

# voice

of the **independent** 

FEBRUARY 2012 SERVING THE INDEPENDENT FREIGHT FORWARDING COMMUNITY No.006



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## China creates 'new vision' for worldwide trade

THE Chinese government has long-recognised the importance of the service sector to its burgeoning economy and the vital role logistics plays in driving growth and increased prosperity. Now the government is pushing for a significant advance in the service sector and particularly the logistics industry and is launching new initiatives to drive increased efficiency through domestic and international partnerships.

A key plank in this strategy is creating a major platform for Chinese and international service sector participants. In May, the Chinese Ministry of Commerce and the People's Government of Beijing Municipality will host the first edition of a major event, called China Beijing International Fair for Trade in Services (CIFTIS), which pulls together the 12 major service sector industries in one location. To be held at the China National Convention Center in Beijing

(below), the scale and ambition of the event offers unparalleled scope for establishing new business for both Chinese and international companies.

With the determination and drive of the Chinese government behind the event, the prospects for independent forwarding companies from around the world attending the event are unbounded. Delegates will benefit from the proven One-on-One meeting format, opening up a whole range of new opportunities for their companies.

Voice of the Independent was invited to meet high-ranking Ministry of Commerce and Beijing Government officials to discover more about CIFTIS and the prospects for the Chinese logistic sector.

Lu Jijian, Deputy Director of the Department of Trade in Services and Commercial Services of the Ministry of Commerce, said that CIFTIS is backed by the Chinese State Council and will be the most comprehensive services trading platform in China, and probably the world.

To be held from 28 May-1 June 2012, the event will become an annual fixture for all companies and officials involved in trading in services with China. "All 12 service sector categories as outlined by the WTO will be present and it is on track to become the only national,

international and comprehensive business transaction platform for trade in services in the world. It will serve as a high-level negotiation table, a vehicle for the announcement of policies on international trade and a bridge linking companies from all over the world to do business and create partnerships."

Lu recognises the importance of CIFTIS to ensuring international trade and particularly logistics becomes more efficient. "Total trade volume in the service sector in China is 400 billion US dollars, but the Chinese service sector is still in a position of deficit. The deficits from logistics and transportation are the biggest contributor and we recognise that. This means that there is great potential to improve our efficiency in logistics services. There is a unique opportunity here for Chinese and international logistics companies to come together and create new efficient trade flows and partnerships."

Recognising that China's transportation costs are higher than in the western world, the Ministry of Commerce has ensured that all the major state companies involved in logistics will be attending, alongside many manufacturers and shippers. In addition, 16 state-level agencies will ensure there is



widespread participation from all areas of China. Alongside this, China International Freight Forwarders Association (CIFA) will be attracting hundreds of independent Chinese logistic companies to CIFTIS.

International participation is already gathering momentum, with high-level delegations from 27 countries already attending, alongside many Fortune 500 companies. The world's largest freight forwarder network, WCA Family of Logistic Networks is also supporting the event and hundreds of international freight forwarding and logistic companies will be in attendance. "CIFTIS will act as an international hub for logistics in China. If your company conducts any export or import business with China or wants to establish logistic links both externally and internally, CIFTIS will provide the answers, connections and business

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# Chinese logistics

## Golden opportunity for independents

Continued from page 1

opportunities you need. We expect our state-owned and independent business leaders to sign many new contracts to improve their supply chains during the CIFTIS event. We welcome every company that wishes to establish or enhance business ties within the logistics sector," said Lu.

Cheng Yuhua, deputy director of the Beijing Municipal Chamber of Commerce, is equally excited about the possibilities offered by the CIFTIS event. "From high level government officials through service sector industry leaders from around the world, to SME independent Chinese and international companies, CIFTIS will open new doors for increased business. Whatever

attendees need, the Beijing government will provide help. We hope this event will help Beijing and the whole of China improve and modify its service industry structure. We will also aid cooperation between manufacturers and logistic suppliers to help them become more efficient.

"CIFTIS will help Chinese freight forwarders open their eyes and increase their knowledge of the international market. In Beijing alone there is a huge appetite among all service sector companies to support CIFTIS."

"The logistics zone at CIFTIS will be the largest at the event and has already attracted major participation from powerful Chinese companies such as COSCO, China Post and Sinotrans alongside major multinational players and numerous national and international logistic companies. In addition, major shippers such as Toshiba, Nokia, Phillips and Caterpillar have confirmed their attendance at the event.

"We offer a range of exhibition booths and delegate rates to attract as wide a range of participation as

**LU: Expects a whole range of new Chinese/international business partnerships to be created during the CIFTIS event**

possible."

