

voice

of the **independent** 

JULY 2011 SERVING THE INDEPENDENT FREIGHT FORWARDING COMMUNITY **No.001**



Global corporations reach out to independent agents

Independent forwarders have seen a major increase in contracts to meet the shipping needs of major global companies. But what has driven these companies to increasingly turn to the independent sector and what benefits have they gained?

In the good times prior to the financial crisis beginning in 2007, global corporations entered complex strategic partnership agreements with many multinational freight forwarders to fulfil their logistic requirements. The fancy end-to-end supply chain solutions the big logistic companies peddled, looked good in the boardroom and created the mantra for many shipping managers "no-one ever got sacked for using FedEx".

But underneath the branding, expensive marketing and impressive portfolios, the multinationals kept hidden their 'dirty secret' – that in many parts of the world the work was actually being done by independent forwarders in their name.

When the financial crisis struck, many of the multinationals again declared that the independent sector would suffer, as they had neither the resilience nor the financial back-up to survive the downturn and many shippers would turn to the multinationals thanks to their ability to save a cent here or there in freight rates.

Multinationals can provide service at the main hub gateways but elsewhere use a range of local agents acting on their behalf. A local agent could be working for DHL one day, UPS the next and its own business the day after. They would have no say in the formulation of the best solution, no contact with the client, while the multinational company portrayed the impression they are hands on at the location, when in reality its staff are managing the programme from regional HQ.

D W Morgan, an independent supply chain logistics specialist, based in San Francisco, typifies the breed of entrepreneurial and customer-focussed independent company that has successfully won many tenders from multinational freight forwarders. Grant Opperman, President and

Chief Strategy Officer for the company explains how the independent sector can continue to provide global shippers with a new and cost-effective approach to their logistic needs.

"Changing the logistic mindset of major global shippers is not always easy, but once the door is open, they rapidly understand the benefits of using dedicated independent agents that really care for their business.

"For example a Fortune 100 giant corporation was tendering for its business and originally we were not allowed to compete. They went straight to their strategic multinational partner, who worked on it for six months. However, internal disagreements between their sales and operations departments, the inflexibility of a large fixed infrastructure company to act outside their parameters and the inability to find new innovative solutions, left the shipper frustrated and disillusioned.

"The executive team were so fed up they turned to us. We drew up a solution over a weekend and had the full programme, not just



to a multinational by default, as it was a name they recognised and felt secure dealing with. He added however, that the emergence of strong and creditable independent freight forwarder networks had added a new dimension and that the increased customer care they offered, combined with unique solutions to meet their needs and local expertise on the ground, was generating many new opportunities for independent freight forwarders.

test shipments, up and running in six weeks. This was a major global contract and required fresh thinking to produce a tailor-made solution. The reason we won the contract is that we were more flexible and did not try and fit them into a pre-packaged programme. Two years later we still have the complete end-to-end supply chain contract and have added value at every stage. The corporation ran an assessment concluding that the savings they had made ran into tens of millions of dollars."

The European Shipper's Council recognises that the situation has changed. A spokesperson told *Voice of the Independent* that many shippers large and small would go

The shift in approach by global corporations is illustrated by General Dynamics, one of the world's top 500 companies with massive logistical requirements. At the 2nd African Regional Freight Forwarder Conference in Nairobi in late June, the company sent a delegation to seek out independent freight forwarders for a 54-country multi-million dollar contract. The delegation was specifically tasked with identifying the best independent agents to fulfil the contract with instructions that multinationals were excluded.

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INDEPENDENT GAINS

Continued from page 1

Opperman also sees the advantage of independent agents working together within a professionally run network to win major contracts. "We were approached by a major hi-tech corporation needing logistic solutions for an inventory managed programme. They said that the warehousing and logistic needs would be fulfilled by a multinational, but we could bid for the transport needs associated with their Houston gateway. We told them that we could help them worldwide but they were initially dismissive, stating that 'you are not a DHL, you do not have a global footprint'. We explained that we were part of an incredible network of independent agents and the locations in which we did not have our own staff would be serviced by our partners with which we had very strong relationships.

