EUROPEAN CARRIERS
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Strengthening our links with shippers

We often talk about the economy and its effect on our industry, or about security regulations, Customs procedures, and a myriad of other ‘internal’ concerns. And of course these all have a direct correlation to operations, costs, and services we provide.

But these issues not only have implications for our industry, they can have a massive, cascading effect on our shippers as well. Engaging shippers more closely as part of a secure and efficient supply chain is essential to our health and viability. Naturally this is a bit easier with larger corporations than it is with smaller shippers, but we need the volumes of business that both provide, and need to hear their voice clearly.

I am reminded of what transpired as a result of the passage in the USA of the 9/11 Act in 2006, which required 100% of cargo being transported on passenger aircraft to be physically screened, at a time when some estimated less than 10% was actually screened. This could have proven disastrous to certain pharma, cold chain, high-tech and other shippers, due to the potential product damage resulting from x-rays or physical opening of packages. Only a very close collaboration between carriers and forwarders, also working with regulators, enabled the development of a viable solution – the Certified Cargo Screening Program (CCSP). A key aspect of this was to enable certain other shipper procedures to be evaluated and incorporated into the security program itself. We must do more of this in the future, and on a broader basis.

This is one of the reasons we recently created a Shipper Advisory Committee within TIACA, chaired by Lars Droog of Tosoh. Although we already work with other shipper groups, such as the Global Shippers’ Forum, European Shippers’ Council, the Council of Supply Chain Management Professionals, and others, we believe it is time to further strengthen the engagement with shippers. Through this committee’s work, we will engage not only with a wide range of shippers, but we will also incorporate carriers, forwarders, brokers, and others into the mix, with a goal of broadening awareness and identifying solutions that will benefit all.

One of our first sessions to explore these issues will be a plenary session at our upcoming Executive Summit in Florida from May 24-26. Lars will head up the discussion with a wide spectrum of industry participants. I hope to see you there as well!
FEARS AND HOPES at the on-line store

E-commerce is set to bring a major restructuring of the air freight industry, creating winners and losers. Ian Putzger spoke to some of the major players about what they see as the key trends and how they are adapting their businesses.

Without a doubt this industry is on a collision course with a disruptive force. The rise of e-commerce offers good opportunities for growth in a largely flat market, but it also threatens to disrupt business practices and to sweep laggards aside who fail to embrace it.

Faced with growth lagging the rise in capacity in general air cargo, many operators are markedly upbeat on the prospects of e-commerce, especially the rapid rise of B2C flows. Anselm Eggert, Head of e-commerce at Lufthansa Cargo, noted that global B2C volume is expected to reach EUR2 trillion (USD2.26 trillion) a year by 2020, with an annual growth rate of 15-20%.

International flows

Much of this moves within national borders, but international flows are also on the rise. Eggert pointed to Chinese consumers’ growing appetite for European brands, especially health and beauty products, and to European online shoppers’ clamor for goods from US brands.

“E-commerce needs air transportation to get to destination faster than over the road,” commented Bob Imbriani, Vice President, International, at forwarder Team Worldwide.

The anticipation of new business streams is tempered by worries about emerging threats to the established ways of doing business. In recent months the two outside juggernauts, Amazon and Uber, have come to exemplify the threat that external forces pose for the air cargo industry. Amazon’s moves to get better control of its logistics – from its recent announcement that it has leased 20 B767 freighters for use in the USA to the procurement of an NVO licence in China – have raised fears of a new force in the logistics arena that might be tempted to piggyback third-party traffic onto its dedicated network to boost utilization and perhaps more. Uber’s declarations of intent to extend its activity beyond passengers to goods have prompted new concerns about possible disintermediation and a further commoditization of the business.

Horst Manner-Romberg, Principal of parcel logistics research and consulting firm M-R-U, said that a company with the financial clout of Uber has the potential to disrupt the market. Nevertheless, he finds the threat from both “disruptors” blown out of proportion.

“Amazon is not going to offer a commercial parcel service for consumers to ship a parcel. Its sole intent and focus is to sell more to the consumer. Amazon adjusts its logistics if it helps the purpose of selling more,” he commented.

He regards Uber as “a great PR theme” but does not expect it to effect a major shift in Europe within the next five years, partly due to the resistance from entrenched systems, partly because of legal challenges and issues such as insurance matters or the legal status of drivers.

Manner-Romberg dismissed claims that the firm’s model could achieve better margins in the last mile sector than existing courier services as unrealistic. In some ways the Uber debate evokes memories of the dot-com bubble, he commented, adding that he finds the firm’s valuation out of line with reality.

Albert Saphir, President of logistics consultant ABS Consulting, sees in Uber little more than load posting boards that have been existing in the trucking industry for years. “All they do is assign a driver and a vehicle. This has nothing to do with functions like forwarding, compliance or Customs clearance,” he said.

Christopher Shawdon, Vice President of Logistics Solutions at Unisys, finds that the Uber model, with its focus on one-off transactions and commoditization, is not suited for the long-term business relationships that characterize the air cargo industry.

Where he does see merit in Uber is its use of dynamic pricing. He sees a growing trend among airlines to move in that direction.