Marketed under the banner: 'new vision, new opportunities, new development', CIFTIS, certainly has overwhelming support from the Chinese government in terms of investment. CIFTIS is a clear sign of the ongoing modernisation and internationalisation of China's service industries and in particular logistics sector.

Having courted the major multinational corporations, the Ministry of Commerce fully appreciates the importance of the international independent freight forwarding community to achieving its aims of driving greater efficiencies.

There is certainly plenty of enthusiasm for the event from the many local Chinese freight forwarders the Voice of the Independent met in Beijing. Companies such as Complant International Transportation, a specialist in project cargo and winner of major Chinese government logistic tenders, are eager to advance their domestic and international networks. "We have a need for specialist agents in many areas especially in the developing world such as Africa. We appreciate any platform that will help us conduct new business and help promote Chinese freight forwarders to the world."

## Chinese forwarders hit 27,000

A decade ago, as China began its sustained period of export growth, there were 1,700 Freight Forwarding companies operating in the country. By the end of 2011 this had risen to 27,000. This truly remarkable statistic underlines the explosion in logistics that has happened over the last 10 years and the huge importance the industry plays in the Chinese economy.

According to Liu Zhanfang, vice-president of China International Freight Forwarders Association (CIFA) there are now over 2 million people directly involved in the logistics industry in China.

CIFA itself has 700 direct member companies and if you add in local association and provincial government group members over 6,000 companies are involved. "CIFA is an ideal channel to promote the freight forwarding business in China. Last year we co-held the Sino International Freight Forwarders Conference in Shanghai, attracting 1,700 freight forwarders."

Coming under the control of the Ministry of Commerce, CIFA has been part of the programme put in place by the government to promote logistics development within the country.

CIFA is very encouraged about the prospects for both the independent freight forwarding sector and the potential benefits of the CIFTIS event. "We believe many agents are interested in this event. There is no comparable opportunity to not only arrange meetings with a wide range of logistic providers and shippers, but

also participate in real business information exchange."

"The current global situation focuses all our minds on increasing efficiencies and finding new business. We have found that our SME forwarders are very flexible and adapt to changing market conditions rapidly and effectively. We are seeing that the less rapid export growth and slowdown in trade is having a bigger impact on the larger logistic companies", says Liu.



Liu Zhanfang

## Agents respond to changing market

CHINESE freight forwarders have known nothing but growth in 15-year period since the country joined the WTO and began its remarkable period of GDP and export expansion. C&L International Transportation is representative of the many freight forwarder companies that have created viable and successful businesses.

Working with international partner agents and handling freight for a multinational freight forwarder the company has prospered.

Director Peter Lee (above right) explained that the Beijing based company registered with the CAAC as a freight forwarder in 2004 specialising in airfreight. The company rapidly expanded to incorporate two offices in Beijing and one in Shanghai, and now employs over 50 staff.

"The situation in China is rapidly changing for airfreight. This year there was no China-Europe peak season and capacity was readily available. This situation has brought about the grounding of Jade Cargo and rates charged by airlines continue to be lower.

"Volumes have generally shown a year-on-year decline since June. We are now facing the quiet period of the Chinese New Year, so our company, like many independent freight forwarders in China is having to quickly react to the

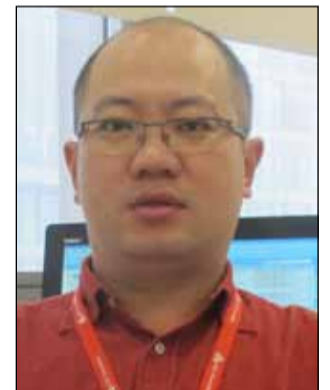
changing market conditions."

Lee says there has also been a subtle but definite modal shift from air to sea, as shippers realign their logistic chains to cope with the sluggish demand.

With Chinese worker salaries increasing in the major cities, Lee says that there is a danger that Chinese goods will become more expensive and competition will intensify from other Asian countries such as Vietnam and the Philippines. However, he is optimistic that Chinese government measures, such as tax breaks for exporters and lower customs duties for importers will keep the Chinese market buoyant. The longer term goal of moving manufacturing inland will also reinforce Chinese exports thanks to cheaper labour and production costs, although he admits this is a longer term project.

Lee is particularly excited about the growth shown in airfreight exports to new markets. "We have seen a real increase in trade to South America and particularly Brazil, last year we saw an increase every month. In addition, Australia is doing very well".

