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# Fuel surcharges to ramp up



## Shippers brace for BAFs as rates reach record high

FORWARDERS and shippers will need to closely check bunker clauses in their sea freight contracts, as carriers prepare to ramp up "unbelievable" fuel surcharges.

The news comes as shippers continue to reel from sky-high freight rates and 'premium fees', while, in some cases, lines are auctioning off capacity and containers to the highest bidder.

At the start of the new year, Saudi Arabia announced it would cut oil production by 1m barrels a day through February and March. But even before the cut took effect, oil prices rose in the second week of January to one-year highs.

While bunker fuel prices dropped dramatically at the start of the pandemic, they had risen slightly by June, and stabilised

through to September. Since then, prices have increased significantly. For low sulphur fuel oil (LSFO), prices have increased 43 per cent since September, while heavy fuel oil (HFO) has gone up some 36 per cent.

The spread per ton between the two fuels has widened from \$41 to \$76 since September, adding significant extra cost to the voyage of vessels bunkering with LSFO.

But even ships with scrubbers installed are increasingly being obliged to switch tanks to the

more expensive fuel when entering ports that prohibit the use of scrubbers.

However, carriers such as MSC and Evergreen, that have the highest percentage of their fleets equipped with scrubbers, are expected to see that investment returned earlier than originally thought, due to the widening of the fuel price differential.

Lars Jensen, director of SeaIntelligence, said: "All in all, this points to shippers needing

to prepare for increases in bunker surcharge levels in the coming months."

However, added the consultant, carriers all have different BAF structures, and will adjust to new prices at different times.

"Some do it monthly (usually based on the monthly average fuel price with a two-month time lag) and some do it quarterly."

But the biggest jump was in December. Sea Intelligence explained: "For carriers that make monthly adjustments, this means that low-sulphur fuel prices can trigger BAF increases, especially from March onwards."

"For carriers that make quarterly adjustments, second quarter BAF (applicable in April-June) would be based on the average fuel price in December-February."

**"All in all, this points to shippers needing to prepare for increases in bunker surcharge levels"**

Continued on page 3

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# Air freight rates set to remain high

AIR freight looks set to see another year of elevated rates and volatility, as the market is buffeted by the impacts of lockdowns, vaccines, ecommerce, low capacity and high sea freight rates. As a result, shippers are being warned to ensure that their forecasting is as accurate as possible, to mitigate against further shocks.

The Baltic Air Freight Index was 100 per cent higher than a year earlier at the start of January, while December saw the highest rates since the Q2 PPE rush. While the market is expected to soften over Chinese new year, 2021 marks the start of a wide range of new factors

**"Air freight [rates] in general might not drop significantly for the next six months at least"**

affecting the industry.

One Asian forwarder said he didn't expect to see notable rate falls this year. "Air freight [rates] in general might not drop significantly for the next six months at least. After all, major passenger belly capacity will still be absent for a while."

IATA has predicted that long haul travel will not return this year, and in fact airlines will continue to burn through cash - currently forecast at \$25bn for this quarter - until the end of the year, implying that significant numbers of widebody bellies will not be back in the air soon.

And there are other reasons to expect elevated

rates this year, explained Bruce Chan, vice president global logistics, at Stifel.

"On the demand front, restocking activity has been a major driver of global freight recovery across all modes, including air. Inventory to sales metrics remain near record lows in international consumer markets, particularly in the retail economy."

"And the capacity situation in ocean freight has not been helping, in our view."

"Shippers may be more inclined to use air freight resupply as an inventory buffer in the face of such volatility and uncertainty."

Demand has also been exacerbated by the booming ecommerce market - and vaccines.

Stifel said: "The full impact of vaccine distribution on air freight capacity may not be as severe as some anticipate, due to the disbursed nature of production and, quite

simply, the form factor of the doses.

"But the net effect will, unquestionably, be to absorb capacity, especially as vaccine shipments take priority over general cargo, with the impact likely to continue through 2021 and into 2022."

