

voice

of the **independent** 

OCTOBER 2011 SERVING THE INDEPENDENT FREIGHT FORWARDING COMMUNITY No.004



Etihad forges closer links to independent freight forwarders

DESPITE providing much greater yields for airlines than the large multinational freight forwarding companies, SME forwarders have for many years felt aggrieved that they have had very little recognition or benefits from carriers for the revenues they provide.

AIRLINES have devoted the majority of their time and effort into securing the volumes on offer from the integrators, albeit at far lower rates, at the expense of securing more lucrative business with thousands of independent agents around the world.

However, more progressive airlines are awakening to the potential new business they can secure by forging close working relationships with the independent sector by offering a range of incentives only previously open to large global companies.

In just such a move that will provide a range of exciting new benefits for independent forwarders, Etihad Crystal Cargo and WCA Family of Logistic Networks have signed a Memorandum of Understanding (MoU) to be the first cargo airline to act as a vendor within the WCA Family network. The agreement is evidence of the importance airlines are now placing on the independent sector, and Etihad has jumped to the forefront by implementing this agreement.

The deal was revealed on the first day of the 8th Annual Sino-International Freight Forwarders Conference in Shanghai by WCA Family President David Yokeum. Etihad Crystal Cargo senior management were

present to meet and greet the attendees.

This innovative programme will allow WCA Family freight forwarder members a range of incentives and benefits including unprecedented access to Etihad Crystal Cargo's global network of 84 destinations. WCA Family members will now have full access to Etihad's airwaybills, with no bond necessary and ending the need for co-loading.

Roy Kinnear, Senior Vice-President Cargo at Etihad stated: "At a time when we are enhancing service from Asia to the Indian Subcontinent and into Africa, we are very excited about this MoU with WCA Family and expect to be able to deliver exceptional value and routings to their members.

"In our industry the issue of credit can be an administrative and financial burden, especially for the smaller independent forwarder. This agreement allows WCA Family members to leverage the strength of the Etihad relationship with WCA Family to provide an airwaybill facility on behalf of its members. This means all WCAF agents will now have access to Etihad Crystal Cargo's full booking facility.

"In simple terms, if you are already trading with Etihad, it's business as usual. However



NEW DEAL: Etihad has signed a ground-breaking MoU with WCA Family, providing independent freight forwarders with unprecedented access to the airline's capacity

if you need access to more choice for your airfreight, this unique initiative allows you to begin transactions with Etihad quickly, founded on the strength of the Etihad relationship with WCA Family. Etihad's worldwide sales network stands ready to support the member's needs with creative airfreight solutions."

WCA Family President, David Yokeum, is certain that the deal will bring major benefits to independent forwarders and the relationship will continue to strengthen in the future, bringing even greater rewards to the sector. "Etihad as a company has shown great vision by thinking outside the box

and forging this partnership with a private organisation. I would like to commend Etihad Crystal Cargo, for having the foresight and drive to engage so productively with the independent forwarding community.

"This is the first such MoU between a forwarding network and an airline. WCA Family staff and members are committed to working hard to ensure this is a win-win situation for both parties."

Etihad is one of the world's fastest growing airlines and now has a significant global presence in airfreight, operating to a total of 83 international destinations, of which 29 are served by dedicated freighter aircraft.



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Independent forwarders are stepping into new territory



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Independents see opening in international on-line shopping

THE logistics of on-line shopping have been largely associated with post offices and the integrated express carriers. The multinationals would like customers and clients to believe they are the only ones capable of handling the complexities of the business at a cost-effective price. However, independent forwarders are beginning to take a small slice of the market away, offering levels of service and sometimes price that the integrators cannot match.

One US-based mid-sized forwarder is typical of the new wave of independents moving into the sector and is stepping up its efforts to carve out a niche for itself as consumers increasingly venture across borders with their purchases of merchandise from e-tailers. Having set up an export service for such traffic from the US to consumers elsewhere, Texas-based Team Worldwide is now building a mechanism to bring goods from overseas to US consumers.

After initial reluctance, e-tailers are increasingly looking to sell to customers outside their home markets, observed Albert Saphir, president of supply chain management specialists ABS Consult. At first, most did not want to take on the complexities of different national tax regimes, payment and exchange rate issues, international shipping and return logistics. US export restrictions have been another stumbling block, Saphir pointed out.

With new international payment mechanisms on the rise, US merchants' aversion to international sales has weakened, but probably a bigger factor has been the prospect of lacklustre growth in the US owing to the economic situation.