Lee also identifies the growing demand for imports, as Chinese consumer spending on luxury goods rises rapidly. "We have more import customers and the clients are now much happier



and reassured using reputable local independent freight forwarders to handle the shipments. We are seeing big rises in luxury furniture, expensive fabrics, hi-tech goods and medical machinery alongside other luxury goods that are becoming 'must-have' items.

"This is where being part of a major network such as the WCA Family is really paying dividends for us. With a platform of some 4,000 potential partner offices around the world we are developing long-term partnerships. Meeting face-to-face at meetings is vital to achieve this aim and to ensure all independent forwarders weather this current global financial situation in better shape than less nimble and manoeuvrable multinationals.

We see the CIFTIS event in Beijing as another ideal platform in which to grow our international trade with like-minded logistic companies and meet new agents.



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# Chinese companies urged to expand abroad

AS part of its agenda to boost the logistics sector, reduce the overall transportation cost burden to its economy and boost exports to key markets, China is urging its logistic companies to expand overseas.

The Chinese Ministry of Commerce has prioritised 'stable export growth' in its 2012 agenda and is encouraging Chinese firms to acquire overseas assets, in depressed regions such as Europe, at cheaper prices than available 18 months ago.

"We will take more steps to stimulate exports and to consolidate and expand our market share internationally in 2012," said

Commerce Minister Chen Deming. Wang Xuanqing, a deputy director at the Ministry of Commerce reiterated the expansion policy stating that the government would encourage domestic logistic operators to purchase overseas distribution centres.

So far only the larger companies have been actively searching for overseas opportunities. Cosco has acquired a container terminal concession in the Greek port of Piraeus, Sinotrans purchased UK logistics company Interbulk in 2011 and, in December, HNA Group completed the US\$1 billion takeover

of GE SeaCo, one of the world's top five container leasing companies.

Small- and medium-sized Chinese logistic companies have thus far been reasonably inactive in pursuing overseas interests and acquisitions, but with company and property prices currently favourable and with government backing, 2012 could well see more independent Chinese logistics companies making overseas investments.

**EXPANSION: Commerce Minister Chen Deming is keen for Chinese logistics companies to expand their presence in the international market**



## New train service to Europe

THE slow but steady increase in the use of rail for transporting goods from central and northern China to Europe took has taken another small step forward as Far East Land Bridge announced it would launch a new rail service in March.

Two to three trains per week will operate through Kazakhstan, linking Europe with the growing manufacturing city of Chongqing in central China. "We are finalising details with

the local government in China and we hope to start at the end of winter," said Robert Gerendas, president of Far East Land Bridge.

Analysts have become increasingly bullish about the possibilities of rail services booming between Asia and Europe. They say that the services make financial and strategic sense as they can take advantage of operations that are much faster than ocean shipping and much cheaper than airfreight.



## Ocean freight rates to remain weak in 2012

INDEPENDENT freight forwarders will be able to offer their shipper customers further good news on their ocean transport costs as the recent dive in Asia-Pacific and Asia-Europe rates looks set to show no improvement in 2012.

The latest figures from the analyst Alphaliner indicates that growth on Far-East to Europe trade reached around 2.8 per cent in 2011, but it expects this to weaken to 1.5 per cent in 2012. In addition, the growth in trade on the trans-Pacific route is predicted to be in the region

of 4.6 per cent compared to double digit growth recorded in many recent years.

This, combined with an overall containership capacity increase of 8.3 per cent, will further increase pressure on the rates ocean carriers will be able to command. Alphaliner says that the supply-demand balance will tilt further against the carriers, "leading to an oversupply scenario that would result in further vessel lay-ups".

It added that it expects both charter and freight rates to remain weak

throughout most of 2012.

Ocean rates out of China saw a modest increase during January, but this is largely attributed to shippers rushing to get their goods to the European and North American markets before the nationwide closedown for the Chinese New Year. The prediction that rates after the Chinese New Year will remain depressed is backed up by the Shanghai Shipping Exchange futures trading that suggested major market players were not anticipating any rebound on routes to Europe or the North America.

## Editor's Overview



China will remain the engine of world trade for many years to come and the country has set its sights on driving new efficiencies in the supply chain.

HAVING recently returned from a trip to Beijing, visiting local independent freight forwarders, government officials and major associations, it is clear that even the mighty Chinese export juggernaut is being buffeted by the global financial storm.

Yet what shines through is the ingenuity and determination of both the SME independent forwarder and the larger state-owned companies to continue to expand into key markets and adapt their businesses rapidly to take advantage of new opportunities in emerging markets.

With the government agenda set at reducing the overall transport costs for Chinese exporters, many agents are realigning their businesses and adopting a range of new practices, from creating cooperative business partnerships with agents abroad, to investing in the latest IT technology – to help drive efficiencies up and costs down.

