



Logistics and Forwarding in China

Thomas Nieszner, Global Forwarding Europe

Propeller Club, Basel, April 6, 2006

- China and the growth we dream of in Europe
- Logistics providers in a “bullish” environment
- DHL in China
- Entering the market as Global Logistics player

How long ago?



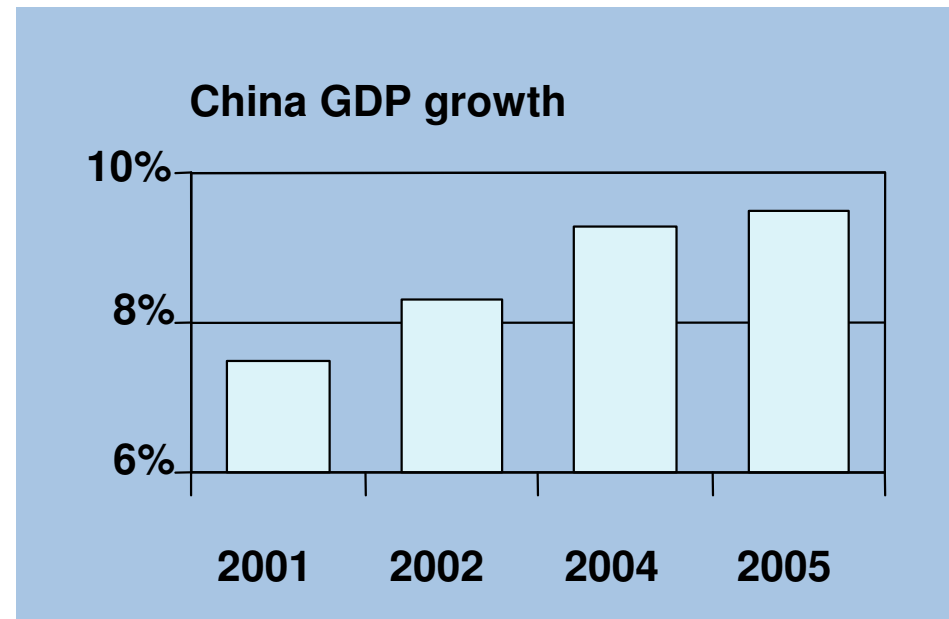
The Old Shanghai Pudong



Shanghai Pudong Today

**World's largest
transition and
developing
economy**

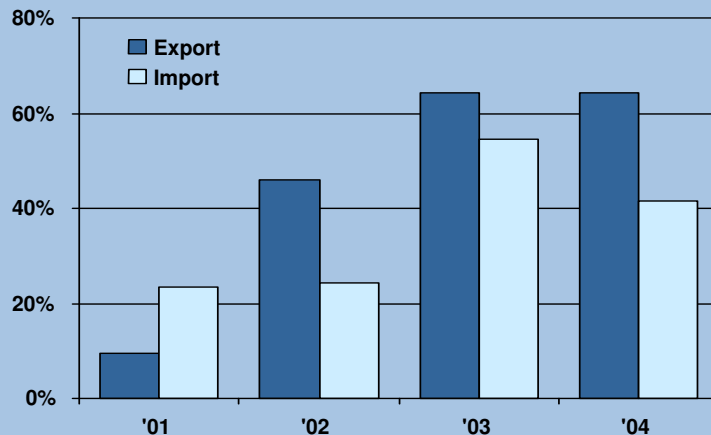
- From **1978 to 2004**, China's **GDP** increased from USD 150 billion to USD 1.6 trillion
- From **2001 to 2010**, China's GDP **CAGR** growth of 6.7% versus the world average of 3.7%
During past 5 years, annual output growth of
 - mobile phones: 99%
 - PCs: 48%
 - semiconductors: 30%