The decisive catalyst in the internationalisation of e-tailing has been the emergence of a new strata of middlemen based in Asia and Europe, who take care of local sales, tax collection and return logistics issues. These firms have struck agreements with US merchants to put the US firm's products

on their websites. When a consumer completes a transaction on the site, this triggers an order from the middleman to the US retailer.

"They need logistics providers to receive the product in the US, package it and move it internationally," said Bob Imbriani, vice-president of corporate development at Team. The forwarder has established relationships with several clients. Shipments are consolidated and sent to the destination country for clearance and subsequent distribution.

In the main, this traffic is moving by air. The volumes involved are one factor behind this, transit time another. "A lot of on-line shopping is impulse buying. If you use air, it will take a week to 10 days for the goods to reach the consumer. The window with ocean freight would be too long for this," Imbriani said.

Now Team wants to replicate its strategy with e-commerce flows headed into the US. Again, traffic is bundled and moved into the US in consolidations before being broken up for final delivery. Team, which has its own trucking system and 42 branches in its home market, intends to use a combination of the US Postal Service and the US integrators to bring the goods to the consumer.

UPS and FedEx would rather move this kind of traffic themselves all the way from the on-line vendor to the consumer. In September UPS underlined its ambitions in this space with the launch of a service to consumers expecting a shipment that provides phone, e-mail or text alerts notifying them a day in advance of when packages will arrive and providing a four-hour window for the delivery. They also



will have the option to electronically authorise release of packages that require a signature and, for a transaction fee, to re-route a package to another address or have it delivered to the nearest UPS store location.

The integrators' small package capabilities and delivery networks are powerful factors to their advantage, but Imbriani reckons that the price differential will work in favour of the forwarder. "The integrators are more expensive – even with discounts for larger volumes – than if you ship the traffic in consolidations to the US, clear and then distribute it, maybe with the US Postal Service," he commented.

TSA U-turn on air screening deadline

THE US Transportation Security Administration (TSA) will not meet its 31 December deadline to screen all cargo on inbound international passenger flights.

Brandon Fried, president of the Air Forwarders Association, said that the TSA had sent a letter about the delay, but gave no indication as to the reasons or any revised deadline.

The mandate for 100 per cent screening has changed several times. Originally all cargo was to have been

screened by August 2010, but while the domestic targets were reached the TSA imposed a deadline of 2013 for inbound international flights. However, following the failed 'toner cartridge' attempt to blow-up two inbound aircraft in October 2010, the TSA moved the deadline to December 2011.

Fried said the TSA had told the industry that of the 197 countries with flights to the United States, the TSA had signed agreements with only three, with another 20 in the pipeline.

But moving forward with the 31 December deadline "would have been a big burden" and it would have resulted in shipping delays, increased costs, and increased damage on shipments during inspections, Fried said.

"We're happy that the TSA is listening to us," Fried said. "We've encouraged the TSA all along to focus their efforts on a harmonized international approach," so that shippers won't have to adhere to dozens of different security requirements from dozens of countries.

The TSA itself is having trouble approving security schemes imposed by other countries around the world.

The proposed TSA requirement is not operationally feasible because TSA does not recognise most foreign air cargo screening regimes as meeting US requirements. Pallets would have to have been broken apart and re-screened by airlines if the mandate was to have been



FRIED: Sticking to the 31 December mandated deadline "would have been a big burden"

enforced, resulting in massive delays and cost implications to the supply chain.

However, the TSA has received plaudits from freight forwarding bodies, airlines and associations for not trying to impose the impossible deadline, and the industry continues to work towards meeting the requirements in the most efficient way.

Container ship charter rates 'fall off the cliff'

A non-existent peak season combined with rising global overcapacity and stagnant freight growth on the key trade lanes has caused container ship charter rates to dramatically fall.

The average daily rate for a 4,250teu container ship for a two-year charter has fallen to below US\$15,000 according to the Hamburg Shipbrokers' Association. This rate is under half the rate commanded six months ago. The Association says that rates are falling equally fast against all ship sizes and this has hit German container ship operators hard as they control 50 percent of the global market.

The Association predicts that rates will continue to drift further downward in the immediate future as carriers have generally fixed their capacity requirements for Q4 2011.



WORLDWIDE: E-tailing is now a multi-billion dollar global industry and calls for sophisticated solutions to get online consumer goods to market

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Multinational price-fixers face further heavy fines

COLLUSION to fix prices by many of the world's largest multinational freight forwarders was widespread around the world, according to the latest reports from the investigation by the US Department of Justice (DoJ).

