



Air Cargo: At Our Best When At Our Boldest

A Q&A with Glyn Hughes, Global Head of Cargo, IATA

Q: There have been a lot of individual announcements and initiatives from IATA at the WCS, but what is the unifying theme behind them?

Glyn Hughes: The unifying theme is our response to the clearly articulated demands from the ultimate users of the air cargo supply chain, i.e. the shippers, that we must do things differently or else risk the business moving elsewhere. As we heard in the opening day plenary panel, shippers representing hi-tech and pharmaceutical industries, and the global shippers' forum, all stressed that they felt air cargo had moved backwards. To reverse this trend, we must embrace digital information that can be exchanged in a transparent manner, renew our focus on quality within the supply chain and, most importantly, we must be quicker. Shippers use air primarily for speed, as attested to in the 2015 Shippers Survey conducted by IATA, to which we got over 300 responses. This relates to our commitment to the 48-hour challenge. Carriers, forwarders and ground handlers tell us they are dedicated to moving things quicker. As an industry we now must get this done.

Q: What more can IATA do to help the industry reach the 45 percent e-AWB target in 2015?

Glyn Hughes: The best part of the industry meeting its 22 percent target in 2014 was how many new carriers, forwarders and ground handlers are now engaged in making this a reality. It is no longer just the pioneering success of a couple of major industry players, but has now been embraced by a much greater part of the overall community. IATA's role continues to be supporting those organizations that wish to get help, guidance, and training in delivering this objective.

We have also been asked to look at introducing an entry-level technology solution for the small- and medium-sized enterprises that may not have sufficient technology at their disposal today. This is something we will be investigating throughout 2015.

Q: Tony Tyler hinted that there would be an announcement on the modernization of the Agency program soon. Can you share any more details on that?

Glyn Hughes: As Tony mentioned, there are a number of key and critical principles that have guided this project from the outset. FIATA, IATA, airlines and forwarders have jointly created the program which delivers all of the principles, which Tony described. The new program will operate outside of the Agency Conference Mechanism. Program rules, procedures and joining standards will be set by a governing board comprised of equal components of airlines and forwarders. Standards will be applicable to all participants and will focus on operational quality. The program will be rolled out progressively throughout the world, starting with a pilot in each regional location.

Q: What will be different in 12 months' time at the next WCS? What would you like IATA and the industry to have demonstrated/achieved by then?

Glyn Hughes: First and foremost, we hope the conversations will be different. The roots of our industry go back to the earliest days of aviation, even before scheduled passenger services were established, and we are most effective when innovating, yet sometimes we are accused of too much procrastination. I sincerely hope that next year when we get together we will talk what has been done, and not what needs to get done. I think we are at our best when at our boldest, and therefore need to tackle the challenges that the shippers and the mar-

ketplace and the regulators have thrown at air cargo in a collaborative fashion. IATA has an important role to play in facilitating these solutions as a supporting entity to the critical stakeholders who participate in the day to day supply chain activity.

Working with the industry we will continue the extremely important work of implementing some of the standards, policies and new programs agreed this week, such as the revised agency program, the modernization of the Cargo Services Conference Standards setting groups, the Consignment Security Declaration and, of course, the critical activities in relation to cargo safety. Collaboratively with the UPU, we are implementing the MOU, which looks at joint safety and security programs, and will continue to bring exposure of the important topic of air cargo safety to regulators, supply chain participants and the ultimate consumer.



Glyn Hughes

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A Harmonized Approach to Pharma

The pharmaceutical industry relies on air transport for its speed, reliability and efficiency in delivering high-value, time-sensitive, temperature-controlled cargo, benefiting the industry and mainly airline members in protecting and growing revenues.

The market for healthcare products continues to grow and shows strong resilience to global economic downturns. An increasingly aging population, with many chronic/lifestyle diseases, requires access to new products and spending on national healthcare programs. This is an important part of many government social policies. The global pharmaceutical logistics market, valued at \$64 billion in 2014, according to Pharmaceutical Commerce, is heavily regulated and expensive. The exploding market for pharmaceutical goods brings unique opportunities for the air cargo industry.