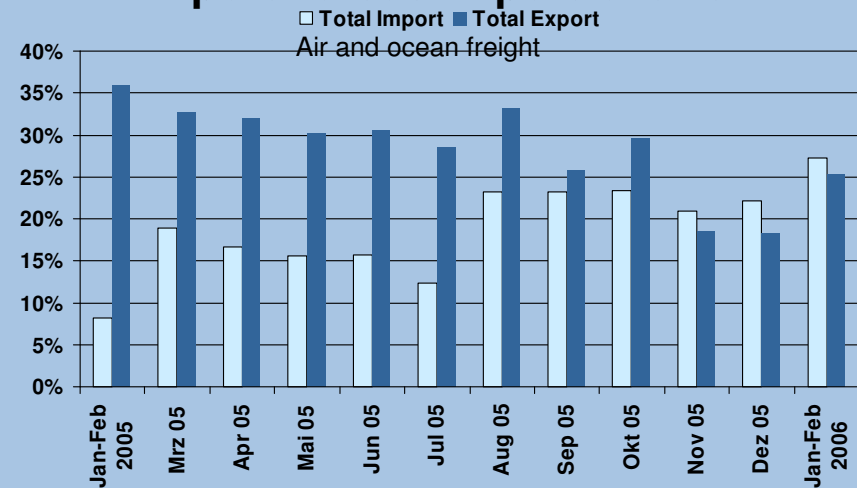
World's largest transition and developing economy