In late September six Japanese freight forwarders (Kintetsu World Express, Hankyu

Hanshin Express, Nippon Express, Nissin Corporation, Nishi-Nippon Railroad and Vantec Corporation) pledged to pay fines totalling US\$46.8 million. The companies admitted to being "engaged in a conspiracy to fix and impose certain freight forwarding service fees, including fuel surcharges and various security fees, charged to customers

for services in connection with air freight forwarding shipments of cargo". The offences took place between 2002 and 2007.

The biggest fine was imposed on Nippon Express, which agreed to pay \$21.11 million with Kintetsu also facing a heavy loss of \$10.46 million.

Sharis Pozen, acting assistant attorney general said: "Including today's charges, 12 companies have agreed to plead guilty and some \$100 million in criminal fines have been obtained." The first six international freight forwarders to plead guilty in September 2010 included Kuehne + Nagel, Panalpina and Schenker, with fines totalling \$50.27 million.

A seventh Japanese forwarder, MOL Logistics, also agreed to plead guilty in early October and was fined \$1.84 million.

Meanwhile the civil class-action lawsuit against forwarders accused of price-fixing

continues to gather pace with plaintiffs asking a federal judge in Brooklyn to approve a combined \$28.9 million settlement they have agreed with three of the 63 companies they allege to have participated in the illegal activity. The three companies comprised Schenker, EGL (now CEVA) and Vantec.

"We see these three settlements as initial icebreaker settlements. The case continues against all the remaining defendants," said W. Joseph Bruckner, one of the lead attorneys for the class action.

In addition to paying the multi-million dollar fines, the companies that have settled have agreed to help the plaintiffs with their case against others, including DHL Express and UPS.

John Patullo, CEO of CEVA Group said in a statement that: "Reaching this resolution in the civil anti-trust litigation is another key step in putting these issues behind us."

Frankfurt night ban dismays agents

FREIGHT forwarders using Europe's biggest air cargo hub, Frankfurt airport, face delays and inconvenience following the Hesse regional court's decision to place a surprise ban on all night flights at Frankfurt Airport.

Peter Marx, Vice-President of environmental management at the airport operator Fraport slammed the decision, calling it a "big mess". He added that with only 19 days until the start of the winter schedule the ban "poses an extremely difficult situation for airlines, logistics companies and Fraport".

The ban commences on 3 October overturning a 2009 decision to allow 17 night flights between 11 pm and 5 am, mostly allocated to cargo operations. The restrictions on night flights will remain until a higher court in Leipzig makes a final ruling on night operations, expected early next year.

Lufthansa Cargo has previously stated that it would end freighter operations if a permanent night-flight ban was put in place, adding that the decision would cost thousands of airline, freight

forwarding and manufacturing jobs in the region and Germany as a whole.

Forwarders active at the major European hub have reacted angrily to the decision, stating that it plays right into the hands of Middle East operators and airlines keen to take Frankfurt's business as they build Dubai and other gateways as main hubs.



Editor's Overview



YOU would be forgiven for thinking that European politicians live in a parallel universe to the rest of us. With Europe lurching again towards recession, they have elected not only to bring in new 'green taxes', but also impose a night ban on flights from Europe's main air export hub – Frankfurt.

THE decision in Germany to bring a sudden halt to night operations at Frankfurt would be funny if it wasn't so dangerous. Germany's manufacturing and exports have been the one shining light in three years of depressing economic growth and financial crises in Europe. The UAE and other growing air cargo hubs must be rubbing their hands in glee, but the threat to jobs and livelihoods in the logistics sector is very real.

The decision is typical of the antipathy shown towards transport and logistics in Europe. London for example is desperately short of runway capacity and the UK as a

whole has neglected its rail freight and sea ports for many years.

The new UK coalition government has scrapped plans for a third runway at Heathrow, without seemingly any notion of the threat this places as its status as Europe's busiest international airport and the tens of thousands of job, many of them in the logistics sectors, dependent on it continuing to thrive.

Europe is also on the verge on imposing the Emissions Trading Scheme on the aviation sector. Cargo airlines have been prominent in their opposition to the EU scheme claiming that it will increase the cost of trade.

And where will these costs eventually land? In the hands of freight forwarders and shippers, already suffering as global trade declines in the wake of slumping consumer confidence.

European leaders have urged companies to help them 'trade their way through the current problems', yet paradoxically through every obstacle in the way of exporters and logistic providers.

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Markets & tradelanes

Europe's freight forwarders experience growth in September

DANSKE Bank's freight forwarding index indicates that the European freight forwarding sector experienced modest growth in September after a fall in August. The index measured 53, with 50 being the mark for zero growth. This represented a seven point improvement from the August figure of 46.