The emergence and expansion of Brazil, Russia, India, China and South Africa as major consumer markets will shift demand and lead to more balanced trade flows in the air cargo industry. The growing middle classes in emerging economies are discerning high-end consumers who will continue to sustain airfreight growth in the years to come. Understanding customer needs, anticipating them and adding value in delivery is key to achieve an effective supply chain. This analysis of customers' needs was undertaken by the collaborative actions taken by IATA and their supply chain stakeholders and partners, with the aim to address the concerns of the healthcare industry to ensure the integrity of sensitive healthcare products is preserved and maintained when transported by air freight.

There is a growing importance of cold chain management for pharmaceuticals, and investments have been taken to ensure high-value medicines are temperature controlled. The investment in facilities, people and training provides customers with confidence that the solution meets the regulations.

In addition, the healthcare industry is increasingly using monitoring systems, which may be placed in individual packages, to track temperature or other parameters through the whole distribution chain. Furthermore, by monitoring temperatures, the supply chain also becomes more secure (a non-negligible benefit to shippers), and when integrated with standard processes, then total quality is attained.

There is no gold standard as the pharmaceutical industry is heavily regulated. Today there are an increasing number of countries issuing their own regulations and guidance around the world to implement and comply with.

The global nature of the pharma industry and its markets means that there needs to

be a harmonized approach to distribution practices and the goal of greater patient safety achieved. Compliance, standardization, accountability and transparency across the supply chain are concerns that have been addressed by the shippers' community. This is the reason why IATA is developing a global certification for the handling of pharmaceutical cargo that encompasses various regulations and standards e.g. GDPs, WHO.

IATA has developed a program, named the "Center of Excellence for Independent Validators for Pharmaceutical Handling" (CEIV-Pharma), replicating the positive experience of the CEIV for Cargo Security. The goal is to build a network of IATA-certified trade lanes that have been independently assessed against consistent standards.

CEIV Pharma is a standardized global certification program for training and assessing organizations against standards and regulations (including IATA TCR, National GDPs, WHO). It is developed by the industry for the industry with the aim of providing a global and consistent assessment across the world recognized by regulators and shippers. Such a certification is conducted on a voluntary basis. Two recent additions to the CEIV Pharma Program were made during yesterday's sessions: Swissport Cargo in Brussels and Jan de Rijk in Roosendaal, bringing the number of certifications to seven in the last three months.

This initiative is undertaken in cooperation with the appropriate cold chain stakeholders. Going through a CEIV Certification that provides visibility and transparency will lower the risk, improve service levels of specialist pharmaceutical air cargo providers, and provide confidence to the manufacturers that their products will be handled appropriately. See more at www.iata.org/pharma.

— *Andrea Gruber is Senior Manager, Special Cargo, IATA*



Andrea Gruber

THURSDAY AGENDA

TODAY'S SCHEDULE AT A GLANCE

8:00 – 16:00

Exhibition Open

Grand Ballroom, River Wing, Level 3

9:00 – 12:30

Morning Specialized Tracks:

China International – Entering Chinese Market

China Hall I, Grand Tower, Level 3

Cargo Operations & Handling Track

China Hall II, Grand Tower, Level 3

e-Cargo Track

China Hall III, Grand Tower, Level 3

Dangerous Goods Track

Shenyang, River Wing, Level 2

12:30–13:30

Networking Lunch

Grand Ballroom, River Wing, Level 3

14:00 – 16:30

Closing Plenary

China Hall, Grand Tower, Level 3

NEXT ON THE CALENDAR

After the World Cargo Symposium, IATA will present its CNS Partnership Conference on April 19-21. This 25th annual CNS will be held in Orlando, Florida, USA. More details can be found at:

www.cnsc.net/events/Pages/cns-partnership-conference.aspx

Silk Road Revisited: Blending Air, Rail in Asia

The ancient Silk Road, popularized in the West by Marco Polo in the 13th century, has largely been overtaken by modern air and ocean cargo networks. But during yesterday's Supply Chain Management Track, the old land route from Asia to Europe was discussed as an economically viable option for today's shippers. The main question was: Is this a threat to air-freight, or is it multimodal opportunity?