In some areas, vaccine distribution is already affecting the wider market, in particular in India, which has its own vaccine to distribute as well as importing others.

"With two key freighter operators, Blue Dart Aviation (DHL) and SpiceJet, both dedicating space to vaccine deliveries, it is surely going to reach a situation of almost

negligible available capacity for general air cargo movements, which will lead to increased freight rates," said Sundreesh Sarup, MD of Logistics Plus India.

While rates - though high - are not quite high enough to justify passenger freighters, some additional capacity is coming to the market, while the retirement of some aircraft - such as Lufthansa Cargo's MD-11Fs - has been postponed.

But key for customers, said Chan, is to "look for creative alternatives for managing costs".

"And the consequences of improper or inaccurate forecasting will be magnified,



in our view, so accurate inputs are critical. To the extent possible, greater collaboration with partners is critical - communication with intermediaries and carriers and integration of data and technological tools. The bottom line is rates are likely to remain elevated and volatile for some time, and those looking for reprieve in 2021 may have to be patient."

## "Unbelievable" BAF rises

continued from page 1

"While the beginning of 2021 remains stable by virtue of stability seen most of the second half of 2020, the calculational basis for BAF stands to increase significantly for 2021-Q2."

Forwarders have reported that they have been warned of higher LSFO surcharges from as early as 1 February - but the news has not been warmly welcomed. One said it was "unbelievable", noting that: "We are already being screwed all round by the carriers on rates that are at least four times higher than a year ago, plus a whole basket of surcharges and premium fees."

"So they should be able to sustain fuel price increases, particularly as they were slow to cancel the surcharges when oil prices crashed at the start of the pandemic."

George Griffiths, global container freight market editor at S&P Global (Platts), said that bunker clauses would leave shippers "fighting on two fronts" - spiralling freight rates and increased bunker surcharges.

"The recent uptick in bunker prices has started to leave some shippers wary, especially as annual contract season starts to roll around, with eyes focusing once more on the bunker adjustment factor clauses in contracts, alongside additional low sulphur surcharges. These concerns appear to have largely been displaced from the start of 2020, when the pressing nature of these surcharges was offset by the tumbling oil price on the back of the coronavirus pandemic."

High freight rates and the container shortage have certainly deflected focus from fuel prices. Several forwarders have been engaged in fierce bidding wars in China to secure equipment and space to North Europe, while carriers are said to have opened first and second-round tenders, with the highest bidders guaranteed capacity this month. One Asian forwarder reported that all-in bids of less than \$16,000 per 40ft to the UK, and \$10,500 for other northern European ports, would be unlikely to be successful.

The Shanghai Containerized Freight Index (SCFI) - which does not include additional premium fees to guarantee equipment and space - saw its North Europe component rise 9 per cent on 8 January, to \$4,452 per teu, 344 per cent higher than for the same week of last year.

However, rates are expected to soften after Chinese new year - although one source suggested that high rates could go on until August.

And shippers and forwarders hoping that annual contracts may provide them with cheaper deals could be disappointed - not least because shipping lines are reluctant to open negotiations, but also because contract rates are spiking.

Jensen said: "We are now in an environment where there is substantial and increasing upward pressure on contract rates as well."




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# Focus ON

## Brexit

# Forwarders hopeful despite being bound by red tape

FORWARDERS are growing increasingly optimistic over the post-Brexit landscape following the announcement of a deal between the EU and the UK, reached in typical last-minute fashion on Christmas Eve.

Expectations prior to the deal had wavered between optimists and pessimists but many agreed that without a deal, the first two quarters of 2021 would be bound up in working around the new

relationship between the UK and the EU 27. As it stands, even with a deal the situation remains complex.

Group operations director of Priority Freight, Andrew Austin, tells Voice of the Independent (VOTI) that forwarders and the logistics sector need to be "intimately familiar" with the mechanics of the post-Brexit landscape to be able to master the processes around the export and import of goods.

