



# **Assessing logistics performance** **Where we stand**

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***“Freight transport and the accompanying logistics industry represent one of the most dynamic and important sectors of the European economy, accounting for at least 10 percent of GDP.”***

*Mr. Siim Kallas*

*Vice-President of the European Commission and  
Commissioner responsible for Mobility and Transport*

# Macro logistics issues

- **Aggregating business logistics at the national level.**
- **Competitiveness and sustainable growth.**
- **An array of policy interventions:**
  - **Infrastructure and planning**
  - **Customs Trade facilitation**
  - **Regulation**

# Why Logistics Performance Matters

**Result when a low income country reaches the LPI level of middle income average**

<b>Indicator/policy area</b>	<b>Increase in trade (%)</b>
Logistics Performance Index	15.2
All trade barriers reduced to 10%	8.4
Doing Business, cost of trading	7.4
Tariffs reduced to 5%	5.7

**LPI = World Bank's Logistics Performance Index**

**Tariffs = TTRI = Trade Restrictiveness Index**

**All barriers = OTRI = Overall Trade Restrictiveness Index**

# **Data Drive & Logistics and Supply Chain Performance**

**Supply Chain (SC) performance (aggregated) metrics essential to policy making:**

- **Cross country benchmarking**
- **Or country, SC specific details (ports corridors...)**
- **Performance outcome (e.g. time) vs. impact in % or in monetary terms**
- **Operational Data more available than 10 years ago: customs, facilities, GPS**

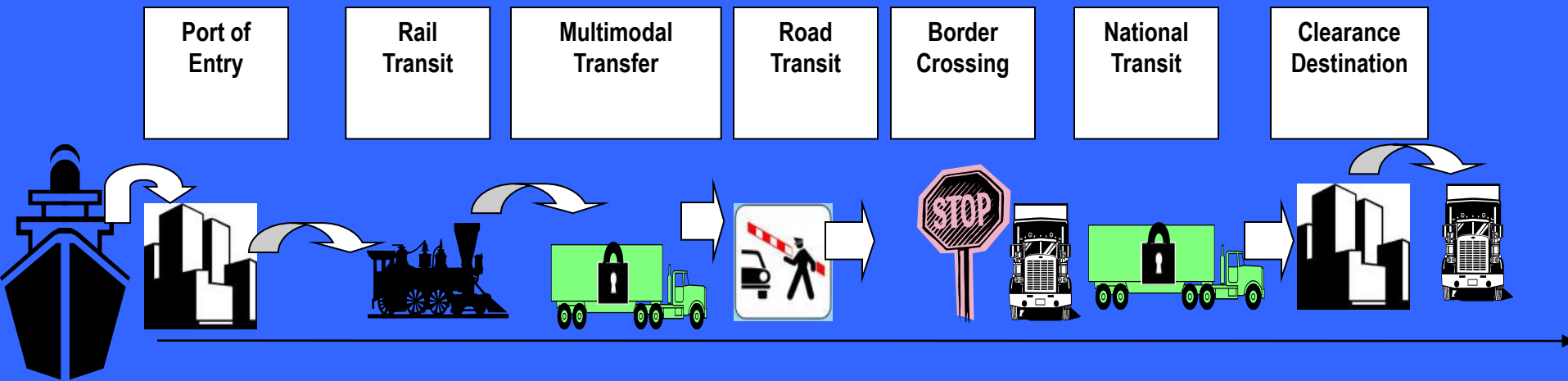
# “Heisenberg Principle”

## Breadth vs. Depth

- General indicators (e.g. LPI) are popular
- BUT typically policy implementation also needs operational and Supply Chain specific data
- Over time relevance vs. geographical comparisons

