



ATMS International FZCO
P.O. Box: 261724
LOB-20, F-07 Jebel Ali
Dubai, UAE
Tel: +971 (4) 8810433
www.atmsglobal.com

The Middle East - Growth all around

Growing globally and locally

The Middle East brings up different pictures in the minds of different people - from Bedouins and Camels in the Desert through to the Burj Khalifa; the Worlds' tallest building.

And in some respects logistics, supply chain and warehousing mirror these contrasts - from the basic to the World Leading.

The Middle East is of course a large and diverse area, encompassing Egypt and Yemen with their relatively low standards of living, through to Israel, Lebanon, Syria, Iran and Iraq and then the GCC (Gulf Cooperative Council) countries of Saudi Arabia, Qatar, Bahrain, Oman Kuwait and the United Arab Emirates (UAE).

Dubai

Arguably the world of logistics is accelerating at the fastest place in UAE, at around 20% year on year. Logistics activity centres on the emirate of Dubai - unlike its sister emirate Abu Dhabi, Dubai now has minimal oil wealth but has worked hard and fast to develop its reputation as a leading centre for commerce and tourism. Surprisingly manufacturing is also significant in this area - contributing 20% to GDP.

Dubai took a big knock three years during the Global Financial Crisis, but it is now on the up again. So why is Dubai seen again by many as the place to be? One reason is marketing - Dubai is building itself a great image globally, of course helped by its superlatives - the World's first 7 Star hotel, the World's tallest building, the World's largest man made island. It is also seen as a safe haven in the Middle East - parallels are often drawn with Switzerland.

Dubai's own airline, Emirates, is bringing people through the Dubai from all over the World. There are forty flights a day to airports across the UK alone, and it is this infrastructure that is one of the keys to logistics growth. Add to these flights across Europe, America, Russia, China, India, and Africa and add further dedicated cargo services and you can see the massive potential of this global hub. Six billion consumers are within 8 hours flying time of Dubai. 110 airlines already serve Dubai and it will soon be the home of the World's largest airport.

Dubai is also home to Jebel Ali, the Worlds 7th busiest container port. Jebel Ali, 30km South of Dubai, is now the world's 7th biggest container port (twice the size of Felixstowe - UK's biggest port). 170 shipping lines feed the port.

\$150 billion of imports and exports pass though Dubai every year, 70% it being transshipped, the rest serving local and GCC markets through the rapidly expanding road network. The presence of a staggering 4,000+ freight forwarders in Dubai helps to make this happen.

All this makes it the largest multi-modal logistics platform in the World.

Alongside this is the business acumen and funding that Dubai has to 'make it happen'. An example of this being Dubai Logistics City - DLC.

DLC will link the new Dubai World Central Airport (the World's biggest airport with 6 runways) with Jebel Ali Port. The total area of DLC will be 140 square kilometres, encompassing 5.5 million square metres of warehousing and having its own city housing upwards of 900,000 people. It will be one customs bonded environment, home to both multinational and local logistics providers and distributors - companies who will provide stock holding, fulfilment and value added services. Free zone companies can be set up with 100% foreign ownership.

The broader picture

Logistics is not taking a back seat in other areas - Saudi Arabia for instance has major manufacturing plants for food, chemicals and metals and with one of the highest and richest populations in the region has high levels of local consumption. Qatar is also investing in logistics with major investments in warehousing and transportation. Investment in logistics is also substantial in Kuwait - particularly as Kuwait is a significant bridge-head into Iraq and serves a large military related market.

Many of the large organizations in the Middle East are family owned organizations that some people would refer to as 'feudal'. These organizations have grown over the years, they are often highly diverse on the one hand and often highly integrated on the other - a food manufacturing company might for instance have its own 3PL division; it might also have a fast food franchise, a building company and a chain of hotels. These companies have grown as a result of trading success, helped perhaps with some oil wealth and fine tuned by second generation family members who have been educated at some of the best establishments in the World. They are not afraid of paying good salaries to head hunt senior managers from the UK and elsewhere. In between family companies and wholly owned multi-nationals come joint ventures - these are still popular in other areas of the Middle East but are often seen as less attractive now that 100% ownership is possible.