Session moderator Joost Van Doesburg, with the European Shipper's Council, emphasized the latter answer, saying his clients still needed an option that was "cheaper than air but faster than the ocean."

Speaker Nover Jin, Product Head, Air Freight, Shanghai and East China, for DHL Global Forwarding, presented a compelling presentation about DHL's rail services: RailLine, for full container load (FCL) shipments, and RailConnect, for less-than-container load (LCL) transports, providing more flexibility than the FCL option.

The service runs from selected cities on China's coast, across China and into the former Soviet republics to Europe, with one option using part of Russia's famed Siberian railway. From there, cargo can be unloaded at air hubs, such as Frankfurt, and shipped by air to various markets in North and South America and Africa. Most of the cargo that has shipped on the service so far has been high-tech electronics.

Door-to-door service using this rail/air option is 18 days, Jin said, compared with about 41 days to make a similar ocean journey. "Not every shipment is that urgent," he told the packed session room. "Airfreight is no doubt faster, but ... customers still need an option in between."

Lothar Moehle, Director of Air Security Standardization, Global Air Freight, for Schenker AG, said his company naturally has embraced rail, being a subsidiary of German rail giant Deutsche Bahn. Rather than being a "Tojan Horse," the rail mode is likely to complement the air-freight business, he said.



"Customers of ours were caught in a double-whammy," Moehle said. As many decided to move freight on the ocean to save money vs. air, they then got hit with the "slow-steaming" practices of many shipping lines to save on fuel. "So they were stuck with even longer wait times."

DB Schenker's rail service, he said, uses standard 20- or 40-foot intermodal containers to move freight from China to Duisberg, Germany, where the containers are taken by bonded truck to air hubs such as Frankfurt, Luxembourg, Liège or Amsterdam. Total door-to-door time cited by Moehle was 23 to 25 days, compared to about 50 to 55 days by ocean vessel or four to five days by aircraft alone.

The Art of the Possible and the Practical

Journalists usually attend events like IATA's World Cargo Symposium in the hope that they will have the opportunity to interview some of the big players in the airfreight business. But on Wednesday morning, IATA staged an interview of its own, putting two of these big players on the stage together, and having one interview the other, while delegates (and journalists) watched and listened. Doing the interviewing was Enno Osinga, Senior Vice President Cargo, Amsterdam Airport Schiphol and TIACA Board Member, and in his spotlight was Doug Brittin, TIACA's Director General.

The interview took place at the beginning of a session on air cargo security, and who better to question on that subject than Brittin, who, after a successful career in the logistics and air freight industry, spent several years leading the U.S. Transportation Security Administration's air cargo efforts before taking his current position at TIACA.

The formal subject of the interview was "Is Terrorism a Failed Brand?" The idea

behind this was that, in a marketing sense, Al Qaeda, and now ISIS, have become brands known to the world, and capable of attracting recruits through their ability to market themselves. Given that, insofar as aviation has been concerned, there have been no successful attacks recently, could we therefore conclude that terrorism's brand had failed, or was failing?

The answer, to no one's surprise, was that no, the brand was still popular, and terrorism was still a serious threat.

This was, of course, just the introduction to the meat of the interview, which focused on the question of how the effort to protect the air cargo supply chain in the face of continuing – and increasing – threat should proceed.

To start, Brittin pointed out some of the problems, among them the basic fact that any "perfect" protection system would bring the chain to a halt, thereby accomplishing the terrorists' goals for them. On the bright side, regulatory agencies, such as the TSA, have come to appreciate this,

and have for some time now been working with the players in the supply chain, rather than in opposition to them. On the less bright side, Brittin noted that while regulators had accepted that security had to work in the real world, many legislators had not, and still continued to push for the implementation of 100 percent screening, among other "solutions" that were either not implementable at all, or, if implemented, would make air freight unusable by shippers.

But despite these problems, Brittin was optimistic about the possibility of increasing security without destroying the value proposition of airfreight. It will take continued close cooperation between regulators and industry, continued efforts to educate legislators and increased sharing of information by all involved.



Doug Brittin

Air Cargo Innovation Awards Finalists

Excerpts from project descriptions from the three finalists have been reproduced. These do not express the opinions or views of IATA.