With trade to Europe and the US likely to grow at slower rates in 2012, agents are actively

seeking new business opportunities and partners in regions such as Africa, Latin America and Australia. In addition, they have identified imports as a future important revenue stream, especially in airfreight, and are actively seeking to ensure they can offer the best solution to overseas forwarders and shippers.

The clamour and appetite for the latest hi-tech devices and fashion accessories has reached fever pitch in the country. When I was there Apple closed its outlets due to fights breaking out in the queue for the new iPhone.

This hunger for desirable consumer goods amongst the rapidly growing middle classes will continue to drive imports upwards in the coming years and help to ease the import/export imbalance that has proved such a challenge for air and ocean carriers.

The challenge for international forwarders is to seek, identify and create meaningful partnerships with the right Chinese agent to match their business profile, and through cooperation offer shippers more efficient solutions to their transport needs.

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# View from the **SHIPPER**

the insider's opinion



## Smaller forwarders have more flexibility to help shippers plan

2012 will be as interesting and potentially difficult as 2011 has proved to be for shippers and the freight industry. That is my prediction, and likely, it is a safe prediction to make. But there are things independent freight forwarders can do to make it slightly easier and better for their customers.

The pressures on shippers stem largely from:

- \* unreliability in the supply chain
- \* increasing or volatile costs and prices, and
- \* unpredictability.

Shippers like to plan. They like to plan for the medium term; they do not tend to like short term planning or sudden panic decisions which can wipe out their budget forecasts overnight, create tensions among suppliers and customers (internal or external) and jeopardise future business.

It so happens that shippers do tend to spend a lot of their time fire-fighting, getting around problems put in their way, or rather put in the way of the freight getting to where it needs to be in the condition it is needed and at the time it is needed.

What often goes unnoticed by onlookers perhaps, is that they are helped by a very effective and versatile logistics industry and

agents who pull strings and know the short cuts when they need to in order to help the shipper in such circumstances.

If this all resonates with your weekly experience then isn't it time to do things in a way that prevent the panics and unforeseen, unplanned barriers?

A casual look through the Shippers' Digest ([www.shippersdigest.com](http://www.shippersdigest.com)) highlights the daily issues that are either impacting on shippers now or look likely to impact on shippers in the near, medium or long term future. It should be the first step for all shippers and agents to have a view of these, and an understanding of the nature of the challenges to their business.

Looking at some of the articles that have been recently posted on the Shippers Digest, we see the economic and market conditions, of course, dominating many of the media web pages. People trying to predict what is

likely to happen and some simply confirming how bad things have been. But more important are those which try to give an insight into the likely implications and what can be done about them.

The market conditions of course are impacting on the carriers: shipping lines are facing difficult financial times due to credit restrictions as banks and other investors withdraw support for risky investments. The Euro crisis is largely to blame for that.

But the shipping lines invested too heavily in new ships at the wrong time. So there is too much capacity, burdening the ship owners with too much debt that cannot earn its keep.

The result could be that capacity will be withdrawn and the rates stabilise or even go up. This is happening at the moment in the container trades but more as a result of the scheduled seasonal dry-docking and maintenance being carried out.

The carriers have been, until recently, keeping the capacity running as they strive for market share – grabbing what they can at rock-bottom prices just to earn something rather than nothing.

Now it is incredibly difficult to see whether the capacity withdrawn will return any time soon, or whether more tonnage will join it.

So how many shippers have contingency plans for a shortage of capacity? How many shippers have contingency plans for finding new service providers if some go bust if the rock-bottom prices



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continue? Just as importantly, how many of the freight forwarders, or logistics service providers (LSPs) have discussed these risks with them and what they might propose doing about it and what implications that would have on the customers' supply chains?

In Europe there is a very real possibility that by 2015 many ships serving the ports and customers in the Baltic Sea, North Sea and upper reaches of the English Channel will not be able to operate because they are failing to burn fuel with a 0.1 per cent sulphur content. This is the rule that the European Commission wishes to introduce this coming year.

There are signs at last that some European Union member states are not so sure that they should be going so far, and that they should be keeping more in step with the IMO standard for reducing sulphur content of fuel.

Concerns abound over the ability of the refining industry to supply sufficient quantity of such ultra-low sulphur fuel; many ship operators say they cannot retrofit their vessels with engine technology or so-called 'scrubbers' that would remove the sulphur content of emissions and get around the rule; and many are deeply worried that the price of fuel and that of the shipping services will go up dramatically.

But how many shippers are preparing contingency plans for such an eventuality? How many freight forwarders and LSPs are explaining the consequences of this development and strategies to get around it?

