

# Study of Thailand's Logistics Systems

## Executive Summary

### ***Current situation of Thailand's logistics***

In Thailand, logistics and supply chain management has just been considered as the critical element for national competitiveness. To successfully develop the logistics and supply chain management in Thailand, it is important to understand the country's cost of logistics. In most developed countries, logistics cost as percentage of GDP has been collected, for example logistics cost of USA is 10% of the GDP, EU's is 7%, and Japan's is 11%. In Thailand, this information has never been collected, therefore the logistics cost of Thailand is unknown. However, 25-30% of the GDP could be considered as a good approximate for Thailand's logistics cost. Though this figure is just an estimated percentage, it well represents the fact that the logistics system of Thailand is still far behind the developed countries.

There are 4 dominant parties, involved in Thailand's logistics. These parties are government, academics, corporate, and logistics-related service providers. The large corporate and the logistics-related service providers, particularly the large ones, have been aware of the benefits from the good logistics management for a long time. On the other hand, the government, academics, and small companies have just realized about the importance of logistics during these past few years.

### ***Needs on logistics***

At the big picture, Thailand's logistics has faced quite a few outstanding issues, which may retard the country logistics development. These issues include the lack of the logistics awareness, lack of logistics standardization, insufficient infrastructure, no government policy or master plan focused directly in logistics, inadequate information technology to support the logistics activities, and lastly the shortage of human resource and training system in logistics.

To confirm the statements above, the results from the interviews in this study suggests issues in logistics faced by both corporate and government sides. These issues can be grouped into the category of infrastructure, basic logistics knowledge, human resources, and IT.

Consequently, the needs in Thailand's logistics establishment can be concluded based on these issues. In conclusion the needs include enhancing logistics infrastructure in every modes and the linkage between modes, simplifying the logistics related regulation, promoting the IT system and implementation, building the concrete logistics knowledge, setting up the governmental logistics central body, educating the parties involving in the supply chain from upstream to downstream, structuring the good training program in logistics tailored for SMEs and large corporate.

In order to boost the logistics skills, the institution to provide the trainings, seminars and conferences is needed. Even though there currently are a few non-profit organizations providing training in logistics, most programs focus on the very general and high level logistics concept.

The required training issues drawn from the interviews are in the area of industry-specific logistics, logistics overview, transport management, logistics benchmarking and best practice, warehouse management, inventory management, warehouse design, new logistics concept, including the idea of setting up the logistics certification program.

### ***Policy trends on logistics***

According to the 8 previous Thailand's Economic and Social Development plans, logistics has never been dedicatedly focused. The 9<sup>th</sup> plan, the current one, has concentrated on increasing the efficiency and lifting quality of the basic economic foundation, which includes transportation, telecommunication, energy and relevant basic infrastructure. It, therefore, signals that the government has started to be aware that logistics is the key driver of the country competitiveness.

The National Economic and Social Development Board (NESDB) has started a project on logistics development initiative as a part of Thailand's competitiveness strategy. In addition, the National Economic and Social Advisory Council (NESAC) team works on the logistics development program as well. Both NESDB and NESAC report directly to the prime minister. These two agencies have worked separately with only occasional collaboration in information and experience exchange.

In terms of the logistics legislation from the view of the private sector, the issues of the current legislation fall into 5 categories, which are inconsistent regulations, no standard regulation in

some area, out of date regulations, regulations not comply with the international standard, and the zoning and city planning issue.

### ***Recommendations***

As mentioned, the national logistics development currently faces a number of outstanding issues. These issues need to be prioritized. Robust action plans needed to be established. In order to strengthen the country's competitiveness, Thailand's logistics system needs to be continuously improved.

In fact, the most important factor in achieving sustainable logistics development is the human factor. Skilled logistics professionals will contribute greatly to Thailand's logistics. To build the good base in developing the skilled logistics professionals, 3 directions in skill development are suggested.

The first direction is 'Enlightenment'. The objective is to create the logistics awareness. The second one is 'Development of practical improvement tool', focusing on the performance measurement tool. The third direction is 'Program of Human Resource Development in Logistics' in order to educate people about the advance logistics technical knowledge. These 3 directions will ultimately lead to the sustainable program in developing Thailand's skilled resource in logistics.

To start with the first direction, Enlightenment in logistics, JETRO Bangkok, with the cooperation with Thai National Shippers' Council (TNSC) will host the seminar on 'Logistics from Japanese Experience' on March 17, 2004. The session will be led by experienced logistics professionals from the leading organizations. The admission is free of charge. For more information, please contact JETRO Bangkok.