
- *Efficient logistics by information sharing*

Collaboration

- *Economy of scale by collaboration*
- *Encouraging logistics outsourcing*

Specific Policies and outcomes

<i>Policies</i>	<i>Outcomes</i>
<i>Fixing the standard Incentives(tax etc) Issuing certificates</i>	<ul style="list-style-type: none">➤ <i>Standard pallet : 17.3%(1997) >27.1%(2000)</i>➤ <i>Fierce competition in technology development</i>
<i>Building B2B logistics system Connecting diverse systems</i>	<ul style="list-style-type: none">➤ <i>Visibility, booking system</i>➤ <i>seamless network</i>
<i>SMEs' Common logistic center Joint SCM committee</i>	<ul style="list-style-type: none">➤ <i>39% cost down(in Siwha, Changwon)</i>➤ <i>in pilot test : 9%~21% profit increase</i>

Int'l cooperative issues in Asia-pacific region

Standardization of Pallet and other facilities

Joint Research & Development

Paperless Trade