- **Air freight** growth rates exceed GDP growth
- Diminishing **trade surplus**

Air freight Export/Import growth



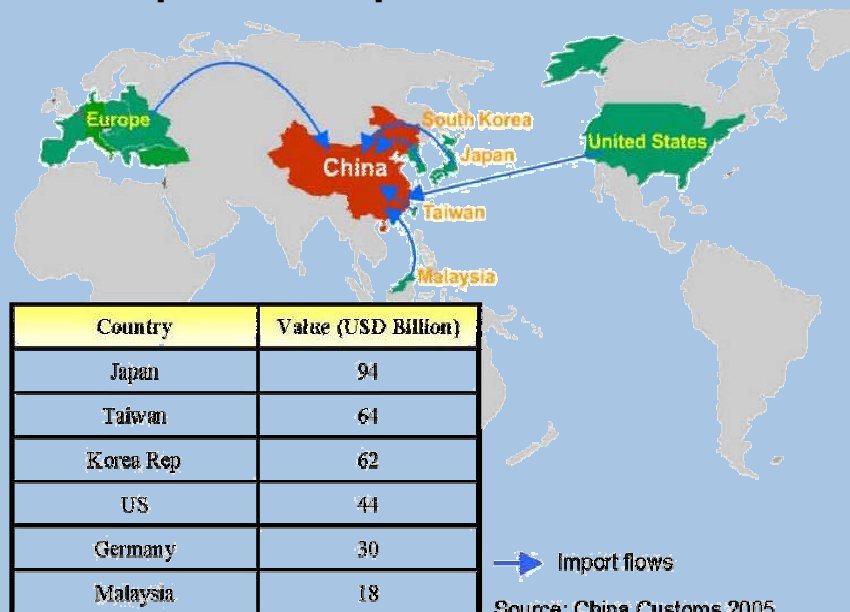
Import versus Export Growth



World's largest transition and developing economy

- **Air freight** growth rates exceed GDP growth
- Diminishing **trade surplus**

Top China import countries



Top China export countries



**World's largest
transition and
developing
economy**

**Supported by
massive 1.3
billion
population**

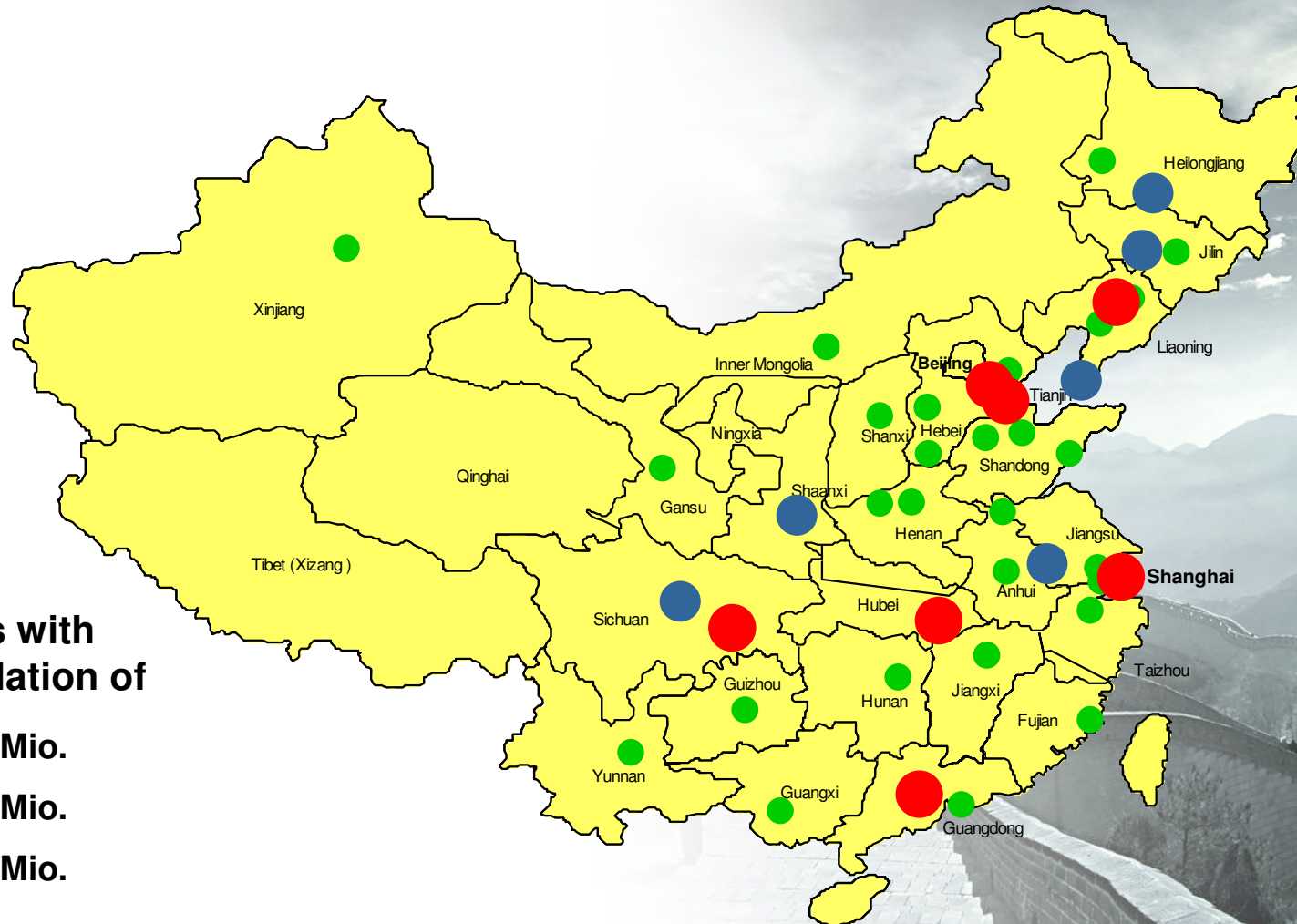
- 2010 estimates indicate nearly **400 million urban consumers** will join the middle and upper-level classes
- From 1997 to 2005, China has had the world's highest **average savings rate** at 40%
- Availability of skilled **low-cost labor** – e.g. 325,000 engineers graduating per year