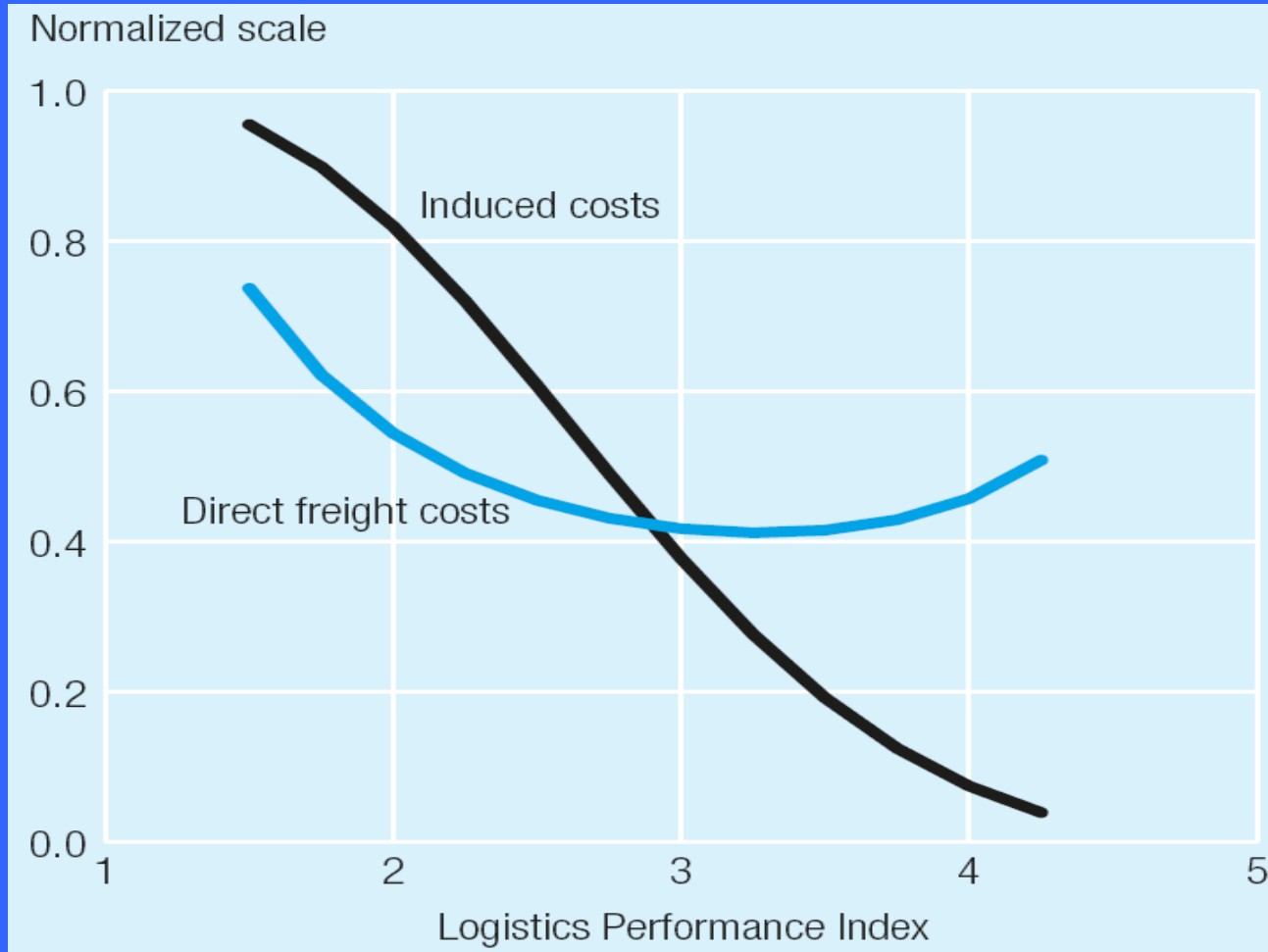
$$\Delta p \Delta q \geq \frac{\hbar}{2}$$