Emissions is becoming such an important issue that one cannot fail to notice the number of articles and developments in this

arena. Whether it is emissions from trucks, from ships, aircraft or rail; whether it is from ports, airports, warehousing or other parts of the logistics chain, the pressure is growing for reductions in absolute terms.

That means reductions regardless of growth in demand (and one must remain confident that this will eventually happen, even given the parlous state of the world economy that some forecast). The pressure is coming from politicians, but also consumers increasingly concerned about the damage the goods they buy are causing to the environment.

Global warming is a major issue for the current generation and the next, if the science is to be believed (and there is no conclusive reason to doubt it). The climate change agenda is eating into the freight industry and altering the practices.

In road freight, international groups of companies are coming together to establish methodologies for measuring emissions and benchmarking them: this is the starting point for then doing something to change it.

There are too many measurements out there in the logistics world, each different, each company stipulating something different from their carriers and LSPs. Standards are the only logical way to go.

Hence we have the creation, for example of SmartWay Europe (a working title for a group emulating much of what has been established under the US SmartWay Partnership by the Environmental Protection Agency) has become established with a growing number of shippers and carriers in membership.

In the shipping industry, an international

grouping called the Clean Cargo Working Group is also looking at something similar. The IMO is trying to establish a market-based mechanism for introducing lower emissions from ships. It has already introduced a ship design index whereby new vessels built must adhere to improved emissions.

But shippers' groups are raising a number of concerns about proposals which they see as merely raising surcharges further and not really providing an incentive to carriers: in other words any 'penalty' for breaching emissions standards that might be set will merely be paid for by the shippers.

In aviation - well, there is the controversial emissions trading scheme (ETS) in Europe at least. There is a battle going on in the courts and between the politicians of Europe and the rest of the world over the legality of imposing an ETS scheme (effectively charging those airlines who exceed a given quota of emissions) on foreign airlines entering or leaving the EU. Threats have been made for reciprocal action, withdrawing the right of access for EU airlines and potentially escalating this issue into a trade war.

The key question for forwarders again, is how many have discussed the implications of these things with their customers or discussed what the alternative strategies and contingency plans look like?

As with the issues mentioned earlier, it is suspected that the answer is very few. Indeed, to many these issues seem a long way off, or out of their hands, or indeed subject to too many 'ifs and buts' to worry

about right now. This view is common. Until something is set, agreed and implemented, human beings tend not to respond. But business is too important to allow this to happen.

Shippers like certainty, reliability. It enables better planning, more control over the supply chain and helps keep customers satisfied and reduces costs. The freight forwarders and LSPs should be helping to prepare their customers by explaining and discussing these issues with them.

Shippers too must be willing to sit and understand the issues, the implications of the risks to their business should the worst happen; and they should be open to alternatives, contingency plans. That way they might even see benefits from changing the way they manage and design their supply chains, reaping efficiencies and improved reliability even before such an event happens, if it ever does happen.

The independent freight forwarders are arguably in a better position than some of their larger competitors. The independent doesn't have huge corporate barriers to change and offer more flexible, versatile approaches should these be required by a single customer. The one-to-one relationship between the customer and the independent freight forwarder in many cases already exists.

So do not fob the client off with excuses for unforeseen events and barriers, delays, extra charges that may arise: pre-plan the strategies to avoid them; together, work out the best way to manage the customers' freight needs.

*'Shippers like certainty, reliability. It enables better planning.'*

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# Markets & tradelanes

## Emirates boosts capacity to Africa

EMIRATES is set to further boost airfreight capacity from the Middle East into Africa from 1 February when it opens a new route from Dubai to Lusaka, Zambia and Harare in Zimbabwe.

The move will boost the carriers total weekly airfreight capacity into and out of the continent to over 6,000 tonnes.

The five times a week service will be flown using A330-200 aircraft with a weekly cargo capacity of 160 tonnes. Lusaka and Harare both have a history of a variety of trade flows both into and out of the gateways and the move will further enhance Dubai's position as a key transshipment hub to the continent.

"While many regions are experiencing challenging economic conditions, Africa – with a

population in excess of one billion and rich in natural resources – is one of the few areas to record growth and the long-term outlook is very positive," said Ram Menen, Emirates' divisional senior vice-president Cargo.

Zimbabwe was for many years the bread basket of Africa and, although perishable exports declined rapidly during the last decade due to political turmoil, growth has now returned. In addition Zambia's natural resources have triggered an economic boom that is driving both new infrastructure projects in the country and increased exports.