"They gave us a try in Malaysia and immediately saw the benefits of working with a tightly coordinated operation through a single vendor. Following the service-levels and savings we demonstrated we are now a worldwide provider for them. Again the savings they made, combined with client care levels the multinationals just cannot offer, completely changed their outlook on their supply chain control."

Opperman's company, like many progressive independent companies, does not compete on just rates and weights, but concentrated on their own USPs and niche markets to create solutions that the multinationals could just not compete with. "Independents, especially those within a global network of like-minded professional companies, have a tremendous opportunity. We are living in a world that is more global but also more urgently local. Shippers of all sizes are realising that in the independent sector you can work with a reliable, innovative and cost-effective global community of forwarders but also receive the local expertise and knowledge that are essential to providing the highest levels of service."

New US legislation aims to clamp down on rogue agents

THE US congress has received widespread support from industry associations for the implementation of a new act that will address fraud-related issues in the freight transportation business.

The Fighting Fraud in Transportation Act of 2011 (FFIT), has received the full support of three influential transportation groups: the Transportation Intermediaries Association (TIA); the Owner-Operator Independent Drivers Association (OOIDA), and the American Trucking Association (ATA).

Designed to put a stop to a system that allows ruthless brokers and fraudsters to continue to operate unchecked, the bill is set to introduce a range of new measures, including:

- Requiring brokers and freight forwarders to carry a US\$100,000 bond rather than the current requirement of \$10,000
- Provide strict regulation of broker surety companies so that they must fulfill their obligations to brokers and forwarders
- Provide greater transparency for those seeking to become brokers or forwarders
- Establish significant penalties including unlimited liability for freight charges for those operating without the required authority
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Two US Congressmen, Russ Carnahan and Frank Guinta have been the driving force behind the bill, which is aimed at rogue brokers and freight forwarders.

Todd Spencer, OOIDA Executive VP, said: "This law would put a stop to a system that allows ruthless brokers and scam artists to continue to operate unchecked. Too often we've seen deceitful brokers get away with collecting payments from shippers by cheating truckers out of what is rightfully theirs. In many instances, brokers provide a valuable service to truckers and the transportation industry. However, the current system is loose enough that it provides ample, fertile ground for fraud. This has gone on far too long. It needs to stop."

TIA President and CEO Robert Voltmann said: "The FFIT Act will address serious fraud and confusion in the industry.

"It is supported by the leading transport associations in Washington, representing companies of all sizes, who are united in our belief that this will ensure that providers are properly capitalised and can meet their financial obligations.

"What TIA, ATA, and OOIDA sought to do with this legislation is taking those minimal regulations and put them into law. If they are regulations, only the Federal Motor Carrier Safety Administration (FMCSA) can enforce them. But when they are law, the private sector can enforce them.

"Brokers, forwarders, owner-operators and carriers need each other, and the speed of today's logistics marketplace means that companies must be able to reasonably rely on representations made in the terms of their agreement. Unfortunately, the seeping encroachment of fraudulent operations have left the legitimate industry vulnerable. We welcome the opportunity to work with the Owner-Operator and Independent Drivers Association and the American Trucking Association to fight

industry fraud so that our members can continue to grow their family businesses," concluded Voltmann.

Voltmann believes that the proposed new legislation will go a long way towards addressing the serious fraud and confusion in the industry



Editor's Overview



Welcome to the first edition of a brand new publication – Voice of the Independent. For many years the independent freight agent has been largely ignored by the industry's press – despite playing a critical role in the entire global logistics process. Now the tens of thousands of professional freight forwarders around the world have a resource that will, I hope, prove invaluable to their business and raise the profile of the independent agent globally.

This first issue of Voice of the Independent features news, opinions, interviews and assessments covering a wide-range of topics.

Issues such as cargo insurance, winning contracts from global corporations, forging

new working relationships with shippers and the current state of the project cargo market are all covered.

Voice of the Independent will be published eight times per year and with a circulation in excess of 110,000 copies around the world will finally provide the recognition the work of the independent sector deserves.

It is ironic that, following the dire predictions by companies such as DHL a few short years ago that the age of the independent agent was over, the independent sector has emerged from the global financial crisis in a healthier state than ever.