This growth came from an increase in sea and road freight with the index rising to 58 for the former and 59 for the latter. However, airfreight continued to show negative growth with an index reading of 47.

Germany remains the star performer in Europe with a significant increase in current volumes (42 in August compared to 69 in September). In the UK volumes remain almost flat and expectations declined while Switzerland saw a significant fall in both volumes and expectations.

Airfreight decline accelerates

THE latest global freight traffic results for August provided by IATA reveal an acceleration in the already punishing decline in airfreight volumes during the last six months.

The 3.8 percent contraction in airfreight markets was more than double the pace of July's 1.8 percent decline. International volumes fell 3.5 percent, but the effect on air carriers and rates was exaggerated by a 2.4 percent growth in available capacity. Domestic freight suffered even worse with a 5.7 percent decline.

The losses wiped out the reasonable growth in air cargo experienced during the first four months of the year. Airfreight volumes for the first eight months of the year are now near identical to the first eight months of 2010, a period when the global economy was still trying to recover from recession.

"The industry has shifted gears downward. The pace of growth in passenger markets has dipped and the freight business is now shrinking at a faster pace. With business and consumer confidence continuing to slump globally there is not a lot of optimism for improved conditions any time soon," said Tony Tyler, IATA's Director General and CEO (right).

North America and Asia-Pacific showed the biggest declines of 7 percent and 5.4 percent, respectively. However, emerging markets continue to boom with Latin America up 5.4 percent and Africa up 2.2 percent.

Meanwhile the Drewry Air Freight Price Index for international rates out of Asia, fell 10.1 percent in August compared to last year, but the recent declines in pricing showed some signs of levelling off as the measure remained almost identical to the



previous month. The figures, which calculate airfreight rates from Shanghai, indicate carriers after beginning to scale back capacity, have managed to slow the rapid slide in rates. However, carriers are still reporting weak volumes at the start of the peak season.

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Stop "chasing rates" and focus on quality

ERXIN Yao, president of Orient Overseas Container Line (OOCL) has told representatives of the Foreign Commerce Club in New York that shipping lines are mistakenly focusing on "price, price, price instead of service, service service".

Yao urged carriers not to continue slashing prices to achieve full utilization of ships and concentrate on providing better and value-added services to shippers and forwarders.

"We tend to prefer a business model that equates average cost with marginal cost, which pushes down our average revenue well below cost – all in the name of market share. It creates tremendous financial loss for ourselves and creates enormous instability for the industry," said Yao.

Yao added that shipping lines are too eager to slash rates to achieve full utilisation of their ships.

"What our customers demand is a reliable link in their supply chains to fill the needs of their customers, not just a slot on a ship," Yao concluded.



LOSSES: Carriers such as OOCL are suffering after a positive 2010. Losses are likely to run into billions of US dollars this year as rates tumble and demand dries up

Indian exports soaring

INDIA'S exports surged by 52 percent to US\$160 billion in the first half of FY2011 according to figures released by the Indian Commerce Ministry. In September alone, Indian exports grew by 36.3 percent year-on-year to \$24.8 billion primarily led by engineering and oil and gas products.

Total imports during the last six months were estimated at \$233.5 billion, up 32.4 percent on the same period in 2010.

The expansion in Indian exports and imports have prompted Indian shipping lines to expand their fleets. A number of India's premiership owners are hoping to take advantage of falling vessel

prices caused by the sharp downturn in global freight markets.

Shipping Secretary, K Mohandas said that in preparation for this fleet expansion, India expects to boost port capacity to 3.2 billion tonnes by 2020 from the current level of 1.1 billion tonnes.

Yudhishtir Khatau, Managing Director of Varun Shipping, said at the recent Shipping Summit in Mumbai, that India's shipping firms viewed the difficult economic environment as an opportunity. He added that the ocean carriers expect a continuing boom in maritime trade in Asia's third largest economy over the next decade.

View from the **SHIPPER**

the insider's opinion



Green taxes – time to get tough on the carriers?

EUROPEAN aviation is about to join the Emissions Trading Scheme from January 2012. There are all manner of protests from the industry and all manner of supporters from environmental groups. Will carriers clean-up their act or simply pass the costs on?

IT is a concern to the customer sitting in the middle that the scheme is most likely to result in higher freight bills with ETS costs passed on as just another additional surcharge. The introduction of green fuel taxes for shipping is also on the political agenda. Shipping lines will not switch to more environmentally-friendly fuels or more efficient ships as a result of such punitive taxes or levies if introduced. Instead they too are more likely to simply pass the added costs on to their customers in the form of surcharges.

