
The Three Certainties:

- Death
- Taxes
- Traffic Congestion

Efficient Urban Package Transportation in the era of congestion

A Brief Perspective on Express Freight and Logistics



Our Express World: market definition

EXPRESS

No commonly shared market definition exist

"The express segment in Europe includes the delivery of everything from documents to parcels weighing up to as much as 150 pounds (68 kg.) at some providers, and encompassing multiple service levels"

Bear Stearns – August 2003

"There is no single definition which encompasses the parcels and express sector"

Transport Intelligence – 2003

"The global courier, express and parcel (CEP) market includes the transport of all packages and documents between 200 gr. and 20 kg. as well as time-guaranteed deliveries below 200 gr."

ING – November 2004

"All services which do not offer direct, exclusive and personal consignment accompaniment but employ transfer centers in order to convey the items"

M.R.U. – 2001/2002

"Maximum weight of an express delivery parcel is 31.5 kg. ... Moreover, deliveries by rapid courier services ... has also been excluded"

MSI – 2001

"...includes in the same market all those products which users of CEP services view as close substitutes, and those which companies operating in related products could easily start to offer."

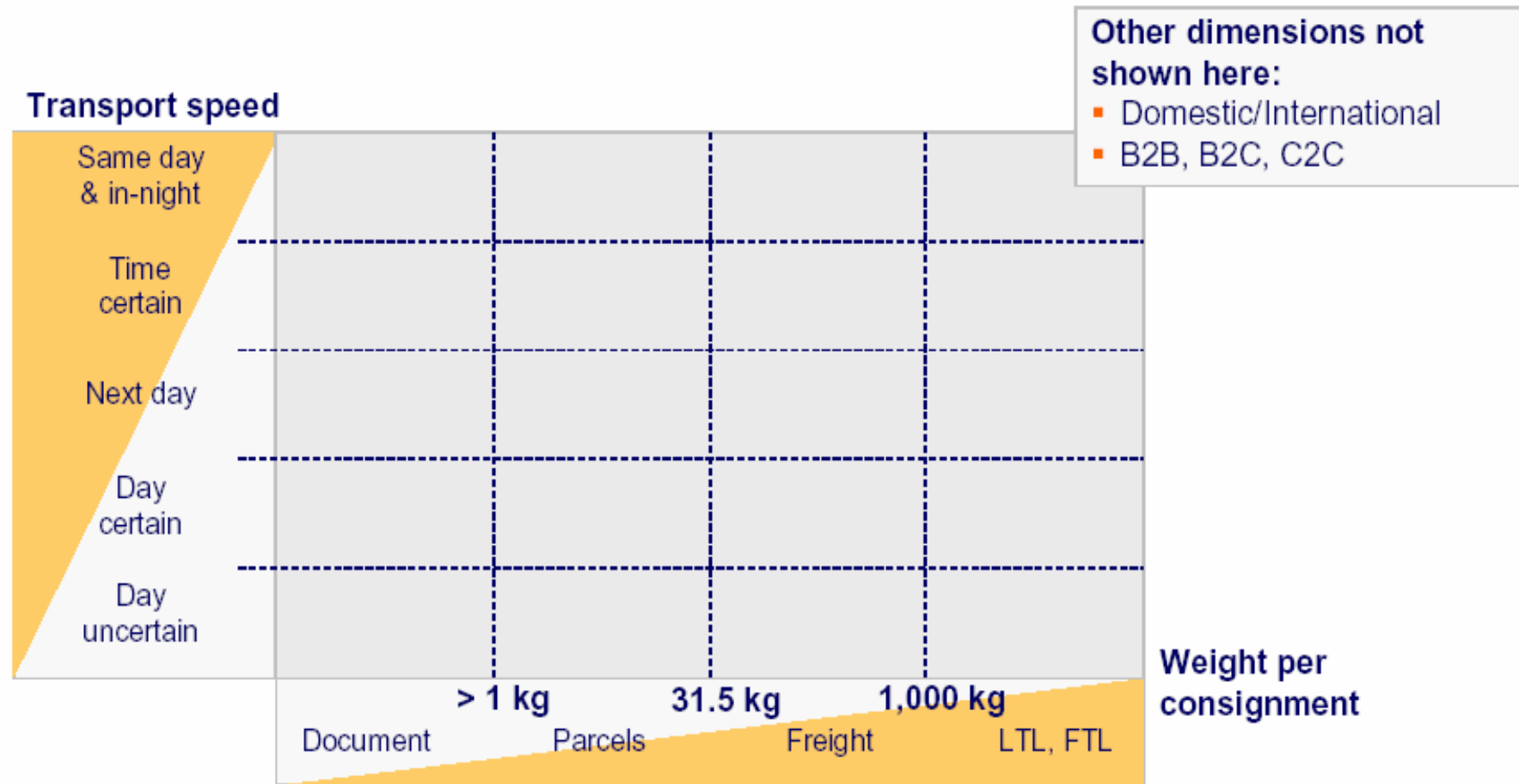
Oxera – February 2003



**FAST-TRACKING
FOR SOUTH AFRICA**

Segmentation of the Market

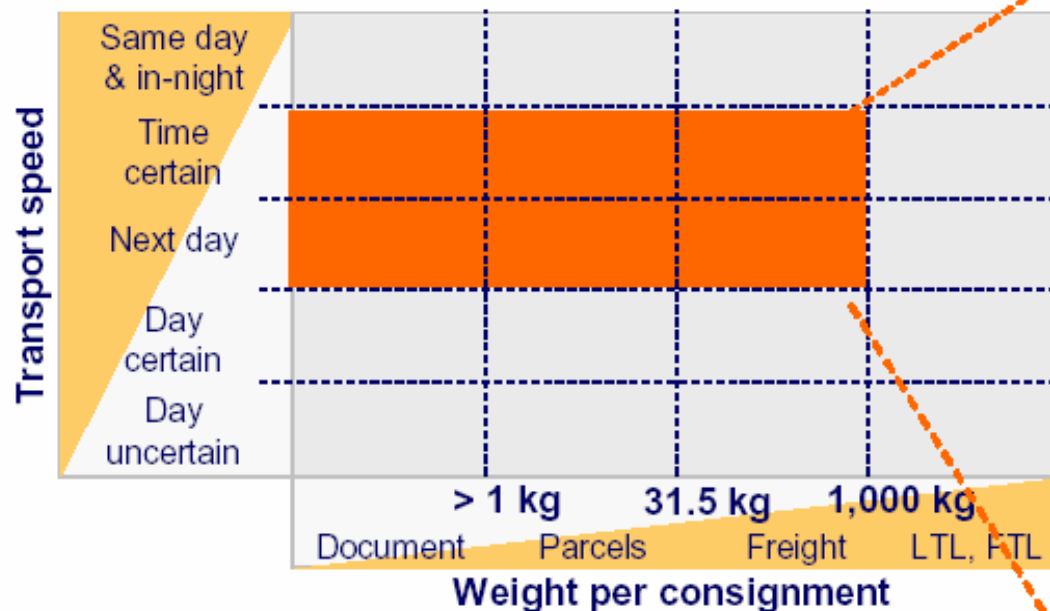
The CEP market can be segmented along the axes of transport speed and weight