# International Supply Chains Complexity & Idiosyncrasies



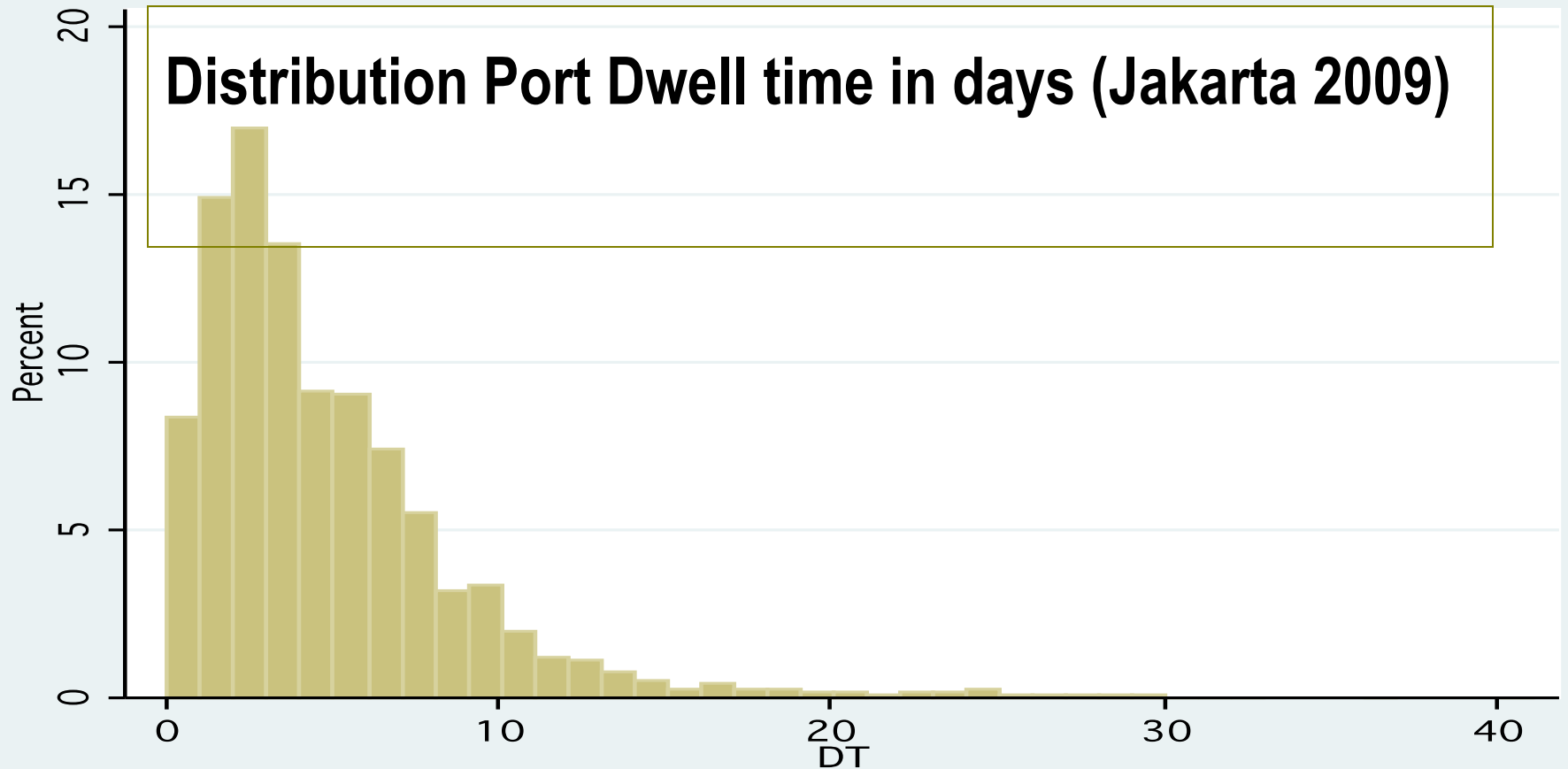
**Many agents in the SC and Public sector concerns!**

# Reliability, cost, time





# Looking beyond averages



# No simple way to assess the impact

- Concept of **total logistics costs** at micro level  
= **freight + overhead + cost or unreliability** (e.g. inventories)

## BUT no easy way to

- Aggregate or measure at macro level
- Grasp Significance of  
**logistics costs as %GDP ??**
- Model impact on competitiveness and capacity to diversify in VA production. => CGE or gravity.

# What you produce matters most export elasticity to Ipi

<u>Logistics Performance insensitive products</u>	elasticity
Sugar,sugar preparations and honey	-1.7
Coffee,tea,cocoa,spices,	-1.1
Coal,coke and briquettes	-1.5
Petroleum, petroleum products	-3.8

<u>Logistics Performance sensitive products</u>	
General industrial machinery & equip.	1.3
Office machines & automatic data	2.9
Telecommunications & sound recording	0.9
Electrical machinery, apparatus	1.2
Road vehicles	0.5
Other transport equipment	1.4
Travel goods, handbags	3.7

