

Express Delivery and Trade Facilitation: Impacts on the Global Economy

Executive Summary

Background and objective

Express delivery is a critical component to many businesses as it allows them to exchange goods, parts, contracts, etc., quickly and securely anywhere in the world. At the level of a single firm, the role of express delivery can be easily illustrated. However, it is less clear what the overall impact of international express delivery services is on the global economy.

The Global Express Association (GEA), the global trade association of the express delivery industry, has commissioned Frontier Economics to assess the impact of the express delivery industry on the global economy. The objective of this project is to research the following questions:

- What is the economic impact of the express delivery industry today?
- What is the relationship between customs capability, trade and international express delivery?
- How will the role of international express delivery in facilitating economic growth change in the context of e-commerce?

We have conducted independent research to develop answers to each of these questions. Our analysis is based on data from GEA members as well as publicly available sources.

Overview of express delivery industry

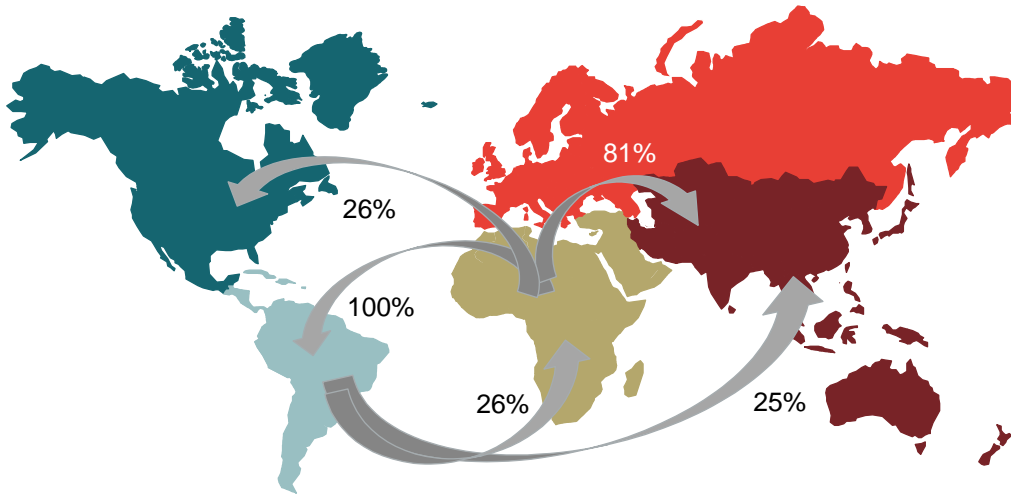
Express delivery operators provide a range of services to meet customer needs. The services include door-to-door, customs-cleared, next-day and time-defined delivery services and deferred services (i.e. a slower delivery) with track and trace services. Companies and individuals generally use express delivery services because they value five main attributes of the service: its global reach; reliability; transparency; speed and security.

The main users of express delivery services are businesses, with the engineering and manufacturing sector as the largest user followed by transportation services, consumer goods and retail.

Despite the global financial crisis, international express delivery volumes have grown on average by 7% over the past 5 years. Considering a regional breakdown, volume growth has been strongest in regions outside of Europe and

North America as shown in **Figure 1**. Volume growth has generally been higher than growth in trade.

Figure 1. The top 5 inter-regional flows with fastest growth, 2011-2013



Source: Based on GEA members' data

Economic footprint

Overall, the express delivery industry facilitated around three million jobs worldwide in 2013. This represented 0.19% of global GDP or over \$140 billion. Our results are based on GEA members' data only and should therefore be viewed as a conservative estimate of the overall footprint of the express delivery industry. We have not “grossed up” the figures to account for other express delivery service providers as the assumptions required to do this would reduce the reliability of our analysis.

Table 1 below shows the breakdown of our results for the direct, indirect, and induced impacts; both in terms of employment and as a proportion of GDP. The express delivery industry provides almost 600,000 direct jobs¹ and supports over 1,800,000 indirect jobs and over 570,000 induced jobs.

¹ We report jobs as full-time-equivalent (FTEs) to provide a comparable metric. In Oxford Economics' report for the GEA in 2009, they reported the total number of direct jobs as 1.3m. That figure is based on head count (i.e. the number of people employed) rather than FTEs.