CEP: Market definition

Proposed narrow definition of the Express market

■ Included in narrow defined market



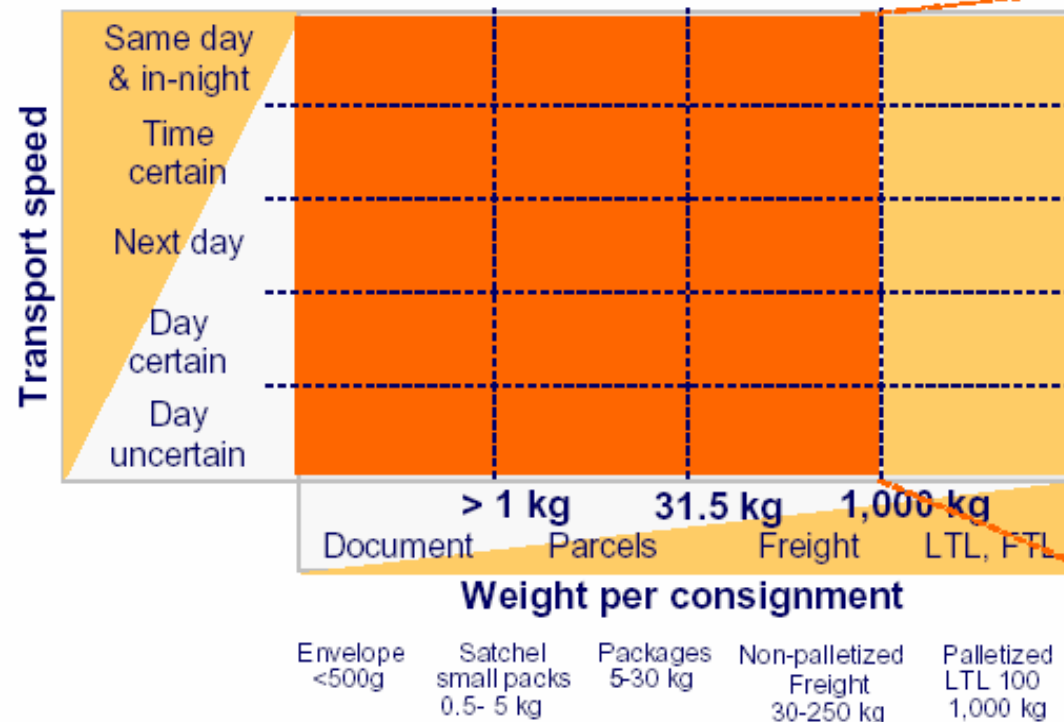
- Includes both time certain/time definite and next day delivery* transport speed
- Items/shipment/consignment including multi-collo pallets transported through a scheduled network
- Both scheduled and on-call pick-up with drop-off possible
- Door-to-door track and trace of individual items
- Often money-back guarantee
- Weight per consignment up to 1,000 kg
- Includes both domestic and international business
- Includes only B2B, no B2C or C2C

*For intercontinental fastest way possible can be 2nd day

CEP: Market definition

Proposed broad definition of the express market

- Included in broadly defined market
- Excluded from market



- Includes all service levels
- All products (documents, parcels, freight), excluding:
 - Same day freight, LTL/FTL and dedicated contract carriage
 - Freight forwarding and/or air cargo- Contract logistics or 3PL
 - Shipping
 - Includes both domestic and international business
- Includes B2B, B2C and C2C*

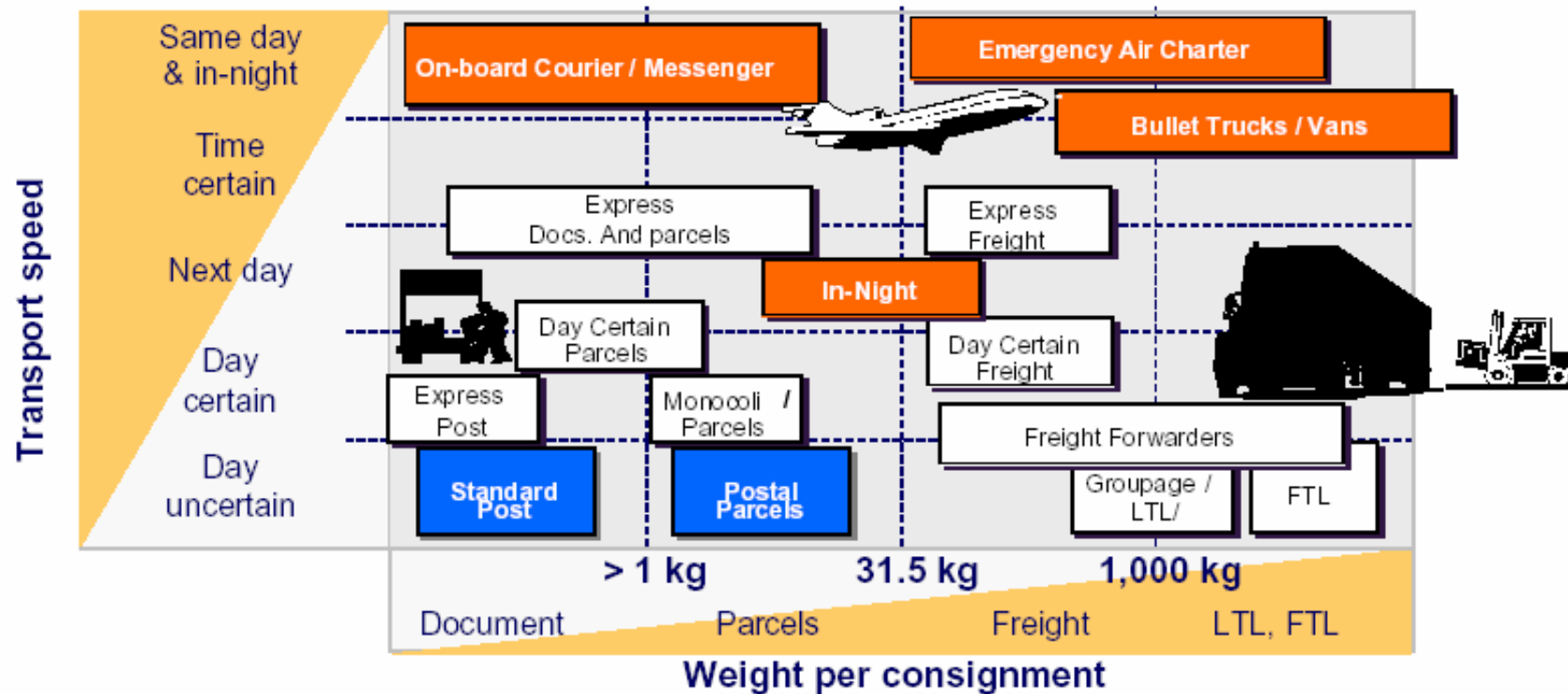
* C2C excluding standard Postal mail/Over the counter