Impact of Amazon

Whether or not it deploys dedicated airlift, Amazon has had a profound impact on B2C logistics, from the ease of ordering online to expectations of service levels and delivery options, Manner-Romberg remarked. He added that a recent study shows that logistics centers in Germany have moved closer to urban centers, in line with Amazon’s drive to effect faster delivery.

He anticipated a finer differentiation in delivery service definitions, as labels like ‘same-day’ are becoming too broad with the proliferation of time-definite services, such as deliveries within a 60 or 90 minute window. “Time windows – especially in the afternoons and evenings – will advance, but they will not spread like bushfires,” he predicted.

According to Eggert, the airlines are in a stage of studying the market in order to be able to
develop more targeted options down the road. Currently, a big focus in this arena for carriers is the mail business, which has shown solid growth.

“I think in the future we will go beyond mail. I think the industry needs to think how to work together with partners,” he reflected. Given the need for closer alignment, including some level of IT integration, this will be a challenging avenue for operators to pursue, he reckoned.

Automation is another issue that has to be tackled, he pointed out. “We need IT and automation,” he stressed.

Shawdon sees the ability to track at the piece level as critical but finally firmly in reach. “We have been talking about piece level tracking for 20 years. Now it is part of our cargo system,” he said, adding that the impetus came from the deployment of radio-frequency identification (RFID) by airlines to track passenger bags, which was fairly simple to extend to cargo.

According to him, another huge factor is the emergence of the cloud as a repository of data and functionality, updated on a more frequent basis and at less cost than individual system updates.

Shawdon reported that some carriers have moved away from a traditional cargo model. He mentioned GOL, which carries about 2 million shipments in a year, about the same number as Delta, but virtually all within Brazil. The carrier uses franchised agents to perform pick-up and delivery.

“Almost all of its business is like that. It is not the traditional model of working with forwarders,” he said.

AirAsia, which moved to a cloud-based Unisys platform last year, carries about 500,000 shipments a year, according to Shawdon. “It is interested in e-commerce, less in the traditional forwarding business,” he remarked.

Narrowbody role

The fact that low-cost passenger airlines are homing in on e-commerce indicates that there is a role for narrowbody aircraft in this segment, which would be a huge benefit for the passenger carriers with strong networks.

“Low-cost carriers are definitely more of an option,” said Imbriani. Team is moving into various forms of e-commerce distribution, he added.

Over the past year-and-a-half, IAG Cargo has worked on the interface between its longhaul and regional networks. Last year the consignment counts using widebody-narrowbody and narrowbody-narrowbody transfers were up, according to Daniel Johnson, Manager of Global Products.

Besides urgent and high value shipments like ship spares and pharmaceuticals, the carrier has seen an increase in e-commerce flows between North America and Europe over this connection, he reported.

One question that remains unclear is who is going to pay for elevated B2C delivery levels. Manner-Romberg cited a study that shows consumers reluctant to pay USD15 or USD16 extra for a delivery, but at USD5 respondents indicated they would be interested.

“A courier cannot do it at that level, so the question is: Who subsidizes it?” he said. As retail margins, for example in the grocery sectors, are in the 5-7% range, an order would have to be well in excess of EUR100 to cover the additional expense.

Low-cost carriers are definitely more of an option.

— Bob Imbriani, Team Worldwide.
Securing the Air Cargo Supply Chain: Operations, Regulations and Cyber Challenges

TIACA EXECUTIVE SUMMIT 2016
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Security tops the agenda as the air cargo industry must wake up to the growing threat of cybercrime to global supply chains. Cyber security will be one of leading topics at the three day event being held at the Margaritaville Resort in Hollywood Beach, Florida, just north of Miami. The latest updates on global Pre-Loading Advance Cargo Information (PLACI) Programs, supply chain security, an update on Air AMS, and a discussion of industry challenges from a panel of global shippers, will also be featured in the Summit program.

PLENARIES

PLACI
Chaired by Douglas Brittin, TIACA
The EU is beginning implementation of PRECISE. The US is preparing its Rulemaking. Other countries have shown interest. ICAO and WCO have worked toward a common framework. Where are we now, what issues remain to be addressed? How will data be shared? What IT costs will ensue? How will transit cargo and mail be analyzed (and screened when directed)?

Air Cargo Challenges from the Shipper’s Point of View
Chaired by Lars Droog, TOSOH Corp
Learn the shipper’s perspective on what we are doing, what we need to do, and what gaps exist. What do they say about the current state of our industry, and what are they looking for? A panel to delve into global shipper concerns and future requirements. Hear from a cross section of shippers, forwarders and carriers on this important topic.

SECTIONS

• Cyber Security, Chaired by John DeBenedette, WIN
• e-Commerce, e-AWB and e-Freight, Chaired by Glyn Hughes, IATA
• Supply Chain Security, Chaired by ICAO
• Professional Development Workshop, Chaired by Charles Edwards, TIACA
• Update on Air AMS, Chaired by Liz Merritt, Airlines for America
• Temperature Control Supply Chain, Chaired by Leandro Moreira, Brinks

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The Indian Prime Minister and his government’s recent ‘Make in India’ initiative was the main talking point at the recent Air Cargo India event in Mumbai.