The problem customers face at the moment, is that nobody quite knows how much the surcharges will be, and which carriers will be hardest hit. Recent suggestions of price increases necessary among airlines from the implementation of ETS requirements relate to passenger fares rather than freight. Nevertheless, it seems that long-haul flights will fare better than short-haul, and European carriers such as BA, Air France-KLM and Lufthansa will be given a greater share of the needed emissions allowances than their overseas competitors.

The ETS for aviation has stirred up a hornet's nest, with legal challenges and the threat of trade wars being fought out between Europe on the one hand, China, India, USA and Russia in particular on the other, as the latter retaliate against the costs of emissions allowances being imposed on their carriers under the EU's scheme.

It is not surprising that in shipping the talk is less about introducing an ETS and more about establishing a levy or tax on fuel that is proportionate to the level of emissions from each and every ship. The way to reduce the level of such charges would be to score well on the recently approved Energy Efficiency Design Index for ships, as agreed by the International Maritime Organization.

Shippers groups, including the European Shippers' Council (ESC), which represent the importers, exporters, manufacturers and others who pay for the freight to be shipped, say this strategy will not work.

Based on their track record, the shipping industry, and particularly the liner shipping industry, is likely to pass on these charges to their customers.

Every time the liner shipping industry finds another additional individual operational cost, it tries to pass it on in the form of a surcharge or ancillary cost, whether it is for fuel price increases, currency fluctuations, being too busy (e.g. peak season surcharges), port strikes, congestion or even fog. Whatever the cost, the shipper is targeted to pay.

That may seem reasonable to some: you pay for the service you get, and what it costs to give that service. The trouble is,

some shippers would argue that they do not always get the service they pay for anyway. Whether it is a delayed vessel, rolled over cargo (i.e. not loaded), or delivered to a different port at a different time than planned because of service changes, the shipper does not always get a good service.

Any business with poor service performance would be looking to rectify the problem so that the service being provided actually improved. But why bother when you can pass the costs on in the form of surcharges or, in an over-supplied market, the rate you get is not worth the extra effort of improving the service levels, and the competition is unlikely to do so either? Sadly, such are the characteristics today of the deep sea liner industry especially, which carries the vast majority of traded goods around the globe. Will the aviation sector be any different?

So, shippers around the world believe costs of emission reduction schemes will merely be passed on to them, and the ships and aircraft will have very little incentive to change practice or improve design in order to reduce emission-related charges. Fuel costs themselves are the biggest incentive for a carrier to change its ways; but an even bigger incentive to change is fast building customer pressure.

Industry is growing increasingly conscious of the environmental impact of its supply chains. The

consumer is becoming ever-more aware of the issue and demanding products and produce which come from more environmentally sustainable supply chains, and at lower prices. Companies also know the increasing costs that are coming their way from environmental, emissions-based taxes, charges and levies. And just how long will it be before emissions data is required on product labels?

Shippers are looking for low-carbon logistics solutions in their supply chains: they need to know where to find them, and they are going to be putting these providers at the forefront of their freight purchasing decisions along with price and reliability.

Carriers who think they can compromise on service or raise their prices to offer the low-carbon options are mistaken, unless they result in an overall efficiency improvement and cost saving for the door-to-door supply chain. The shipping industry's current main weapon to reduce fuel emissions is to reduce consumption (saving fuel costs) by reducing the speed of



vessels; but this can add to the unreliability of services and extra supply chain costs for customers as a consequence. Shippers just will not stand for this unless it comes with reliability guarantees that enable better supply chain planning and management to remove costs. That is why many shippers and shippers' groups have supported Maersk's newly launched time-definite service between Asia and Europe.

One operator is not enough to change the world: we need mechanisms which reward air and sea freight carriers that invest in new designs, technology and practices, which reduce emissions but without reducing service performance;

we need schemes which do not add to current costs, but clearly provide incentives, a cost benefit to operators and owners and their customers. What is also needed is transparency for the customer of actual emissions.

Armed with reliable data, shippers will be better able to choose those carriers and services which provide the best mix of service performance, price and carbon footprint.

But there is confusion over the best emission measures to use.

The lack of a standard across the whole transport sector has resulted in a proliferation of carbon calculation methodologies, sustainability initiatives and so on. This usually leads to increased effort and cost for companies to assess carbon emissions of transportation and also hampers strategic collaboration between companies to optimise efficiencies in the supply chain.

A group of companies is getting together to try and bring order to this chaos in road freight logistics. For the moment the group is calling itself the SmartWay Europe Working Group, after the Smart Way programme being operated in the US.

