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BRINGING THE WORLD TO AFRICA
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Guarding against the cyber threat

While we spend much of our time focused on securing our supply chain from physical threats to aviation, there are other areas which are increasingly important. Cyber attacks pose a threat across all aspects of the aviation industry, and cargo is certainly not immune. We frequently hear of attacks on banking, retail, or even government systems. According to some sources, there are over 100,000 business attacks daily. They can range from malicious intent to industrial espionage, and all are a danger to safety, security, and economic strength. In our industry there have been attacks on airports, airlines, and passport processing systems, and the ones that have been exposed are only the tip of the iceberg.

These attacks can happen to any of us, and we are likely not even aware it is happening. At a recent Cyber Security Conference hosted by the Singapore Ministry of Transport, one expert noted that the average company that is hacked has been under attack for 240 days before it discovers the breach. Imagine the damage that can be done, or the information stolen, within that amount of time. As the cargo industry continues to move away from paper, as it should, even more avenues and vulnerabilities may appear. More data will be moving between shippers, forwarders, cartage companies, ground handlers, sales agents, carriers, and others, and every one of those transactions is an opportunity for exposure. How do we know which of our partners are secure? How do we protect our own systems? Of course, the potential risk can come from any direction, even insiders. As many companies increasingly rely on commercial off-the-shelf (COTS) software solutions, if those systems are breached, the risk multiplies significantly.

The answer is certainly not simple, but awareness is the first step. We all need to ensure we not only have a cyber security program in place, but also a solid recovery plan to be able to resume operations quickly. This requires a top-down approach, but it also involves every person in the supply chain, which means awareness training is of paramount importance. So where do we go from here? Without a doubt, our businesses will be increasingly interconnected in the cyber environment. Therefore, we must coordinate our path to solutions as a whole, and not seek independent paths. Naturally we wish to protect our own corporate interests as fully and quickly as possible, but along the way we must share insights and lessons learned.

We will be exploring these issues as part of our agenda for the Air Cargo Forum in Paris next year, with discussions dedicated to data flow and its protection; securing customer and regulatory data, cloud technology solutions, and more, as part of our overall theme of ‘Air Cargo 2020.’ I look forward to hearing from you along the way regarding not only the challenges you face, but solutions in which we can all share and benefit.

What lies ahead may seem daunting, and may even involve some level of regulation or standards for our industry. It is essential for all of us to work together to identify potential areas of weakness, and then seek to identify means by which we can better secure all areas. Our future depends on it.

Doug Brittin
TIACA Secretary General
Everyone uses Uber now, right? Who in London needs to wait on the street for a Black Cab driven by a driver who has learnt ‘the Knowledge’, the four years of training it takes to memorize some 25,000 streets, 20,000 landmarks and 320 basic routes? What is the point of memorizing maps in the sat nav era?

It has not taken long for the Uber concept to transition from ferrying passengers around cities to ferrying freight, and the first iteration of UberCARGO was launched in Hong Kong at the beginning of this year. The key commercial need for new urban logistics solutions has been the explosion of e-commerce sales and the concurrent growth in last-mile deliveries to consumers, while the rapid development of mobile computing has meant that the high-powered IT systems needed to manage a complex logistics network can effectively be outsourced to the cloud.

And as has taken place with taxis, that has meant the physical transportation of goods – especially smaller packages in the last-mile deliveries that do not require specialist cargo handling equipment – has been opened up to a whole new sector of the economy.

A host of start-ups have been launched offering to connect freight with available urban transport capacity, potentially spurring another wave of growth in e-commerce sales delivered to consumers’ front doors. The timing is pertinent, given that in the run-up to last Christmas in the UK there were genuine worries that the shortage of drivers first and foremost, as well as vehicle capacity, would lead to huge delays in e-commerce deliveries.

Delays
Yodel, the UK’s second largest parcel delivery company after Royal Mail, saw three-day delays in fulfilling orders and ultimately had to suspend collections from distribution centers until it had cleared the backlog at its sorting centers, hitting many clients – including Amazon.

Against this background, the proliferation of tech start-up companies offering new logistics solutions should come as little surprise. In the US the truck driver shortage is even more severe, with established delivery firms collectively struggling to fill more than 300,000 vacancies, which is propelling both the innovation of technological solutions and the funding necessary to develop them.

We have a very serious shortage of drivers in the US; at the same time there is a glut of ocean capacity and challenges with air freight.

– Renee DiResta, Haven
capitalist funds being directed to the logistics industry. Venture capitalists are paying the logistics industry a lot of attention.”

Jonathan Wichmann, the social media expert who is largely credited with transforming Maersk Line’s online presence, said that it is not only start-ups that are investing in the sector, but also established logistics operators experimenting with new ways of running networks. He cited the example of DHL’s MyWays service launched in Stockholm in 2013, which aimed to facilitate last-mile deliveries through a specifically developed mobile app connecting consumers who ask for flexible delivery times with those offering to transport parcels along their daily routes for a small fee.

Wichmann said: “The German logistics giant launched MyWays, a crowd-sourced delivery solution. The solution was launched as a pilot in Stockholm, Sweden, and although it seems to be losing momentum and focus from DHL – it is still in pilot phase in Sweden – I think the basic approach is sound and just right.

“With MyWays, DHL has leap forward and adopted a completely new logistics model into its business,” he said.

The fact that DHL has yet to roll MyWays out to other locations speaks volumes, however, especially considering the way in which other start-ups that have gained traction have managed to expand rapidly. Hong Kong start-up GoGoVan, launched just a couple of months after MyWays, brought an Uber-like app for vans that matches freelance drivers with businesses or individuals in need of transport. Two years later GoGoVan is valued at USD300 million and has a presence in 15 cities across five countries, and is set on expanding further.

What this demonstrates is that while the majors such as Google, Amazon, and the largest express and 3PL operators are still developing different strategies for this new era of logistics – witness Google’s ongoing quest to develop driverless cars and, likewise, Amazon’s obsession with drones – start-ups that are focused on a particular innovation have gained a head start.

Funding

But it is not all about vehicles whizzing around roads. The Israeli cloud-based freight marketplace Freightos recently undertook a survey of all the e-commerce start-ups that have launched in the freight industry, and listed around 100 ventures that have collectively raised around USD100 million in investment funds. Aside from delivery companies, by far the largest segment is online marketplaces.

