



UFL

ISSUE 38 - OCTOBER 2018

Welcome to the latest edition of Service without Boundaries, the quarterly newsletter of the U-Freight Group; our final one of what has been a very busy year.

September saw the U-Freight Group mark our 50th anniversary with a well attended annual international sales conference in Hong Kong, plus a celebratory dinner party attended by over 600 staff, partners and clients.

Since 1968, we have grown into one of the world's leading independent providers of international freight forwarding and logistics services; especially strong in servicing the needs of shippers moving goods to, from and between China, Japan, South Korea and the ASEAN countries, and the rest of the world.

During the celebrating of our 50th anniversary I commented on the group's long history of involvement in systems and high tech, having set up our own R&D centre in Shenzhen 20 years ago.

Competition in logistics is fierce. Not only do we have to manage costs effectively to maintain competitiveness, we also have to make use of technology to boost efficiency.

Two decades ago, the Group developed our own AFSA system that allows UFL clients all over the world to check the latest updates to their freight, wherever they happen to be, and helps to make us an ideal logistics partner for many businesses.

Now we are developing new products designed specifically for the e-commerce market, which you can read about below.



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LATEST NEWS ABOUT U-FREIGHT

[UFL LAUNCHES LOGISTICS PRODUCT DESIGNED FOR E-COMMERCE START-UPS](#)

As the global e-commerce market develops apace, a significant increase in the number of small business start-ups is being seen. Often they have limited resources and are looking for cost effective behind-the-scenes assistance with order fulfilment and associated logistics and administration operations.

■ [Read more](#)

[MORE NAVIGATORS SET SAIL FOR U-FREIGHT](#)

Two key executives have been promoted and are now part of a management team within the U-Freight Group Ltd (UFL) created almost a decade ago tasked with de-vising and implementing strategic initiatives to help move the company forwards.

■ [Read more](#)

[U-FREIGHT SEES AIRCRAFT ON GROUND \(AOG\) LOGISTICS SERVICES 'SOAR'](#)

An initiative to expand the U-Freight Group's presence in the global aviation and aerospace supply chain management market is beginning to take shape.

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[U-FREIGHT OFFERS SPACE FOR ALL AT HONG KONG HQ](#)

U-Freight is throwing open the doors of its new co-working space in its Hong Kong headquarters to start-up businesses and exploring the possibility of allowing people interested in going into e-commerce to use the area for offices, meetings or events to further their business ventures.

■ [Read more](#)

[STUDENTS LEARN HOW SYSTEMS ENGINEERING CAN HELP SUPPLY CHAINS](#)

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[TRADE WARS FAIL TO DEFLECT E-COMMERCE GROWTH](#)

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■ **[Read more](#)**

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U-Freight has welcomed the news that in light of the rapidly increasing wave of e-commerce shipments entering the USA from abroad over the past two years, US Customs and Border Protection is ready to take collective action with the industry to enhance security over this trade.

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TRADE SECTOR FOCUS

BIOMEDICAL AND PHARMA LOGISTICS

At U-Freight, we are proud that our biotech and pharmaceutical logistics services represent the highest standards in shipping some of the world's most delicate and life-saving cargoes.

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NOTA BENE

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Anyone who has any questions about the items contained in this newsletter should get in touch with your local UFL office. Please visit our website on a regular basis for more items of breaking news.

www.ufreight.com



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UFL LAUNCHES LOGISTICS PRODUCT DESIGNED FOR

E-COMMERCE START-UPS

[← Back to Index](#)

As the global e-commerce market develops apace, a significant increase in the number of small business start-ups is being seen. Often they have limited resources and are looking for cost effective behind-the-scenes assistance with order fulfilment and associated logistics and administration operations.

In response, the U-Freight Group has launched “e+ Solutions”, a new product to assist such small businesses with their logistics needs.

e+ Solutions offers a comprehensive e-commerce logistics package: from dedicated storage space for the entrepreneurs' products, to order processing and fulfilment services, including final delivery to customers.

But most importantly, it offers the owners of these small start-up e-commerce businesses the constant support of a workforce that already has significant experience in fulfilling e-commerce orders on an international level.



U-Freight’s wholly owned e-commerce fulfilment center (EFC) already has the necessary hardware for storing and order processing, plus the associated software that is required for system integration and end-to-end data transparency. A wide range of value-added or customised services are also available.