# **THE WORLD BANK'S LOGISTICS PERFORMANCE INDEX (LPI)**

# The Logistics Performance Index



Measures the overall trade logistics efficiency of 150+ countries

✓ 2007

✓ 2010

>>2012

Available MAY 16<sup>th</sup> 2012

[www.worldbank.org/lpi](http://www.worldbank.org/lpi)

# The Logistics Performance Index



- Source of data is suppliers of logistics services (freight forwarders, express carriers)
- Rates logistics performance on a scale of 1 to 5
- 6 components
- One overall LPI



## Partnership with the private sector



Built on:

- Responses from 1,000+ logistics professionals worldwide
- 5,000+ country assessments

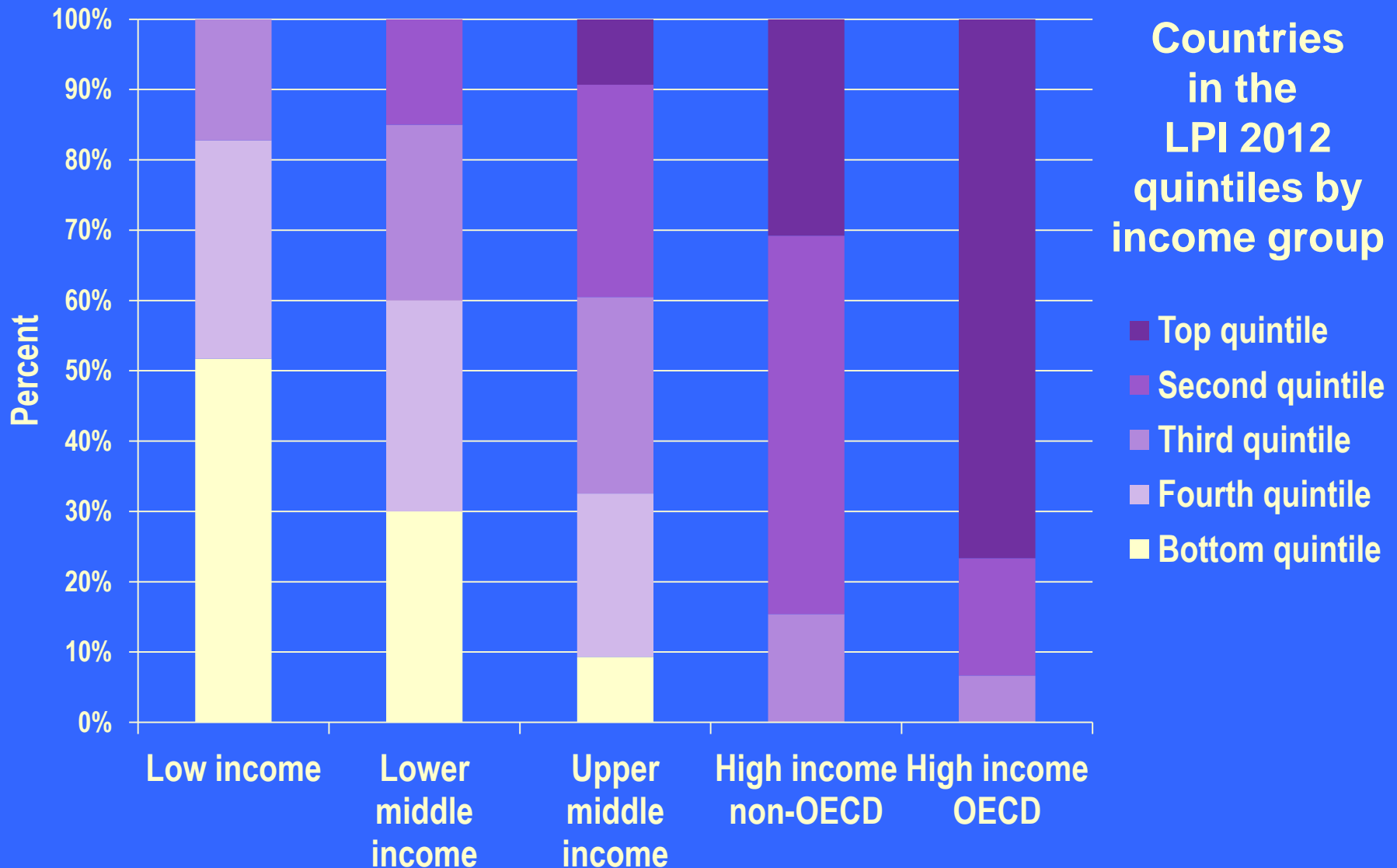
Primary data gathered for 155 countries

# Time, Cost & Reliability measured in the LPI



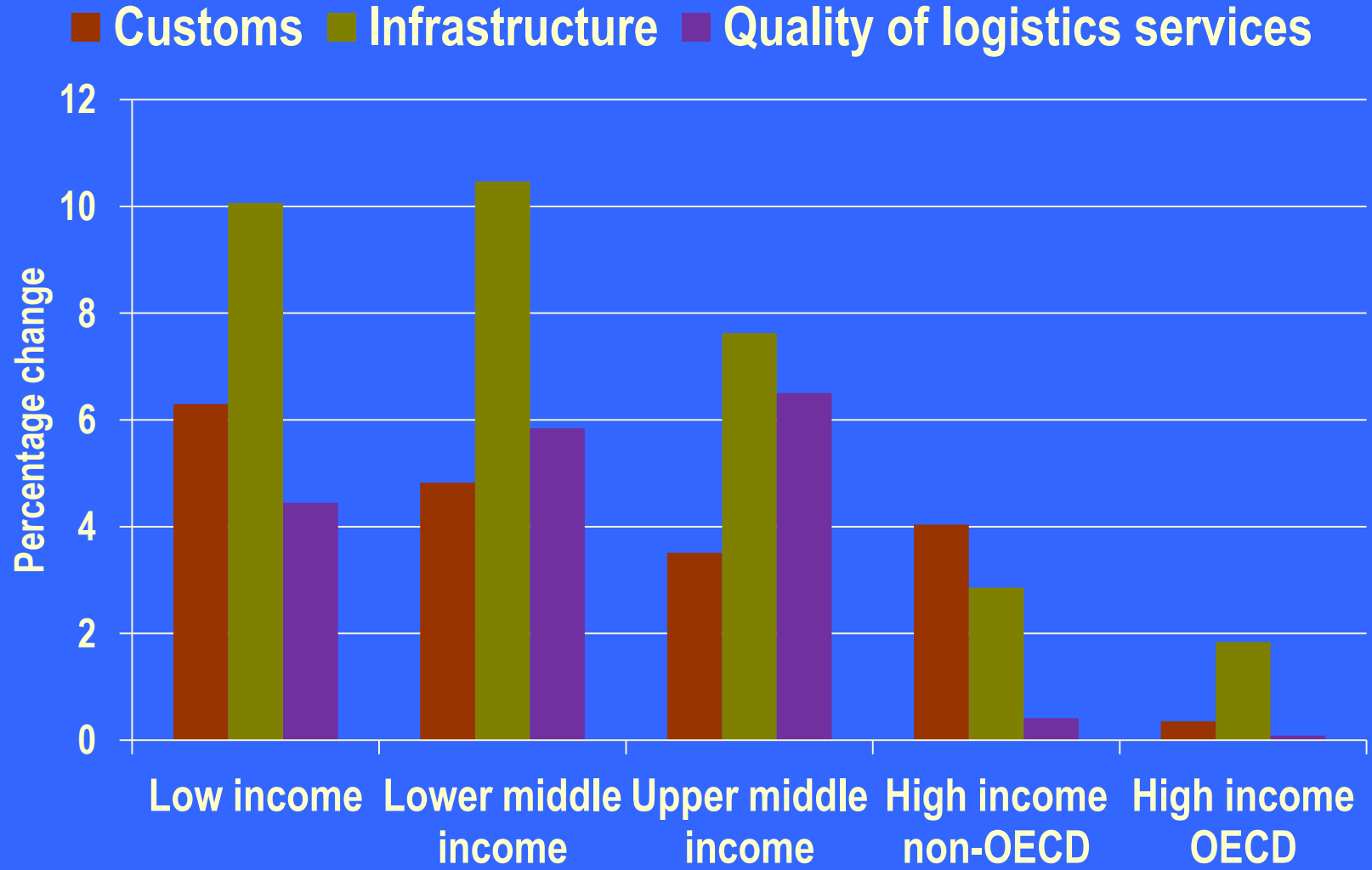


# It's More Than Income Level that Matters...

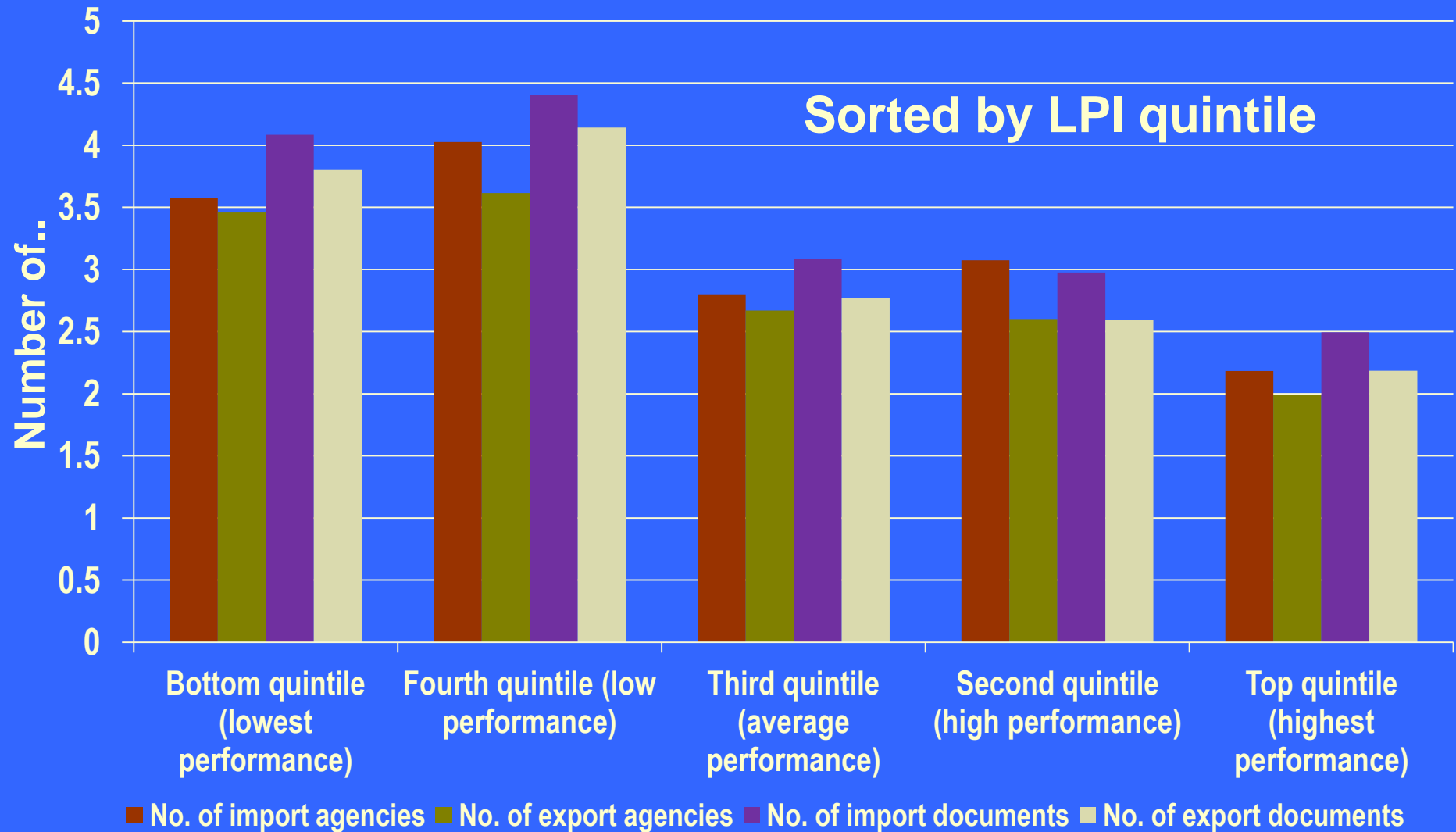