This is the area where the air cargo industry is most likely to feel the first impact of crowd-sourced start-ups. Most of the online, cloud-based marketplaces have so far concentrated on the much larger ocean freight segment, given its sheer size, but they are now developing solutions for the airfreight industry.

Haven’s DiResta said that some small airfreight shipments are already booked through its system, but the company is developing a new product for them. The higher value of shipments and their freight rates makes it an attractive sector.

What has held back the development of air cargo marketplaces so far is the necessity for shippers to put their bookings through freight forwarders, due to security requirements and bond arrangements between forwarders and carriers.

However, as increasing numbers of forwarders become more comfortable with using marketplaces, both as customers and suppliers, that status quo is likely to change.

“What we are interested in is bringing transparency and efficiency to the market,” she said, “and we have so far built up our business through cooperating with both carriers and forwarders who are willing to bid for shipments.”
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I am delighted to be taking up the chairmanship of TIACA at this exciting and challenging time for our industry.

As the only organization representing everyone in the global air freight supply chain, TIACA is in a unique position to bring us together to implement some much-needed changes and ensure that our voice is heard with the regulators.

One of the biggest problems facing our industry is the lack of standardized procedures across countries and disciplines. We must push for improvement on this, especially in the light of the impending new security rules, which will affect us all.

TIACA is acting as an important bridge between industry and regulators at this crucial time, ensuring that our voice is heard on the working groups of the Transportation Security Administration (TSA), the European Union (EU), the World Customs Organization (WCO), and the International Civil Aviation Organization (ICAO), amongst others.

Facilitating dialogue
We are also facilitating dialogue. At our recent Executive Summit in Miami, we hosted a panel debate bringing together representatives from all of those organizations, as well as Customs and Border Protection (CBP), Transport Canada, and the Canada Border Services Agency (CBSA). It was an opportunity for regulators to communicate the very latest information on PLACI pilots, but also a chance for our members to ask questions and put their points across.

TIACA’s important work behind the scenes at these meetings often goes unrecognized, but our representation there is key. Without it, the consequences for the airfreight community could be disastrous.

As an industry, we are often accused of resisting change, but there has probably never been a more important time to embrace new initiatives and technology so that we can enable a more efficient air cargo supply chain, reduce timeframes, and ensure a safe transport environment.

We must move as quickly as we can to do this, working together to implement industry-wide adoption of initiatives such as e-freight. TIACA is ideally placed to help drive this much needed momentum and we will continue to push for change and provide a vital backdrop for discussion.

One of the most important focuses for us all must be the training and retention of the next generation of leaders, and I am particularly proud of TIACA’s commitment to this.

Professional development
We have now run three sessions of our Professional Development Program and are preparing for a fourth. This is the only scheme of its kind to include every part of the air freight supply chain with the aim of breaking down silos and building a generation of leaders who have an understanding of all aspects of our industry, and have benefited from the opportunity of networking with their peers from different disciplines.

TIACA also delivers an important networking opportunity, especially at our Executive Summit and Air Cargo Forum events. I am particularly looking forward to our next ACF in Paris in 2016 and have already enjoyed working with our Steering Committee to put together an exciting program with a focus on innovation for the meeting. We will be tackling some of the major challenges facing our industry, from new regulatory requirements, to evolving business models, dealing with drones, the impact of 3D printing, shifting markers and consumer behavior, cyber security, and environmental pressures.

While we may not see or anticipate the impact on our operations today, there is no doubt we will see the effects in the not-too-distant future. By joining TIACA, our members are part of an organization that represents the interests of our entire supply chain, and keeps them informed, thus enabling them to make prudent and informed business decisions. I look forward to working with you all over the coming months. We need your support to continue to shape the changes we are experiencing in a positive way.
The Civil Aviation Administration of China (CAAC) plans to further liberalize the air cargo sector because of its importance in facilitating trade and expanding the economy.

CAAC deputy administrator Wang Zhiqing told the recent International Civil Aviation Organization (ICAO) Air Cargo Development Forum that China would “lower access requirements as appropriate and also encourage Chinese airlines to expand their international routes to more domestic points, and work with foreign operators to create international routes”.

China’s domestic mainland cargo traffic increased 6.6% in the first half of this year, CAAC said. That is well below the growth achieved by Hong Kong-based Cathay Pacific, at 12.2%, but freight forwarders have claimed that a more liberal operating environment will incentivize carriers into gateways such as Shenzhen and Guangzhou, putting the squeeze on Hong Kong.

China’s three biggest airlines, China Southern, China Eastern and Air China, recorded multi-billion yuan profits in the first half of this year. Smaller operators such as Juneyao Airlines are also turning much more profitable.

China Southern has launched freighter services from Guangzhou, China, to London Stansted, UK, supplementing existing services to Paris, France, Amsterdam, the Netherlands, Frankfurt, Germany, and Vienna, Austria. The carrier’s exports from China predictably include garments and household electronic goods, but mail and express shipments make up a large part of inbound cargo, reflecting the breakneck speed of e-commerce growth.

CAAC has this year granted operating licences to two new all-cargo airlines as competition to grab a share of China’s CNY2.8 trillion (USD450 billion) e-commerce market intensifies. YTO Express – in which Alibaba, the world’s biggest e-tailer, is reported to have taken a 20% stake – is preparing to launch YTO Cargo Airlines out of Hangzhou, China, an industrial city and logistics hub.
The first privately owned cargo airline in China to operate international flights, YTO Cargo has operated charters on a Shanghai-Seoul-Qingdao-Hong Kong-Shanghai route using three B737-300 freighters, but can now operate scheduled services too.

Ningxia Cargo Airlines, based in the agricultural region of Ningxia, has also been licensed for domestic operations, including services to Taiwan, Macau, and Hong Kong.

Rural appetite

The China E-Commerce Research Center said the rapid spread of smartphones has given many consumers access to the internet for the first time. Those in smaller cities and rural areas, who have no access to large shopping malls, led a near-50% surge in online transactions in 2014 via sites such as JD.com and Alibaba’s Taobao and Tmall.