Make in India’s many goals include making it easier to do business through reduced bureaucracy, increasing the shareholding ownership percentages for foreign businesses, improving infrastructure, and initiatives to train and create a skilled workforce.

GDP growth is being forecasted at 7.6%, which is a real eye-catcher and the government is keen to suggest that this growth is as a result of its initiatives, including Make in India.

So the question is, should we in the air cargo industry be rushing into India with investments and the expectation of immediate growth? The general consensus at the Air Cargo India event was ‘yes’, there will be an upturn in business, but it will take time as the government initiatives develop. So now could be the right time to reassess partnerships and look at possible investments.

India is incredibly culturally diverse – within 100 km you can experience people with a different religion, dress, food and even language. Make in India means ‘change’ in many ways and this will be tough, but not impossible in such an old and culturally diverse country.

I am confident that with further initiatives aimed at both the international and more importantly the domestic business communities, the only way is up for India and its air cargo sector. So please Mr Modi, do not stop now! There needs to be more Make in India-like initiatives and the policies to back them up.
Recently announced plans by a new UK all-cargo airline, CargoLogicAir, to start scheduled and chartered B747 freighter services with the aim of becoming “a leader in the European air cargo market” might hint at a wider revival of optimism about the sector’s prospects.

However, reports from relevant international industry organizations and established European air cargo players suggest that a market which remained patchy and predominantly flat during 2015 is currently showing few signs of any likely substantial general improvement this year.

Longer-term prospects also look far from exciting. US aircraft manufacturer Boeing, for example, last year predicted Europe would be one of the slowest-growing global air cargo markets over the next 20 years, with projected annual average growth of 3.1% for the period 2015-2034, putting it just ahead of North America (2.9%) but well behind other major regions of the world such as the Middle East (6.3%) and Asia Pacific (5.7%).

Coupled with those forecasts of generally subdued home market growth, European air cargo carriers are also having to contend with ever-growing competition in some of their key markets from airlines based in other parts of the world, notably the Middle East and Asia.

International Air Transport Association (IATA) statistics show that the volume of international air cargo carried by European airlines in 2015 was marginally down (-0.1%) on that for the previous year. Meanwhile, Airports Council International (ACI) Europe, which represents close to 500 airports in 45 European countries, reported a small increase (+0.7%) in 2015 freight traffic “as international trade remained subdued”.

That mix of small increases or decreases in freight volumes over the last year was equally apparent in the 2015 traffic statistics published by some of Europe’s leading individual air cargo carriers and airports.

In Germany, for instance, home carrier Lufthansa Cargo experienced a 2% decline in flown freight and mail, compared with 2014, to 1.6 million tonnes, “in a challenging market environment”, while leading gateway Frankfurt Airport reported a 2.3% fall to 2.1 million tonnes “attributable mainly to weakening global trade and economic difficulties in some emerging markets”. More recently still, Frankfurt announced it had handled virtually the same cargo volume in January this year as in the
comparable month last year – just under 160,000 tonnes.

More positively, France’s Aéroports de Paris (ADP) group, which manages Charles de Gaulle (CDG) and Orly airports, achieved a small increase in its total freight and mail traffic during 2015 of 1.2% to around 2.1 million tonnes. That performance, explained ADP, had been boosted by the arrival of three new cargo airlines (Emirates SkyCargo, Saudia Cargo and China Southern Cargo) operating year-round services.

Looking ahead, industry sources currently have varying views on which sectors of the European air cargo market are likely to offer the best potential for growth during 2016 and beyond.

IATA’s assessment of the market’s performance in 2015, for example, suggested the import side is showing more promise. “Although economic conditions showed some improvement in the eurozone, trade, particularly exports, was subdued and hampered demand for airfreight. Imports, however, have been improving over recent months. This should support airfreight demand for local carriers, as well as in other regions serving European markets.”

However, other sources highlighted likely growth on the export side. For example, Jonas van Stekelenburg, Head of Cargo for Amsterdam Airport Schiphol in the Netherlands, which last year saw a small drop (-0.7%) in total cargo tonnage to 1.6 million tonnes, said that performance had included a 1% decline in imports from North America but a more than 12% increase in exports to the market.

“We expect to see further growth in traffic to North America, helped by currency factors [the value of the euro against the dollar] and business development initiatives by airlines and others,” he suggested.

Bram Gräber, Executive Vice President of Franco-Dutch carrier group Air France/KLM/Martinair (AF/KL/MP) Cargo, also highlighted potential growth in export volumes. “If you look at purchasing managers’ indexes and at the rate of exchange and the position of the euro, the prospects for outbound flows from Europe are not so bad,” he stated.

“For instance, it might not be surprising or new but the North Atlantic market, specifically from Europe to the US, was quite a strong part of our network in 2015 and will continue to be so in 2016. We also see a reasonable demand for airfreight to Asia due to the stronger economies and higher purchasing power in that region.”

Alexis von Hoensbroech, Lufthansa Cargo’s Executive Board Member Product and Sales, suggested efforts to try to predict prospects for the European air cargo market as a whole are being complicated by some apparently changing factors.

“Looking back at last year, we can see that the general European market was more or less flat, even though economies were growing, so the old rule that air cargo business will grow at the same pace as those economies does seem to have changed a bit,” he suggested.

