

What the Editor says

Managing capacity to test air, ocean carriers

With 2013 now under way, let's take stock of the transport and logistics business. Container shipping lines are plagued by overcapacity, high fuel prices and weak demand. Airlines are struggling under excess capacity, high fuel prices and weak demand.

The couriers and some logistics operators appear to be the only people making money in this brutal trading environment. In shipping, the volatility of container freight rates was stunning, but successes in raising rates in the first half were undone by market share-chasing lines in the second. Charter rates, according to Alphaliner, remained close to 20-year lows.

But still to be delivered this year is the record amount of capacity that will top 1.7 million TEUs, much of it in the shape of mega-sized vessels. PR News Service is reporting that significant capacity upgrades have begun on the Asia-Europe trade with the size of vessels increasing dramatically.

After the G6 Alliance lines deploy the first 13,000 TEU vessels on Loop 5 of the Asia-North Europe trade during the first six months of 2013, the average weekly capacity will almost double.

On the aviation side, most cargo operators are expecting nothing more optimistic than a "flat" market. Intra-Asia and Asia-North America are offering modest growth but Asia-Europe remains poor.

On many routes there are too many aircraft and not enough freight, which has seen aggressive pricing. Falling rates and soaring operating costs have perpetuated the declining yields that have gripped the industry over the last couple of years.

In this volatile and uncertain operating environment, predicting anything is difficult, but the general feeling is that the market can only get better.

The main problem is the capacity pouring into service in both transportation sectors. Airlines and the container carriers are betting heavily on a market improvement, resisting the temptation to idle or park vast amounts of capacity. Shipping lines have accelerated scrapping of vessels and the airlines are retiring their older planes as fast as possible.

But it is unlikely enough capacity will be withdrawn to offset the new ships and planes coming online.

Managing capacity and costs will continue to test the industry this year.

Remember to cast Afsca vote

Have you voted for your favourite service provider in the Asian Freight & Supply Chain Awards yet? If not, you still have time.

AFSCAs voting closes on February 28 and Cargonews Asia subscribers can find the poll at <http://www.cargonewsasia.com/afscavote/>

Winners of the annual awards will be announced at a gala evening to be held in Beijing on May 9.

Software systems can play a significant role in helping to preserve the environment



Visibility system can make the world greener and cut logistics costs

The right IT strategy can be felt through the supply chain

IT platforms can create cost efficiencies and increase productivity while helping the environment.

The devastation brought by hurricane Sandy in northeast US brought many to the realisation that climate change truly exists, and it affects everyone globally.

Photos taken of the US East Coast showed taxis submerged in floodwaters, commuters stranded, boats washed ashore – these powerful images have made everyone, companies included, rethink how they can reduce carbon emissions. This is especially true in Asia, where some cities are not fully equipped to respond to mega disasters due to poor infrastructure.

In the US alone, 12 billion tonnes of waste is dumped each year, worsening the greenhouse effect. While the increase in world population plays a part, the rapid industrialisation of countries, particularly India and China, has multiplied the amount of carbon dioxide released into the atmosphere every year.

The push for greener initiatives has compelled companies to look for ways to reduce their waste. Some have started using lighter and recyclable packaging, while others, such as Wal-Mart, have come up with a global index to measure the environmental impact of its products.

Another good way to make the supply chain more energy efficient is by putting in place an IT visibility system, which would enable supply chain workers to see what goes on in the entire supply chain at the click of a button from a PC or a smartphone.

An IT visibility system gives a supply chain manager the ability to plan the different stages in the sup-

VIEWPOINT



Thomas Halliday
general manager
AEB

ply chain, while empowering him to monitor these processes in real time. Below are some ways that a good IT visibility software can make the supply chain greener, as well as cut costs for the company:

Automation of processes to reduce use of paper – Paperwork is an integral element in a traditional, manually-run warehouse. It's not uncommon to see heaps of folders containing invoices, delivery receipts and other documents in a warehouse. Some warehouses have even made a practice of making multiple copies of documents. A workplace that relies on paper is also a fire hazard. There is also the risk of losing valuable information in flooding or if a file is stolen.

By using IT visibility software, companies can cease to rely on such outmoded forms of data processing. Costly mistakes are eliminated, which occur frequently when data is manually processed. Reports can be viewed in a single click by numerous people, eliminating the need to produce multiple copies.

Maximising use of a ship or truck – Many products are transported as soon as they are produced and packed. This results in a practice called less-than-truckload, where a truck is dispatched carrying goods half of its capacity. If the right IT

visibility platform is in place, logistics managers will find it easier to consolidate sales orders and dispatch them in one full truck or ship. This is a cost-effective move in saving fuel, and it also brings great benefits to the environment by minimising carbon dioxide emissions.

Using IT visibility software also gives managers end-to-end visibility of the entire supply chain. They can see if the goods have been delivered, and assure customers that they have been dispatched and will arrive on time.

IT visibility software makes it easy for managers to obtain quotes when they want, wherever they may be. They are empowered to analyse various cost components. Reliable IT software can also suggest the fastest transportation routes. Mileage is reduced; meanwhile, a manager is better informed so he can choose the most suitable transport provider.

There are multiple ways which companies can reduce carbon emissions. In some cases, they can reduce them by as much as 10 percent. The traditional way of cutting the carbon footprint, like using biodegradable raw materials, is not enough in the long run.

Using IT platforms, aside from making the supply chain more sustainable, can make companies more productive and cost-efficient.

Business leaders should take note however that putting in force these platforms should start from top to bottom—doing a piecemeal approach, like having only top managers use them, lessens their impact.

If done correctly, these platforms can help a company contribute to the environment, and hopefully, avoid the creation of another monster disaster from wrecking our cities.

QUOTES

While 2013 shouldn't be as bad as 2012 for airlines, the industry really isn't forecasting a sharp recovery. It has become more conservative to control costs

Kevin Lau, analyst at Daiwa Research, on Singapore Airlines offering senior pilots unpaid leave

We continue to be told that things will turn around but Qantas won't get any new planes until 2016

Barry Jackson, head of the Australian and International Pilots Association, on 250 Qantas pilots still being on unpaid leave

We believe that the year-end momentum will not carry over into the new year

Alistair Thornton, analyst at IHS Global Insight, on China's trade surge in December

We should do away with the idea that LOT should be saved at any cost just because it is called LOT or because its labour unions are strong

Polish Prime Minister Donald Tusk, telling LOT there will be no blank cheque after giving it a \$130 million loan to keep flying

Our country cannot afford not having its own flagship airline. If Alitalia falls into the hands of the French, many tourists will end up visiting the castles in the Loire valley instead of our cities of art

Prime Minister Silvio Berlusconi, on carrier Air France-KLM's plan to take control of Alitalia

We're pretty confident, between the rail and MSC, we should see things starting to take off at Tampa Port

J Doug Wray, executive at Ports America, on MSC adding Tampa to its network and the completion of a rail loop

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