The challenge for delivery companies, alongside ever-increasing volumes, is to reach customers in remote regions at the required speed. Mark Millar, a Hong Kong based supply chain authority and China expert, said e-tailers have been forced into managing their own logistics because no ready-made solution is available.

JD.com plans to build its own in-house network of warehouses and trucks to enable it to deliver across 300 cities within 24 hours, while Alibaba’s approach is to bring together the largest express companies, China Post, ZTO, STO, ZJS and YTO, into a “smart logistics network”.

However, these leading specialists in last-mile delivery, and even global integrators UPS and FedEx, account for a tiny proportion of the mushrooming market. Beneath them, Millar described a “massively fragmented and brutally competitive” domestic Chinese express sector whose size researchers can only guess at. Deloitte estimates there are 8,000 players, while Transport Intelligence (Ti) puts the total at more than 35,000.

Quoting Ti data, Millar said parcel deliveries in China grew 52% to 14 billion in 2014 while revenue increased 42% to USD33 billion. The estimate this year is for a 40% increase in volumes to 19.6 billion with a 30% revenue increase to USD43 billion. Improved efficiencies notwithstanding, he sees the economics “getting very tight” if free delivery remains prevalent and revenue continues to lag behind volume growth.

Complaints

Customer complaints, mainly concerning delayed delivery, lost packages and poor attitude, are increasing at more than 40% per year, highlighting the quality control challenges of the franchise model. “Current models are unsustainable. There will definitely be some fallout and consolidation across the sector over the medium term,” Millar said.

Internet connectivity and logistics infrastructure in remote regions of China are “improving rapidly,” according to DHL. A spokesperson said: “With our extensive network in China, we are able to deliver imported B2C shipments within four to eight days.”

DHL recently opened a dedicated e-commerce terminal in Jiuting, Shanghai, its second in Greater China, with a handling capacity of 200,000 packets/parcels per month.

The company’s e-commerce arm leverages an existing, multipurpose Hong Kong Terminal, with a 1.5-million-parcel monthly handling capacity, to support B2C merchants in southern China. “We have also entered into a partnership with Henan Bonded Logistics Center to jointly develop competitive B2C cross-border products,” DHL said.
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Fashion is all about having your finger on the pulse in a fast-moving industry. That’s why we are the logistics choice for over 40 of the world’s top 100 brands. We provide customised supply chain solutions and unparalleled distribution across Greater China and the ASEAN regions, from merchandise and non-merchandise to POSM. We are here to support your business and growth in Asia.
JD.com has appointed DHL Global Forwarding as its preferred logistics service provider for moving US products, ordered via its new US Mall channel, to and across China.

The e-tailer, which offers standard next-day delivery in more than half of China’s counties and districts, and same-day delivery in some areas, launched the site to market authentic US brands such as Converse and Taylor Swift.

**Added value**

Vivien Lau, executive director of Hong Kong Air Cargo Terminals Ltd (Hactl), said the territory is an important gateway into China for goods ordered online from foreign vendors. “We are confident it will continue to do so, because of Hong Kong’s unrivalled global air connections, our modern Customs regime and electronic processes, and our free trade ports,” she commented.

Start-up airlines such as YTO and Ningxia have still to announce their route plans, but Lau pointed out that many existing Hactl customers are closely involved in the e-commerce sector, including UPS and the eight carriers that provide lift for DHL.

“Orders fulfilled from stocks held overseas are often shipped as individual packages via post or express parcels services. But we are also seeing growth in bulk shipments to regional distribution centers in Hong Kong and China, from where local distribution takes place,” Lau said.

Scheduled, bonded road feeder services provided by Hactl’s subsidiary, Hacis, and preferential Customs border arrangements, enable fast, reliable onforwarding into China for e-commerce freight agents.

“We could see vast growth in smaller shipments that require additional added-value logistics processes and warehouse space,” Lau said. “We may need to become a more integral part of the supply chain, and be more involved in real-time tracking and stock level monitoring.”

Hactl already has six cargo depots across the Pearl River Delta (PRD) on the Chinese mainland. It plans to open more, encouraged by the announcement of a free trade zone in Guangzhou Province, which implies a more favorable policy towards e-commerce handling.

**The opening of the Hong Kong-Zhuhai-Macau Bridge will enlarge Hong Kong’s catchment area to include the western PRD** – Vivian Lau, Hactl

“In addition, the opening of the Hong Kong-Zhuhai-Macau Bridge will enlarge Hong Kong’s catchment area to include the western PRD,” Lau said. “Both these developments will improve connectivity and transit times.”

What products are buyers most comfortable purchasing online? Of 6,500 Chinese consumers surveyed on behalf of Kerry Logistics, 55% listed cosmetics as a product they were happy to order online.

“Maternity/infant care and toys were also identified by more than half of those surveyed, ahead of categories such as garments, fashion accessories and digital products,” said Emma Rowlands, Kerry Logistics UK Sales Director.

Actual online business reveals a different picture, according to a report published last year by management consultant AT Kearney. This study put apparel as the biggest sector at 27% of Chinese e-commerce transactions by value in 2013. Consumer electronics ranked second at 20%, followed by cosmetics and baby goods.

E-commerce is thought to employ more than 2.5 million people directly in China, with another 18 million involved in related services such as transport.

Kearney said domestic Chinese express delivery companies are struggling to keep pace with ever-increasing parcel volumes, and failing to offer adequate service to remote regions of a country that is almost the size of Europe. Deliveries are often delayed and parcels damaged or lost, while the returns process – crucial to a successful e-commerce offering – is often poorly managed.

The largest suppliers have developed their own internal delivery networks to overcome these problems. For example, Alibaba, the world’s leading e-commerce company, has invested in its own logistics providers and express companies, and aims to set up a 24-hour delivery network across China by 2020.

Most of Alibaba’s competitors have discovered that with last-mile delivery accounting for up to half the total logistics cost, it is difficult to maintain a profitable in-house operation.

They therefore outsource delivery, either to large national networks offering a basic service and competing on speed and price, or to regional players offering a higher level of warehousing, customized delivery services and payment options.