By using e+ Solutions, these small entrepreneurs have more time to concentrate on adding value to their products and optimising their marketing and sales development initiatives.

They will benefit from complete data transparency, with real time inventory updates, plus web and



UFL

mobile app access for immediate management and status updates of order instructions, plus subsequent live reporting of delivery tracking.

The customers of these small start-up e-commerce entrepreneurs will receive push notifications on order status, and the service will be backed by a 'live chat' facility enabling instant customer services follow up.

And, of course, those small business start-ups who have regular orders and want to expand their business to overseas markets, can take confidence from the fact that the U-Freight group has been successfully providing international freight forwarding services for the last 50 years.

[← Back to Index](#)



UFL

MORE NAVIGATORS SET SAIL FOR U-FREIGHT

[← Back to Index](#)

Two key executives have been promoted and are now part of a management team within the U-Freight Group Ltd (UFL) created almost a decade ago tasked with de-vising and implementing strategic initiatives to help move the company forwards.

The team, known as the Navigators, consists of a number of senior managers selected from various U-Freight national offices around the world, which gives the team in-depth experience and wide expertise.

Joey Cheung, assistant general manager, and Alex Wong, e-Commerce assistant general manager, both work for U-Freight Hong Kong, and have been promoted to the roles of vice president of the UFL Group and have joined the Navigators Team.

Both have served U-Freight for over 20 years, taking a variety of roles in both China and Hong Kong, as well as being heavily involved in developing the group's increasingly successful e-Commerce logistics services over the last few years.



Pictured left to right are Simon Wong, Joey Cheung and Alex Wong.

We see the Navigators Team initiative as an opportunity to pool the experience of a number of senior executives from across the U-Freight Group to create plans and policies that would help increase the quality of our product offering to customers world-wide.

All members of the Navigators Team are long-serving UFL managers whose selection is a reflection of the valuable contribution that they have made to the company's development.



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U-Freight has always had a firm belief in promoting from within. Given the collective experience of both Joey and Alex, I'm sure that they are more than capable of helping the Navigators Team to drive forward our position in the various trades that we serve.

[← Back to Index](#)



UFL



U-FREIGHT SEES AIRCRAFT ON GROUND (AOG) LOGISTICS

SERVICES 'SOAR'

[← Back to Index](#)

An initiative to expand the U-Freight Group's presence in the global aviation and aerospace supply chain management market is beginning to take shape.

Most recently, it has been working on a worldwide basis with SOAR LP, the leading global provider of services for emergency repairs for large aircraft on ground (AOG) events, as well as scheduled airframe repairs.

Among these projects is the crating and shipping of full size mobile aircraft hangars to various locations, with recent activity primarily in Asia.

The hangars, which are used to protect an aircraft in situ whilst under repair, are based globally and have been used most recently in Indonesia, The Netherlands, The Philip-pines and Portugal. The hangars are able to hold an aircraft as large as a Boeing 747 to protect it from the elements. The hangars are moved in a disassembled state in up to six 40 ft high-cube containers, depending upon size and mission.

U-Freight is also responsible for moving the tooling required for each of these projects from the USA to the different project locations and also for returning them to the USA for refurbishment.

SOAR continues to expand its worldwide presence and with it, looks to U-Freight to provide logistics solutions as well as quick action for its AOG services.

Operators know only too well that stationary aircraft on the apron prove conclusively that time



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really is money in the airline industry. Whether it is a critical AOG shipment that needs to move from Munich to Montreal, or from Brussels to Beijing, our network of offices and collection services means that we can offer cost effective, reliable logistics solutions to the aviation and aerospace industry.

When SOAR is called upon by an airline to provide AOG repair services, it knows that it can call upon U-Freight to provide the logistics support to expedite delivery of the spares and equipment to the project site - whether that is a mobile repair hangar or an aircraft engine - via our worldwide network.