# ...but much has improved since 2007

## Percentage change in LPI scores 2007–2012 by LPI component and income group

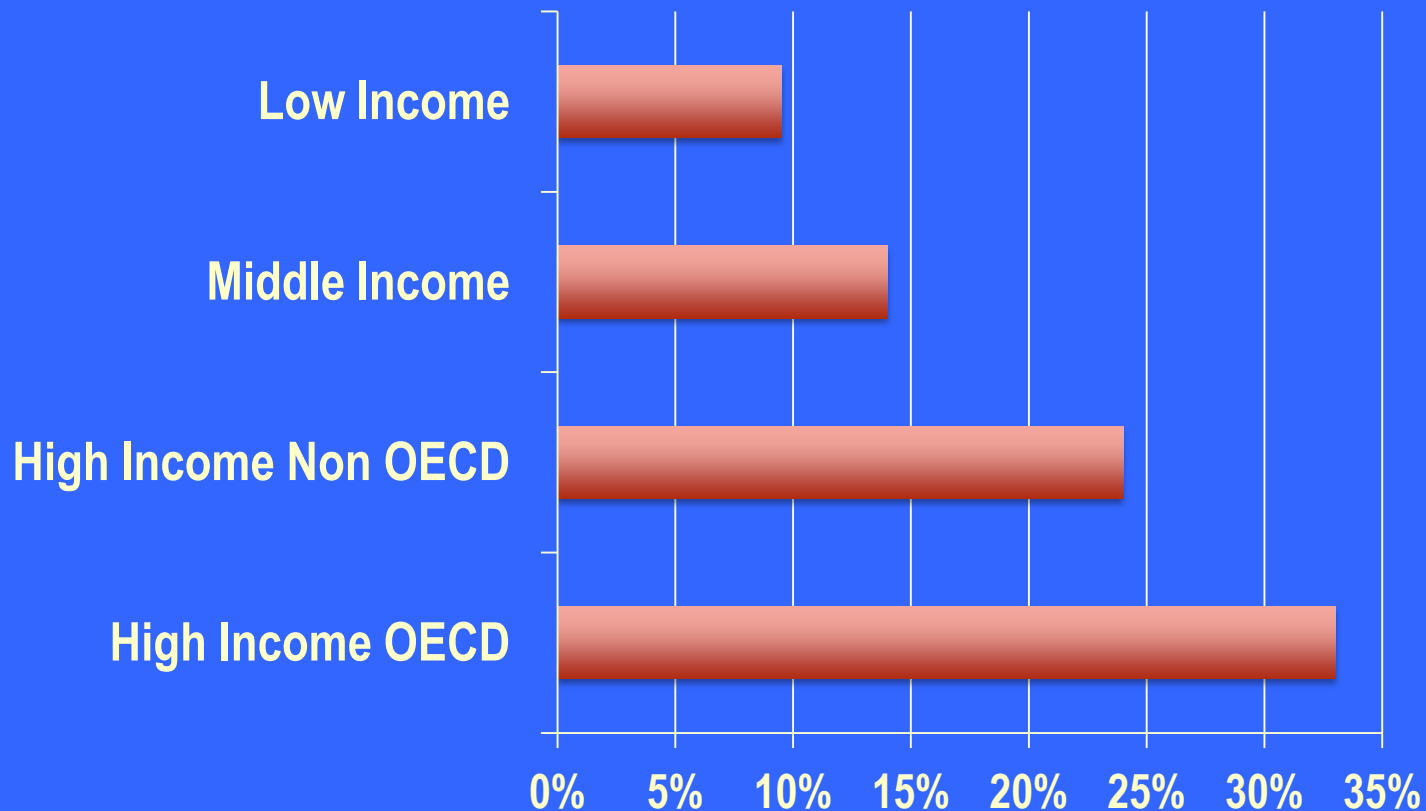


# Red tape affects trade transactions most in low performing countries



# Green Logistics seldom an issue when shipping to LIC's & MIC's

Shippers that have “often” or “almost always” asked for environmentally friendly options when shipping to



**TOWARDS A NETWORK:**

**THE LOGISTICS PERFORMANCE  
INTERNATIONAL OBSERVATORY  
(LPIO)**

# Towards a LPIO network

## Emergent body of experience

- OECD (most EU EFTA countries, Australia, Canada, USA, Japan, Korea, Israel & Turkey)
- LAC (Brazil + projects Argentina, Colombia & Chile),
- South Africa
- MENA projects in Tunisia & Morocco
- EAP (China, Thailand, Singapore, Malaysia, Indonesia)
- No definitive business models for councils or observatories yet
- No Joint activities or formal exchanges