"There is a significant increase in processes and supporting actions and the obligations of both the customer and their logistics providers have significantly changed as a result, with a far greater exchange of information needed to support the physical movement of goods from, and to, the UK," says Austin. "Products moved by road, sea or air are subject to many more checks and are

reliant on a myriad of systems operated at both governmental and regional level to be able to interact effectively; a significant ask in its own right."

Of particular concern is that while shipments may be tariff-free, customs declarations are still required, and it is this which is causing headaches. The logistics industry has become reliant on customers providing a significant level

of information in order to allow the customs clearance to be facilitated. Companies like Priority Freight and Belfast-based Speedlink have sought to ease the issue, with the former having crafted checklists

to ensure that the relevant details specific to that shipment are acquired, thus creating the correct records. But adapting to the situation though it may be, there remains a sense of anger within the logistics industry - "the industry that has kept the country going throughout the pandemic" - which believes it should have been more fully involved in negotiations and planning.

"It's come about by disgraceful politics,"

Speedlink's director David Rogers tells VOTI. "We've been part of a club for 40 years that we then sought to be able to turn around to and say 'you're going to change everything because we're leaving'... it's partly down to arrogance on the part of the UK.

"And then on the agreement front, as

per usual, something arranged by civil servants is nowhere near where it should be. The Northern Ireland Protocol is an absolute disgrace. Customs requirements could easily have been sorted, but it

was left to civil servants so there's no surprise, they never brought the business and transport people in. If they hadn't wasted four years and brought us in from the start, we could have helped."

**"There is a significant increase in processes and supporting actions"**

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An upshot of this ignorance is that the logistics sector found itself "extremely busy" in early January, and there is an expectation that each week will become progressively "busier still".

While Rogers does not seek to downplay issues for forwarders, he expresses greater concern for the haulage industry, because while the first week of January – the first week of the new regime – was busy for him, "hauliers have it worse". He also has

concerns over ongoing politicking, noting that the Irish government has eased restrictions for goods going into the Republic from Northern Ireland. "But, on the plus side it does show that EU countries are prepared to move and change things as the situation progresses. I'm hoping this will see movement among the British and French authorities. We knew the next couple of weeks will be difficult, but logistics [companies] will sort it out themselves. Our concern is that if you have states that wanted to screw things from the outset, it suggests things could have been a hell of a lot easier."

Even so, businesses have also unwittingly benefited from the panic and concern caused by the "atrocious" politicking that

overwhelmed the negotiations of the last four years. With all the uncertainty in the build-up to the deal being struck, many businesses front loaded, stockpiling goods.

**"If they hadn't wasted four years and brought us in from the start, we could have helped"**

This has seen some benefits, with transport flows of around 20 per cent what is normal for Northern Ireland at this time of year. As such, logistics companies are in a unique situation in which they can stress-test their procedures and see how and where things fall short.

"There's a few issues in getting goods across to Northern Ireland at the moment but I expect that to change," Rogers adds. "We have a population of over 1.8 million here. That's a big customer base. So, while there may be stories about empty shelves, it's not matching the reality of what we're seeing – it's more a case of choice being limited. And that won't last because supermarkets won't want to lose customers who have managed to maintain their flows."

As such, Rogers says it is "arguable whether there will



**DAVID ROGERS**  
Speedlink

be much damage" but he maintains that any damage could likely have been mitigated with better politics. He, like others, are certainly taking a more optimistic view on the situation, believing that once companies get used to the new regime, processes should get a lot smoother. Austin is another among this number, but adds an element of caution.

"The logistics industry as a whole is a resilient and creative one, but the level of preparedness for Brexit is proving to be variable amongst all related parties, and those who immerse themselves in the necessary processes will obviously be able to offer a class-leading level of service," says Austin. "It is important, too, not to underestimate the effort involved to help facilitate the most

significant change in UK trading relationships for over 40 years."