CanTrack (Floris Kleijn)

The name of the idea was chosen because an aviation container is affectionately known as a “can” in the air cargo industry and the name refers to one of the features of the solution.

ULD management is a business critical activity that ensures the smooth running of most airlines’ flight operations. However, as it is often considered a non-core activity in an increasing number of airlines, they outsource their ULD management operation to solve their key ULD-related problems such as:

- High ULD buffer stocks required to operate the network;
- Excessive and unnecessary damage to the ULD and its cargo;
- Lack of monitoring tools in relation to the proper handling of ULDs and the cargo carried inside;

- Inefficient and/or inaccurate capturing of ULD movements in the global network.

CHEP Aerospace Solutions has developed an energy-harvesting, self-powered GPS/GSM tracking solution for aviation containers that is integrated with a back-end information system. Their solution offers the opportunity to use the container as a proxy for tracking cargo whilst improving inventory control and reducing damage.

This idea aims to solve airlines’ key pain points by combining GPS tracking technology with sensor-based technologies to transform a “mute” ULD to an intelligent “smart” sensing container delivering benefits including:

- Improved stock availability ensuring the right ULD type in the right place at the right time;
- Reduction in cargo and ULD damage by measuring excessive shock and recording abuse to introduce accountability across the supply chain;
- Quality monitoring tools by measuring, recording and displaying key environ-

mental statistics on the well-being of the cargo contents of the container;

- Real-time information on the location of the ULD and its cargo including electronic proof of delivery and chain of custody.

A key capability of the sensing device is the temperature sensor, which brings benefits to the transport of pharmaceutical products. More and more shipments of pharmaceuticals need no special cooling but confirmation that they have remained within the controlled room temperature range. The combination of the sensing capability and software provides the necessary quality assurance on that.

The solution also comprises an impact sensor which helps to solve liability issues in case of damaged cargo and should have an impact on reducing insurance cost.

Sensor technologies are widely recognized as having a high potential for being a game changer for the air cargo industry. Hence greater visibility of ULDs in the supply chain through GPS tracking could improve efficiencies and competitiveness.



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The “smart” ULD with sensing capability can also act as a temperature, explosives and fire sensor whilst the aircraft is in flight and broadcast alarms to crew and ground control and yield safety benefits.

Floris Kleijn has been with CHEP for over twenty years and has been in a variety of senior IT roles in different locations around the world. He is currently based in Amsterdam and is the Director of IT for CHEP Aerospace Solutions and a member of the Executive Leadership Team. Floris is also responsible as the Project Lead for a key innovation initiative involving Smart ULDs.

CLIVE (Niall van de Wouw)

Commercial decision-making in air cargo is complex especially when confronted with volatile markets, fragmented business processes, legacy technology and scattered information. To deal with these dynamics, cargo companies have two options. They can either acquire tried-and-tested decision support tools or fine-tune their manual processes. Traditional decision support tools have high implementation and subscription costs relative to the real benefits they bring, while manual processes tend to lend themselves to high opportunity costs.

CLIVE believes that order and simplicity are the best response to the complexity surrounding commercial decision-making in air cargo. Hence they made it their goal to build applications that are just as intuitive to use as consumer apps. They call this “humanized technology.” Each of CLIVE’s applications supports one distinct process which presents users with only the essential information they need.

They currently focus on three management processes: allocation management, demand forecasting and operations management. These applications plug in directly to a company’s core cargo system, allowing users to formalize and streamline manual decision making processes, without the high costs often associated with conventional decision support tools. CLIVE’s long-term goal is to develop an ecosystem of applications that will allow cargo companies to benefit from the latest technology in their commercial decision making processes.

The allocation management application allows both cargo airlines and forwarders

to better manage the request, acceptance, implementation, monitoring and changing of allocations. This application is expected to bring benefits:

- Tighter performance reporting;
- Quicker release of underperforming allocations;
- Greater responsiveness to client requests results in additional cargo volumes.

The demand forecasting application combines the use of historic trends with the knowledge of the local staff and partners.