“We can see that last year the general European market was more or less flat, even though economies were growing.”

“Looking to the future, we expect to see growth in the European air cargo market but on a very moderate level – and the increase in capacity will outgrow that demand, so the market will remain challenging.”

In response to such “challenging” market conditions, many European legacy carriers have cut back their freighter operations over the last few years to focus more on their bellyhold capacity. Now, though, newcomer CargoLogicAir has appeared on the European
“There will always be room in the market for specialist cargo carriers and we believe we can achieve sustainable growth by specializing in outsize and flexible solutions for customers,” argued Dmitry Grishin, CargoLogicAir’s CEO.

Expanding on this claim, he added: “We see potential in developing all-cargo capacity in Europe as major flag carriers are downsizing their all-cargo fleets. Economics of operation are important and low fuel prices currently support moderate growth in air cargo.”

Meanwhile, established European airlines are maintaining their greater emphasis of recent years on developing services targeting more specialized and potentially higher yield cargoes such as pharmaceuticals and investment designed to enhance their overall information technology (IT) capabilities.

That certainly is the case at Lufthansa Cargo, for example. “We have invested quite significantly in recent years in cool products, including a major cool centre at our Frankfurt hub and tracking systems for that traffic,” said von Hoensbroech.

We believe we can achieve sustainable growth by specializing in outsize and flexible solutions.

– Dmitry Grishin, CargoLogicAir

“There has also been investment in other sectors such as dangerous goods and a couple of years ago we upgraded our animal lounge in Frankfurt. More generally, we are investing further in information technology and e-freight.”

Both trends are also apparent at AF KL MP Cargo. Earlier this year, for instance, it claimed to have become the first airline group to be awarded the IATA Centre of Excellence for Independent Validators (CEIV) pharma certificate for its home hub operations in Paris and Amsterdam, as well as the Air France and KLM airline processes.

More generally, the group is looking to upgrade its IT capabilities. “In Europe, we and the forwaders need to make sure the operational, booking and status information processes become more digitalized and work better,” reported Gräber. “So what we are investing in now is mostly IT, digitalization and de-complexing. There is still a lot of room to improve the classic cargo process.”

One of the many factors driving the current push by European carriers to improve the efficiency of their cargo business operations is the ever-growing competition in several key markets, such as to and from Asia, from Middle East and other foreign airlines.

“The Middle East Gulf operators, in particular, are pushing into the market in a way which is making it very difficult for classic carriers in the European market to compete, and as a result many of them are stepping out of the freighter business,” admitted Lufthansa Cargo’s von Hoensbroech.

In line with the carriers, leading European cargo airports and handling companies are also continuing to step up their focus both on the processing of more specialized traffics and their general cargo IT systems.

One of the more recent examples of the former saw Cargologic last year expand its cold storage facilities at Switzerland’s Zurich Airport to provide more capacity for temperature-sensitive pharmaceutical and biotech shipments. Cargologic is the ground handling partner for Swiss WorldCargo, the airfreight division of Swiss International Air Lines.

The requirements of pharmaceutical traffic are also high on the cargo business development agenda for ADP’s Paris CDG airport. “We are working hard with the French public authorities on pharmaceutical transportation,” confirmed Franck Goldnadel, ADP’s Chief Airport Operations Managing Director.

In common with many other European airports, another key area of focus for ADP is on further improving the overall information technology side of its cargo business to boost the speed and efficiency of all shipment processing and handling operations.

“We expect to offer more in 2016, especially regarding CDG’s involvement in digitalization processes and further improvement in traceability, geolocation, video protection and above all safety on the ground, but it is too early to give further details,” stated Goldnadel.

Elsewhere in Europe, it was announced earlier this year that the Cargonaut community information platform at Amsterdam’s Schiphol airport is to be modernized through an investment of around EUR2 million (USD2.2 million), jointly funded by business and government, over the next two years.

“That initiative is designed to give both the hardware and the software side of the platform a boost so that more parties can make use of its facilities and all the operations benefit from improved efficiency,” explained van Stekelenburg.
SPOTLIGHT ON NEW MEMBERS

New Trustees

Air Logistics Group – A general sales and service agent (GSA) with an extensive network of offices worldwide. It can provide a tailor-made package of services to airlines seeking to outsource their cargo requirements. Air Logistics Group no longer categorizes itself as just a GSA but as an international cargo management company where GSA services are just one element of the many cargo services provided. www.airlogisticsgroup.com

Cargo Service Center India Pvt Ltd – Registered in India and operating in India since 1995, it provides air cargo handling services. It operates at Mumbai, Delhi, Chennai, Ahmedabad, and Mangaluru airports. www.cscindia.in

New Corporate Members

Airports Authority of India, Cargo Directorate, Safdarjung Airport, Delhi – An operator of more than 125 Indian airports. www.aai.aero

Consolidated Aviation Services – Operates from its headquarters in New York and regionally from Dallas and Miami, and is expanding into South America. It is the largest cargo handler in North America supporting over 250 airline customers. www.casusa.com

New Forwarder Members

Al Fares Cargo Services & Clearance LLC. – One of the leading logistics companies in Dubai, UAE, providing complete solutions for all logistics requirements. www.alfarescargo.com