Big Cities of China

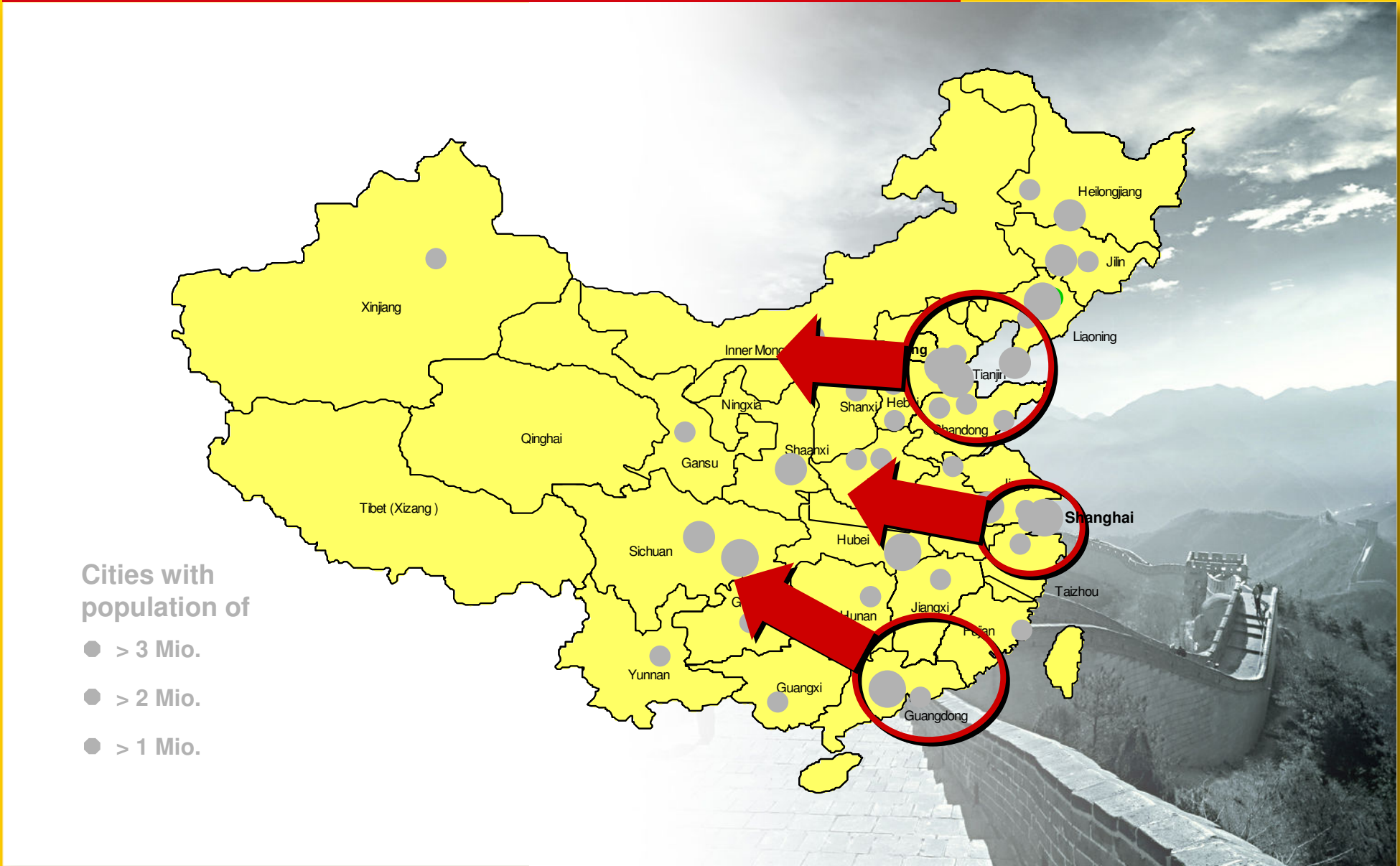


Cities with population of

- > 3 Mio.
- > 2 Mio.
- > 1 Mio.



Big Cities of China



- China and the growth we dream of in Europe
- Logistics providers in a “bullish” environment
- DHL in China
- Entering the market as Global Logistics player

Significant infrastructure investment & development

Air



- Between 2001-2005, China built **43 new airports**, of which 23 are located in the Western region
- The current Five year plan involves upgrading a further **41 airports**

Roads



- **Highway** construction is proceeding at a frantic pace; planners envision an addition equal in size to the U.S.'s entire interstate system

Ocean



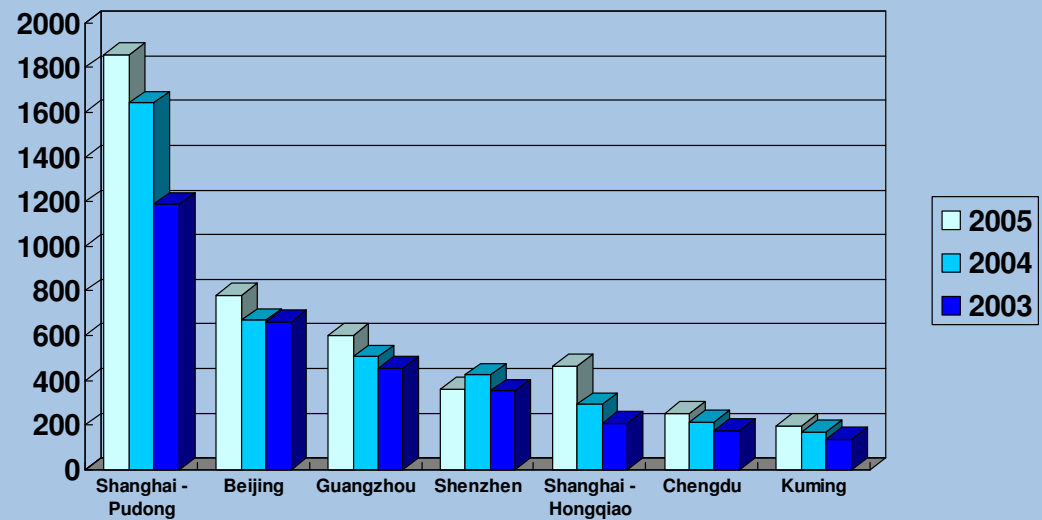
- Between 2005 -2010, it is estimated that China will **triple infrastructure spending** on ports to USD 6 billion in order to keep up with throughput volume and create a few world-class ports