CEP: Market Segmentation

Within CEP, separate (sub) markets exist

Orange box: Separate CEP markets

Blue box: Mail market



Source: McKinsey; Company websites

Market Growth rates

- International 15% - 18% pa
- Domestic
 - Mature markets 3-4 x GDP growth
 - Developing markets 4-5 x GDP (RSA Included >20%)

Express Package Movement History:

- Deteriorating quality of postal service in the 1970s
- Not keeping pace with fast changing business environment
- Hub and spoke system conceived and launched by Fred Smith of FedEx
- The quickest way between two points was not a straight line

The FedEx story

- ❑ Memphis became the hub
- ❑ Cargo was collected nationally at close of business and flown into Memphis during the night
- ❑ Cargo was sorted by destination and flown back overnight for delivery by start of business
- ❑ Each origin and destination had its own local hub and spoke system based on the depot, serving the suburbs, business and industrial areas

Hub and Spoke System

- This system is still the most efficient devised for handling the vast number of express parcels within a conurbation or between cities
- Individual journeys cross-town for all individual packages would simply not be feasible, would be too costly and would clog up traffic lanes even further

Congestion

- ❑ But as traffic volumes on the roads continue to grow, the system has to be fine tuned
- ❑ There have been many adaptations over the years and they are ongoing

Rule No 1

- You can't skip the traffic

Working Smarter

- ❑ Operators use sophisticated modelling tools to produce more efficient schedules
- ❑ Services avoid mixing line haul (to and from outlying points) and distribution functions
- ❑ Revising schedules so vehicles make left turns only, avoiding delays at turning right filters on busy intersections
- ❑ Extending the delivery window - Out of hours deliveries becoming acceptable (Supermarkets always needed fresh produce delivered early morning for store opening)

Service Segmentation Analysing supply chain needs leads to segmentation of services

- e.g. Many retailers conduct 80%+ of their business at weekend. So goods don't need to be on the shelves before Thursday/Friday. They can thus opt for a less urgent delivery which still meets their time definite requirements, costs less and doesn't congest the urgent services

Vehicle Types

- ❑ Special cargo vehicles with side doors, driver doors and rear doors to give more access to cargo for faster off-loading – especially if the delivery order changes
- ❑ Automatic transmission for stop-start vehicles to reduce wear and tear and resultant downtime
- ❑ Resurgence in motor cycle usage
- ❑ Test overseas on hybrid “green” vehicles

Communication

- ❑ Vehicle tracking (GPS) – warning of congestion and advice about alternative routes
- ❑ Cell phone and SMS advice to customers so they are ready to accept shipments as soon as they arrive

Depots

- ❑ Siting of depots outside congested areas, convenient for motorways and/or airports
- ❑ Automated package handling
- ❑ Known shipper certification to reduce security delays in package acceptance by carriers

SAEPA

- The South African Express Parcel Association exists to serve the interests of the users and providers of this indispensable business service

- Garry Marshall – Executive Director
- 0861 106 402