The Kearney report points to logistics as the key differentiator. It notes that freight companies are investing in linehaul and last-mile delivery to plug the gap in the market, enabling them to offer the breadth of services that commerce companies demand at a competitive price.

**Cross-border e-commerce**

Many still think of China as “workshop to the world” and it is easy to forget how much merchandise the country imports on behalf of its 1.4 billion people. The cross-border e-commerce market reached USD650 billion in 2014 and it is growing at 36% annually.

“Initial questions for anyone wanting to enter the Chinese market are where to open an online shop, how to manage it, what the available payment platforms are, and how much local inventory they require,” Rowlands said.

“Any competent one-stop logistics solutions provider should be able to minimize issues relating to shipping documentation and Customs procedures. However, prospective customers need to ask whether their logistics services provider can manage direct shipment from country of origin to a consolidation hub, whether they operate multiple bonded warehouses in free zones across China, or if vendor-managed inventory is an option.”

“Sales support and information transparency are critical to successful brand positioning,” she summarized. “You have to know where your products are – and who is buying them.”

Sales support and information transparency are critical to successful brand positioning – Emma Rowlands, Kerry Logistics UK

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Toronto to host the 2018 Air Cargo Forum

TIACA has announced the 2018 Air Cargo Forum (ACF) will take place in Toronto, Canada, from 17 to 19 October, bringing together supply chain decision-makers from across the globe for three days of networking, discussion, and learning.

TIACA members were recently polled for ideas on topics for next year’s ACF in October in Paris, France.

“Our members’ ideas are important to us and this is an opportunity for them to help shape the ACF,” said Doug Brittin, Secretary General, TIACA.

For more information on taking part in the ACF, visit www.tiaca.org

TIACA welcomes new security framework

TIACA has welcomed the World Customs Organization (WCO) Council’s adoption of important updates to its SAFE Framework of Standards to Secure and Facilitate Global Trade.

As part of the changes, the WCO recently formally adopted the so-called 7+1 data set as the requirement for risk data analysis, helping to standardize basic Pre-Loading Advance Cargo Information (PLACI) processes.

TIACA has played a significant role in directing the specific language of these provisions, both directly with the WCO, and through its work on the International Civil Aviation Organization (ICAO)/WCO Joint Working Group on Advance Cargo Information (JWGACI) and it continues to work with regulators globally to ensure that new PLACI regimes are standardized.

The 7+1 data elements include the number of pieces, total weight, general cargo description, shipper name and address, and consignee name and address (the seven), plus the house air waybill number (the one).

Steve Prince thanked for service to TIACA

Steve Prince retired this summer and received a trophy in recognition of his service on the TIACA Board. Steve was the publisher of Air Cargo World for almost 24 years and sat on the TIACA Board for over 14 years. We have greatly benefited from Steve’s experience, energy, and enthusiasm and we wish him a happy retirement.
TIACA to lead with dynamic advocacy and enhanced value agenda

TIACA’s new leaders have pledged to drive the air freight advocacy agenda, boost the Association’s membership base, and grow its education program.

TIACA must take center stage to ensure that regulators have essential input from the industry as they make decisions that affect all sectors of the air cargo supply chain, according to Sanjiv Edward, Chairman, and Sebastiaan Scholte, Vice Chairman.

“TIACA has an essential role to play as the only association which truly represents every segment of the air cargo supply chain,” said Edward. “We must embrace change and work together to overcome the many challenges facing us and ensure a bright future for our industry.”

Scholte said that with Edward, he would work closely with members to guarantee a healthy, stable future for the Association, deliver a compelling value proposition, and launch new initiatives to bring on the next generation of industry leaders.

“We will grow the membership base and further develop our education program,” he said. “We must encourage and help develop young talent, and we will be looking to new ideas to do this.”

Five new board members, from Asia, Europe, and North America have also joined TIACA’s Board of Directors, representing the integrator, chartering, all-cargo carrier, and airport sectors.

The new Board members are Amy Smith, Head of US Trade Compliance, DHL Express; Chee Meng Wong, Executive Vice President, SATS; Russi Batiwala, Chief Executive Officer, Chapman Freeborn Airchartering Ltd; Oliver Gritz, Managing Director (Europe), Worldwide Air Logistics Group Inc; and Greg Guillaumé, Senior Vice President (Strategic Development), Atlas Worldwide Holdings Ltd.

New website features e-freight scorecard

TIACA has launched a new website with added benefits for members, including an industry scorecard to help with the drive towards e-freight.

The new site includes a range of features such as improved networking opportunities, while the industry scorecard highlights some of the key benefits and challenges for various e-commerce initiatives.

Members also have the opportunity to post press releases on the site with company news.

TIACA plays leading role in global forums

In June, TIACA co-hosted a meeting with airlines, forwarders/regulated agents and shippers in Washington DC to provide an update on the US’ Air Cargo Advance Screening (ACAS) program. It was also represented at the European Union (EU) DG MOVE Stakeholders’ Advisory Group on Aviation Security (SAGAS) meeting for discussions with EU member states and trade representatives, and took part in the EU’s TAXUD Electronic Customs Coordination Group (ECCG).

Gibson appointed

Kenneth Gibson has been appointed Manager – Accounts and Business Development – at TIACA, based at the Miami headquarters. Gibson brings a decade of experience in the logistics and finance sectors, having previously worked for organizations including the International Air Transport Association (IATA), Kerry Logistics, and World Fuel Services. Contact Kenneth to find out more about the ACF at kgibson@tiaca.org

ACAS issues discussed

TIACA co-sponsored an industry-government meeting in the USA in June to review outstanding issues and next steps for the ACAS pilot program. A4A, the Express Association of America (EAA), and IATA joined the discussion with the CBP and TSA, the first such meeting in three years.

Manager skills workshop

TIACA will host an Air Cargo Professional Development Workshop aimed at growing management skills for air cargo professionals, at Hawaiian Airlines’ Corporate Office in Honolulu, USA, from 6-8 October. The last two workshops were held in Cologne and Dubai. For more information on joining the workshop, visit www.tiaca.org

Singapore security talks

Doug Brittin took part in the Civil Aviation Security Conference in Singapore in July which was attended by over 200 delegates from 16 countries. The conference aimed to raise awareness of the risk of cyber threats and their potential impact and consequence on operations, as well as providing a platform for an exchange of views and challenges and approaches to dealing with cyber threats.
Join TIACA to increase your visibility in the air cargo industry, benefit from unique networking opportunities, and ensure that you are up to date with the issues that affect your daily business.