Chinese Airports Ranking

Air



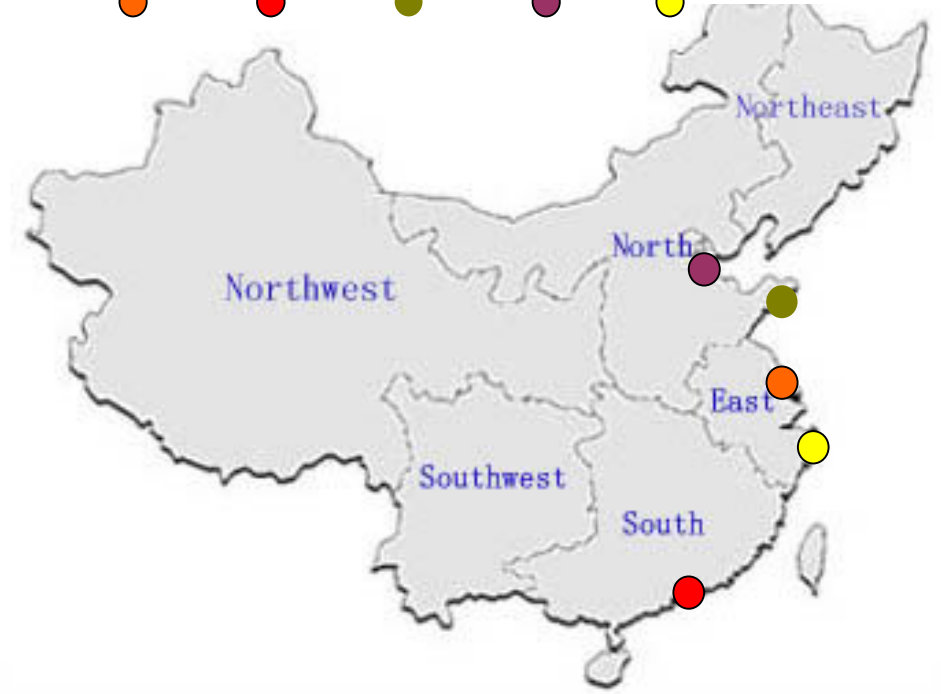
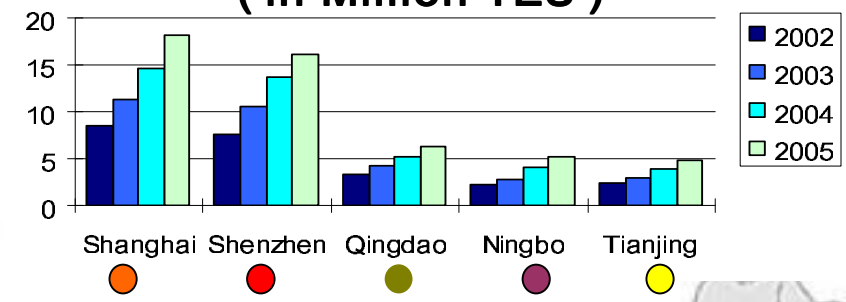
Freight Turnover in Bn Tons



