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PATTERNS AND TRENDS ON TRANSSHIPMENT IN SINGAPORE



A Collaboration Between



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PATTERNS AND TRENDS ON TRANSSHIPMENT IN SINGAPORE

A THINK Executive Whitepaper

EXECUTIVE SUMMARY

This study was initiated to identify the key competitive factors for Singapore to be a transshipment hub. It is limited in scope to the following types of transshipment: Air to Air; Air to Sea; Sea to Air; and Sea to Sea. The study is qualitative in approach by interviewing companies to identify key factors to become a competitive transshipment hub, what is Singapore's level of competitiveness, who are Singapore's main competitors in Asia Pacific in providing transshipment and how to improve the competitiveness of Singapore as a regional transshipment hub.

The following trends and patterns in transshipments in this region were noted:

The most common form of transshipment is sea-to-sea, followed by sea-to-air. Sea-to-sea is the cheapest form of transshipment but also takes the most lead time. Non-perishable, large volume, heavy weight or low value commodities normally make use of sea-to-sea transshipment. Examples of such commodities include textile, furniture, bulk chemical and other building materials. According to Yearbook of Statistics Singapore 2009, 47% of total export volume in Singapore is from re-export or transshipment and most of them are transshipped by sea.

In the case of sea-to-air transshipment, it attempts to reduce the lead time in the final leg(s) by using air transportation but with higher overall transportation cost. The highly efficient airport operations and customs clearance make such intermodal transshipment viable for bulk breaking, labeling and packaging. Examples of commodities using such transshipments include automotive spare parts (SIC Code 3714) from Europe to Asia and Integrated Circuits (SIC Code 3674) from Indonesia to Japan.

In the case of air-to-air transshipment, it is mainly used for time sensitive, high value commodities such as jewelry (SIC code 3911), fabricated textiles products (SIC code 2399), and pharmaceutical products (SIC code 5122). Air-to-sea transshipment is apparently not in practice or unknown of according to the companies interviewed.

There are some commodities that show growing demand for transshipment in Singapore such as petroleum products (SIC code 5172) and beverages (SIC code 2086) while others are unchanged or possibly declining such as textiles

products and disk drives (SIC code 5045). Some of the third parties logistics (3PL) in Singapore are, however, exploring new transshipment business models as their current business modes are declining.

Some of the recommendations to sustain and grow transshipment activities in Singapore include:

- Explore and enhance the sea-to-air transshipment process instead of direct air export with the shippers to take advantage of the low sea freight charges and overcome the limited air freight capacity (cargoes under 45kg) in this region according to some of the interviewees.
- Introduce new services during transshipment such as consolidation of raw materials in the hub, compression of garments for air freight and pre-customs clearance to shorten transshipment processing.
- Explore new services for some commodities such as beverages, integrated circuits and petroleum products that show sign of increasing re-export volumes for air transshipment.
- Promote better linkages with other ports and infrastructures for sea-to-air transshipment to increase sea-to-air transshipment volume. For example, to increase its air transshipment activities, more can be done to attract more airlines and freighters to Singapore to increase its overall air freight capacity.

Upgrade the productivity of the logistics industry through training and the use of IT to address manpower shortage and high operating costs. For example, our efreight@Singapore is a good initiative by Civil Aviation Authority of Singapore (CAAS) to explore the use of standard messages from The Air Transport Association (IATA) for document exchange between shippers, airlines and logistics providers that could improve the productivity among the air cargo community.

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Established by The Logistics Institute – Asia Pacific, THINK Executive is intended for companies interested in a common area of research to engage with economies of scale through a dedicated research team.

For enquiry and participation details please

call: (65) 6516 4842 or

email: THINKExecutive@nus.edu.sg



The Logistics Institute – Asia Pacific
National University of Singapore
21 Heng Mui Keng Terrace, #04-01
Singapore 119613

Tel: (65) 6516 4842 • Fax: (65) 6775 3391
E-mail: tlihead@nus.edu.sg • Website: www.tliap.nus.edu.sg