**"The logistics industry as a whole is a resilient and creative one"**

## Air cargo security changes

LUFTHANSA Cargo has imposed security charges for all cargo departing the UK on road feeder services (RFS) for onward flights out of its European hubs.

Following Brexit, EU law no longer recognises trucked cargo from the UK as secure, and requires such goods to undergo rescreening before onward flights.

Lufthansa told customers their cargo departing the UK via RFS would be subject to 'security charges for unknown cargo' of £0.15/kg (\$0.20), or a minimum of £17.25.

The carrier said: "We are legally obliged to follow this new ruling," adding it would be be "voicing our concerns to the respective EU ministers".

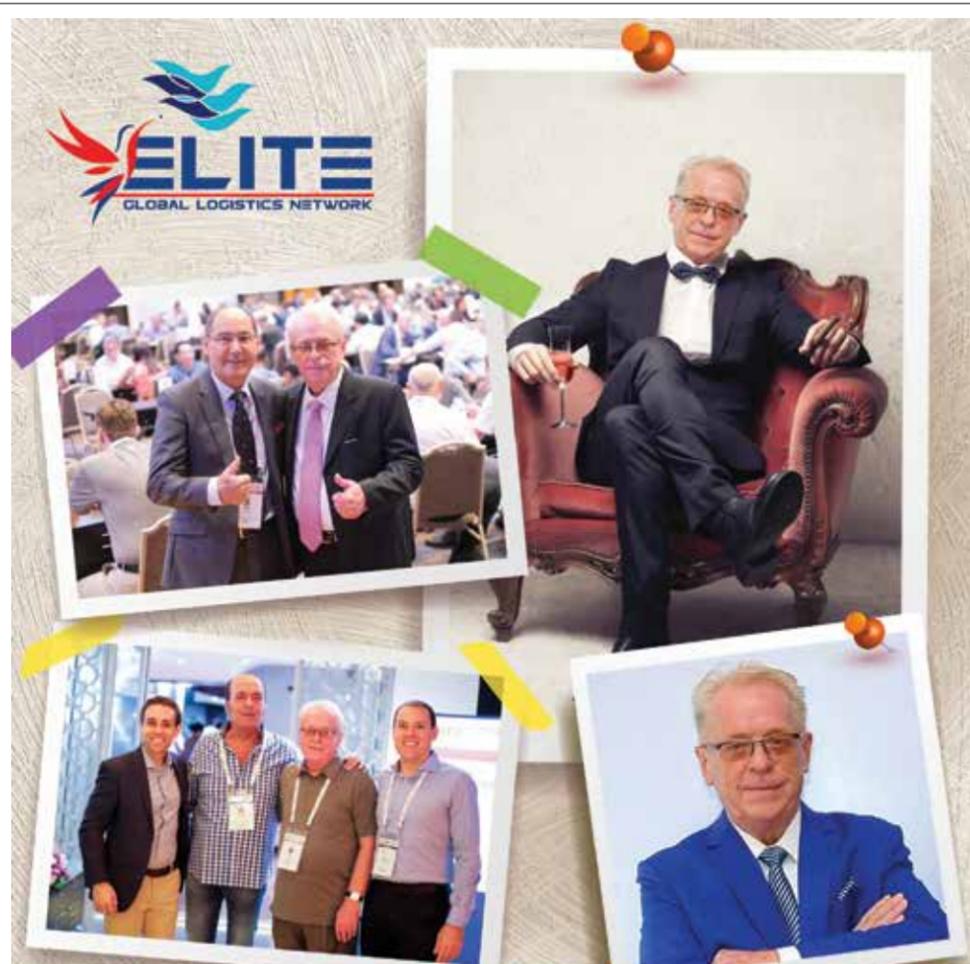
According to the Gov.UK website: "Air cargo shipments transported by road from the UK to the EU, such as on 'flight trucks', may no longer be accepted as secure and may, therefore, have to be re-screened prior to onward flight."