Predominantly the companies are transport users, manufacturers and retailers, with a sprinkling of large logistics service providers thrown in. The group has big

ambitions to establish a single standard of carbon footprint measurement in Europe, and share best practices, which significantly reduce emissions from road freight.

The maritime sector could do with something similar. The Green Cargo Working group is one of the main contenders, but a multitude of other initiatives exist from groups and individual companies: so which should become the trusted standard?

The freight forwarding community has a role to play also. It needs to recognise the growing importance of the carbon footprint of supply chains, and the influence on freight procurement choices and sourcing strategies. For a great many shippers, it is no longer sufficient to merely look for the cheapest route, the direct route and carriers operating on it. What are their emissions? How much can they knock off the total supply chain costs? What is the best trade-off for the customer between speed (port-to-port and door-to-door), price, reliability, and other risks? These are the questions that are being asked today by a growing number of shippers.

The independent freight forwarder may be the best-placed to help answer these questions because they are often the closest to the customer and potentially more understanding of the needs of their supply chains. Close communication with the customers is critical in these decisions. General assumptions applied to all customers is becoming less valid as a business strategy.

Meanwhile in the corridors of power, the discussion is still about emissions trading schemes, taxation and levies as the way to force change; or else it is merely a way to get the polluter to pay for the environmental damage they each cause.

Rather than punishing current emission levels with a tax or levy, or costs of emissions allowances, all of which will inevitably be passed directly to the customer, we should be looking at things more intelligently: reward those that lower emissions; recognise the power of the consumer and the customer to change the industry; know that the customer will chase after those that offer lower emissions along with reliable solutions improving the performance of the whole supply chain.

Industry is growing increasingly conscious of the environmental impact of its supply chains

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Event **REVIEW**

SINO 2011



Sino International 2011 reaches new heights

THE 8th Sino International Freight Forwarders Conference, held in Shanghai from 26-29 September, saw the world's largest gathering of independent freight forwarders forge hundreds of new partnerships and create lucrative business deals running into tens of millions of dollars.

Co-organised by China International Freight Forwarders Association (CIFA) and WCA Family of Logistic Networks, the event attracted 1,780 attendees from 1,025 companies for three days of intensive one-on-one meetings and social networking events.

The theme 'Bringing the World to China' was fully realised as participants represented 135 countries and 275 cities around the world. Over 70,000 individual meetings were scheduled and conducted using the sophisticated One-on-One meeting software.

CIFA President, Zhao Huxiang, said that the Sino International Conference was vitally important to sustaining China's growth and forging international partnerships with companies around the world. "China is the biggest trading nation in the world and freight forwarders play a significant role in this success. In the last seven years this

event has grown to become the premier resource for our members. At CIFA we share the joy of all the delegates that have created so much new business this week. They have told us how many opportunities for business growth around the world stem directly from meetings at this event."

WCA Family President, David Yokeum, said that the record attendance highlighted the buoyant and increasingly vibrant nature of the independent sector. "Companies from over 130 countries used this meeting to reach out to new partners around the world. The sheer scale of new business completed this week shows that, despite the global economic conditions, the independent sector is prospering as shippers increasingly seek higher levels of customer service and bespoke cost-effective solutions to their logistics needs."



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RECORD BREAKER: Millions of dollars of new business was secured in over 70,000 individual meetings at Sino 2011

Gold medallion protection raised to US\$2 million

WCA Family President, David Yokeum, announced at the 2011 Sino International Freight Forwarders Conference that WCA Family members would benefit from a doubling of the WCA Family financial protection programme from one million to two million US dollars. Member-to-member protection will also rise from US\$50,000 to US\$100,000. The Gold Medallion programme protects all members from non-payment by other members, giving them complete security to conduct business anywhere in the world.

Yokeum said that the current global financial problems could increase economic pressures on the logistics sector, but despite that he was delighted that all members would benefit from this extra protection. "No other organisation or association can come close to offering its members the industry-leading levels of protection that we provide as part of our member benefits."





Spotlight *ON*

Joel Glusman

President & Chief Executive Officer, Qualitair & Sea



Diversification provides platform for independent success

Qualitair & Sea is not your run-of-the-mill freight forwarding company. Always innovative, the company has devised, implemented and succeeded in creating new revenue streams, placing it in direct competition with multinational logistics companies.

ESTABLISHED in 1986, Qualitair & Sea began life initially as an airfreight forwarder, before quickly adding ocean freight to its portfolio. According to co-founder, President and Chief Executive Officer, Joel Glusman, he soon realised that to succeed as an independent you have to be extremely creative and innovative to prosper.