At the end of 2011 Emirates launched a weekly dedicated freighter service to Accra, Ghana and Lome, Togo as it seeks to assert itself as the primary airfreight operator to the continent.

Meanwhile Abu Dhabi-based Etihad Airways has also been increasing its presence in the African market following the introduction of freighter services into Cairo and Djibouti, while increasing its frequencies to Johannesburg in 2011.



## Port development vital for growth

A UN report has identified the key requisite for global trade growth in developing countries – something that independent forwarders have long-recognised and have strongly been urging governments to act on – that port efficiency and reducing complexity, undercapacity and delays are vital to ocean freight acceleration.

As independent freight forwarders are increasingly active in developing regions such as Africa and Latin America, the report reflects that developing countries' share of global trade rose from under 30 per cent to more than 40 per cent between 2008-2010 alone. The report notes that countries which have adopted progressive infrastructure and modernisation programmes alongside simplified customs procedures have benefitted from lower costs and rapidly rising volumes.

APM Terminals CEO, Kim Fejfer, said: "What these figures and trends tell us, very emphatically, is that the future of the shipping industry is heavily weighted towards developing markets in Asia, Latin America, Africa and the Middle East, and to a certain extent Central Europe.

"Aggressive infrastructure development is required right now to keep up with the pace of the projected growth."

## Free Trade across the Pacific takes another step forward

THE removal of trade barriers and harmful import tariffs has been crucial to the successful growth in trade between many developed and developing countries.

On 1 March the process will take another step forward when a

# Global ocean rates continue to fall but Australia booms

WITH ocean freight volumes out of Asia continuing to show year-on-year declines, container rates are continuing to fall despite a hasty reduction in capacity by many of the major shipping lines.

Orient Overseas Container Line (OOCL) recently reported a 11.2 per cent decline in revenues for Q4 2011 on a 2 per cent fall in volumes. Revenue per TEU was down 9.4 per cent, indicating significant downward pressure on rates.

For the whole of 2011 average revenue per TEU fell 6.7 per cent and revenues declined 1.5 per cent, this despite an overall increase of 5.6 per cent in volumes.

Many other ocean carriers are likely to report poor 2011 financial results in the coming weeks, increasing speculation that further capacity cuts and route trimming will take place in Q1 and Q2 of 2012.

One bright spot however, continues to be intra-Asia and Asia to Australasia trade which has

continued to show healthy growth in volumes and revenues.

Australian exports, burgeoning under rapidly growing demand for raw materials from China and India, have will be boosted by a government decision to embark on massive new infrastructure projects to cope with the demand.

This could offer major new opportunities to independent project forwarders, as the planned schemes will result in Australia becoming the world's fastest-growing construction market.

Over US\$115 billion has been committed to the projects, which include 4,000 km of new railroads, a new port on the Queensland coast and the rapid upgrading of existing ports.

In Queensland alone the aim is to boost capacity of its ports by almost 30 times, from the current 15 million tonnes to 385 million tonnes.

Australian airfreight imports and exports from Asia and particularly China are also showing steady growth, despite the global financial situation.



## Middle East and Latin America remain beacon of hope for airfreight growth

INDEPENDENT freight forwarders with significant trade flows into the Middle East and Latin America will have been boosted by the latest figures from IATA that reveal in November 2011 the two regions again remained the bright spots for volume growth as the Asian market slumped.

The global freight market in November was 3.1 per cent below November 2010 levels despite a 1.1 per cent increase on October 2011 performance.

"Weak global economic performance is being reflected in air transport markets. Freight markets have contracted some 4 per cent compared to January 2010. Continuing economic uncertainty will likely mean market shortcomings deepening in 2012," said Tony Tyler, IATA's Director General and CEO.

Asia-Pacific carriers have seen the weakest demand performance driven by falling demand for Asian



TYLER: Says airfreight markets contracted by 4 per cent in 2011

manufactured goods from US and European consumers. The region's carriers saw the market decline by 6.4 per cent. European carriers reported a 4.6 per cent fall in demand reflecting continued uncertainty associated with the Euro-zone crisis. North American carriers' operations were largely unchanged from the previous year with only 0.2 per cent growth.

However, as a number of Latin American independent forwarders have reported to Voice of the Independent, exports to Latin America remain strong with growth for the whole of 2011 around 6 per cent.

The Middle East market is also maintaining its consistent growth curve thanks to the additional investment in capacity and routes from its home carriers. Airfreight growth in 2011 was around 8 per cent and the prospects for continued growth in 2012 look positive, according to UAE based freight forwarders.

