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FIATA Public Statement

Freight Forwarders Evolve with Trade

Through Time – Freight Forwarders at the side of Traders

Freight forwarders existed for a long time and long before we discovered the modern use of the word logistics. Without having the ambition to write history, perhaps we could try to put this concept on the record with a minimal historical perspective. Some attribute a Greek origin to the word: λόγος, meaning reason or speech; λογιστικός, meaning accountant or responsible for calculating (sourced from Wikipedia). In this sense the origin of Logistics can be traced all the way back to ancient Greek and Roman war times, when military officers called “λογιστικός” were assigned the duties of calculating and arranging for field supply and resources.

The Oxford English Dictionary defines logistics as "the branch of military science relating to procuring, maintaining and transporting material, personnel and facilities". However, the New Oxford American Dictionary, leaving the military perspective aside, defines logistics as "the detailed coordination of a complex operation involving many people, facilities, or supplies" and the Oxford Dictionary on-line defines it as "the detailed organisation and implementation of a complex operation". As such, logistics is commonly seen as a branch of engineering that creates "people systems" rather than "machine systems." (sourced from Wikipedia). In this regard the idea that freight forwarders are “architects of transport”, as FIATA wrote several years ago, functions well in this description.

In 2004 it became apparent that more clarity was required with regard to the services that freight forwarders and logistics providers offered and FIATA provided a description of such services that is still publicly available on FIATA’s website and seems to fulfil its task of describing what FIATA members actually do:

Freight Forwarding and Logistic Services means services of any kind relating to the carriage (performed by single mode or multimodal transport means), consolidation, storage, handling, packing or distribution of the Goods as well as ancillary and advisory services in connection therewith, including but not limited to customs and fiscal matters, declaring the Goods for official purposes, procuring insurance of the Goods and collecting or procuring payment or documents relating to the Goods. Freight Forwarding Services also include logistical services with modern information and communication technology in connection with the carriage, handling or storage of the Goods, and de facto total supply chain management. These services can be tailored to meet the flexible application of the services provided.

There is evidence of transport and trade related documents dating back to the Egyptians and the Roman Empire, but we need to come to more recent times to become acquainted with the idea of a freight forwarder operating as an intermediary at the service of traders. There was evidence of early freight movements by English and Flemish traders selling wool and other commodities to each other.¹

¹ <https://research.stlouisfed.org/wp/2015/2015-006.pdf>

During that time, the owner of the freight had been the one in charge of moving it. However, as trade grew in its complexity, there was a need for a coordinator of the many different services that were necessary to move goods across borders: the freight forwarder was born.

There are early examples of logistics services in Germany and in Italy even at relatively early dates. It is however difficult to beat the record of Gebrueder Weiss in Austria, whose history goes back to 1330².

By the Second World War, the importance of logistics was well understood especially by the United States. This ensured that supplies were readily provided to their troops in order to gain a competitive edge and at the same time blocking key European trade lanes which were utilised on the other side by European forwarders to move military goods.³

By the 1950s, as forwarders sought greater efficiencies from multiple carriers, the focus turned to mechanisation (e.g. pallets and pallet-lifts) to streamline processes of material handling. In the early '50's the UN prepared and produced Recommendation number 1⁴, which became the standard reference for the vast majority of our trade documents. FIATA officers were part of the team of professionals who cooperated in this endeavour. By the '60's trade was exploding, at least on the two shores of the Atlantic, and the forwarder required sufficient warehousing and storage facilities farther away from ports, where space was getting too tight. This contributed to the "unit load" concept which eventually would produce freight container services. By the 1960s, a clear trend had developed in shifting more time-dependent freight transportation to truck rather than rail, as forwarders required more flexibility to reach end consumers and could not be constraint by fixed rail lines and the existence of sidings. ⁵ The arrival of reliable steamships created a demand for trade between Europe and North America giving birth to the international shipping industry.⁶ In April 1966 McLean's Sea-Land⁷ started container services from North America to Europe and that was the game changer that triggered the evolution in transport and logistics many of us have witnessed before our eyes in the last 50 years. Something was happening in the air as well and Jimmy Carter's de-regulation policies⁸ coupled with the powerful "Jumbo" made air freight affordable for a number of trade articles that had not been flying beforehand.