So far so good but what can you expect in terms of people, infrastructure and support - either if you're looking to develop your own operation or contract out to an existing player.

It is fair to say that the 'leap frog' effect is in operation in the region. A few years ago warehouses were literally sheds; block stacking was prevalent, no systems in sight and an un-educated workforce. The latest warehouses however are now in many cases world class, built to high quality and operational standards. The typical new build warehouse in the region is now 10,000 square meters plus, racked out with good quality VNA racking, often with mezzanines and using the latest VNA, combi and counterbalance trucks. Professional managers are now running these operations - often from Europe or India. Systems and procedures are being introduced.

Dubai likes to think of itself as a world leader in the adoption of technology and this tends to rub off in the world of logistics. RFID and voice technology are being looked at enthusiastically but along with the rest of the world the current ROI calculations limit the uptake. The region is incredibly cost conscious - helped no doubt by the trading mentality, however the drive is now on to make the workforce increasingly efficient - in the older days of cheap and available labour this was never high on the agenda but it is now.

Warehouse Management Systems are becoming de-rigor in virtually all new warehouses - and such systems tend to be from global leaders - the days of the in house developed WMS have come to an end. These WMS's are almost always implemented alongside the latest real time wireless systems - all the leading vendors of mobile and wireless technology have a presence in the region. The trend in providing more added value

Services including kitting, light assembly, customization and country configuration further increases the need for technology. Additionally the global clients of logistics providers are demanding resilient solutions that give them accuracy, traceability and conformance with real time electronic links to their corporate systems.

The communications networks support wide area networks - although often at a lower service level and higher price than some countries may have come to expect. Real time communications are taken as a natural in a region where instantaneous contact via mobile phone is both expected and given. IT support and literacy is generally good - helped by a sizeable population of tech-savvy people from India.

The challenge with introducing systems and procedures is often down to people and culture. For instance Dubai's population is a staggering 80% ex pat - from around the world but in particular from India, the UK, the Philippines and Malaysia. This presents challenges in terms of language and communication but in particular the challenge is down to a transient workforce - people often move from job to job every year or so. Recruiting and retaining key staff is a key challenge in this part of the world - particularly bearing in mind the cost of living. The workforce in the region is hard working - people come to the Middle East to earn money, and in most cases to send money home. Refreshingly workers are highly focused on results and profitability, they want to see their organization succeed and they see this, logically, as a 'win win'.

Other challenges are transportation. For multi modal trans-shipment within Dubai Logistics City this will not be an issue, for cargo moving outside this area however the traffic jams and bottlenecks are a major issue. A 30km journey from Jebel Ali to the neighbouring emirate of Sharjah can take over two hours. Transportation can also be in short supply and there are problems of overloaded and unreliable vehicles. Anyone operating in a cool chain also needs to ensure due diligence - some transport and warehousing companies have not yet grasped the concept that a cool chain needs to be 100% end to end - and that an open pick up truck is not appropriate. The authorities however are conscious of the need to tighten down in these areas and it is fair to say that standards in Dubai are increasing year on year. HACCP is being introduced widely for instance, as is GPS and on board computing.

A further benefit of the Gulf region is security; with one of the lowest crime rates in the world this is seen as a good area to operate warehousing and distribution operations. TAPA security standards are being introduced into many warehouses. Jebel Ali itself, along with most DP World ports is implementing CT-PAT and ISO security standards.

One closing word about the region. Personal relationships are key to success in this region - the general rule is 'friendship first, business second'.

Steve Cross is Managing Director of the ATMS Group of companies, with offices in the UK, Dubai and Manila.

Steve wishes to acknowledge the advice and information given to him from:

- John Gillingham - IAL Logistics
- Mike Lee - 347 Logistics
- Ian Bessant – D3PL
- Michael Proffitt – Dubai Logistics City