Carving out niches, providing customer support that the multinationals cannot match and being agile and nimble enough to be first and most proactive in both emerging and mature markets, has seen the independent sector actually gain market share over the last two years.

The role of this newspaper is to help maintain this growth as well as inform the readership and provide an outlet for the issues that affect all freight forwarders. So if you feel you can contribute, or feel you have a burning issue to highlight, we would be delighted to hear from you.

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View from the **SHIPPER**

the insider's opinion



Do freight forwarders need knowledgeable shippers?

Being a shipper is a skilled job: it's a profession. There may be no official qualifications necessary to be a shipper, but few are aware that the shipper's role could make a significant difference to the profitability of their companies.

Many ask why all shippers don't simply leave their freight procurement and management entirely to freight forwarders. Representatives from the forwarding community would certainly rub their hands with glee at the prospect.

Yet this is not necessarily the right answer for the supply chain as a whole. A good freight forwarder can cut costs off the bottom line of their clients' businesses. But with a good shipper, the opportunities for further and sometimes even greater cost savings can be made.

A good freight forwarder, 'running a tight ship', reducing overheads, anticipating changes that could affect the business, economies of scale – pooling their clients' volumes for greater freight purchasing power, will keep costs down.

Shippers generally concur. They admit freely to using agents to do a lot of the administrative work: it serves their purpose to use their resources rather than have the headcount themselves. It is also freely admitted, often by shippers of large companies with high annual volumes, that they still get the benefit of the agent's buying power. Irrespective of the volume of business many big shippers have, it can undoubtedly pale into insignificance when seen amongst the overall volumes moved via forwarders. This gives the shipper leverage that they would otherwise never expect to be able to exert, a view which surprises some.

However shippers armed with industry knowledge, insight and know-how is as important as their volumes in leveraging deals and optimizing the supply chain.

Every supply chain has significant savings, somewhere; but to find them you must have understanding of the freight industry and trade compliance before you can work out the better solutions. This applies just as much to the big retailers and suppliers as it does to the smaller and medium-sized companies. Yet many shippers or their directors frustratingly seem unwilling to venture out of their comfort

zone, or go beyond what they currently know and how they traditionally operate, in order to explore these opportunities. To some, the shipper is a cost burden and best outsourced, rather than an asset that can save money and improve the competitive position of the company.

Closer collaboration between the informed shipper and freight forwarders is key to finding the optimum solutions. Shippers who open their minds to a holistic approach to managing their logistics needs, looking at the end-to-end supply chain benefits will find those elusive savings, not from freight cuts, but from optimising the logistics requirements around the evolving supply chains; through linking trade compliance issues to logistics to capture trade facilitation opportunities available to business which can save a company millions and earn them a higher reputation among officials and their customers.

The culture of companies is critical:

acceptance of the need for change at the top of the company, in the board room; recognise the significance of collaboration and greater visibility; understand the importance of looking at and analysing

the information and data flow, as well as the physical movement of the goods. These things are critical to finding savings, reducing delays, cutting lead times, saving unnecessary payment of tax and duties, and making massive cost savings. The company that does this will be able to compete by virtue of its supply chain strategy and not solely on the product.

Spending the time to re-think the business model and re-evaluate the strategy, is time well spent and not a luxury for another day. One



of the positives to emerge from the economic and financial crisis, from which we are only now climbing out, has been the focus by many shippers on the performance of the whole end-to-end supply chain and total costs, rather than just the port-to-port or airport-to-airport freight rate. However, on too many occasions a shipper will spend time on such matters, but when it comes to negotiations, the entire focus reverts back to price with little relationship to the service and service levels being requested and the cost of delivering these.

Little wonder that carriers and freight forwarders might then struggle to deliver the long discussed, hard fought service required. The multinational freight forwarder tends to compete on price where the independent can offer the great savings throughout the supply chain and often better service.

Where is the incentive to deliver a service at a price which may not cover the costs of delivering it? This is failing to understand the freight industry, failing the collaborative approach, and failing the company.