Five Biggest Seaports in China



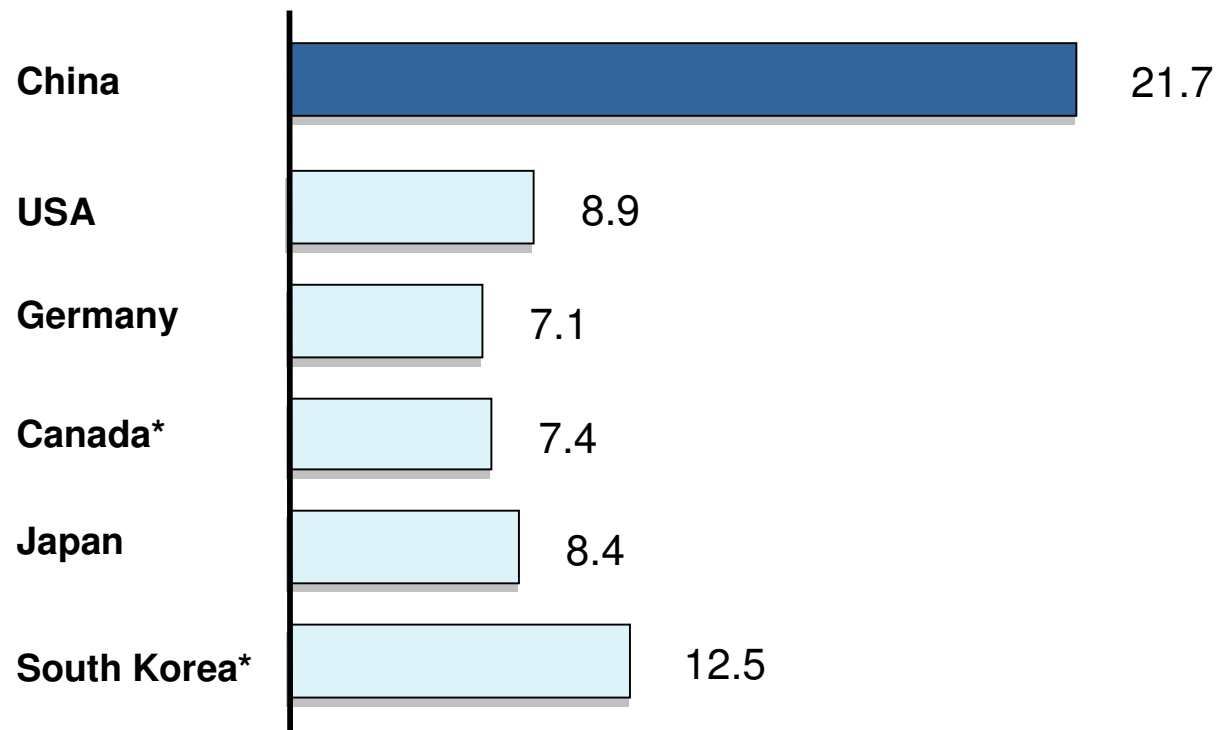
**China 5 biggest seaports
(in Million TEU)**



China's T&L market is inefficient

Transport & logistics costs as share of GDP

Percent, 2002



*As of 2000

Source: Morgan Stanley; Cap Gemini; GVB; Die Top 100 der Logistik; China Storage Association, Japan Institute of EIU Forecast

- China and the growth we dream of in Europe
- Logistics providers in a “bullish” environment
- DHL in China
- Entering the market as Global Logistics player

DHL Express

- **1980**: First Joint Venture for **International Express**
- **Market leader** for Express yielding a 40% market share

DHL Global Forwarding (former DHL Danzas Air & Ocean)