[← Back to Index](#)



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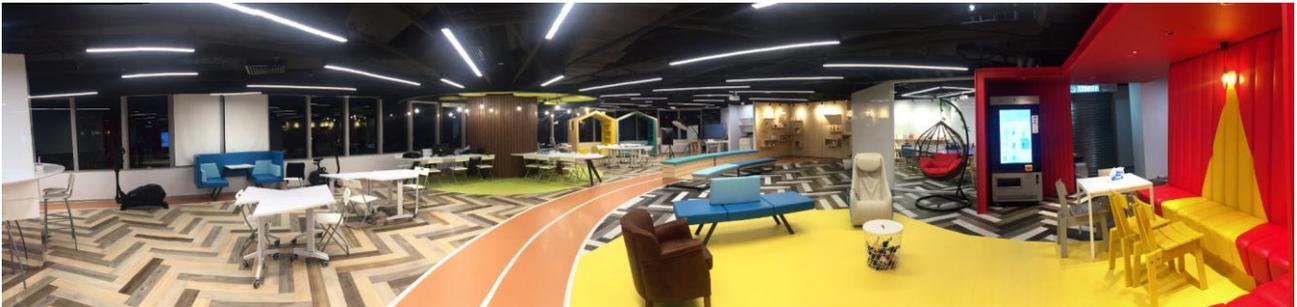


U-FREIGHT OFFERS SPACE FOR ALL AT HONG KONG HQ

[← Back to Index](#)

U-Freight is throwing open the doors of its new co-working space in its Hong Kong headquarters to start-up businesses and exploring the possibility of allowing people interested in going into e-commerce to use the area for offices, meetings or events to further their business ventures.

And of course, should they need logistics services to deliver products around the world, U-Freight staff members will be on hand to help.



The recently opened co-workers space comes with a wide range of facilities and furnishings. In addition to standard office equipment such as desks, display cabinets and projectors, there are also a wide range of facilities for leisure, including table tennis tables and exercise bikes. We recognise that all work and no play makes a dull boy (or girl) and are keen to provide staff and clients with a pleasant working environment and foster exchange among workers.

We hope that, by providing a space for play as well as work, we can encourage the sense of belonging among our staff members. This will actually encourage them to get more involved in work and will actually increase productivity.

[← Back to Index](#)



STUDENTS LEARN HOW SYSTEMS ENGINEERING CAN HELP SUPPLY CHAINS

[← Back to Index](#)

Joey Cheung, vice president of U-Freight Holdings, recently gave a talk on behalf of the Hong Kong Freight Forwarders Association (HAFFA) at the Chinese University of Hong Kong (CUHK).



Mr. Cheung spoke to students from the Department of Systems Engineering and Engineering Management (SEEM) about career opportunities and general prospects with-in the logistics and freight forwarding industry.

As well as introducing HAFFA and the work that it undertakes, Mr. Cheung also described the logistics advantages of Hong Kong, as well as outlining career opportunities.

During a lengthy Q & A session, students were keen to know how system engineering, in which many of them major, can be applied to logistics industry.

Mr. Cheung explained that in the logistics industry, many units and partners are involved in facilitating an efficient supply chain.



He explained that throughout the whole process, individuals with system engineering skills would be able to provide great assistance with the accuracy and timeliness of data transmission to make sure the physical operations run smoothly.

[← Back to Index](#)



UFL



TRADE WARS FAIL TO DEFLECT E-COMMERCE GROWTH

[← Back to Index](#)

The ‘trade war’ that has broken out between the US and China should not seriously affect e-commerce business, although there may be an impact on traditional business-to-business (B2B) logistics, we believe.

For U-Freight the move into cross-border electronic trade will help to diversify our market base and hence reduce our exposures to risk in any one trade lane, include China/USA. Nonetheless, B2B is still a core part of UFL’s business, and will continue to be so for the foreseeable future.

UFL became one of the first forwarders in Hong Kong to develop business-to-consumer (B2C) cross-border logistics and forwarding services. Despite being introduced only last year, e-commerce logistics now accounts for a significant portion of the group’s business, covering mainland China, the Philippines, South Korea, Europe and the Americas.

In future, UFL plans to expand this activity to Indonesia, Thailand and the rest of South-east Asia.

We see a huge potential in these areas for e-commerce and hence strong demand for logistics services is to be expected.

UFL uses state-of-the-art technology to speed shipments through its network of global warehouses and handle the more complicated logistics processes involved in B2C commerce. Its second-generation AFSA system greatly simplifies handling of large numbers of orders and even helps speed up customs clearance processes.



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The Group also has a sophisticated global inventory control and management system that can flexibly amend and adapt orders.

[← Back to Index](#)



UFL



BOEING EXPECTS AIR CARGO TRAFFIC TO DOUBLE IN THE NEXT 20 YEARS

[← Back to Index](#)

With our strong involvement in expedited air freight services, U-Freight was interest-ed to read that Boeing believes that goods transported by air, including perishables, electronics and pharmaceutical products "are some of the fastest-growing trade flows around the world.