TIACA’s diverse constituency presents a unique opportunity for success both in critical issue advocacy and networking, while showcasing Boeing’s air cargo industry leadership and complete freighter product offering.” - James Edgar, Boeing

Join before December 1st to benefit from a discount on membership dues.*

- Gain unique networking opportunities and a boost in business prospects
- Receive advisories and updates on issues that affect your daily business
- Participate in industry-specific training and career development opportunities
- Network with air cargo leaders at the annual Executive Summit, free for TIACA members
- Receive beneficial discounted rates to exhibit or take part in the Air Cargo Forum in Paris in October 2016.

*Visit www.tiaca.org for details

Apply for membership online at www.tiaca.org
A year ago TIACA launched its Environmental Best Practices Program, an initiative to showcase innovative measures taken by members and to stimulate further progress towards reducing the carbon footprint of the industry, while aligning it more closely with global and local efforts to protect the environment.

Air transport accounts for just 2% of global emissions, but it is high on the public radar.

The industry has responded to this with a commitment to become carbon-neutral by 2020.

The air cargo industry has an important role to play in these efforts, and many operators have taken great steps to make a contribution. “There are a lot of companies out there that are doing noteworthy work,” observed Sue Prestl, TIACA’s Senior Director of Government Affairs, adding that TIACA wants to spread word of these endeavors and stimulate others to develop their own initiatives.

Helping develop environmental best practices is in line with the organization’s core mission, she stressed, namely to educate people within as well as outside the industry about these efforts and challenges faced, but also in terms of advocacy. “I find it helpful to introduce TIACA to policymakers and mention the program, have them take a look at the site and get a better understanding of what this industry is doing to develop environmental best practices,” she said.

The following provides snapshots of what some members have done to tackle environmental challenges, what issues they have encountered, and how they have harnessed the enthusiasm of their employees to make a difference and create a better environment.

FedEx slashes emissions

On July 21 this year, FedEx announced that it had signed an agreement with Red Rock Biofuels and starting in 2017 it will use 6 million gallons of blended renewable jet fuel for a minimum of 48 million gallons. This constitutes a significant step towards the integrator’s goal of obtaining 30% of its jet fuel from alternative fuels by 2030.

FedEx is aiming to reduce its aircraft emissions intensity by 30% from a 2005 baseline by 2020. – Joel Murdock MD Strategic Projects, FedEx Express

In a separate drive, FedEx is aiming to reduce its aircraft emissions intensity by 30% from a 2005 baseline by 2020. Currently, FedEx has achieved a 21.4% improvement, exceeding the original goal of 20% by 2020. Last year the
FedEx carried on its aircraft,” said Wells. “Replacing printed pilot manuals with electronic elements have also made their weight felt — a larger saving over time,” noted Bobbi Wells, Director of Planning and Analysis. But other “Fuel Sense represents our biggest fuel savings. The impact of stacked departures, RECAT and pilot manuals have together saved over 5 million gallons each year. FedEx pioneered the RECAT effort with the FAA and it is now rolling out at airports across the US, saving 10.5 million gallons of fuel for FedEx and increasing arrival efficiencies by 15-20%.

“Fuel Sense represents our biggest fuel savings. In FY14, over 70 million of the 100 million saved. However, aircraft fleet replacement will represent a larger saving over time,” noted Bobbi Wells, Director of Planning and Analysis. But other elements have also made their weight felt — literally. “Replacing printed pilot manuals with iPads has removed over 32 tons of paper that FedEx carried on its aircraft,” said Wells.

By now most of the low hanging fruit has been tackled, but some of these still have a lot more juice in them, said Art Parra, Fuel Efficiency Manager. “Then there are some more complex opportunities that require more analysis and automation,” he added.

Panalpina counts emissions

To help its customers attain their own sustainability goals, Panalpina has implemented tools that can quickly, accurately, and efficiently calculate the energy expended, and greenhouse gas emissions resulting from their shipments. To that end, the logistics provider adopted a state-of-the-art tool, the EcoTransIT World, and integrated it with its own IT infrastructure. The system calculates emissions for each shipment including pre- and on- carriage based on distance, weight, transport mode, and deployed vessel or aircraft type. It can generate reports for every single customer from reports on a quarterly basis to details on every shipment, said Meeta Mahajan, corporate quality and project manager. Ultimately, we would like the system to provide the data automatically as part of the customer invoicing process, she added.

In the future, Panalpina intends to make the calculations available ahead of the shipment process. “This is one aspect that we will definitely be looking into,” Mahajan said.

The calculations are based on the reporting standard EN 16258, which includes upstream emissions from fuel production, other greenhouse gases besides CO2, and energy consumption. The reports can cover purely CO2 emissions or extend to CO2 equivalents (including elements like nitrogen and sulphur emissions).

To provide shippers with end-to-end emissions visibility of their traffic, Panalpina’s calculator covers all modes of transport. Mahajan emphasized the importance of dependable information at the start of the process. “Data quality at the start is critical,” she stressed.

UPS raises carbon target

Last year, UPS revealed that it had met its 2016 goal of a 10% reduction in carbon intensity from its air and ground fleet as early as 2013. It readjusted its objectives, aiming for a 20% cut by 2020.

The integrator is pursuing continuous reduction both in terms of aviation gallons burned per available 100 ton-miles and CO2 pounds emitted per available ton mile. Last year it reduced its carbon intensity by 14.1% compared with its 2007 baseline.

A faster adoption of biofuels would go a long way towards producing quick results, but this is where operators are facing an obstacle. “One challenge that is specific to the airline industry is the slow development of biofuels. If more economical and scalable biofuels were available, it would help the entire industry,” remarked Steven Carter, Vice President in Charge of Plant Engineering, Dangerous Goods and Sustainability at UPS Airlines. The company has embarked on a number of initiatives, such as optimizing flightpaths and using technology to increase the precision of departures, arrivals and taxi times. The biggest single gain has come from the retrofitting of the B767 freighter fleet with winglets, a move that has saved 7 million gallons of fuel a year. The deployment of lighter fire-resistant containers has curbed CO2 emissions by 3,200 tons. One important factor that Carter emphasized is the active participation of employees from all sectors, including frontline personnel.