In the '90's the tech community grew in awareness of the important role the freight forwarder was playing in logistics, and attempted to develop standard software products, such as Enterprise Resource Planning (ERP) and Transport Management Systems (TMS), gradually substituting the mainframe-dependant structure to catapult logistics into a networking industry phenomenon. Networking had always happened, by post, telex, phone and fax, but the internet gradually changed logistics, as probably everything else, by making networking faster, cheaper and scalable. This raised the bar of service; the top freight forwarders provided end-to-end shipment visibility with all carriers complying with streamlined documentation. In many situations, technological development was seen as threatening the foundations of an old industry and progress was not, and still is, easy all the time. We are still debating the fortune of the eAWB⁹, and this can hardly be seen as an achievement today. However modern freight forwarding services allow for value added services that are particularly beneficial for shippers and were impossible to even imagine just a few decades ago.

The importance of remaining relevant by travelling light

² <https://www.gw-world.com/en/company/about-us/history/the-beginnings/>

³ Dr Haniefuddin S, Shaik Shamshuddin Dr. Shaik Khadar Baba (2013) - Essentials of Logistics and Supply Chain Management

⁴ <http://tfig.unece.org/contents/unlk-recomm-1.htm>

⁵ <file:///C:/Users/eid/Downloads/Role%20of%20Quantitative%20Methods%20of%20Decision-1007.pdf>

⁶ <http://www.containerhomeplans.org/2015/03/a-complete-history-of-the-shipping-container/>

⁷ https://en.wikipedia.org/wiki/Malcom_McLean

⁸ https://en.wikipedia.org/wiki/Airline_Deregulation_Act

⁹ <http://www.iata.org/whatwedo/cargo/e/eawb/Pages/index.aspx>

Freight forwarders and logistics service providers in general have been grappling with different modes, different standards, different habits, but managed to “keep cargo moving” despite the raising bar of the challenges created by evolving trade patterns. Freight forwarders are today a truly global industry whose importance in the world trade is second to none and compares well with the importance of financial services.

For the sake of quoting an example of industry good practice which we know well, we could mention that the FIATA Diploma Curriculum is a world-wide endeavour that enables thousands of young professionals to seek their opportunities in a number of welcoming countries, which are very glad to avail themselves of well-prepared young resources. The FIATA Diploma ensures the perspective employer that job seekers have a minimum standard knowledge of the required procedures. Courses exist also in electronic format, this being an evolving paradigm for FIATA. In a world where restrictions seem to gain momentum, this is a shining example of opening and proactive behaviour in favour of better trade.

In an industry that spans so globally, one would expect the hand of the regulator to be intertwined throughout its history. However, this is in fact the opposite, as the industry has always done well to regulate itself by understanding the need for harmonised rules and streamlined processes to keep trade barriers low and facilitate the movement of goods. The very creation of FIATA in 1926 embodied the representation of this requirement, as it clearly appears in our historic documents. In this nearly century old work in search of efficiency, freight forwarders – through FIATA – have cooperated with a number of institutional and private sector interlocutors. Our work with various UN entities and bodies¹⁰, the WCO, the WTO and many others happens on a daily basis, we have continuous collaboration with the International Chamber of Commerce and similarly we work with peer organisations such as IATA, IRU, UIC etc. and many others; in FIATA the industry has always found a guiding hand, able to ensure its longevity. For these reasons we firmly believe that our sector must remain agile and nimble, able to deal with the ever increasing level of challenges international trade presents.

We are about to enter an entirely new revolution now, which is made possible by the ubiquity of information services which did not exist just a few years ago. eCommerce is a relatively new concept which is re-shaping trade, and consequently our industry. It brings big challenges and huge opportunities. In front of these changes it is vital that our sector is not hampered by excessive bureaucracy. It is a question of development or stagnation and it has complex interconnection with concepts such as safety, security, integrity and compliance. We strongly believe that we must not put this powerful surge or new ideas into the narrow box of antiquated stamps and forms.