The director of Northern Irish forwarder Speedlink, David Rogers, said the changes in security requirements presented an opportunity for the region.

Belfast-based manufacturers have long complained about the speed of getting goods to market, with trucking into Europe – the only viable option – adding three days' transit time to deliveries.

As a consequence, Rogers said, his company had decided to introduce free-roaming explosive detection dogs (FREDDs) at Belfast Airport in an attempt to offer manufacturers north of Dublin an alternative.

"FREDDs offer 98 per cent effectiveness, one can clear 130 tonnes in an hour, are regulated under the CAA – which has stricter rules than both the EU and the US – and saves three days' transit time. The idea is to encourage freighters to fly out of Belfast; it's a game-changer."



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# Spotlight ON

## WCA World



# 'Members have weathered the storm and emerged stronger'

IT'S been a challenging year for freight companies. And WCA World members are no exception. Covid-19 has pinpointed the need for companies to be adaptable and flexible – and this is what WCA has spent 2020 doing, ensuring it gives its members the best possible service in challenging times.

It started as the global rush for PPE – combined with the sudden plunge in air freight capacity – hit. WCA realised its members needed support to get capacity.

"We set up a charter forum for members who needed to move PPE and medical equipment," explains Dan March, chief executive. "Air cargo capacity was very

difficult to obtain, especially if you had less than a full aircraft-worth of volumes. The forum was for members, brokers and airlines, and showed immediate and available capacity. It allowed members to arrange to share

acquired space, and it proved really useful for those three or four months when demand heavily outstripped capacity." The forum was closed towards the end of last year, as the "initial, crazy demand dissipated," says March.

Next up was a Facebook group, which allowed members to communicate in real time on Covid-related news; border closures; rule changes; congestion; truck availability and so on. "It really disseminated information on local markets, and was very useful,"

says March.

As Covid raged and banks closed, there were concerns over payments between members. So WCA increased its payment protection from US\$2m to \$3m, allowing all members to continue to work with each other with complete peace of mind.

"In addition to increased protection, Partner Pay has played a crucial role. Physical banks were closed, and in some countries physical payments are required – so that held up cashflow. We saw a higher take-up of Partner Pay, in fact a record number of transactions. It's so useful for members – there are no banking or transfer fees, and

**"We set up a charter forum for members who needed to move PPE and medical equipment"**

it allows them to make real-time payments."

Initially, there were a higher-than-normal number of claims, with closed banks, and members having to delay payments. "It was more of a bottleneck in the system than companies struggling. But by

August the situation had stabilised and our payment protection had provided that vital buffer to get through those months."

March adds that there have been no more bankruptcies among members than normal. "It was a concern early on, that members' cashflow would dictate business failures. Our forwarders adapt very quickly, better than the multinationals. Members adapted workforces, their supply chains and moved quickly. Some members have done OK, others have

done very well with the right offering and service."

WCA Chairman, David Yokeum, added that an important aspect for members are the WCA events, where they can meet new partners. And one of the hard decisions of the year was to cancel them.

"It's the highlight of the year for members to do business with one another. But by early March, it was clear that the pandemic was getting worse and that we wouldn't be able to hold physical events. So the question was, what could we do instead?"

WCA initially engaged a third party to help it run a virtual event. It began with a smaller network, GAA, for a June event.

"It was a qualified success," says Yokeum. "But not 100 per cent perfect. There were things we couldn't control, as the third party had a generic offering. So we decided to design and build our own platform, and contracted developers to create a bespoke conference system. It was a reasonably big investment – but it paid off."

WCA trialed the new platform with its Lognet and EGLN networks, which went well. Although the main member event, with nearly 1500 delegates, had to be postponed at the last minute until December, it was a success. "We were really delighted with the way it went," says Yokeum.

