Premiere Era

July Newsletter

Cargo Insights

Forwarders face stiff tech, Regulatory and economic headwinds

Extinction is often triggered by a change in environmental conditions, which causes species with insufficient adaptive characteristics to perish. Forwarders continue to face a complex environment of changing regulatory requirements, shifts in trade, competitive technology demands and stiff economic headwinds. The challenging nature of the business has left many experts wondering if forwarders can adapt, or if they will ultimately suffer the same fate of the buggy whip business, disappearing forever from the industrial ecosystem.

Forwarders themselves are even beginning to wonder about the sustainability of the industry as it is today, thanks to the long line of hurdles they see ahead of them. Lingering factors such as stiff competition, high fuel costs, capacity concerns, and the need to balance freight rates are creating increasingly complex challenges for everyone in the business. Forwarders, traditionally viewed as the orchestral leaders of logistics, must now more than ever prove their adaptability, flexibility and resiliency to win and maintain customers.

The regulatory landscape is generating a plethora of new security requirements that show no signs of abating, including changing more cargo screening and preloading advanced data mandates. Forwarders need well-organized strategies to deal with the rules essential to staying in business.

Data technology and shipment transparency now play a critical and expanding operational role in winning new business and regulatory compliance. Though acquiring the necessary automation tools can be expensive, and highly disruptive if not integrated properly, avoiding the investment can be perilous for the forwarder choosing to ignore its importance.

As an uncertain geopolitical landscape unfolds, tariffs and trade barriers are making cargo flows between countries more difficult to predict than ever. Shippers, feeling the brunt of this highly charged trade environment, now depend on guidance from their forwarder as a reliable source. This means that forwarders today must not only be the experts on the movement of goods, but also competent advisors for customers in avoiding the adverse impact of government assessed trade taxes and duties.

With the seemingly endless string of requirements, are forwarders up to the challenge in assuring the industry survives? The answer, of course, is yes. After deregulation more than 40 years ago, many experts assumed that only a handful of large forwarding companies would survive. The general consensus was that an environment absent of government oversight would favor the large companies that had the most leverage with the airlines, leaving the smaller ones to fend for themselves. However, today, small and medium-sized forwarders not only still exist but continue to flourish.

Forwarders naturally thrive on change, finding new opportunities, and creating paradigms. The entrepreneurial spirit within the freight forwarder still evokes substantial problem-solving creativity. Logistics challenges differ by the shipper, each requiring innovative solutions while leaving no place for cookie-cutter, one-size-fits-all solutions.

When the integrated carriers began operations with their planes several years ago, many predicted forwarders would no longer survive in airfreight transportation. On the contrary, forwarders adapted, gained market share, and now routinely fill the space on many integrator flights. Their freight forwarding customers manage much of the bulk imports and distributions handled by these carriers as part of a comprehensive product disbursement strategy for large shippers.When cars started driving city streets, the horse carriage whip industry failed to adapt to a changing environment that reduced product demand and ultimately caused the business to perish. This won’t happen to the forwarding industry. Forwarders know that change is a constant companion that like a horse, needs care and feeding by providing flexible and adaptive services to a continually changing customer environment.

Maritime operators Set Full Speed Ahead for Cleaner Ships

EXCLUDED FROM THE PARIS CLIMATE AGREEMENT, THE SHIPPING INDUSTRY IS TAKING CONCRETE STEPS

Shipping historically has never been much of a friend to the environment.

Oceangoing vessels have burned heavy oil, the world's dirtiest propulsion fuel, since they switched from coal in the early 20th century, and operators since then have sailed around unclear rules over who enforces climate protection. Ships generally operate in international waters beyond the reach of close regulation, and their flags often are different from the nationality of their owners, leaving oversight and enforcement murky unless vessels foul the environment directly around ports.

This sense that ships effectively have no true home is why the industry was excluded from the 2015 Paris Agreement among countries to cut greenhouse gas emissions. Ship owners instead offered vague promises they would work to cut toxic fumes from ship stacks, in line with slow-moving regulations by the International Maritime Organization, the United Nations' shipping regulator.

Starting on Jan. 1, 2020, some 60,000 ships will be obliged to reduce sharply their sulfur emissions.

Many are preparing to switch to new low-sulfur fuel mixes or blends the energy industry is still developing, a move industry executives say will add some $50 billion in new fuel costs over the next three to four years.The regulator says shipping is responsible for about 2.5% of global carbon dioxide emissions, an amount comparable to some of the world's biggest polluting countries. If nothing is done, the IMO said, emissions could rise between 25% and 50% by 2050.

The environmental effort is reaching into the broader maritime business as well. Commercial ships generally have a lifespan of 20 to 25 years, so shipbuilders are adjusting with significant changes in hull designs and new features such as hybrid propulsion systems.

The ship finance sector also is getting involved.

New lower emission vessels will cost hundreds of millions of dollars and big banks includingCitigroup Inc., France's Société Générale SA, Norway's DNB AS A and Netherlands-basedABN AMRO Bank NV recently said they would take climate considerations into account for the first time when extending shipping loans.

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