From walking through History to harnessing the Future – The Tech Boom

The International Transport Forum (ITF) expects international trade to represent 50% of global GDP increasing 350% by 2050.¹¹ A growing share of trade would take place between emerging economies – one third of trade would then take place between non-OECD economies by 2060, compared with only 15% today.¹² And by 2030, the North Pacific corridor would surpass the North Atlantic one as the main freight corridor of the world. Supposing these predictions come true, this will all be made possible by improvements in infrastructure and broadband connectivity.

Mobile phones have made it easier to work on the go, which is particularly valuable in an industry that operates at an international level and is often on the move. The addition of cloud-based services has made documents readily available in a business that requires accurate and prompt documentation at a forwarder’s finger tips. This will certainly lead to the greater harmonisation of documents. New

¹⁰ <http://www.unsceb.org/directory>

¹¹ International Transport Outlook 2015

¹² Same as above

technology has given rise to eCommerce platforms which are changing the landscape of logistics. What once was only the business of trading goods between large and medium traders who were wholesalers working with organised local distribution is now rapidly changing into a business of trading goods between private consumers and micro-enterprises. The WCA projects that by 2020, freight forwarding will be 20% e-commerce driven¹³ and some believe this is a modest expectation. By allowing products to reach a broader range of customers through eCommerce, sellers will require more sophisticated and integrated logistics networks. Such networks are best harnessed through forwarders who have a strong understanding of trade rules and logistics routes. Knowledge will make a difference and this is where FIATA can lead the entire industry.

In cauda fabulae

Governments will need to play their role in the future of trade to avoid erecting trade barriers; this is the only way to facilitate their citizens' businesses' access to markets, whilst ensuring that citizens' safety and security are not put at greater risk. The power of the regulator will be best exercised in seeking greater harmonisation of standards and procedures. As history has taught us, regulation had been relatively absent in our sector, resulting in a healthy industry harmonising its own rules and improving its own trading environment. This trend must continue with regulation being the silent finger pointing to unity in harmonisation only where trade rules require a small push.

The goal of the freight forwarder and the principles that they operate on have practically not changed since inception, still a business of moving goods from one point to another at the service of trade. Interesting enough, when examined closely the freight forwarder is not practically needed to move the goods. The forwarder creates its own demand by offering a superior level of service; as trade continues to grow in importance and digital tools become available, forwarders will continue to provide that added value to their customers. In fact, customers becoming less individually interested in the rules of trade and more concerned about receiving reliable and fast service at the tip of their fingers will create more demand of knowledgeable, flexible services that traditionally freight forwarders have been able to organise. How bright this future is will greatly depend on the level of collaboration that forwarders will be able to create among one another amid this almost chaotic development of trade paradigms.

FIATA, an association established in 1926, has been there with its members facilitating trade, and these enterprises will continue to do so many years to come working with their more and more numerous customers.

Even accepting that we do not see ourselves as an advanced industry, we actually are. Freight forwarders today are much more advanced than others in dealing with the chaotic development of eTrade, simply because freight forwarders have been dealing with chaotic environments for time immemorial.

Some say that multitasking is not good for one's health... well we survived it. Being a freight forwarder in fact is not only trying to work as an architect of transport, as we said earlier, but it becomes more and more like trying to make sense of the chaotic development of modern lifestyles.

We look forward to an open dialogue with all parties concerned.

¹³ <http://www.wcaworld.com/cn/news.asp?id=1143>

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About FIATA

FIATA, the International Federation of Freight Forwarders Associations, was founded in Vienna, Austria on May 31st 1926. It is a non-governmental organisation that today represents an industry covering approximately 40,000 forwarding and logistics firms, employing around 10 million people in some 160 countries. FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA, etc.), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL) as well as many other UN related bodies, e.g. the World Bank. It is recognised as representing the freight forwarding industry by many other governmental organisations, governmental authorities, private international organisations in the field of transport and logistics, such as the European Commission (through CLECAT), the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU), the World Customs Organization (WCO), the World Trade Organization (WTO), etc. For further information, please go to: www.fiata.com

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