Cargo Air Norway – Part of the Air & Sea Association since 2003 which has 150 offices in 90 countries. www.cargoair.no

Deal Freight & Logistics LLC – Part of the Deal Holding Group and was established in 2009 to provide customers with fully integrated and cost effective logistics solutions. www.dealfreight.org

Sunrise Freight Forwarders Pvt. Ltd – India-based logistics service provider offering Customs clearing and forwarding. www.sunrisefreight.com

Affiliate Members

Air Cargo Forum India – An Association of all stakeholders in the air logistics industry, ACFI is committed to leading the Indian air logistics industry to greater heights. www.acfi.in

Find out more about membership by contacting Kenneth Gibson at kgibson@tiaca.org or visit www.tiaca.org

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To every consignment you entrust us with, we will add something rather valuable: reliability that keeps your supply chain flowing, punctuality that safeguards your deadlines, and precision that gives you peace of mind. That is how We care for your cargo.

We care for your cargo.
Volga-Dnepr President Alexey Isaykin inaugurated to Hall of Fame

Alexey Isaykin, President of Volga-Dnepr Group, has been welcomed to the TIACA Hall of Fame.

Isaykin has been President of Volga-Dnepr since 2002, during which time under his leadership the organization has grown into a global group of more than 20 companies.

“Alexey Isaykin is an inspiring individual who has made a great contribution to our industry, and we are very pleased to be able to bestow him with this recognition,” said Doug Brittin, Secretary General, TIACA.

Isaykin graduated from the Irkutsk Institute of National Economy in 1976 before joining the Ulan-Ude Aviation Factory as an Air Force economist with responsibility for aviation equipment.

In 1989, after having finished his military career, Isaykin headed a group of entrepreneurs and enthusiasts whose aim was to establish a new private air cargo company – Volga-Dnepr Airlines. The company was the first private cargo airline in Russia and the first joint stock company in the Ulyanovsk region. Since 2002, Isaykin has been President of Volga-Dnepr Group.

Isaykin will be formally inaugurated to the Hall of Fame at a gala dinner during TIACA’s Executive Summit and Annual General Meeting in Margaritaville Resort, Florida, USA, this May.

The TIACA Hall of Fame honors air-cargo professionals who have played a role in the progress of aviation and have helped to shape and grow the industry.

Read more about Isaykin in our One to One feature on page 16.

Shippers’ advisory committee launched

TIACA has created a new Shippers’ Advisory Committee to be chaired by Lars JT Droog of Tosoh Corporation. The group will complement TIACA’s other committees and review all elements of the supply chain in order to make improvements with the interests of the shipper in mind.

“Lars has spent eight years as Head of EMEA Supply Chain for Tosoh, and brings with him a wealth of experience in shipping, the supply chain, and air freight in particular,” said Sebastiaan Scholte, TIACA Vice Chairman.

Droog is also Vice Chairman of EVO’s Airfreight and Express Council, a committee of the Dutch Shippers’ Council.

“The voice of the shipper is all too often missing from the global conversation on freight, and I am excited to be establishing a platform for communication within TIACA, which represents all sectors of the air cargo chain,” said Lars. “I am looking forward to bringing the vision and ideas of the shipping community to the discussion table so that we can work together to improve our industry.”

Sanjiv Edward, TIACA Chairman, said that TIACA has set-up this Shippers’ Advisory Committee to act as a bridge, understanding the shipper requirements at one end and then taking them back to the players in the air freight supply chain for creating effective and quality solutions.

“Shipper feedback is paramount in any effort to improve the air freight supply chain,” he said.
FedEx and Emirates executives join Board

Frank Newman, Managing Director, FedEx Services, and Nabil Sultan, Emirates’ Division Senior Vice President, Cargo, have been appointed to the TIACA Board of Directors.

Newman brings over 35 years’ experience in aviation, including senior roles with McDonnell Douglas, and 17 years as Managing Director of FedEx Express.

Sultan has over 20 years’ experience in senior management roles at the airline and was promoted to his current role in 2013.

“I am looking forward to using this role to help ensure industry keeps abreast of changing demands as well as providing innovative solutions to colleagues around the globe,” said Newman.

Newman takes over from Sarah Prosser, Managing Director – Legal Counsel at FedEx, who is stepping down after six years on the Board.

Newman, who has been at FedEx for 32 years, manages sales activities for its airline and aerospace customer segment. He has previously worked at McDonnell Douglas.

“I am honored to join TIACA’s Board of Directors because I share the organization’s commitment to improving market access, security, and environmental responsibility in the global air cargo industry,” said Sultan.

Sultan began his career with Emirates in 1990 in the IT department, and in 2009 he was promoted to Divisional Senior Vice President, Revenue Optimization and Distribution.

In 2009, he was promoted to Divisional Senior Vice President, Revenue Optimization and Distribution.

“TIACA is the only organization representing all sectors of the air cargo community, and both Frank and Nabil will bring an important perspective and high level of expertise to our Board of Directors,” said Doug Brittin, Secretary General, TIACA.

Newman will be participating in a panel at TIACA’s 2016 Air Cargo Forum chaired by fellow Board member Amar More, CEO of Kale Logistics, which will look at e-business challenges.