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# Spotlight *ON*

**Ivo Mafra**

Managing Director,  
DC Logistics



## Independents riding the crest of the Brazilian import wave

**LATIN America has always been a turbulent place in which to conduct logistic business. Changing governments and policies combined with rapidly fluctuating financial situations and its lack of modern logistics infrastructure for many years have held back the region.**

AS other BRIC countries such as China and India experienced massive growth in GDP and trade over the last decade, Latam countries, including Brazil seemed slower to grasp and profit from the area's huge potential for both imports and exports.

But this is now changing fast. Latin America has been one of the few bright spots in 2011's global airfreight volumes and ocean freight, always traditionally stronger, has also been booming. Chinese investment in Brazil is accelerating fast and the country's massive natural resources are increasingly being developed for export. In addition, a burgeoning middle class is driving growth and industrial development is helping imports maintain real buoyancy as consumer demand accelerates.

Independent freight forwarders that have survived through ingenuity and perseverance in the harder times are now benefitting, offering their unique brand of high-level customer service and bespoke solutions to customers in a market that is complex and bureaucratic and requires local expertise to maximise efficiency.

DC Logistics is one such independent logistics company that has expanded to become a significant player in its local markets. Managing Director, Ivo Mafra, explains how the company has used an extensive network of agents and invested in technology and staff training to provide a level of service that multinational companies cannot match.

DC Logistics was formed in 1994 and spent its first 11 years working almost entirely as a Brazilian agent for a large multinational forwarder. In 2005 the multinational company opened its own office and DC Logistics decided to set out as a true independent.

"We had always relied on being part of a large network of offices around the world, but suddenly we were starting from scratch and had to build a new network. In 2006 we bought into the independent network concept and joined WCA Family. This decision has proved absolutely crucial in the success the company has enjoyed since that time."

DC Logistics has grown from 20 employees in 2005 to well over 100 now with seven offices in the major Brazilian ports and cities. "The Brazilian market has become gradually more and more competitive, but our key philosophies have ensured that we continue to prosper," says Mafra.

"We focus on four key points, first is ensuring our clients only have the very best service. We always strive for perfection and our staff is highly knowledgeable and dedicated to meeting every need. Secondly, we have built up huge experience and understanding of our key market and continue to ensure that we stay ahead of the field. Thirdly is financial planning and finally we have in place strategic goals for the future."

Mafra believes that a key foundation of the company's success is the development of its own IT and communications system. "Today

we are almost a paperless company. Internally everything is electronic and only some external documents that cannot be transmitted electronically are printed. Every single employee had an input in the development of our system and the way it was built allows us to constantly modify its capabilities to meet present and future needs. If we had bought a system off the shelf it may well have been a good system, but

would not have been tailored for our and our clients' needs. This investment has more than paid dividends and if there was one piece of advice I could offer all independent agents it is to ensure that they invest in IT. I believe that this is vital to survive in the market."

DC Logistics is also ahead of many much larger companies in the area of Social Responsibility. The company has developed a sophisticated Social Responsibility Program (Programa de Responsabilidade Social) with set values including volunteer charity work, training and career progression programmes for employee development, hiring of apprentices, Promoting and implementing programmes to reduce environmental impact and directing a proportion of income to support socio-environmental initiatives. This forward thinking approach Mafra believes will become of increasing importance and value in the future and creates a very positive image of the company among clients.

"Our goal is to be the best option for logistics in Brazil. We have no interest in opening offices abroad. We do not want to be completion for the best foreign agents but partners."

Mafra says by 2017 he hopes to have an office open in every state within Brazil, having recently opened two new offices in Campinas and Vitória.

DC Logistics has also expanded into offering integrated logistics solutions and is attracting a range of new customers. "Freight is now almost a commodity and margins are very tight. By offering integrated services we can add value to the customer and we are less under pressure from the dive to the lowest price."

For DC Logistics new opportunities are opening up in the export market in a country that has traditionally been very much import driven for SME forwarders.

"We have not been so strong in exports but very strong on imports. Now we are developing new export business with WCA Family partners abroad. I recently went on a business trip to a number of other Latin

America countries and found both business and partners that can boost our export volumes. The sales support of partners abroad is vital to help us develop. Africa is another area to which we can increase exports, however, like many developing regions this can be a challenge and everything has to be pre-paid."

Meanwhile the company continues to ride the wave of new import volumes heading into Brazil. Already ranking within the top 20 countries for ocean imports into Brazil. Mafra expects the company to rise to within the top 15 in the 2011 figures. "Ocean freight is still the majority of our revenue, but airfreight has become significant too. We have found that SME companies are attracted by our higher

levels of service and, thanks to WCA Family, we have a global network with which to service clients. When we were with our large multinational client we also had a complete network, but some offices were good and

*"Our goal is to be the best option for logistics in Brazil"*

some bad. We can choose the partners that suit us best."