The conference saw over 20,000 one-to-one virtual meetings, with some 350 active meetings on the system at any one time.

"It was difficult with the time differences, and to make sure everyone's systems were aligned. Some people had old browsers, or lost connectivity, but although we couldn't control everything, 90 per cent of scheduled meetings were successfully held, which was impressive given the challenges."

The event had virtual exhibit areas with booths, where you could 'meet' staff, leave messages and download information. There was a networking lounge which could connect any members online at the same time, as well as some fun social networking events and

light-hearted games where members were paired with others that they didn't necessarily know.

"We thought this would be a stop gap while physical conferences aren't possible," explains March. "But members' responses have been very positive. There is still high demand for physical conferences and virtual events are not the same, but have proven valuable. It's an alternative, not a replacement. But we will maintain virtual events as part of our portfolio. Our projects network, for example, hasn't met now for almost two years, so we will do a virtual event in the second quarter."

WCA is offering to licence its event platform to anyone who would like to use it.

Of course, Covid was not the only news in town: in August, a huge explosion ripped through Beirut port.

"We had already been working with our Lebanese members on the currency problems they were facing, and difficulties with banking. There was also political upheaval. It was a triple whammy for Lebanon, what with Covid as well. Two members lost staff in the explosion, others lost buildings.

"But our members have a real understanding of the needs of each other. There were lots of offers of equipment and financial support, and members came together to help. They should take great credit for assisting, often at their own cost. It was so heartening to see that members took the time – when they themselves were struggling with Covid – to help others."

And what of this year? First, eCommerce has seen something of a boost, but plans last year were put on hold.

"We are going to market with new propositions for the network this year. 2021 will be a crucial year. We are pushing the network members as a single entity. We wanted first to make sure that the network was competent, and that members have confidence in all their partners."

March is most excited, however, by the forthcoming launch of the WCA

Academy. "Last year, for training such as GDP for pharma, we moved to virtual classes, and it has gone from strength to strength. We are holding multiple classes and the response has been amazing.

"We thought, well, this has worked. Members love it, it's much cheaper than other training courses, so we decided to launch the WCA Academy, which starts next month and will incorporate all of WCA's education and training programmes."

WCA has collaborated with Canadian forwarding association CIFFA, to create a new course for

a global audience. This detailed and comprehensive training offering, called the fundamentals of forwarding, provides vital education as well as looking at the pitfalls and dangers, and how to alleviate problems. There will also be an introduction to freight forwarding course, designed for new employees.

WCA already offers a range of other courses such as anti-bribery and corruption, perishables global standard certification, pharma, and coming soon, security.

"Some are free, and others are considerably cheaper for members than the market rate," says March. "We also offer full training and education on all WCA benefits to ensure members get maximum value from the network.

"We are confident that the

WCA Academy will continue to go from strength to strength."

WCA is also working with 11 members on a pilot project to test a new digital product offering, but the project is under wraps for now. And towards the end of the first quarter, it will hold a webinar, inviting solutions providers to discuss the best way for SMEs to adopt digital technology "in a way that is applicable to them".

"Not every company needs the same thing," explains March. "Technology can help efficiency, and grow the industry, but you need to adopt it at your own pace

and to meet your own needs as an enhancement to your business."

The pandemic has driven companies to change – and WCA has seen this translate into a growing number of applications. "People like the

security of

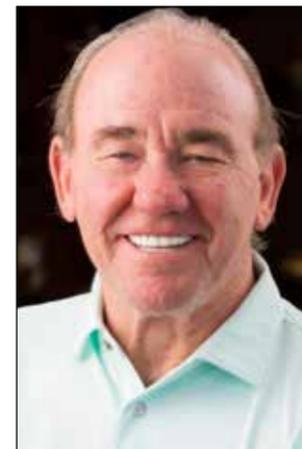
working in a group, and learning from each other, and I think that's going to be really important for forwarders in the next couple of years. There are changes in the industry, in the way we conduct business and work with customers and suppliers. It's important to learn from each other and a network helps you do that. You are not an island, where you have to rely only on yourself as you have the learnings and experiences of thousands of other forwarders to lean on.