In its recent 2018 World Air Cargo Forecast, the jet manufacturer projects more than 1,100 standard-body and 500 medium wide-body passenger airplanes will be convert-ed into freighters to handle increasing cargo volumes.

Boeing projects the air cargo market will sustain a long term growth rate of 4.2%, with e-commerce as one of the main drivers. Global e-commerce sales are expected to reach \$2.8 trillion this year. By 2021, the e-commerce market could reach almost \$5 trillion. Which is also interesting news for us as a pioneer of e-commerce logistics.

China in particular is booming, as the nation has become home to the world's largest e-commerce market, with sales rapidly outpacing e-commerce sales in the USA, which is the second largest e-commerce market.

In addition, the types of goods often shipped by air are seeing higher growth rates compared to heavy or bulk commodities typically transported by ocean freight, rail or truck.

"The computers and electronics equipment commodity group, a major source of air cargo traffic, was the fastest growing in 2017," the report stated.



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Since last year's unusually high growth rate of 10.1%, the pace of air freight growth has slowed, although it's still growing.

"While there are potential risks in the market, including trade tensions and volatile fuel prices, air cargo market fundamentals remain favourable," Boeing's forecast stated.

[← Back to Index](#)



LINER SHIPPING BALANCE POSTPONED

[← Back to Index](#)

As a provider of a wide range of oceanfreight forwarding services, U-Freight notes that a gloomier world economic outlook and rising trade tensions have forced Drewry to downgrade its forecast for container demand over the next five years, according to the global shipping consultancy's latest edition of the Container Forecaster.

Drewry's long-term supply and demand prognosis for carriers has deteriorated since the last report. Previously, the company's global supply-demand index was expected to take incremental steps upwards through 2022, by which time the industry would at long last be close to equilibrium. However, the new forecasts suggest that the industry now faces being stuck with the current over-supplied situation for several more years.

"The anticipated re-balancing of the container market looks to have been postponed. That's more bad news for carriers that are facing substantial cost increases as a result of stricter ship fuel standards from 2020," said Simon Heaney, senior manager, container research at Drewry.

It has been a topsy-turvy year in the container market with demand growth oscillating on a quarterly basis, from the highs of the first quarter to the lows of the second. Growth returned with a vengeance in the third quarter, but no-one can tell at this stage how much it was artificially stimulated by fears surrounding the latest round of tariffs issued by the US and China, or how hard the come down will be in the fourth quarter without the expedited cargoes.

Drewry rough impact assessment of the latest round of US tariffs imposed last month indicate that eastbound Transpacific flows could be hit with an opportunity cost of approximately 1 million teu next year.



“That is a similar sum to what we pinned to the trade under our “medium intensity” trade war scenario in the previous edition,” said Heaney. “It is an unfortunate fact that trade barriers could yet be raised higher with the prospect of further tit-for-tat measures. In such a fluid situation it is impossible to second-guess where this will end. With so many moving parts all trade forecasts need to be treated with more caution than usual as they now have a shorter shelf life and need to be revisited after each breaking news or tweet.”

On the supply side, greater than expected new ship deliveries, combined with fewer demolitions in the second quarter prompted Drewry to marginally raise the fleet growth rate forecast for this year. While the difference between the current and previous forecasts for year-end fleet teu is relatively small at +67,000 teu, the significance of the upgrade is larger as combined with a more pronounced downgrade for container volumes supply growth is now expected to exceed that of demand.

Such a scenario has clear negative implications for container shipping lines as without any meaningful narrowing of the gap between supply and demand they will have to continue to firefight capacity management on a week to week basis in order to prop up ship utilisation and freight rates.

Drewry’s outlook for freight rates and carrier profitability in 2018 and 2019 is little changed from earlier estimates, despite the downward revision of trade forecasts and more bearish outlook for vessel supply. While the market remains fiercely competitive, there are signs that some aspects of predatory pricing practices are receding and carrier vessel deployment more disciplined



UFL

CBP WORKING TO CURB ILLICIT E-COMMERCE TRAFFIC

[← Back to Index](#)

U-Freight has welcomed the news that in light of the rapidly increasing wave of e-commerce shipments entering the USA from abroad over the past two years, US Customs and Border Protection is ready to take collective action with the industry to enhance security over this trade.