Mafra says the company now has over 2,300 clients on its books and every single one is treated as the most important. This spread of customers gives the company protection as opposed to a small number of larger clients that could pull their business to save a few cents.

"Brazil is predicted to carry on with healthy GDP growth and I say to my team 'we have a huge opportunity to grow'. Whatever happens to world economy we can go after clients and win new business, because we offer them the best service."

There is little doubt that Brazil faces many challenges to help its logistics sector grow. Excessive bureaucracy and delays at airports are certainly affecting airfreight growth and entry to the market is still complicated and difficult. Yet, there is little doubt that the best Brazilian independent forwarders are winning the battle for customers and increasing market share. As Mafra puts it: "After years when growth was a real challenge we are now riding the crest of a wave and with the support of a global network the future looks bright".



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## Electronic communication

THE independent freight forwarder has traditionally used a variety of means to communicate with customers, partner agents and service providers. E-mails, faxes and even phone calls have been the preferred way of communicating from RFIs right up to shipment details and necessary documents. However, the most forward-thinking companies are adopting new IT platforms to drive new efficiencies, saving time and money. As Ivo Mafra explains (see page 7) investing in the right technology is paramount to the success now, and in the future, for all independent agents and is one of the most important decisions facing logistics operators today.



## WIN system is ready for lift off

A brand new electronic logistics communication platform will go live for the first tranche of users on 1 February, opening up a new era in IT communications for the independent freight forwarding community.

The revolutionary system, named Worldwide Information Network (WIN), allows freight agents anywhere in the world to communicate all data, documents and messages electronically through a sophisticated and secure online platform.

The system was developed at the request of independent agents that identified the need for a common platform that would allow agents to communicate efficiently without the need for faxes, phone calls and paper documents.

The system has been actively backed by IATA and many major airlines, ports, ocean carriers and third party IT providers and is

the ideal solution to future paperless communications, meeting the new regulatory and security standards set by the industry and governments.

As an online product, WIN does not require any new hardware or sophisticated software and agents can be established and trained to use the system remotely, making it the most cost-effective system available.

Alongside agents, participants such as airlines, ocean carriers, ground handlers, customs brokers, government organizations, warehouse proprietors, trucking companies,

railroads, buyers, suppliers and consignees can communicate data and documentation electronically.

WIN is a pro-active platform that streamlines flow of cargo information and offers shipment visibility all the times. It will help reduce forwarders' dependency on manual data entry, frequent follow-ups and human intervention for shipments. It will

also allow them to control costs and handle more volumes.

A key function is allowing independent forwarders to create RFQs and send them to other independent forwarders, exchanging quotations as response of RFQ and transmitting data electronically from


one member's system to another member's system to exchange shipment related information after confirmation of quotation. It also provides a functionality to capture shipment related information on WIN portal directly.

Over 20 Ocean carriers have expressed a desire to become WIN-enabled to allow them to communicate with their customers. Major third-party IT providers, such as Cargowise, IES and Magaya are adopting their platforms to allow forwarders access to WIN.


INTTRA, a major provider for e-commerce solutions for the ocean freight industry, is also set to be linked to the WIN system.

The system will go live on 1 February at 100 locations worldwide and with demand for the system high, the developers expect hundreds of additional freight forwarding companies to be online with WIN by the end of the year.

*Independent agents need a common platform for communications*



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## Cargowise expands its road freight presence

CARGOWISE has announced a significant move into the road transportation market following the signing of a new agreement with French logistics specialist Dimotrans.

Cargowise will install its ediEnterprise solution across 23 offices, providing forwarding and transport management.

Dimotrans has plans to extend its use throughout its operations in the Far East.

Meanwhile, Cargowise has expanded its footprint in North America with the acquisition of VivaSoft, a Canada-based technology provider. CEO and founder Richard White said that Cargowise would support VivaSoft customers as well as offering them an upgrade to its ediEnterprise solution.

## INTTRA system will measure ocean freight performance

Leading electronic portal INTRRA has unveiled a new product aimed at providing service delivery performance measurements based on carrier and shipper transactions.

After a pilot programme lasting almost a decade, OceanMetrics is marketed as a business insights platform and will enable shippers and carriers to measure their own performance, as well as that of their ocean freight partners.

"We believe that this innovation can help shippers and carriers work together to optimize supply chains and improve service delivery," said INTTRA CEO Ken Bloom.



**BLOOM:** Says OceanMetrics will help optimise supply-chains and increase customer satisfaction



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