The panel is part of three days of seminars and workshops from October 26 to 28 at the ACF Air Cargo Vision 2020: An Open Sky to Innovation, in Paris, France.

For more information on attending or exhibiting, contact Warren Jones at wjones@tiaca.org or Kenneth Gibson at kgibson@tiaca.org.
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Air Cargo Professional Development Workshops

The air cargo logistics supply chain market is changing rapidly, and the next five years will see fundamental changes in the way business is done. E-commerce and the effects it will have on the supply chain must be understood to prepare for this new landscape.

TIACA Professional Development courses are the only workshops that bring together all latest developments with participants from the whole air logistics chain.

Learn from industry experts and have the chance to discuss issues and things that matter to you in your workplace with our special sessions with leading professionals who will answer all of your questions.

2016 Planned Schedule of Workshops

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“I can go on and on about the value of the things I learned throughout the few days, but will keep it short. It made me understand that cargo is much larger than just Hawaiian. It gave me a better understanding of how the world does cargo as a whole. It opened my mind to think outside the box and look on many different levels. It gave me insight, passion, and drive to be a better operations leader and treat cargo as a core business. It helped my thought processes and drove intellectual and critical thinking to another level. As a younger leader in the cargo industry, this was an invaluable experience for me as I continue to pursue higher leadership positions. It tried my knowledge and understanding and most of all it humbled me. I may never have the opportunity to participate in an event like that again and I’m grateful to you and Hawaiian for giving me that opportunity.”

Mahalo,
Ryan Nauahi | Manager, Cargo Operations

Learn more, visit www.tiaca.org
LITHIUM BATTERIES
– what you should know

A ban on lithium batteries as cargo on passenger aircraft has come into effect, along with new requirements for freighter shipments.

Although responsibility for ensuring that shipments adhere to the new lithium battery rules lies with the shipper, the whole supply chain risks disruption and inconvenience in the event of anything going wrong, so sharing guidance and best practice industry-wide is paramount.

Guidelines
The International Civil Aviation Organization (ICAO) imposed an interim ban from 1 April 2016 on the carriage on passenger aircraft of all cargo shipments of lithium-ion batteries, which will remain in force until ICAO working groups agree a new lithium-ion battery packaging performance standard. This is expected by 2018 but could go beyond due to further research work by ICAO and its decision-making procedures.

TIACA believes that any regulations on air carriage of lithium batteries should be global in nature, so that our members, who operate in every country and territory in the world, can comply with a common standard, rather than having to adjust their operations to differing standards across the world – which would produce widespread operational inefficiencies and confusion, to the detriment of safety.

So, what should we expect from the new rules?

Lithium batteries are no longer permitted for transportation as cargo on passenger aircraft. The ban applies to lithium batteries packed on their own, but not to those packed with or contained in equipment, nor does it apply to lithium batteries carried by crew or passengers. ICAO has also established new requirements for lithium batteries shipped on freighters to lessen the risk posed by those shipments (see box below for details).

Reclassification
Further, lithium batteries have been reclassified into separate categories, meaning separate United Nations (UN) numbers will be required for lithium metal, and lithium ion batteries.

TIACA urges our members to comply with ICAO standards, including those that have just taken effect. Given the significance and complexity of the many issues relating to air shipments of lithium batteries, TIACA will be taking steps over the next few months to keep our members informed of the latest developments and to engage in the ongoing dialogue with regulators and other key stakeholders.

New requirements for all-cargo carriage
Lithium batteries can continue to be shipped on all cargo aircraft, subject to the following new ICAO requirements:

- They must be transported at a State of Charge (SOC) not higher than 30% of their rated capacity;

- The number of packages is limited and must comply with Section II of Packing Instructions 965 or 968 of ICAO’s Technical Instructions.

Additionally, ICAO encourages its member states to ensure that cargo operators conduct safety risk assessments and use other mitigation strategies to ensure safe carriage of lithium battery shipments.
A VISIONARY
who continues to be inspired

Alexey Isaikin has been President of Volga-Dnepr Group since 2002, during which time under his leadership the organization has grown into a global group of more than 20 companies.

Volga-Dnepr is celebrating its 25th anniversary this year. What inspired you to start the company and what were your ambitions for it?

Twenty-five years ago we held a firm belief that a unique aircraft like the An-124-100 “Ruslan” freighter would find demand on the international market. Our confidence in the aircraft’s unique operating capabilities paid off to the greatest extent and has enabled us to continue to invest, diversity, and grow globally. And, I would say that where we are today has certainly exceeded our expectations of 25 years ago. We have helped to create an entirely new commercial market for the air transportation of outsized and heavyweight air cargo. Today, the An-124 is an integral tool in the delivery of outsized single-piece cargoes, especially on behalf of leading companies in industries like oil and gas, energy, heavy construction, and aerospace.

Our enthusiasm and our total confidence in the An-124 ushered in a new era, the An-124 era, which will continue long into the future. Today, our Ruslan fleet is performing flights on a daily basis all over the world. The aircraft continues to be in high demand because it offers a capability and predictability that our customers value very highly.

What or who motivated you to pick a career in aviation and what is the most rewarding aspect of it?

