Chapter 2
Transport and Logistics in Dubai: A High Stakes Play

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EXECUTIVE SUMMARY

Over the past decade, the Emirate of Dubai has emerged as a leading transport and logistics centre serving not only the Middle East and North Africa (MENA) region, but also Russia, Europe, Asia, and the Far East. This has been the result of a concerted and far-sighted government initiative that, since the mid-1970s, has sought to diversify an economy underpinned by oil revenues, but with little else in terms of domestic resource endowments (Economist.com, n.d.). The population is very small in number and relatively un-skilled, there is little arable land, and historically, there was no industrial base. Until the discovery of oil in the 1960s, Dubai was essentially a pearling port and regional entrepot based around shipping.

A succession of formal government plans has introduced incentives and inducements aimed at encouraging companies to set-up operations in the emirate with the aim of fast-tracking the establishment of a modern, service-based economy. Initially the planning focus was on establishing the finance, tourism, and property sectors as well as on significant expansion and upgrading of traditional trading activities. More recently the emphasis has broadened to incorporate more technology-intensive service industries.

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The phased development of Dubai’s transport and logistics sector over the past several decades has culminated in the establishment of a major regional commercial hub, a so-called “aerotropolis”. Although a work-in-progress, several stages of this long-term project are already operational, and construction remains ongoing. The future success of this government project is unclear. In the public sector, there exist major challenges, some reflective of the need to efficiently manage and coordinate such a huge undertaking while others stem from the uncertainties of a competitive global market-place. For individual companies and industries (public and private) looking to participate and commit to the venture, a number of issues need to be addressed in the formulation of business strategies.

INDUSTRY BACKGROUND

Transport and logistics comprise a large part of the global economy and in 2006 accounted for an estimated total revenue worldwide of USD 3.4 trillion. (DataMonitor, 2007). The sector broadly encapsulates three types of services: (1) transport services, which include air freight, express delivery services, marine transport and road and rail transport; in 2006 this industry accounted for almost two-thirds of the sector’s global revenues (Standard & Poors, 2006); (2) transport infrastructure services (comprising around one third of revenues) which includes airports, marine ports, highways and railways; and (3) logistical services, comprising freight forwarders, freight brokers and third-party logistics (3PL) providers.1

In recent years the demand for these complementary services has grown in line with the expansion in global trade which is linked to an increasing outsourcing of manufacturing support activities. Businesses, institutions and individuals now face a growing dependence on sophisticated transport and logistics systems to help operate uninterrupted supply chains. One particular feature of the international reach of the sector has been consolidation and cooperation across all its component activities, reflecting a demand for integrated global solutions. This has seen some operators (public and private) vertically integrating across various services in the supply chain in order to achieve economies of scale and scope (Waters, 2007).

Logistical efficiency and optimal supply chain operation is a necessary condition for competitive advantage of firms in today’s global market-place and depends on a number of factors. These include the need for a modern transport infrastructure, supporting information, legal and financial frameworks and ease of cross-border trade (including lower charges and more streamlined procedures). Competitive carriers and logistics providers along with stable and transparent government support are necessary to enable the movement of goods from a growing number of source locations to meet market demand.
Comparing Static and Dynamic Policies for Vehicle Routing Problems with Backhauling and Dynamic Customer Demands
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