**Thank you!**

**May 16 → LPI 2012**

**[www.worldbank.org/lpi](http://www.worldbank.org/lpi)**

# Time and Cost Indicators

Lead time export

Lead time import

EXW

FOB

DES

DDP

(Shipper)

(Free carrier at Port of loading or equivalent)

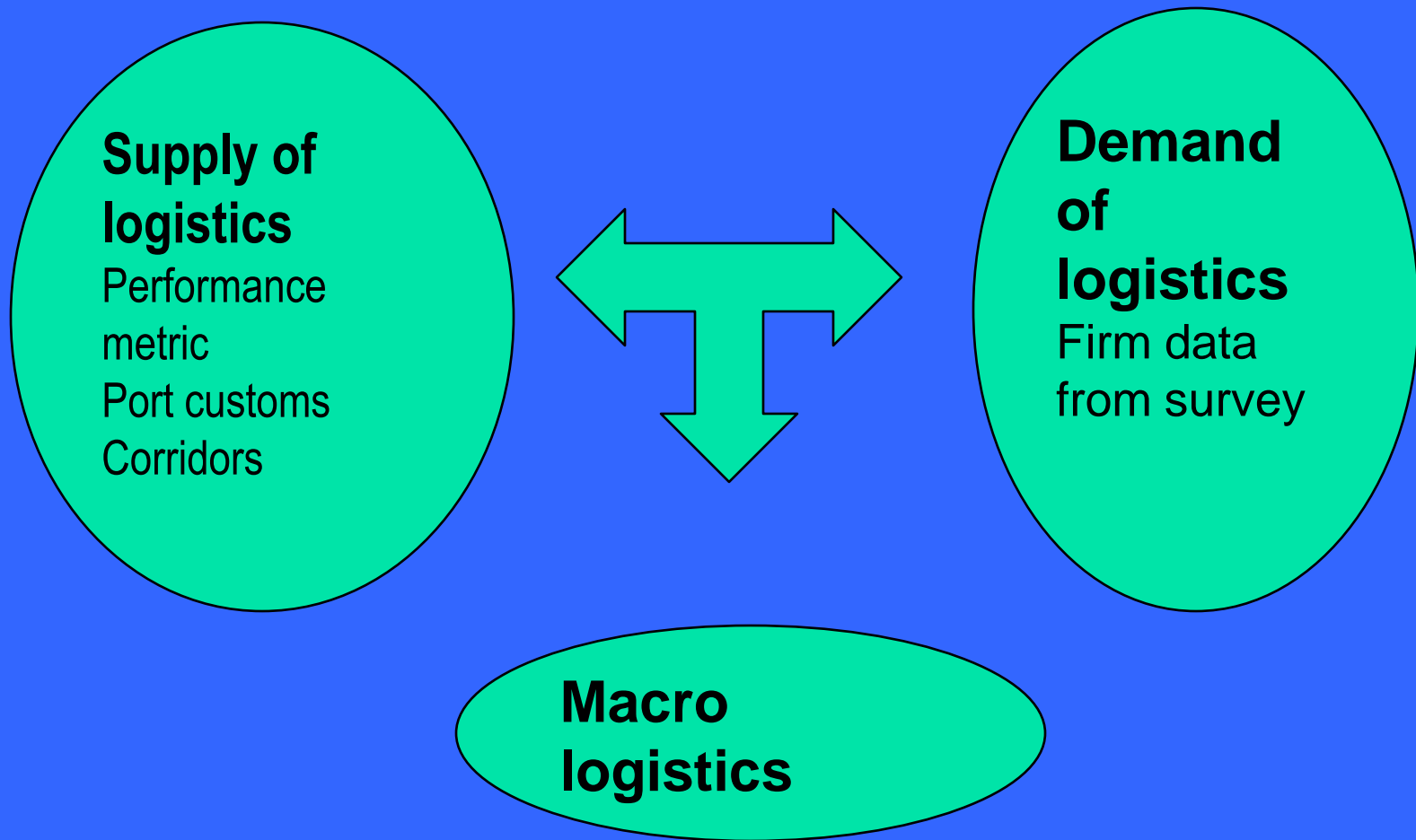
(Carriage paid to Port of discharge or equivalent)

(Delivered duty paid)





# Logistics observatory



# Trends