Users would be able to:

- Spot trend changes;
- Increase the speed in responding to changes;
- Reduce the burden of providing forecasts;
- Improve the accuracy of financial projections.

Their envisioned operations management application would allow cargo companies to act more efficiently on disruptions to flight and shipment planning. This application is based on the principles of artificial intelligence (AI).

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The combined financial impact of these three applications to a cargo company's bottom line could be considerable with respect to revenue improvement and cost reduction.

Niall van de Wouw is one of the co-founders of CLIVE. He has more than 20 years of experience in the air cargo, having previously worked at Seabury Cargo Advisory, Jeppesen and KLM Cargo. He gets energized from building bridges between field and head offices and is always on the look-out to improve "things."

Cargo Claims (Kiona van de Burg)

Cargo Claims is an innovative solution that covers the complete process directly from the occurrence of an irregularity until the moment of finalizing a claim. The online claim management system offers a solution to manage claims for each individual chain party involved in the supply chain. The indistinctness of the process can be eliminated by one centralized platform, offering the possibility to share data with stakeholders creating transparency and improved claim recovery, introducing automated flows, lean operation and an up-to-date overview for reporting and root-cause analyses.



From left to right: Floris Kleijn, Kiona van de Burg, Niall van de Wouw

The Cargo Claims platform was built from scratch based on a complex functional design by using latest programming technologies, resulting in this innovative air cargo solution. It is intended for the Cargo Claims platform to be introduced to the entire air cargo supply chain including shippers, forwarders, airlines, GSAs and handling agents. The specific customer needs are quite diverse due to the fact that there is no standard procedure for claim handling in regard to the entire supply chain.

From this perspective, the Cargo Claims initiative offers a solution that tackled the problem the industry faces. The industry

is seeking innovative solutions that will help companies to reduce operational costs and offer increased transparency, efficiency and standardization for stakeholders. Hence a change driven mindset is required to create lean business flows and data sharing through the cargo.

To address this, an innovative solution dealing with claims and cargo incidents within one platform — Cargo Claims, an integrated platform for issue management. Cargo Claims aims to provide the following features:

- Data collection: The developed platform will make it possible to collect incident data before a claim is submitted and to

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link this data by the time the claim is being submitted by a claimant. This improves structural quality, efficiency and cost from the beginning of the process.

- **Data exchange:** Information can be efficiently exchanged between all stakeholders (shippers, forwarders, ground handlers, airlines and GSAs) within one platform. Files can be managed completely with all communication and reporting tools in one place. This prevents double data entry, miscommunication and time-consuming processes. Additionally, forwarders can release part of the claim data to the shipper or consignee to provide the status of claims.
- **Data analysis:** The platform gives an overview on pending claims and allows all parties involved to analyze incidents and follow them up.

Kiona van de Burg is a great example of the fresh “blood” that the air cargo industry is attracting to invigorate the industry. She completed her thesis on cargo claims at Saudia Cargo. She loves thinking out of the box and believes that she can challenge the status quo with the new ideas she will bring.

Shippers Call For More Airfreight Data

The current shortcomings of airfreight – and the opportunities for its improvement – came into full view during the IATA World Cargo Symposium on Tuesday, as shippers pressed for greater accessibility to shipping data.

Robert Mellin, head of distribution logistics at electronics company Ericsson, was particularly vocal about the need for more data within the airfreight process. Mellin described how more information and data should be passed on to shippers. This data should not just be about pickup/delivery times, but also, for example, data “on when things go wrong.” Presumably, this would include more substantive geo-tracking data. Airfreight “is so old-fashioned,” Mellin said, adding that “everyone knows what the problem is.”

The “problem” is not solved just with electronic air waybills (e-AWB), he said. Rather, the entire airfreight system needs to be wrapped in greater data and information transmission. If it is, the satisfaction levels with airfreight among shippers will climb above the current level of 7.08 on a scale of 1 to 10, as per IATA’s recent survey of shippers.

“If we get the solution in place ... you will take out cost, and I, as a shipper, am interested in investing in this,” Mellin said.

Mellin called for the creation of one common airfreight data cloud for all parties to access – and leverage.

Ericsson has annual sales of about \$35 billion.

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