The company rapidly became a customs clearance expert, offering shippers and importers these added services as the company sought new avenues of additional revenue to supplement its core freight forwarding business.

Eyeing a clear opportunity, in 1990 the company built on its customs clearance success and began advising major shippers on the best solutions for all parts of their transport supply chains – becoming

in effect what is now known as a 4PL. The credit for creating the 4PL name and concept (defined as an independent consulting firm specialising in logistics, transportation and supply chain management), is

traditionally afforded to Accenture in 1996 – but Qualitair was pioneering this concept years before. “We won a major contract from a large shipper of electronic and computing equipment. We already had an established team for customs clearance, but we went inside the premises and became an onsite control tower to manage all their flows,” explains Glusman.

“In those days large shippers were looking for one-stop shop solutions, big companies such as Panalpina, Schenker and SDV that could provide 3PL solutions. However, they soon discovered that no multinational is strong everywhere. Some were strong in the Middle East, some Europe, some Africa, but none had true global coverage.”

Glusman identified that efficiencies, cost-savings and better service could be provided by using a range of companies and created a new, entirely independent subsidiary called ALIS (Assistance in Logistics through Integrated Solutions) as a truly neutral 4PL. “As an independent forwarder we could not always compete with the big guys on price due to their buying power, so we optimised by adding value.”

But how does ALIS remain and give the perception of neutrality, when its sister company is a logistics provider in its own right?

Glusman says that neutrality is the core philosophy of ALIS and something that will never be compromised. “ALIS is run entirely independently of our logistics business, with a separate staff. Multinationals claim to be 4PLs, but this is a trick to use their company

as the shipper’s 3PL. Our 4PL offering is not an act. We sign a non-disclosure agreement with all clients and have the sole task of getting the best net-net result for them. We will never risk killing the golden goose and ALIS will remain fiercely neutral.”

ALIS has also invested heavily in software and systems to ensure that each customer gets the best advice and tailor-made supply chain solution. “We have developed systems so that our customers will deal with multiple freight forwarders. We create RFQs and bid on behalf of our clients and may select two, three, four or five forwarders to provide the best solution for them. We will select any company, including multinationals, to meet their demands. Companies such as Kuehne + Nagel and Schenker were initially reluctant

to bid as they felt the contract and their sensitive data would be used by us and other independents. But we have proven our neutrality over 20 years and we now have a reputation of complete independence.”

Glusman however, says ALIS still faces challenges in convincing shippers that using a multinational as a 3PL is not always the best solution. “We have time and again demonstrated that this is the wrong policy. Yes multinationals can negotiate space agreements with airlines and shipping lines, but it is the spot markets that make the difference. This is where our expertise and monitoring systems can pay real dividends.”

ALIS has certainly racked up an impressive list of clients including Schlumberger, Eurodisney, Renault, Apple, Philips PCC and Eurocopter. “We are now organising big big cargo moves. For example it has been very fashionable for companies such as Apple to outsource their logistics administration. We maintained the entire supply chain for Apple in The Netherlands using our expertise and sophisticated IT systems.”

ALIS has also achieved impressive results in expanding what for many freight forwarders is an important additional service – customs brokerage. “This was always one of our core competencies and ALIS is now known as an expert in customs regulations and broking worldwide. Renault has allocated most of its customs procedures to us and this involves a huge investment in time and capabilities to meet their needs. We have 15 staff alone in Tangiers dedicated to customs clearance as Renault build their biggest plant. We will do the same for their new plant in Romania. We have quickly become an administrative department for the company. We also take care of customs regulation and broking for Schlumberger.”

GLUSMAN: Says that his company has achieved major success as a 4PL provider to large corporations around the world

While freight forwarding and brokerage remain the core activity within the group of Qualitair & Sea companies, the impact of the 4PL activities on the bottom line is clear to Glusman. “Around 80 per cent of our business comes from freight forwarding and brokerage and 20 per cent from 4PL, plus a little 3PL activity. Yet 35 per cent of the contribution to the overall EBITDA comes from our 4PL activities.

Qualitair & Sea’s reputation for innovation in regulations and customs saw it develop a pilot programme for French Customs for the new Statut d’Opérateur Économique Agréé (OEA) the French name for the Authorised Economic Operator (AEO) programme. This

programme was then demonstrated to the Japanese as that country moved towards the same standards.

This proactive and ‘ahead of the market’ response to modern demands is typical of the best of the independent logistics companies and demonstrates that agile and well-run private-owned freight forwarders can not only drive the industry forward and develop new ways of doing business, but beat the multinationals at their own game. As Glusman says: “The world is moving very fast, but to be the best you have to move faster.”