Collaboration cannot work without visibility. Collaborative platforms provide shippers with the visibility needed to boost the performance of their logistics and supply chain. It enables pro-active management jointly between all parties in the chain to resolve under-

performance issues. It is especially helpful in showing end-customers when and how their actions, practices or performance have compromised the operation.

As a shipper once said: "Visibility has blown the lid off logistics," implying that such systems put the shipper firmly back in control of the logistics. "When the customer says jump we still jump, but in a far more controlled way."

Knowledge, however, is the 'holy grail' shippers should be seeking. In those companies that have not bowed to the lure of outsourcing all their 'shipper' activities, I see hope: a recognition that more knowledge and understanding is needed. Once you have knowledge, you can start to trust those being contracted, and they can trust their customers not to place unrealistic demands on them at prices that make little sense: problems cannot be hidden by fibs and half truths; problems can be jointly resolved; the optimum solutions can be found together at the right price, but also the lowest price that does not compromise the service or the business of the contractor.

It is difficult not to generalize: there are so many companies, each with their own models of running the business. Some have in-house freight procurement and supply chain management expertise and others have none; some use tools to aid visibility, others rely entirely on third parties and logistics service providers (LSPs). My concern is that there is a very real danger that companies looking to reduce their overheads will lose what expertise there still is, and be less aware of opinions, policies and insights that could help their business.

There is an "inescapable logic", as one shipper expressed, that forwarders are still needed but that the shipper has to retain in-house expertise: they are the ones who are ultimately held accountable if things go wrong.

It is in all our interests to ensure companies do not lose their in-house knowledge and expertise; rather they must enhance it.

Collaboration between shippers and forwarders is increasingly vital

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Voice of the Independent has established a new partnership with The Shippers Voice – the world's leading resource and portal for global shippers and associated logistic partners.

The Shippers Voice will provide regular input, providing analysis and opinion on the

issues facing both shippers and forwarders.

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For more information on this useful resource visit: www.shippersvoice.com

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CARGO INSURANCE – THE MYTHS AND TRUTHS

There are few more important aspects to a shipment than ensuring that it is adequately insured and protected in the case of unforeseen loss or damage. Yet exporters, buyers, shippers and consignees are often inadequately insured, or in many cases not insured at all. This lack of knowledge has major financial implications as well as the potential to erode relationships between shippers, forwarders and carriers.

Cargo insurance covers physical damage to, or loss of goods while in transit by land, sea and air and offers considerable opportunities and cost advantages if managed correctly.

Many traders and shippers do not want to become involved in arranging this type of insurance as they feel they do not have sufficient knowledge. Many also believe that once the goods are in the freight forwarders hands that it is insured. But this is not the case. Carriers by ocean or air have only very limited legal liability, strictly controlled by internationally agreed conventions. Claiming is fraught with difficulties and would not cover the value of the cargo.

Along with fire, theft and damage there are many other risks involved in the transport of goods. For example over 50 ocean voyages per year result in shipping containers being lost overboard on account of heavy weather conditions. Cargo insurance covers the goods from the moment they leave the storage until they arrive at the final warehouse.

There is also confusion as to who is responsible for providing cargo insurance. The shippers? The forwarders? In the end it is the responsibility of the original owner of the goods and the buyer to ensure the cargo is fully insured. But here the forwarder can play a proactive and often profitable role in guiding and assisting in providing the correct insurance, adding to the value they provide to their customers. Forwarders are also in a position to acquire the most competitive rates, providing significant cost savings for their customers.

Cargo insurance can be very inexpensive, but for multinational freight forwarders it is often seen as a significant profit stream as they charge a hefty premium

Cargo insurance is a vital, yet often overlooked and misunderstood product and independent freight forwarders have the opportunity to inform their customers and provide the ideal solutions

for arranging the service. A recent survey found that one of the world's largest logistic providers charged between 50-70 per cent more for identical cover that could be acquired independently.

Independent freight forwarders have the opportunity to provide the same service to their customers at far more competitive rates.

Key is to select a reputable and professional provider that has a history of providing the best service and rates. Acting as part of a group also provides even greater savings through economies of scale. One of the best examples of this is WCA Family of Logistic Networks that has over 3,700 member freight forwarder offices around the world. The organisation created a partnership with one of the world's leading brokers – FP Marine – and created a bespoke product for the membership.

