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Merge and prosper, freight community told

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FREIGHT forwarders and airlines should merge with transport and logistics companies to enable them to offer a comprehensive service package to customers.

Prime Minister Datuk Seri Dr Mahathir Mohamad said this was necessary as services such as warehousing and inventory management of goods and door-to-door delivery, which involved both sectors, might become the norm rather than the exception.

"As businesses grow, the ability of airlines or freight forwarders to offer such services may be limited. The alternative is for them to seek strategic partners in the transport and logistics chains.

"This will pave the way for mergers in the air freight industry, which may include non-traditional players," he told participants of the Air Freight Asia 2000 conference at the Palace of the Golden Horses in Seri Kembangan yesterday.

He said it was timely and relevant for the freight community to work together and consolidate its resources and operations.

Dr Mahathir said freight forwarders and airlines would have to radically change the way they conducted business as the days when they merely moved cargo from point A to B were gone.

The industry is expected to undergo tremendous changes as the pace of globalisation and liberalisation accelerates.

The Prime Minister said the Government believed there would be no losers in such a consolidation exercise as those who dared to merge their businesses would stand to profit from their foresight, and their customers would enjoy better rates and services.

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

"Local freight forwarders should not only follow suit but also consider partnering them to become multi-modal companies or total logistics providers linking surface, sea and air freight businesses."

In anticipation of the huge demand for air freight and logistics businesses, Dr Mahathir said the Government had initiated the upgrading and expansion of the air transport infrastructure, with the single biggest investment being the Kuala Lumpur International Airport in Sepang.

As facilities alone would not be sufficient for the country to take advantage of the tremendous growth expected of the cargo industry, Dr Mahathir said policies were reviewed on a regular basis to ensure that all the key elements were put in place.

"As far as air freight is concerned, we practice a liberal aviation policy and are prepared to enter into "Open Sky" arrangements with any country which will encourage and facilitate airlines, forwarders, importers and exporters to use KLIA as the leading cargo hub of the region."

It is also for this reason that the Government has always ensured that tariffs at KLIA would be among the lowest in the region.

The Prime Minister said another significant development that might have an impact on the industry was the mergers of cargo divisions of airlines.

Although this was a relatively new development involving a very limited number of airlines, Dr Mahathir felt that the benefits of such tie-ups would eventually encourage other airlines to enter into similar

arrangements.

Meanwhile, Malaysia Airlines chairman Tan Sri Tajudin Ramli, speaking at the same function, called all parties involved in the air freight industry to work together to spur the development of an air cargo hub at KLIA.

He said although Malaysia Airlines had spent millions on making the advance cargo centre at the airport among the most sophisticated in the world, freight forwarders had yet to adapt themselves to the technological advancements.

"Technology alone is not sufficient. We are worried that some freight forwarders have not come up to speed with the advancements.

"We fear that if this is not addressed, there could be a break in the logistics chain."

The two-day conference and exhibition, organised by Payload Asia magazine, brings together industry players in plenary sessions to discuss the future direction of the air cargo industry worldwide.

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