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Freight forwarders urged to form alliances

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BETTER business climate in the next few years, coupled with globalisation and trade liberalisation will make it imperative for freight forwarders and airlines to consider strategic alliances.

Prime Minister Datuk Seri Dr Mahathir Mohamad said, the air freight industry is expected to undergo tremendous changes as the pace of globalisation and liberalisation accelerates in the next few years.

"Businesses that anticipate and adapt to these changes are expected to do well in the new environment," he said when opening the Air Freight Asia 2000 Conference at Seri Kembangan, Kuala Lumpur yesterday.

Dr Mahathir said in order to do business and to prosper in the 21st century, freight forwarders and airlines will have to radically change the way they conduct their businesses.

"Gone are the days when freight forwarders and airlines merely move cargo from point A to B; instead, a comprehensive service package involving the warehousing and inventory management of goods and door-to-door delivery may be the norm rather than the exception.

"I am told that as businesses grow, the ability of airlines or freight forwarders to offer such services may be limited. The alternative is for airlines and freight forwarders to seek strategic partners in the transport and logistic chains."

Dr Mahathir said this will pave the way for mergers in the air freight industry which may include non-traditional players.

"Given such a situation, it is timely and relevant for the Malaysian freight community to work together to consolidate their resources and operations. The Government believes that there are no losers in such a consolidation exercise," he added.

Dr Mahathir said those who dare to merge their businesses will only stand to profit from their foresight, while their customers will enjoy better rates and services.

He added that the Government believes that such mergers will boost the industry's competitive edge in new markets in the Asia Pacific and beyond.

At present, the shipping and road haulage companies are consolidating their resources and operations with full support of the Government.

Dr Mahathir said the local freight forwarders should not only follow suit but also consider partnering with them, to become multi-modal companies or total logistic providers linking surface, sea and air freight business.

He added that another significant development that may impact the industry is the mergers of cargo division of airlines.

Dr Mahathir said although this is a relatively new development involving a very limited number of airlines, the benefits of such tie-ups would eventually encourage other airlines to enter into similar arrangements.

The Prime Minister added that he would not be surprised to see existing airline partners of the two leading global alliances pooling their resources to compete more effectively with companies like Federal Express and United Parcel Service, which grew from courier companies to become pioneers of integrated air freight services.

Dr Mahathir said the air freight industry is likely to witness even greater competition between traditional airlines and the integrators as they transform into total logistic service providers.

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