I am extremely proud to be part of an industry that has transformed the world and changed lives for the better. Thanks to aviation and air cargo, people all around the globe gain rapid access to the products they need and the goods they desire every single day. Cargo aviation opens new opportunities for cooperation and stimulates the deployment of new and dynamic economic business models. Often, it is only when you talk to people outside of the industry that they start to realize how much they depend on our industry.

The significant role cargo aviation plays in the global economy is not my sole source of inspiration. I am inspired by its capabilities, by the versatility of its applications – from the transportation of unique outsize cargo to regular transportation of common cargoes across the globe as part of the supply chains of global businesses. I am inspired by the creative process of seeking and developing new business models, which include cargo aviation, and I am inspired by the synergy of the businesses we have created.

Through our unique aircraft fleet, service offering and the outstanding expertise of our people, we have managed to create what is fundamentally a new approach to air logistics and offer options for the delivery of the widest variety of goods in the shortest timeframe to anywhere in the global market, even the most remote parts of the world. Before this, many large pieces of cargo had to be either disassembled before delivery – adding further cost and time for the customer – or transported at a far slower pace via ground and sea transportation. We created a more advanced solution by combining our aircraft capabilities with a unique portfolio of engineering and logistics services. I am also very inspired and proud of the team of people we have attracted and helped to develop, and by the way the most experienced members of our team are so willing to share their knowledge and expertise with the newest recruits to our group and with our customers. This gives me great confidence for the future.

This summer Volga-Dnepr signed a memorandum of understanding (MoU) for 20 additional 747-8 freighters. What does this mean for the company?

The signing of this MoU is testimony to the successful strategy and growth of AirBridgeCargo Airlines (ABC), the group’s scheduled cargo business. Despite the deceleration of global cargo market growth, ABC continues to increase its cargo turnover, accumulate new orders, grow its global network and enhance its capabilities. This is the expected and logical result of ABC’s thoughtful cooperation with its customers to identify the routes and markets where they most need our support, and then ensuring that we deliver the highest quality of customer service. The first two Boeing 747-8 Freighters joined the company’s fleet in November 2015, just ahead of the high season. We launched them into operation the very next day, putting them on commercial flights to Europe, and later to Hong Kong and Hanoi. The continued expansion of the fleet will support the high rate of the airline’s growth and secure the further strategic development of the group. Our strategic selection of the Boeing 747-8
also confirms our confidence in this aircraft type and the significant role it has to play in the future of the cargo aviation industry.

Boeing and Volga-Dnepr share a long history of successful partnership. It is only fitting that Volga-Dnepr took delivery of the 100th Boeing 747-8F produced by Boeing.

**Could you share your vision for the next 25 years?**

Our future is based on a simple concept: doing what we do best. More specifically, performing reliable air cargo transportation on behalf of our customers all over the globe, continuing to expand our offer of services, and providing our customers with a choice of the best transport and logistics solutions. Volga-Dnepr has named this approach as our “cargo supermarket” service offering. The components of this concept are simple: utilizing the skills of the best professionals in the industry, the best cargo aircraft, a customer-oriented and flexible business model, and a clear mission combined with a strong corporate culture based on our core values.

We consider the unique knowledge we have accumulated in the company over its 25 years of work to be our main value and the basis for the company’s success. This experience is the main reason customers in a broad range of industry sectors all over the world continue to favor our company. Today, we are carefully transferring this knowledge to the next generation, securing the continuity of the group’s business. I am sure that thanks to this process we will become a global knowledge factory for air cargo transportation — and more. We take great pride in all that we have achieved and will continue to use all of our abilities and confidence to help bring about positive changes in the world we all live and work in.

**How can the industry encourage more young people to join? What would you say to someone thinking of making a career in air cargo?**

I would tell any enthusiastic young person that this is a tremendous industry in which to build a successful career. Air logistics is a global industry working at the heart of world trade. It has everything required to attract the younger generation: moving products we all use from manufacturers to consumers all over the world to ensure supply always meets the level of demand, the opportunity to travel and experience working in new countries, the chance to apply advanced technologies, and to be part of big projects that deliver a measurable benefit.

It also offers the prospect of rapid career growth for the most talented and ambitious young people. Our industry is perfect for today’s tech-savvy generation, for those who are proficient with e-commerce and understand the potential of connecting buyers and sellers all over the world. Moreover, we have to excite young people about aviation, about what it does today and what it will do in the future. This is an industry built on the spirit of adventure.

**How have your customer’s needs changed over the years? What do they expect of Volga-Dnepr today?**

However challenging the current global air cargo market may seem, I am confident our industry has a very bright future. The world of e-commerce will only expedite global trade. Customers want and increasingly expect to receive goods at a magical speed, almost the same moment they set their eyes on a product.

The discrepancy between customer expectations and available means of production is self-evident. Entering a strategic partnership with reliable and capable air cargo partners and employing the latest technologies in aviation logistics provides a solution to this situation. Air cargo has always been about speed and predictability, no more so than today. It remains the fastest way to deliver cargo to any place across the globe, and will remain this way for decades to come.