“We have a culture of constructive dissatisfaction,” he said, adding that key factors behind this are open lines of communication and an open-door policy that encourages staff to approach anybody in the organization with their ideas.

Amsterdam Schiphol offers support

Airports could be forgiven for reasoning that environmental best practices should fall mainly on the shoulders of airlines and their clients, but Amsterdam Schiphol does not subscribe to this view.

It has adopted an active supporting role in the development of adequate biofuel supplies while also deploying the Circular Economy and the Cradle-to-Cradle philosophy.

Jonas van Stekelenburg, Schiphol’s Head of Cargo, noted that aircraft manufacturers as well as oil companies have signaled that they cannot drive much of the initiative towards the development of alternative fuels, so it is up to others in the industry to become involved.

Panalpina intends to make calculations available ahead of the shipment process. – Meeta Mahajan, Panalpina

Schiphol is not going to pay for bio-kerosene, but we want to stimulate the uptake. – Jonas van Stekelenburg, Schiphol

“Schiphol is not going to pay for bio-kerosene, but we want to stimulate the uptake, and we want to stimulate innovation to get us there,” he said, adding that the airport has embarked on several initiatives in partnership with Air France KLM.

Stimulating research is one key area for Schiphol. “We are working with universities, and also with young graduates and start-ups. There is a lot of enthusiasm there,” van Stekelenburg said.
Schiphol has met its goal year after year to make its operations 3-4% more efficient every year. At the same time, it has embraced the Circular Economy concept, looking beyond the lifespan of the various elements.

“So far we have mostly built for the lifespan of equipment and infrastructure,” van Stekelenburg said. “We did not always know what happened after their lifespan. To change infrastructure in such a way that metal and non-metal can be easily disassembled; this was not needed for the usage but it is handy if you want to give parts a second life. Also, we have started to use bioplastic as a base product for furniture and for signage, instead of plastic based on fossil fuels, which means we can recycle much more easily and cheaply afterwards.”

Schiphol aims to recycle 100% of its structures and equipment. Less than 1% now goes to landfill with, for example, staff uniforms being turned into carpets at the end of their lifecycle.

“This is for a better world, not to compete with Frankfurt or Heathrow,” said van Stekelenburg.

Finnair looks to new planes
Prompted by rising customer interest, Finnair Cargo has developed a carbon calculator that measures emissions for each shipment based on actual fuel consumption of individual flights on each route. Besides CO₂, it also calculates nitrogen oxide and sulphur oxide emissions.

“Next we need to review the RFS-related methodology, but for that I am waiting for some guidance from Green Freight Europe which is focusing on road freight emissions,” remarked Milla Nyholm, Manager of Marketing and Sustainability.

She is looking forward to the arrival of the carrier’s first A350, which will raise the bar both in terms of environmental performance and operational efficiency.

The eco-smart design of the A350 brings more than a 25% improvement in fuel efficiency and operating cost.
— Milla Nyholm, Finnair

“From an environmental perspective we look forward to seeing improvement in the emissions reporting results as the eco-smart design of the A350 brings more than a 25% improvement in fuel efficiency and operating cost over the previous generation of aircraft in its class, significantly reducing the carbon footprint of Finnair and each shipment carried by the new aircraft,” she commented.

CHEP supports airlines
Airlines look to CHEP for considerable savings on their unit load device (ULD) costs to both curb fuel expenditure and greenhouse gas emissions.

Farming out their ULD management to the specialist provider can initially save around 15% on their stock footprint, and this should rise as the ULD management firm moves to equip all its units with tracking devices for improved fleet management, which should kick-off by the second quarter of 2016.

More savings come from CHEP’s shift to lightweight containers. By the end of this year all its customers will be using containers that weigh 65 kilos or less, down from the 82 kilos of the older aluminum units. On a single position on a Boeing 777, this cuts CO₂ emissions by 10.9 tons a year, noted David Harman, Director of Sales, Marketing and Account Management.

He is also looking to lightweight nets and pallets, although game-changers have been elusive so far. While it is pursuing these developments, CHEP is also working on its own environmental best practices. Much of this runs under the sustainability drive of parent company Brambles.

Wood for pallets has been a focal point in recent environmental efforts. In fiscal 2014, 94% of the wood used came from certified sources, up from 88% the previous year. At the other end of a pallet’s lifecycle, Brambles aims to ensure none of the wood ends up in landfill, a target that was reached last year in North America and Europe.

Previously Brambles set a target to reduce its greenhouse gas emissions between 2010 and 2015 by 20%. Having reached this goal in 2013, management is currently in the process of defining new objectives.

Besides the corporate drive, there is also room for local initiatives. Last year CHEP New Zealand obtained accreditation under the Certified Emissions Measurement and Reduction Scheme – which formally recognizes the firm’s effectiveness in measuring greenhouse gas emissions – in compliance with ISO 14064-1.

The programme involves a detailed audit of CHEP New Zealand’s greenhouse gas emissions every 12 months, and provides targets to help CHEP reduce emissions intensity by 2% every year from 2013 levels over a five-year period.

Most of the undertakings described here have been entered by TIACA members for the Environmental Best Practices initiative. Details of these efforts can be found on the TIACA website in the Environmental Best Practices section.

While it is too early to draw conclusions or identify patterns after the initiative’s first year, Presti is satisfied with its progress so far. Noting that a growing number of TIACA members have embarked on efforts to develop environmental best practices and find sustainable solutions for themselves and their clients, she hoped that more will step forward and share their experiences with the industry through the TIACA program. To submit a success story visit www.tiaca.org
The principle objectives of this course are to provide a broad overview of the air cargo industry and to create awareness of the underlying marketing, financial, operational and competitive factors which influence management decision-making.

Participants will:
• Learn first-hand how market forces affect supply chain, revenue and financial management
• Work in teams on simulated, case studies to facilitate application of the concepts covered in real-world scenarios in order to improve retention

This course also provides air cargo professionals with an opportunity to not only better understand the market they operate in but, also, to improve their leadership skills and thereby help participants in their careers.