"I am excited about this year, and I am encouraged that members have adapted so quickly to weather the Covid storm and emerge as an even stronger force in the industry. They have set themselves up for a positive future as the world begins to adapt to the new normality."

**"It's important to learn from each other and a group helps you do that"**



WCA developed a bespoke online conference platform with virtual exhibition areas and One-on-One video meetings



DAVID YOKEUM  
Chairman



DAN MARCH  
Chief Executive Officer

# Insights **IN**

Seafreight – comment by Mike Wackett



## Has my container been sent to Davy Jones' locker?

DURING the night of 30 November the 2019-built 14,052 teu ONE Apus lost an estimated 1,800 containers overboard in a powerful storm in the Pacific, just west of Hawaii, while en route from China to Long Beach, California.

It is impossible to imagine how terrifying this must have been for the master and his crew on that evening as the vessel pitched and rolled violently, and with each severe rolling movement giving up scores more containers as they ripped free from their lashings and crashed into the angry seas.

The master of the Japanese-flagged vessel changed course to ensure the safety of his ship and crew, and once able to do so turned around and headed for Kobe, Japan, in order to assess the damage following the catastrophic loss of cargo.

Fortunately there were no fatalities and no reported injuries in the incident, but the mental scars and nightmares will remain of that horrendous evening for many of the serving seafarers.

The magenta-liveried but dejected-looking ONE Apus arrived at a Kobe general cargo berth on 8 December where it was visually apparent that many of the containers on its deck that had survived the incident were in a collapsed and damaged condition, making for a lengthy and complex recovery operation.

As of the last update from ONE and the shipowner on

8 January, one month later just 232 containers had been discharged, suggesting that several more weeks will be needed to complete the operation.

W K Webster, which specialises in marine and transit claims and represents a significant amount of cargo onboard the ONE Apus, said that it understood that it is the intention to conduct repairs to the vessel's deck simultaneously with the discharge operation.

The company has surveyors in situ but after commendably providing regular updates on the casualty, the carrier and the shipowner seem now to have adopted a 'mushroom' policy towards stakeholders, to keep them in the dark, no doubt directed by their P&I clubs' cautious approach to revealing any information that could be used against them in a court of law.

"Shipowners and operators have unfortunately not been cooperative as to the status of each container and their stowage positions and we continue to liaise with their representatives in this regard," bemoaned W K Webster.

Moreover, at the time of going to print it was still not clear whether any shippers had been advised that their cargo had been lost overboard.

"The permission of shipowners is being sought to allow disclosure of the status of each container i.e., lost or not lost, on or under

deck and stowage positions," said W K Webster.

Given the radio silence we can only speculate that the containers underdeck will remain on the ship, which after survey will be allowed to resume its voyage to

the US.

It was also reported that cargo found to be sound from the discharged damaged containers will be re-stuffed into new boxes and reloaded back onto the ship in due course.

W K Webster reported that a General Average (GA) surveyor had been onboard the ship but that GA had not been declared.

So, two months after the ONE Apus sailed from Yantian in China shippers do not know whether their cargo has been lost or not.

Accidents happen in shipping, but the industry needs to be much less secretive and more cooperative towards cargo interests.



MIKE WACKETT  
Sea Freight Consultant, FICS

**It is impossible to imagine how terrifying this must have been for the master and his crew on that evening**



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# Forwarders beware of changing rules

PRIORITY Freight started 2021 in low gear. Notwithstanding the final minute agreement that averted a hard Brexit, the new relationship between the UK and the EU has made life complicated.

"The tariff-free agreement is all good, but it is not stopping the complications. It's made the whole thing quite complex," said group sales & marketing director Stuart Stobie.

