

Logistics Report 2007

Thailand's Logistics Costs in 2007 Remained High at 18.9 Percent of GDP

Nesdb revealed for the first time that Thailand's Logistics Costs to GDP in 2007 is at 18.9 percent, which is relatively high as compared to most developed countries' (8-10 percent to GDP).

Mr. Arkhom Termittayapaisit, a Deputy Secretary General proclaimed that the Office of the National Economic and Social Development Board (NESDB) officially announced Thailand's logistics costs, for the first time, after its continuous efforts in developing the model and restructuring the database since 2003. Overtime, several studies have been conducted in collaboration with many leading universities such as Thammasat University and King Mongkut's University of Technology Thonburi, in order to assure the validity and reliability of the methodology to quantify the national logistics costs. As a result, we now have a standardized benchmark to assess overall effectiveness of the logistics management as compared to other countries.

In 2007, the logistics costs of Thailand were valued at 1.60 trillion Baht, or 18.9 percent of GDP. The figure comprised transport cost of 736.2 billion Baht (8.7 percent of GDP), inventory holding cost of 721.8 billion Baht (8.5 percent of GDP) and logistics administration cost of 145.8 billion Baht (1.7 percent of GDP).

Deputy Secretary General Arkhom further said that Thailand's logistics costs were mainly consisted of inventory holding costs and transport costs. Both were relatively comparable in terms of values and proportions. However, by considering the average growth rate over the past decade, it is found that the inventory holding cost has been increasing at a rate of 8.9 percent per annum, essentially higher than that of the transport costs (6.4 percent per annum).

Hence, it emphasized the need for inventory holding cost reduction as a targeted strategic issue for Thailand. The inventory holding cost is a cost component that can be reduced easily and immediately by applying effective logistics management practices both at the firm and supply chain levels. By its nature, such a strategy will require far fewer financial resources than will the attempts to reduce transport costs by investing in costly transport infrastructures. However, in order for private companies to be able to manage inventory and warehousing effectively, the government is required to provide efficient and reliable transport and logistics system as a pre-requisite.

Finally, it is imperative that all public agents and private firms start to collect and keep their logistics-related data in a systematic framework so that the policy makers and, more importantly, the firms themselves can use these data as a guideline and a performance benchmark for further improvement in the future. By this, the NESDB will be the focal body that announces this logistics cost every year, in which the 2008 logistics costs will be released soon.