Who should attend?
• Junior to middle managers in the air cargo chain:
  Airlines, GSA/GSSAs, ground handlers, airports, logistics service providers, CAAs, financial institutions and anyone interested in learning more about the industry
How a strategic supply chain drives competitive advantage

Mark Millar is the author of Global Supply Chain Ecosystems and in the 2014 USA listing of ‘Top Pros-to-Know in Supply Chain’.

Twenty-first century supply chains have transformed into worldwide inter-connected supply-and-demand networks – with profound interdependencies and exposed to the vulnerabilities of our uncertain world. They have morphed into today’s multi-layered, inter-woven distribution networks, enabling companies and countries to trade more effectively.

Confirming how these networks enable commerce in an increasingly connected world, the Financial Times (FT) lexicon describes how “businesses operate in a broader network of related businesses offering particular products or services – this is known as a business ecosystem”. It further defines this as “a network of interlinked companies, such as suppliers and distributors, who interact with each other, primarily complementing or supplying key components of the value propositions within their products or services”.

From the supply chain perspective, Cranfield’s Dr Martin Christopher adopts an end-to-end view, articulating the supply chain as “the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer”.

This notion of networks is particularly important, with Dr Christopher reinforcing the key message that modern supply chains are no longer simply linear chains or processes, “they are complex networks – the products and information flows travel within and between nodes in a variety of networks that link organizations, industries and economies”.

The linear concept of a chain is therefore no longer adequate to describe today’s complex international networks of suppliers, partners, regulators and customers – all collaborating to ensure the efficient and effective movement of products, services, information, and funds around the world.

These extended multi-stakeholder networks continue to develop as supply chains have become progressively more global, complex, and strategic – we are firmly in the era of Global Supply Chain Ecosystems.

Supply chain becomes strategic

Leading-edge companies now consider the supply chain to be strategic – as a business enabler, as a revenue driver, and as a differentiator. Many businesses now compete on the basis of their supply chains, as much as on their actual products.

Indeed, because it embraces every single activity that enables getting products to customers, supply chain touches the vast majority of functions within and across a company. World class organizations no longer perceive the supply chain as merely tactical support for business as usual, but take a holistic position that their supply chain is what drives the business. The latest strategic thinking is that supply chain is the business.

This is leading to chief financial officers (CFOs) recognizing that the supply chain is typically responsible for 60-90% of their company’s total spend – varying by type of business, according to research by the Supply Chain Council – and that finance executives must therefore engage more actively with supply chain.

In fact, a growing trend in recent years is the presence of the chief supply chain officer (CSCO) role on the board of directors – with the executive agenda now including supply chain strategy, supply chain execution and supply chain risk.

For many businesses, time to market and effective distribution channels are critical success factors, and therefore supply chain management competencies and capabilities are what drive competitive advantage.

In that context, there are exciting and evolving synergies between the supply chain and marketing functions, as together they become the principal business drivers for companies in the modern era. Each of them is both a functional discipline and a profession. Taking the broadest perspective of the two disciplines, these functions together embrace all of the mission-critical business activities of a company, with IT, HR and finance playing important supporting roles.

With marketing comprising the four Ps of Product, Price, Promotion, and Place, and supply chain encompassing the five operational activities of Plan, Source, Make, Deliver, and Return, then Logistics becomes the point of intersection and convergence – the essential linkage between the Deliver function of supply chain and the Place (distribution) function of marketing.

Together therefore, supply chain and marketing are becoming the primary engines that drive the business – hugely influential in driving business growth, increasing market share and generating revenue and profits. The chief marketing officer and the CSCO will become the most critical leadership roles to sit alongside the CEO and CFO in the enlightened C-suite of the future.

Supporting this concept that supply chain drives competitive advantage for your business, the FT lexicon explains how “ecosystems also create strong barriers to entry for new competition, as potential entrants not only have to duplicate or better the core product, but they also have to compete against the entire system of independent complementors and suppliers that form the network”.

Conclusion

Any chain is only as strong as its weakest link – and it is the same with a supply chain, except that within a supply chain ecosystem the linkages are not consecutive and not linear; there are numerous multi-dimensional connections with profound inter-dependencies.

Nevertheless, the strategy of achieving continuous improvement through consistently and persistently working on strengthening the weakest link(s) still applies, and companies adopting such an approach will leverage their global supply chain ecosystem for competitive advantage in our complex, connected world.
Industry leaders share advance data concerns

TIACA’s Executive Summit held in Miami, USA, focused on new advance data regimes, supply chain strategies for Latin America, and the latest on lithium batteries. Robert Platt reports.

Industry must continue to work closely with regulators to ensure impending advance data rules enhance security without impeding cargo flows, delegates attending TIACA’s Executive Summit (ES) were told.

Representatives from the Transportation Security Administration (TSA), Customs and Border Protection (CBP), the European Union (EU), Transport Canada, Canada Border Services Agency (CBSA), World Customs Organization (WCO), and the International Civil Aviation Organization (ICAO) took to the stage to give updates on their advance data pilot schemes and take questions from delegates.

“This is the first time that the key regulators for all of the advance data programs have sat together with industry to review and discuss how and when the programs will be implemented and to hear industry’s perspective,” said Doug Brittin, Secretary General, TIACA.

“We appreciate this opportunity to have a frank and open discussion as well as their commitment to working with industry.”

Officials at the summit agreed with delegates that the so-called 7+1 data set currently used in the pilots is sufficient for civil aviation risk assessment and can be provided early in the supply chain.

Formalization of advance data regulations is slow, however, and solutions are needed to ensure small and medium-sized forwarders will be able to comply and are not put at a commercial disadvantage.

“It is good to have a dialogue, but we need to get our base camp organized and focus on data quality and, importantly, what we are going to do with the referrals,” Kester Meijer, Director Operational Integrity – DSQM, KLM Cargo, said from the floor.

“How are we as an industry going to manage referrals, what is the next step?”

