Logistics gears for a super-highway

- GCEL's
  Samuel Salloum

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The Zurich-based Global Coalition for Efficient Logistics (GCEL) has co-opted a number of IT majors to help develop an integrated portal for the USD$4 trillion global logistics industry and associated suppliers, including banks and insurers. Co-Chairman Samuel Salloum says the venture will involve public/private partnerships of Governments and key players in logistics, IT and finance/insurance. A pilot programme is already up-and-running. He believes the portal could cut the landed import and export cost of traded goods by up to 50 per cent.

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INTEGRATING THE GLOBAL SUPPLY CHAIN

Public/private partnerships to drive trade finance and logistics portal

A SHIPPER needs to finance his inventory, plan bill consolidation and currency exchange, insure against commercial (and political) risk, and cover for credit insurance, says Samuel Salloum, who is heading the Global Coalition for Efficient Logistics (GCEL) in a drive to create an integrated platform for the US$4 trillion global logistics industry and associated suppliers. He says the portal could generate financing opportunities of US$5.6 trillion for banks and insurers, and cut the import/export component of the landed cost of traded goods by up to 50 per cent. IT majors, including IBM, Sun, Oracle, Hewlett Packard and Microsoft, are working on the pilot scheme...

Therefore, any organisation attempting to provide a solution must have four pillars, says Salloum. These are —
1) Technology;
2) Networks to address geopolitical and monopolistic concerns;
3) Rapid deployment; and
4) Public private partnerships.

"If a shipper in Sydney tells his trading partner to use his system, he can only do so if the system he is using allows non-intrusive integration — that means his partner can continue using his own system without having to change it. The system should not be complicated and must be free of cost. A global system, says Salloum, is needed.

"Historically, no-one has been able to provide a solution to resolve fragmentation of services within the logistics industry"

of your borders and your supply chain — at zero cost, the Minister would build at the idea because of concern over handing control of such a vital industry to an outside party," says Salloum. "The issues of monopoly and sovereignty and geopolitics immediately come into question."

"Again, as an example, Australia could also legitimately worry about its trading partners — what if they did not adopt the system?"
As a non-profit organisation, GCEL’s role would be to monitor the performance of these private companies. “It is like building a big house. You need the best carpenters, electricians and plumbers. Their equivalents are technology companies, finance companies and insurance companies.”

Shippers need lines of credit from banks which provide trade finance to facilitate transactions. GCEL has selected 12 banks from around the world as its partners. That number will expand with time as GCEL is taken up by more countries. Salloum says the shipper needs to finance his inventory, plan bill consolidation, and currency exchange, insure against commercial (and political) risk, cover for credit insurance and so on.

In the wake of the global financial crisis, banks have shied away from their main source of business—financing real estate. They know that money is an inventory and, to make money on that inventory, they have to move more around, he explains.

“Our value proposition to the banks as it is to Governments and technology companies is this: Take a measure of ownership in our system and deploy initiatives to guarantee its success. We are looking here to the ability to provide transparency,” he said.

GCEL’s forecast is that a fully-integrated global system can generate financing opportunities of up to US$5 trillion by 2020. Further, it estimates that a US$500 billion market will be created for insurance companies.

“**If we have a US$5.6 trillion market, we will go to the banks and say that, for every dollar you make, we will take 10 cents**”

“If we have a US$5.6 trillion market, we will go to the banks and say that, for every dollar you make, we will take 10 cents. As a non-profit organisation, we need the funding to build the core system to benefit all and to pay for technology gateways so that they can be provided to all customers free of cost. We call it a profit-sharing situation.”

Today, GCEL depends on contributions from its members.

Salloum says that Google and Yahoo, for example, now provide the technology gateways for their users to access emails, because for information and so on. “All they want is your eyes on their sites,” he says. Similarly, GCEL aspires to be the portal for the global freight industry.

The genesis for GCEL came from the Midwest of the United States, where three State – Nebraska, Illinois and Michigan – got together to develop a common system for freight passage. Salloum says the system has been tried and tested in the US-China trade lane – the busiest trade corridor in the world – and found to have issues concerning reliability, national security and border security.