Each agent can receive an instant quote online and have direct immediate access to answer any questions or queries. Acting as a collective adds buying power that reduces costs to a fraction of what could be obtained independently from









other providers.

FP Marine also takes an extremely proactive approach in the case of any claim, dramatically reducing paperwork and dealing promptly and efficiently with each case, reducing the stress considerably for the client and forwarder.

This personal approach and market-leading pricing adds tremendous value for shippers, buyers and forwarders, building up relationships that can lead to additional business.


Independent freight forwarders have a perfect opportunity to educate their customers on the importance of correct cargo insurance, provide a cost-effective and hassle-free solution and expose the overcharging by multinational logistic companies.

By acting collectively in a network such as the WCA Family, independent forwarders can be assured that they are dealing with a reputable broker, that will support their business in meeting all their insurance needs.

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Markets & tradelanes

Ray of light on the horizon for better Russian customs

Freight forwarders are hoping that the forthcoming meetings between Russia and its regional trading partners will produce significant changes to their Customs Union agreement and eliminate the many customs barriers that hinder the flow of goods across their borders.

Currently freight forwarders say that they are still faced with a myriad of confusing and outdated procedures at Russian ports and airports that significantly drive up costs for their shipper customers. In addition, the rules seem to be ever changing with little consistency, adding to delays and stifling growth.

Russia, Kazakhstan and Belarus were due to conduct meetings

this month aimed at eliminating many of these customs barriers, which they believe can lead to a significant increase in trade.

Russia has traditionally been blighted by complaints from forwarders that the process concentrated on evaluation and enforcement, rather than facilitation, and that significant delays in clearing goods was commonplace.

One of the measures being discussed is the application of a common customs tariff among the members, a single customs policy towards third party states and the cancellation of customs duty in mutual trade.

The implementation of e-customs

clearance is also set for revamping as currently the availability is sporadic and poorly executed.

The World Bank reports that Russia is currently ranked 123 out of 183 economies in terms of ease of doing business. Even more telling is that the country currently ranks 162nd in the 'trading across borders' metric. Criticism of the procedures includes that document preparation and customs procedures can add weeks to the time taken to organise each shipment.

Both imports and transshipments at Russia's main ports and airports have been heavily affected in recent years by poor customs procedures and allegations of corruption.

JAPAN'S EXPORTS SHOW SIGNS OF LIFE

Japan has suffered a dramatic decline in exports particularly following the devastating earthquake and tsunami that struck the country on March 11.

However, for the first time in 2011, exports were static in June compared to 2010, a significant improvement from April and early May, that showed double-digit declines in exports.

In addition, Japanese imports rose by some 10 per cent in the first half of June, signalling a rebound in confidence and a demand for fossil fuels as the economy shifts from nuclear towards oil and gas-fuelled power production.

Japan's exporters, however, say an increasingly strong yen that is making their products less competitive overseas could curtail the recovery in exports.



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TRANSPAC PEAK SEASON SURCHARGES DELAYED

A range of ocean carriers have announced that they will delay eastbound transpacific peak season surcharges thanks to an increasing imbalance between market demand and supply.

Falling spot rates, low trade confidence and signs of a significant slowdown in the US economy forced many carriers to postpone the introduction of the Transpacific Stabilisation Agreement surcharge schedule from 15 June to 15 July. The surcharges are then currently scheduled to run until 30 November. Orient Overseas Container Line (OOCL) has gone one stage further, delaying its increases until 1 August and others are likely to follow.

Due to overcapacity, as a whole range of vessels have been moved from Asia-Europe routes to the transpacific, analysts are predicting a much shorter peak season from late August to mid-October and are expecting freight rates to fall by some 20-25 per cent on the main east-west trade routes in 2011.



Asia-Pacific suffers airfreight downturn

Widespread political unrest in the Middle East and the European currency crisis has prompted IATA Director General Emeritus Giovanni Bisignani to describe the current state of the aviation industry as "very fragile".

However, recent figures from May showed that there were signs that both freight and passenger volumes were beginning to recover following year-on-year losses in Q1 of 2011.