Latest on dangerous goods

A panel of experts from the Federal Aviation Authority (FAA), the Rechargeable Battery Association (PRBA), the Cargo Airline Association, the United States Postal Inspection Service, and Delta Airlines came together to discuss the impact of the latest dangerous goods regulations on the industry and ongoing challenges, as well as to take questions from delegates.

The consensus was that there would be a dramatic growth in the manufacture and sale of lithium ion batteries, which will affect all sectors, including consumer electronics, electric vehicles, and energy storage.

The following conclusions were drawn and next steps suggested:

- The cost of lithium batteries is declining every year, which is also accelerating their proliferation into the market and making enforcement of regulations more complex.
- Two top concerns for government bodies and organisations are the transportation and packaging of lithium batteries, which can lead to fires or other safety hazards that many aircraft are not equipped to deal with.
- The differences between varying types of lithium ion battery makes it difficult to provide clear guidance and oversight to the industry as well as to enforce current regulations. Regulators urgently need to look at a multi-layered approach to address the safe transport of an ever-growing amount of dangerous goods.
- Since one of the main challenges facing the industry is non-compliance with current rules, enforcement is just as important as finding an effective policy framework.
- PRBA has been calling for a final rule that would promote safety and minimize unnecessary costs by harmonizing US hazardous materials legislation with the more stringent international dangerous goods regulations.
Sue Presti, TIACA’s Senior Director of Government Affairs, called on industry to take responsibility for giving feedback to regulators.

“Industry has been part of this from the start and that must continue,” she said.

“When notice of rulemaking is given, we will be urging our members to give feedback from their own company perspective, just as we will be doing at TIACA.”

Asha Menon, Senior Technical Officer, Compliance and Facilitation Directorate, WCO, who took part in the panel, stressed the need for regulators and industry to work to raise awareness of advance data regulations.

The advance data panel included representatives from the Transportation Security Administration (TSA), Customs and Border Protection (CBP), the European Union (EU), Transport Canada, Canada Border Services Agency (CBSA), World Customs Organization (WCO), and the International Civil Aviation Organization (ICAO).

US Customs and Border Protection has developed a new electronic manifesting system for US air exports.

Delegates to the Executive Summit in Miami, USA, were told how the US Customs and Border Protection (CBP) and the Transportation Security Administration (TSA) had been working on a pilot of the new Air Cargo Advance Screening (ACAS) project over the last four years using real data in order to sample how the system will work prior to launch.

The audience heard how the program targets air cargo shipments inbound to the US by allowing CBP and TSA to receive advance security filing cargo data as a means to target cargo shipments that may be high risk and require additional physical screening under the appropriate regulatory framework and protocols.

Panelists were quizzed on how the legislation would affect carriers, importers, and exporters as part of the air cargo supply chain.

The program enables carriers and freight forwarders to send and receive advance security filing data and related action messages for all air cargo through CBP’s Automated Targeting System (ATS).

Industry is capable of submitting the 7+1 data elements prior to aircraft departure at the last foreign port of departure. Most of these data elements can be submitted well in advance of departure.

Implementation of a two-way electronic messaging capability will further allow CBP and TSA to automate the ACAS referral process to request additional data, refer a shipment for screening, or in the case of a serious unmitigated threat, deliver a Do Not Load instruction.
Halit Anlatan is Vice President – Cargo Marketing & Sales – at Turkish Airlines where he manages all sales and marketing activities. During his 17-year career he has worked for a range of companies including Turkish Cargo and Schenker Arkas.

Turkish Airlines has experienced tremendous growth recently. Tell us about the airline’s plans for the future.

This year we are targeting the same growth rate as last year, which was over 10%. Unfortunately the yield growth will probably not be the same level as the tonnage growth.

What is the biggest thing that has changed since you joined Turkish Airlines in 2009?

The new Turkish Cargo Terminal became operational on 1 January this year and vastly improves the way cargo is handled. We also carried out improvements to our IT systems with one of the most important updates being the Cargo Operations Management and Information Systems (COMIS), the customized version of iCargo. This is going to replace our TACTIC system, which has been used for more than 20 years, on 1 October 2015. This will lead to substantial changes at Turkish Cargo.

It has been a tough time for the industry overall and IATA recently revealed data showing global air freight markets slowing down in 2015. What are your thoughts on that?

Cargo revenue has not matched volume increase. The decrease in oil prices and uptick in US dollar parity against other currencies has forced the market to scale down unit revenue. This means that even though cargo volume has increased, revenue has not increased at the same pace.

We believe that our comprehensive network, combined with a new state-of-the-art Turkish Cargo facility in Istanbul and our devotion to top quality service, makes Turkish Cargo an ideal cargo partner for worldwide shippers. In this context, we are aiming to reach 775,000 tons by the end of 2015, and 1.2 million tons in 2018.

What is the most important factor for your customers?

At Turkish Cargo we have been embracing improvements to service quality, which we believe is the most important thing to our customers.

What attracted you to join the cargo industry and what aspects do you enjoy the most?

The economic recession of Turkey in 2001 motivated me to join the industry following my first role at Schenker. I wanted to put my experience in the air cargo industry to good use at Turkish Airlines, and I can say that it really helped me a lot.

What is your proudest achievement in air freight?

It was winning an award in the Air Cargo News ‘Cargo Airline of the Year Awards’. These awards are the oldest and most respected in the air cargo industry. We invested significantly in improving our quality of service and customer satisfaction. As a result, Turkish Cargo was voted ‘Best European Cargo Airline’ of the year 2014, which was a great accolade.

What is the role of the carrier in speeding up the much-needed implementation of e-freight in industry?

If we can reach over 50% on electronic invoicing, especially in our hubs, we will have reached an important milestone.

What are the most important issues that TIACA should be campaigning for on behalf of members?

Security, Customs, and educating the next generation of workers in the industry are among the most important issues that TIACA should be campaigning for.

What would you say to a young person looking to join our industry?

I would encourage them to be passionate about developing business models at an international company, to be focused on customer needs, and to ensure you always deliver above and beyond.
With you all the way.

Our goal is to see things from your perspective and anticipate your every need – especially when it involves incredibly sensitive shipments. With a larger, expanding network, we’re coming together to provide a global cold chain solution that ensures on-time, uninterrupted, temperature-controlled delivery, even in hard-to-reach locations.

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