As a result of its track record, Salloum says the US Department of Transportation now intends to use the system as the benchmark for US logistics and infrastructure. Salloum was one of three private sector advisers to advise the

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**The Captain at the helm**

**SINGAPORE** – At the age of 29, Samuel Salloum became the youngest person ever to be appointed Captain by his shipping company, the Grimaldi Group, now described as the second-largest shipping company in the US. The Italian Ministry of Transportation had awarded him the degree of Open Sea Master.

Salloum is now credited with driving Grimaldi’s expansion into North America. In six years he grew the company there from under US$1 million in sales to more than US$500 million.

After leaving Grimaldi, Salloum set up AXICOLO, Inc., a company which provides logistics and security solutions for carriers, ports and shippers.

Now 43, Salloum has taken on his most ambitious yet project. He says his experience gives him a deep understanding of the complex logistics industry, and its related security issues.

He was one of three industry experts to participate in a 2003 US House Select Committee on Homeland Security in the aftermath of the 9/11 bombing of the World Trade Center in New York and the Pentagon building in Washington DC. The other two were Richard Stephens, Vice President and General Manager of Homeland Security and Services for The Boeing Company; and Scott Gould, CEO of The O’Conway Company.

Salloum is also the Chairman of the World Logistics Council, a Swiss-based semi-governmental organisation. He holds several worldwide logistics patents, which have been approved by the US Department of Transportation as solutions for problems facing the fragmented multi-trillion dollar global logistics industry.

Captain Salloum (or Hassem Salloum, as he is sometimes referred to, reflecting his Lebanese heritage) is today Co-Chairman of GCEL.

**US Government on cargo security after 9/11**

Salloum and his team have literally crisscrossed the world to talk about their systems. GCEL now has regional offices in Malaysia, Jordan, the United States and Italy to cover the four regions of the world where it is actively promoting its technology. Their audience has included Governments and supranational organisations like the World Bank.

He recalls a meeting with the World Bank. "After we answered all the questions, an official said, ‘Captain, many things could go wrong. How are you going to resolve them?’"

“I said I agreed that many things could go wrong. But what better way to deal with problems than having the top technology and financial companies sitting around the table. IBM, JP Morgan Chase, Sun and Oracle executives confirmed to the World Bank that, by working together, we can make it happen.”

Collectively, we have spent 2.7 million man-hours to validate our technology over eight years. Our objective now is to go out and sign up governments around the world before we deploy the system globally,” said Salloum.

Many shipping companies are already involved with GCEL, but participants also include others involved in the logistics industry, including trucking companies. Salloum is convinced that there is no better time to introduce a ground-breaking system than during a global downturn.

In fact, he says, there is already enough support in the US, the Middle East and Africa, Europe and Asia to roll out the system. “When we deploy it, we can expedite adoption elsewhere,” he says.

The intention is to involve local technology companies, banks and insurance companies in each region of the world. Where there is a lack of local companies with the right capabilities, GCEL will introduce multinationals to become their partners — so that there will always be a local ‘ownership’ of the system,” he says.

Efficient logistics is the key to reducing landed import and export costs from 30 per cent to an average 7 to 11 per cent. For example, the landed import and export cost of raw materials to Australia is around nine per cent, which means that for every $1,000, Australians pay $90 in landed costs. We can reduce that to $70.

The landed cost in some countries is between 14 and 16 per cent. In our estimates, some US$70 billion can be saved annually by having an efficient integrated logistics industry,” says Salloum.

It all sounds too good to be true, so what is the downside? Salloum gives a round-about answer.

It was an American truck driver, Malcolm McLean, who invented containers, he says. Sick of sitting in a traffic jam in New York, he went home to the Midwest and designed the world’s first 100 containers — he deployed half to the West Coast and half to the East Coast.

Containerisation has had a major impact on the world economy. “So sometimes you do not know where a solution so major and global comes from. If you ask me what is the downside, my answer is people. People judge before they understand.” Salloum says the value proposition that GCEL offers is accepted by the level of Presidents down to small traders in Africa.

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