Virtually all countries have different processes, causing widespread uncertainty about requirements, and many customers are not ready for the new situation. As a result, Priority Freight staff spend much time trying to clarify open questions, which slows down operations even more. They are already hampered by extra steps required under the new UK-EU relationship and by measures to prevent the spread of Covid-19.

At least so far, the complications have not disrupted cargo flows altogether.

"It's not busy at the moment. That helps. There are no backlogs. We can work our way through it and find out what requirements are. A lot depends on the Incoterms involved," said Stobie.

For Rutherford Global Logistics in Canada, Brexit has not changed the requirements on the documentation side, but transit times and costs have gone up as many shipments to the UK are diverted to European ports because the ports in southern England are

congested, remarked general manager Karl-Heinz Legler.

Brexit has been the most dramatic change in terms of new rules and compliance that forwarders and shippers have to wrestle with, but it is not the only one. A slew of changes is hitting the international shipment of e-commerce. Both in the UK and the EU VAT exemptions will be removed this summer. In a first step the UK made overseas shippers responsible for paying any import VAT on goods valued at £135 or less with effect from 1 January. The US government raised the bar for advance data submission for e-commerce parcels entering the country effective 1 January and is reportedly planning removing the de minimis threshold on parcels from China. As of 1 July retailers and marketplaces sending parcels to the EU will be liable for the declaration and payment of VAT to the country of destination under the Import One Stop Shop scheme.

Merchants must meet these requirements if they want to ensure frictionless passage of their goods, warned Hurricane Commerce, a cross-border e-commerce software provider.

"If 2020 was the year of the Coronavirus pandemic, for those involved in cross-border e-commerce trade 2021 will be the year of large-scale regulatory change," commented chief content & compliance officer Martin Palmer.

Security is also adding to the advance of regulatory change. As of June, all countries that are members of ICAO will require screening of all cargo moved on freighter aircraft. How exactly this will affect forwarders is still unclear. In the US the Transportation Security Agency is planning to unveil a programme for high-volume shippers, but the details are shrouded in mystery at this point, noted Brandon Fried, executive director of the Airforwarders Association.

**"The tariff-free agreement is all good, but it is not stopping the complications"**



**STUART STOBIE**  
Priority Freight

"Is this going to be similar to the Certified Cargo Security Programme? Will it be available for forwarders? They perform a lot of functions for clients," he wondered.

Questions also swirl around the future of the known shipper scheme, which has become peripheral. "If they don't get rid of it, it should be modified to be more reflective of today's commercial realities," said Fried.

There has also been speculation around the trusted trader scheme. Some executives have suggested that this should be upgraded to provide tangible benefits, preferably expedited customs clearance.

Fried has not seen much movement on that front.

"What benefit is it going to bring and how much is it going to cost?" he wondered. "A lot of C-TPAT participants are in the programme because they think they have to be, but they'd be hard pressed to describe tangible benefits. There would have to be a significantly better benefit."

For Canadian forwarders the most significant change this year is customs' electronic house bill requirement, according to Bruce Rodgers, executive director of the Canadian International Freight Forwarders Association. This kicked off on 4 January, with a grace period until June before violators will face penalties.

These can be painful, running into thousands of dollars, remarked Legler. Rutherford is ready, but Legler is not looking



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forward to the much-delayed regime. "It's additional cost and no additional revenues," he said.

On top of compliance with these various regulatory changes, forwarders also face additional pressure and cost to guard themselves against cyber attacks, given the rising number of cases that have affected transportation providers.

Fried thinks that the industry has to step up its effort, but more also needs to be done by government. Either way, related costs are likely to rise.

"Canada put laws into place what a company has to do to protect its clients. It all costs money. You have to put a system into place, you need to check it and update it, you need employees for it, and you need training, plus the cost of the additional insurance premium," Legler said.

Forwarders will be spending fair amounts of time and money on regulations this year.

# Voice

of the Independent

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