"Freight volumes improved by 1.2 per cent over April. This will help to alleviate some of the pressure on profits from continued high fuel prices."

However, cargo was still underperforming compared to May 2010 with growth dropping 4 per cent from last year. Overall airfreight growth is 3.5 per cent lower than IATA's projection of 5.5 per cent.

IATA said, "while the continued expansion of world trade at around 6 per cent annually could lend support to accelerated freight growth in the second half of 2011, the performance so far this year has been lower than expected".

Of all regions, Asia-Pacific air cargo posted the biggest losses in May, falling 9.2 per cent from May 2010 tonnage. IATA stated that this is largely attributable to the earthquake and tsunami in Japan, and more stringent economic policies in China.



Spotlight *ON*

Liu Guoqi

General Manager,
COSCO AIR



COSCO AIR sets international goals

To many western forwarders and shippers, the rapid expansion of trade with China has opened up massive new opportunities for exports from and, increasingly, imports into the world's most vibrant economy.

However, in regards to airfreight, many still rely on the trusted multinational names that have set up huge enterprises in the commercial centres around the Pearl River Delta, Shanghai and Beijing.

Yet there are a multitude of both large and small Chinese forwarding companies that are increasingly stepping out into the international arena, seeking and finding independent freight forwarder partners around the world and through them establishing networks that can rival the biggest logistic companies in reach and scope.

One of the most famous names in the world of ocean freight, China Ocean Shipping (Group) Company, or COSCO, formed a dedicated airfreight subsidiary in 1995 and has since grown from strength-to-strength.

Many outside of China have little comprehension of the size and strength of the largest Chinese logistic companies. The COSCO Group is China's largest and the world's leading group specializing in global shipping, modern logistics and ship building and repairing – ranking the 327th in Fortune Global 500. It also owns and controls over 800 modern merchant vessels

with a total tonnage of 56 million DWTs and an annual carrying capacity of 400 million tons. COSCO's shipping lines cover over 1,600 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. COSCO is positioned first in China and fifth in the world by container fleet size, and is also ranked first in the world by dry bulk fleet.

With this mighty corporation behind it, COSCO AIR has all the foundations needed to continue its expansion and become one of the world's leading providers of air logistics. General Manager of COSCO AIR, Liu Guoqi, explains how the company plans to expand its commercial activities and global reach, by expanding its relationships with the best independent agents around the world, while maintaining top levels of service for its customers.

"Our aim is to become the best and most reliable freight forwarder in China. Our target is to be a top three agent at each of China's key airports and provide the best service to customers in the country. COSCO AIR is now among the top ranking Chinese airfreight forwarders, currently we have some 70,000 tonnes of export and 50,000 tonnes of import airfreight per year, and this is growing in double digit terms every year."

Liu took over the role as head of COSCO AIR in 2007 after serving with distinction in the ocean freight side of COSCO's business. He immediately identified two areas that

are vital to aid the company's growth. "I identified a real need to strengthen our overseas business and alongside this develop modern and sophisticated IT systems. These two key factors are strategically very important to lay the foundations for us to realize our ambitions."

Liu says that currently almost 80 percent of its airfreight is with Europe and North America, but that will change as the company expands its global network. "International expansion is key to our future success and it is here that being a member of a large worldwide freight forwarder network has played a key role. We are members of the WCA Family and this has provided an excellent platform for us to expand in other markets such as Africa and Latin America. Our biggest problem previously was payment credit issues and assessing the quality of foreign independent freight forwarders. Now we can reach out within a global network and not only find excellent members with which to conduct business at excellent rates, but we also have the reassurance that payments and credit are assured."

It is by using a network of reliable and quality partners around the world that Liu sees the opportunity to take on the western multinationals. "Independents can

outperform the multinationals in both local knowledge and service levels. By working together we can provide shippers with a viable and I think superior alternative. This is a relatively new solution for airfreight

to and from China but we have already achieved great success."