“Our expertise and monitoring systems can pay real dividends”

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Perishables and pharma

United launches harmonised pharma service

SINCE September 20 the product portfolio of United Cargo includes a harmonised offering of the previously separate cold chain services offered by United and Continental. Having earlier on aligned their general and express cargo products, the cold chain service marks the first effort to bring their special services in line.

CO has had a cold chain service targeting pharmaceutical and healthcare traffic for years, whereas UA is a relative newcomer



RANDGAARD: Has seen explosive growth in cold chain traffic all year long

to the sector, having launched a dedicated product last year on the basis of AcuTemp RKN containers with active cooling and heating technology. CO was the first US carrier to embrace these units.

According to Tony Randgaard, manager of cargo marketing, the container has been a game changer for the airline and carries about half of its traffic in this bracket.

He stressed UA's network and its capacity in major traffic lanes for pharmaceuticals. "We have six daily widebodies to Brazil, 15 to Japan, 12 to Germany, and we are the largest passenger carrier to China," he said, adding that China is in the early stages of developing this type of traffic.

At a time when airfreight growth is stalling, traffic for the healthcare and pharmaceutical sector is showing strong momentum, and higher yields to boot. "We have seen explosive growth in our cold chain traffic all year long," said Randgaard. He added that some containers with active temperature control capabilities have been in short supply.

At the end of September UPS joined the game with its own unique container with active cooling technology and built-in sensors that monitor shipment condition and GPS location.

The vast bulk of pharmaceutical traffic is in the ambient temperature range up to 25 degrees Celsius, though, which does not

require active cooling technology. In this segment shippers are increasingly deploying newly developed packaging solutions

"There have been a lot of breakthroughs in passive packaging. We are really noticing that, even on the bid level," said Randgaard.

He does not see room for a special airline service targeting this segment. An expedited or express service should do well for this traffic, he commented.

American Airlines, on the other hand,

does see a niche for a passive cold chain product. Almost two years after the introduction of a special offering using ULDs that can both heat and cool their contents, the carrier added a second-tier, passive solution to its line-up on 1 September. This targets pharma shipments that do not need active cooling containers but require the maintenance of an ambient temperature range throughout their journey.

Perishable Specialists meet in Shanghai

THE first Perishables Logistics Alliance (PLA) conference opened its doors for the first time on 25 September and the response from delegates from around the world was overwhelmingly positive.

Over 70 executives from freight forwarding companies with a specialism in the transportation of perishable goods enjoyed a varied and highly informative plenary session, with speakers including perishable experts from airlines such as Cathay Pacific and from shipping lines. This was followed by a day and a half of intensive one-on-one business meetings during which many new relationships were formed and then cemented during the evening cocktail event.

Law Coppersmith, Executive Vice-President of Coppersmith Global Logistics typified the response of delegates. "Membership of the WCA Family and in particular the PLA, has given a significant boost to our international business. Obama says he wants to double US exports, and we have been doing a lot of groundwork for the perishables and other export businesses. We are now seeing the fruits of that effort coming."

Organiser of the event and head of the PLA, Brian Majerus, said: "I am absolutely delighted by both the quality and quantity of delegates. From the feedback I have received there have been many productive meetings and I am sure that a significant amount of new business will be generated among the participants."



EXPERTS: Specialists in the transport of perishable goods and pharma products now have an effective network to utilise for expanding their business and forming productive new partnerships around the globe

Lean times, even for food

REDUCED consumer and market confidence in Europe is affecting all areas of freight, including the transport of basic food commodities, according to Israel-based forwarder and NVOCC Jacky Line.

CEO Jacky Bitton said: "This year has certainly been very difficult. When the airlines and the shipping lines start reducing their prices, that is a sure sign that things are going down."

He said carriers began dropping their rates around two or three months ago, in response to weakening demand and rising overcapacity.

"Because of the financial situation in Europe, people are maybe buying fewer avocados and instead buying something less expensive," Bitton added.

"But it is affecting all areas. People are spending less on high-value goods, on medium-value goods and on lower-value goods – the effects run down from the top to the bottom."

But Javier Remeau, Corporate Commercial Director for Spanish forwarder TIBA, did not believe that the reduced spending on food would necessarily have a negative effect on freight volumes or freight forwarders.

He said his company was doing well this

year, although he was worried that Spain's economic crisis would have a negative effect on the general cargo business. But not for the company's perishables business.

"People will still eat the same amount of food. If people buy less lamb, but more chicken, someone still needs to move this," he said. "It is still business."

voice
of the **independent**

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