Table 1. DII impact of express delivery industry

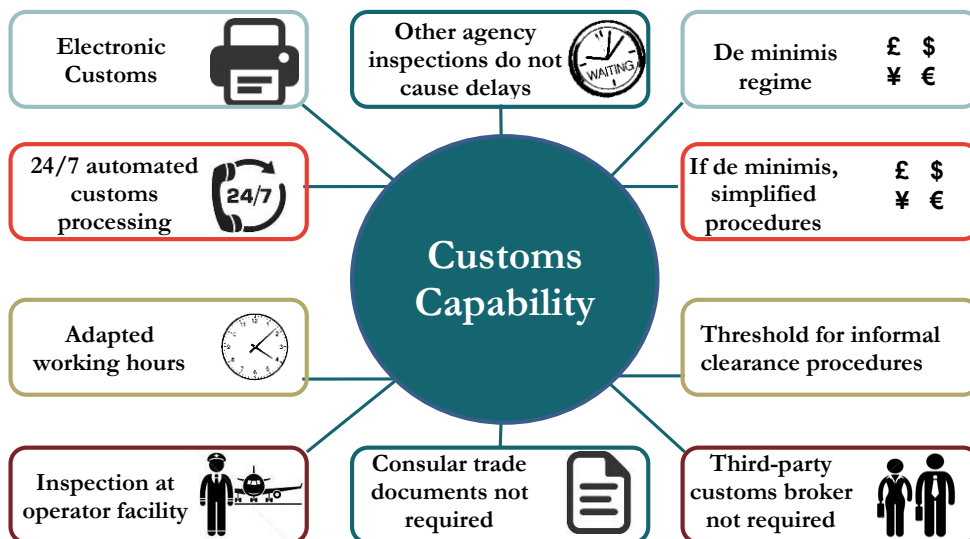
	Global employment	Global GDP Impact (%)
Direct impact	585,000	0.04%
Indirect impact	1,815,000	0.11%
Induced impact	571,000	0.04%
Total	2,971,000	0.19%

Source: Frontier Economics estimates based on data from GEA members and publicly available sources.

Relationship between customs capability, trade and international express delivery

We have analysed the relationship between customs capability, trade and international express delivery. Our analysis focussed on ten specific measures of customs capability from the GEA’s database. These are shown in **Figure 2**. We have constructed a Customs Capability Index (CCI) index based on these measures that records how many of the measures have been implemented by each country.

Figure 2. Overview of customs capability measures



We found that even after controlling for a range of expected drivers we find there remains a robust and statistically significant relationship between the Customs Capability Index and trade flows to and from any given country. **Specifically, we found that implementing any one additional measure from the 10 measures making up the CCI (e.g. 24/7 automated processing) increases trade *on average* by 4.4% for the country improving its customs capability.** Note that we expect this effect to happen over a reasonable period of time. For example, if Bolivia introduced two of the customs capabilities measures (e.g. 24/7 automated processing and adapted working hours), we project that trade to and from Bolivia would increase by 8.8% or \$2.03bn. Similarly if Cameroon implemented electronic customs, we project that its trade would increase by over \$670m or 4.3%. Our robustness checks confirm that:

- Statistical tests indicate that the impact of improvements in the Customs Capability Index is linear, i.e. introducing two measures has twice the effect of introducing one. However, economic models of this type may not be very good as a means of predicting dramatic change so while a linear specification provides the best fit, this should be viewed with caution.
- Improvements in these customs capability measures are equally beneficial to high and low income countries.
- There are also no significant variations in the scale of this effect between regions.
- The most appropriate weighting of the components of the CCI index is to assign equal weights.

A further, important question that we researched as a second step is: what role does the express delivery industry play in facilitating the additional trade that can be unlocked by improvements in these customs capabilities? This analysis shows conclusively that international express delivery is one of the key channels that enable an improvement in the CCI to facilitate an increase in trade. **Our results show that international express volumes play a significant role in facilitating trade promoted by improvements in the CCI and that up to two-thirds of this trade is directly facilitated by international express, with 50% as representing a reasonable mid estimate of the effect.**

Role of international express delivery in the context of e-commerce

Customers shopping habits have changed tremendously over the last decade with the wide take-up of the internet. Going forward, e-commerce is expected to:

- continue to grow substantially in the future, with double-digit growth expected to be the norm and;
- become increasingly global with regions outside of Europe and North America growing faster than the average.

These trends suggest that international express delivery services are likely to play an increasing role in facilitating internationalisation of businesses, particularly small and medium enterprises (SMEs) who are unlikely to set up their own supply chains.

However, in the context of the emergence of international e-commerce there are signs that there may be a return to some form of protectionism. The rise in protectionism or delays in reform could hinder the realisation of the e-commerce expansion, which is expected to be a key driver of economic growth.

Policy implications

We conclude that improvements in customs capabilities for goods requiring immediate release provide substantial direct benefits to countries by increasing trade. Policy-makers around the world should therefore consider steps they could take to improve their score (provided in Annexe 3) so as to avoid losing out on economic value. The benefits of improving customs capabilities depend strongly on the existence of international express delivery services. As a result, policy-makers should ensure that any improvements in customs capabilities are considered in the context of enabling international express delivery services. As international express delivery is likely to play an increasing role in facilitating benefits from international e-commerce (particularly to SMEs), improvements in customs capabilities may have an even bigger impact on trade in the future.