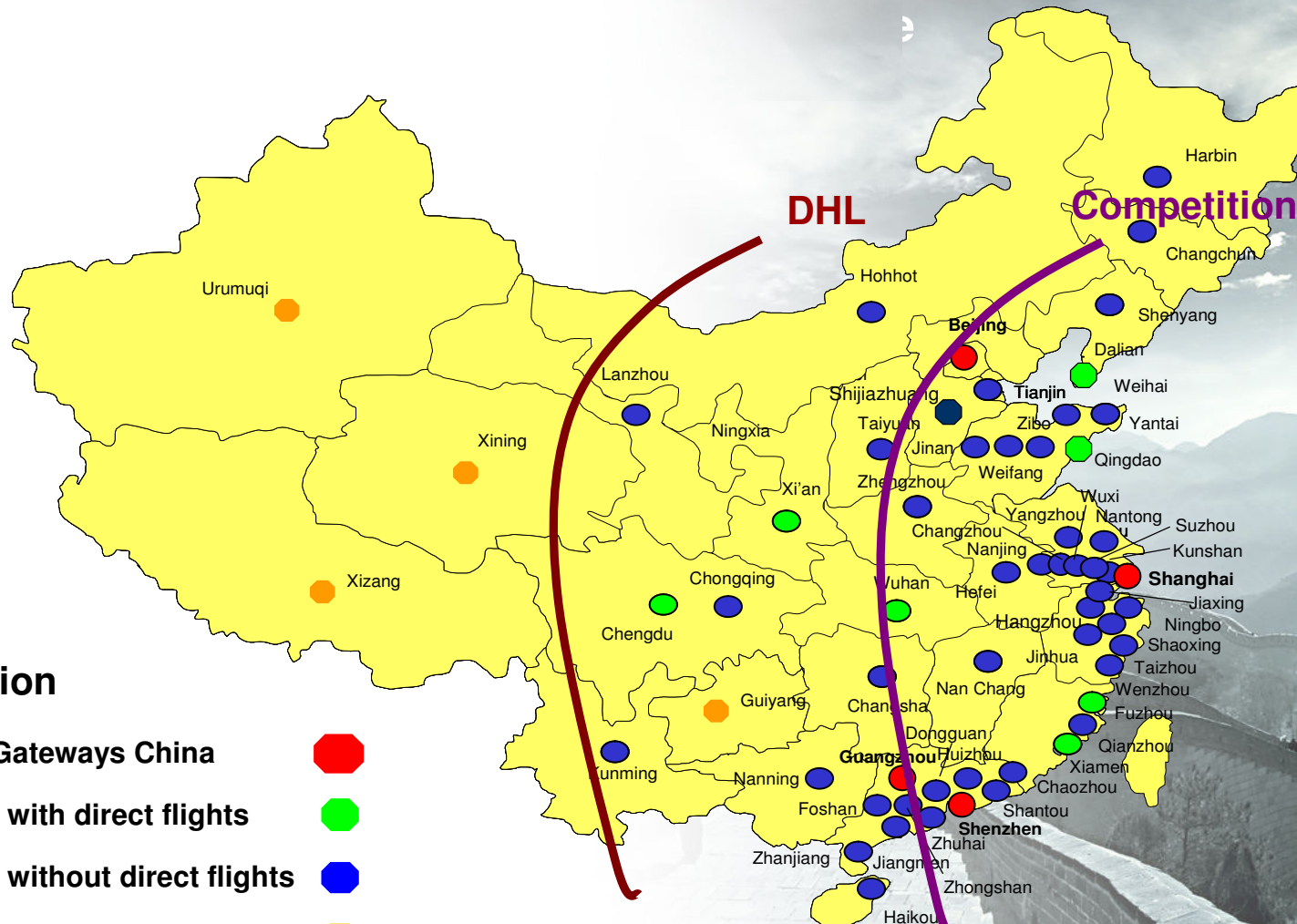
- Founded in Shanghai **1991**
- **No.1** international air freight provider; market growth of 35-40%

DHL Exel Supply Chain (former DHL Solutions)

- Express Logistics Center (ELC)
- Strategic Parts Center (SPC)



Infrastructure of DHL in China



Caption

- Main-Gateways China** ●
- Bases with direct flights** ●
- Bases without direct flights** ●
- Sinotrans** ●

Air Hongkong and DHL



- China and the growth we dream of in Europe
- Logistics providers in a “bullish” environment
- DHL in China
- Entering the market as Global Logistics player

Class A forwarder



Basic license for freight forwarding

- Entitlement for operation
- Authorization to cut GUI

CAAC – AFR intl.



Intl. air freight operation license

- Cargo agent for airlines
- Price and space negotiation
- Terminal operation
- Bonded trucking

CAAC – AFR dom.



Domestic air freight operation license

- Cargo agent for airlines
- Price and space negotiation
- Terminal operation

Trucking



Domestic trucking operation license

- Warehousing and distribution
- Value added services

DHL Global Forwarding has all necessary licenses

DGF offers the full range of products and services independently

DGF has full management control

- **Post-WTO China** will further grow significantly
- Excellent growth potential for the **logistics industry**
- **DHL**: huge long-term investment planned
- **Specific solutions** necessary for successful long-term development



Shanghai 2020



Thank you for your attention!