CBP Acting Deputy Commissioner Robert E. Perez told attendees at the National Customs Brokers and Forwarders Association of America's Government Affairs Conference in Washington that CBP is "about ready to roll up our sleeves and lock ourselves in a room like we did with CTPAT."

After the September 11, 2001, terrorist attacks, CBP established CTPAT (Customs Trade Partnership Against Terrorism) as part of its layered strategy for overseeing global supply chain security. The agency's goal for the programme has been to secure the flow of goods bound for the USA by developing voluntary anti-terrorism partnerships with companies within the international trade community.

Perez said that CBP is getting close to doing the same with e-commerce, Perez said, which will be good for U-Freight, as any other company using improper channels would have problems.

It's unclear what exactly CBP has in mind yet for collectively enhancing the security of cross-border e-commerce, but Perez has urged Customs brokers and forwarders "to be at the ready" and we are pleased to report that with our commitment to compliance, U-Freight is ready, already.

CBP is trying to address the illegal trade in counterfeit and other unsafe products, which are



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increasingly making their way into the e-commerce stream, as well as curtail any online importers, which are bending the rules to take advantage of small package shipping, which became feasible with the increase in the USA de minimis level from \$200 to \$800, as allowed under the 2015 Trade Facilitation and Trade Enforcement Act.

[← Back to Index](#)



UFL



BIOMEDICAL AND PHARMA LOGISTICS

[← Back to Index](#)

At U-Freight, we are proud that our biotech and pharmaceutical logistics services represent the highest standards in shipping some of the world's most delicate and life-saving cargoes.

Pharmaceutical shipments require the type of sophisticated and dedicated shipping services that UFL is proud to offer. UFL has logistics hubs on every continent fully equipped to support significant temperature-controlled shipments in all regions.

Clients will be reassured that our reliable and consistent pharmaceutical logistics services ensure compliance with government agencies' requirements worldwide.

Manufacturers, wholesalers, drug store companies, medical device manufacturers, health authorities, hospital supply companies, or other healthcare providers, looking for a supply chain partner will benefit from UFL's highly disciplined processes, high quality standards and commitment to zero defects in the pharmaceutical supply chain.

[← Back to Index](#)



NOTA BENE

[← Back to Index](#)

There is considerable unease among global shippers/BCOs (Beneficial Cargo Owners) and freight forwarders ahead of the IMO's 2020 global emissions regulations, due to come into force on 1 January 2020, according to a survey conducted by global shipping consultancy Drewry.

Particular uncertainty and concern was expressed about carriers' methods of fuel cost recovery with more than half of all respondents (56%) stating that they did not consider their service providers' existing approaches as either fair or transparent. 4 in every 5 of the shippers/BCOs participating in the survey stated that they had yet to receive clarity from their providers as to how the widely anticipated future fuel cost increases, set to accompany the 2020 regulatory change, would be met.

In October, the International Air Transport Association (IATA) released data for global air freight markets showing that demand, measured in freight tonne kilometers (FTKs), rose 2.3% in August 2018, compared to the same period the year before. This pace of growth was unchanged from the previous month but was less than half the five-year average growth rate of 5.1%.

At the International Maritime Organization's (IMO) latest meeting of the Sub-Committee on Carriage of Cargoes and Containers (CCC), the international freight insurance specialist, TT Club called for more urgent action on issues pertaining to the safety of container transport. For some time now the insurer has been drawing both industry and regulators' attention to the need for greater 'Cargo Integrity', by which is meant the safe, secure and environmentally sound packing, handling and transport of all goods in containers and other transport units, in compliance with conventions (such as SOLAS[1]) and codes, including IMDG Code[2] and the CTU Code[3].

The International Federation of Freight Forwarders' Associations (FIATA) has launched a demurrage and detention guide for forwarders to protect against "unjust" and "predatory" container



line charges.

FIATA said its Multimodal Transport Institute Working Group Sea produced the ‘Best Practice Guide’ to “help reduce unnecessary supply chain costs and inefficient operations leading to unnecessary detention and demurrage charges”.

The guide acknowledges that demurrage and detention charges are an important tool for shipping lines to ensure the rapid return of equipment and to charge users that exceed the contractual duration of use. However, it also notes that merchants should not be subjected to “unjust and unreasonable charges” imposed by carriers.

[← Back to Index](#)