Liu also believes that COSCO AIR and other large Chinese logistics companies have other crucial advantages that shippers are increasingly appreciating. "Multinationals outsource in China to my local offices. They do not have the ability to fulfill the role themselves so have to hand it over to a local company. However, we control and do everything ourselves, providing the customer with a reliable and less complex service."

So herein lies COSCO's biggest challenge, persuading foreign companies to change their mindset from using the familiar names and instead opting for the COSCO's China expertise, combined with a global network of quality agents.

But is this formula working? Liu certainly thinks so and points to a recent success to illustrate the progress made. "We have won a massive contract from Airbus and we gained this in the face of fierce competition from five multinationals. Thanks to the level of service we can provide, our expertise in the market and the connections we have throughout the supply chain in China right up to the government, Airbus saw us as the best solution. We have proved we have the best solution and can rapidly and efficiently solve any problems by providing emergency solutions. The multinationals just cannot compete with us on that level."

Liu says COSCO AIR is a viable and cost-effective alternative to using the

multinationals. "We want to be seen as the nominated airfreight forwarder for the biggest clients in the world and we can achieve these goals by working together with agents. We now have a very positive image thanks to our involvement in the WCA Family network."

With over 1,200 employees in eight major offices around China, a presence at all of China's main airports (altogether 33 offices), more than 15,000 square metres of bonded warehouse facilities and 50 bonded trucks, COSCO AIR certainly has the growing infrastructure to realize its ambitions. In addition, Liu says COSCO AIR has negotiated block space agreements with airlines, "in fact in places like Tianjin we are the only forwarder with block space agreements".

COSCO AIR has also commenced its own airfreight charter service that runs Beijing-Yantai-Incheon; Hong Kong-Zhengzhou-Tianjin-Hong Kong; Tianjin-Dalian-Osaka-Dalian-Tianjin and others will follow if the concept proves a success. This, alongside investment in new IT technology that will eventually lead to full e-freight compliance,

demonstrates that Liu is deadly serious about the company's goals to become a real force in the sector.

So where does Liu see COSCO AIR in five years time as it strives to meet its ambitious goals? "Our target is to be the most competitive supply chain and logistics solution in China. We want to be ranked number one airfreight forwarder in all of China's major airports. Our aim is to work together with independent agents around the world and create more strategic partnerships to help achieve these goals, something that would benefit not only COSCO AIR but the entire independent forwarding community."

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Project cargo bounces back in emerging markets

The project cargo market has, without doubt, endured a difficult period during the global financial crisis. Yet despite the hardship suffered, especially by the specialist ship providers in the project sector, the market is beginning to return as postponed major infrastructure programs and especially oil and gas projects are reinstated and revitalised.

Air charter brokers and project cargo shipping lines have the need and ability to assess and read the global project market and quickly recognized trends. Voice of the Independent talks to leading companies from both sectors, as well as specialist project freight forwarders to appraise the current and future market.

The one thing that air charter brokers agree on is that the first half of 2011 has not reached the heights of 2010, when an unexpected boom, especially for goods ex-Asia, caught the cargo airlines on the hop and charters were not only in great demand, but commanded high prices. In 2011 however, capacity has flooded back into the market and with growth slowing from its previous heights, brokers are looking to growing niche markets and specialist project work to replace much of the general cargo flights from Asia.

Pierre van der Stichele, Chapman Freeborn's Director Business Development - Cargo, is buoyant about prospects in the project market, particularly in Latin America and Africa. "These markets are getting much stronger. In Africa many big oil and gas projects were put on hold during 2009-10, but these are now flowing again. We are very close to the oil and gas industry and we hear of many projects that have great demand for outsize cargo support. We have an office in Entebbe and Johannesburg as we recognize

that the oil and gas industry will need greater and greater project cargo support as exploration and exploitation of resources moves to more inaccessible areas."

Van der Stichele also points out that the acceleration in oil and gas project work is fuelling a demand for charters from Europe. "A lot of the equipment is made in Italy and also from France, this is creating useful work and helping these markets in a difficult period."

Heide Enfield, Head of Global Market Development for Lufthansa Cargo Charter echoes the views of the other large brokers in the potential in Africa for heavy and project cargo work. "There is loads of development in Africa and our specialty is to be able to pack and load to get the cargo onto a Boeing 747 freighter that others put on a much more expensive An-124. Previously we have concentrated on Europe and Asia but now we are aggressively opening up new markets. Our office in Dubai is a key plank of our Africa strategy and we also see a big expansion of sea-air demand through Dubai into Africa."

The Middle East is certainly another area where both air and ocean project specialists are

concentrating their efforts as the region, and in particular the UAE bounces back from the stress of the economic downturn.

Business Intelligence Middle East reports that "The transport and logistics sectors in the Gulf Cooperation Council (GCC) countries are currently implementing around US\$200 billion worth of projects", which they say will lead to sustained double digit growth in the sector over the next five years.

The optimism that projects are showing

a real upturn is not matched to the same degree among project ship operators that are enduring significant overcapacity in the market and are still predicting hard times until at least early 2013.

Kai Vogel, Manager Chartering/Sales from the newly formed Hansa Heavylift (see box below), says the overcapacity is caused by the number of new vessels ordered during the boom years and although some were cancelled deliveries will continue until 2013.

Hansa is a dedicated tramp operation and fixes 85 per cent of its business directly with project forwarders. Currently it has identified the Middle East, India, Africa and parts of Southeast Asia as markets that have shown the strongest recovery. Vogel, says that Latin America and particularly Brazil is also showing lots of potential and some of that is beginning to be realized.

Carsten Wendt, Project Sales/Key Account Manager for Rickmers-Linie, a scheduled network provider of specialist project vessels, agrees that the traditional trans-Pacific and

North America to Europe trade routes are weak. However, the market in other areas is beginning to bounce back.

"Despite the downturn on trade we stuck to our schedule as we wanted all our customers to see that we could stick to our services. This has proved successful. Reducing steaming speeds and added extra ports on our schedule has helped us negotiate the downturn and helped us maintain are schedule integrity."

Wendt identifies the Middle East and India as areas that are particularly strong with project work. "Oil and gas, power plant projects and major infrastructure developments are driving demand. In addition in Asia, China is not the hot market at the moment, yet Thailand Vietnam and Indonesia are all booming."

Brazil is also really booming according to Wendt and there is growing and significant demand from countries such as Venezuela and Colombia. "These are areas that we are certainly looking at now and in the future."

Thanks to the oil and gas trade West Africa is also an area of great demand for project work, but Wendt is hesitant to commit to adding it to the schedule due to the delays associated with the ports. "We are certainly looking at this market as one for the future,



but to maintain our schedule intensity we would like to see a major improvement in the efficiency at the ports."

Mumbai-based freight forwarder Sarjak, that has a specialism in projects from Russia, through Asia to the Middle East and of course its home Indian market, also sees Africa as a new focus.

President of Business Development, Kalpesh Jagani, said: "We are working hard in building our brand in Africa. Like China, India has invested heavily in projects on the continent and now we release 7-8 dedicated ships every week from India to Africa. He adds however, that the project market to west Africa is one of the most exciting, it is inbound only freight and that makes it difficult for enough providers to place project vessels on the route.

As in general trade projects by air show signs of recovery before ocean, but the lag is more than made up by the massive potential for ocean operators and forwarders in the medium term. But the sentiment of the brokers, operators and forwarders is that the major markets are shifting, and the old cash-cows of North America, Europe and even China, are shifting to the vibrant new economy markets in the Middle East, India, Africa and Asian countries such as Vietnam, Indonesia and Thailand.

The project market to Africa is currently one of the hot regions

HANSA HEAVYLIFT EMERGES FROM BELUGA'S ASHES

Following the end of Beluga Shipping earlier this year, the future was very uncertain for the German project specialist vessel operator. US investor Oaktree has formed a new company taking on a proportion of Beluga's staff and assets and has created Hansa Heavylift.

The company expects to receive a number of additional new vessels this year and will act as a tramp steamship provider for the project cargo market. By the middle of next year, Hansa Heavylift expects to have 23 vessels in service including six state-of-the-art new vessels, which are being built in China.

The company is currently being managed and run by Oaktree but is searching for a new chief executive officer to push the company to its next stage of development.



voice
of the **independent**

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