Additionally, Volga-Dnepr is in midst of the events and developments in the Global Air Cargo Advisory Group. In partnership with IATA and organizations representing the interests of shippers, including the Global Shippers’ Forum (GSF) and International Federation of Freight Forwarders Association (FIATA), we are working on implementing an electronic documentation system at each step of the logistics chain that can benefit e-commerce to a great extent. Every industry needs a voice and TIACA is the voice of air cargo.

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The pharmaceutical supply chain is becoming increasingly complex in the face of technological change and new regulations, writes Naomi Landman, Director Commercial Development of IJS Global GEFCO.

The pharmaceutical supply chain is becoming increasingly intricate with new regulations and technological changes to ensure the integrity of the product at all times. The life sciences and healthcare industry is undergoing a period of improvement, with new regulations being introduced globally, and this year will see some very important milestones established.

Technological advances, as well as tax, regulatory, and market demands are driving change and developing the pharmaceutical supply chain. Alongside these changes, and in support of improvements, over the next couple of years, Europe is set to introduce a series of new serialization requirements that will affect all branches of the life sciences and healthcare industry – from manufacturer and generics producer to wholesaler and distributor.

Implementing these new regulations in a globally coordinated, cost-efficient and timely manner is a big challenge for the industry but one that we must all strive for.

This year we expect to see more developments with the International Air Transport Association’s (IATA) Center of Excellence for Independent Validators (CEIV) on Pharmaceutical Handling program. This will continue to help airlines, handlers, and forwarders from across the supply chain to navigate international compliance regulations and keep them up to speed. This is important because it will help ensure the industry continues to meet consistent standards and assures product integrity.

Further technological advancements will be made to help improve the monitoring of temperature-controlled goods. We believe these advancements will also enhance collaboration from partners across the life sciences and healthcare supply chain. In order for the industry to continue to offer efficient solutions, it is vital that we work closely with our customers and suppliers as well as incorporate the accumulated experiences of our people and industry knowledge.

Supply chain impact

These developments will have an impact on the way the pharma supply chain operates, and consequently the healthcare industry. As the supply chain becomes more complex, it is important for logistics companies to stay ahead of the curve by improving their understanding of the pharmaceutical industry and not to just focus on the freight aspects. This enhances the ability to offer flexible and efficient solutions that maintain product integrity.

IJS Global’s recent acquisition by GEFCO means we expect to see strong growth in 2016.

– Naomi Landman
Improved visibility and communication is also key in keeping the pharma supply chain healthy. Over the past several years, some carriers have been able to show more visibility of consignments while in their care. Equally, a whole ‘new’ market seems to have grown alongside the industry offering innovative technical ways of providing radio frequency identification (RFID) or global positioning satellite (GPS) information to ensure a shipment is visible throughout its journey.

Communication flow
Across the industry, we should aim at optimizing this visibility and communication flow between the various parties involved and take a proactive approach to intervene where possible to ensure that any issues are avoided at all times.

IJS Global’s recent acquisition by GEFCO means we expect to see strong growth in 2016 with big opportunities to enhance our business in Asia, Latin America, Central Eastern Europe and Russia. Equally we will now be able to offer a wider spread service by road and therefore are committed to look into different ways of how we move pharmaceutical goods for our customers that encompass the new regulations and continue to be transparent, innovative and customer centric.

Serialization rules around the world

Serialization involves a numeric or alphanumeric code known as a unique identification (UID) in order to acquire full track-and-trace capabilities of a product throughout the supply chain, from its manufacturing origin to the point of sale.

Production, transportation, and point-of-sale information is recorded and stored in a central database, allowing a product to be easily authenticated as legitimate, as well as permitting the complete product event history to be reviewed or audited.

Below are some of the changing serialization requirements occurring across the globe.

**United States:** The Drug Supply Chain Security Act (DSCSA) is currently being implemented in phases over a 10-year period. Manufacturers must begin serializing all drug products at the saleable unit and case level for the US market starting in November 2017.

**European Union:** New serialization requirements resulting from the Falsified Medicines Directive (FMD) will come into effect in most EU countries beginning in 2017. The requirements include supporting both global and national identifiers and following strict uniqueness regulations. However, despite having three years to implement these measures, the European Stakeholder Model (ESM) suggests that four or five years is actually more realistic in terms of full implementation.

**China:** Drug products on the Essential Drugs Lists (2009, 2012) already need to be serialized following requirements for serial number acquisition, serial number product data formatting, and barcode labeling. This requirement came into force in late 2015, and covers both domestic and imported medicines.

**Brazil:** New serialization requirements for all registered drug products started being phased in at the end of 2015, with phase two of the program commencing at the end of 2016. As part of the new rules, manufacturers need to apply unique Brazilian product identifiers into barcodes for each saleable unit, serialize each transport container, and ensure aggregation relationships.

**Russia:** Feedback is currently being gathered for the draft for Russian pharmaceutical serialization regulation. In June 2016, the technical properties of the new federal repository and tracking system should be in place. A pilot program will commence in November 2016, with the first drug classes being serialized from January 1, 2017.

**South Korea:** South Korea initially planned to introduce a full serialization compliance requirement. But in 2014 this was changed to a phased approach, with 30% of a manufacturer’s product subject to a 2015 deadline, and with full serialization requirements being implemented later in 2016. Regulators are also expected to introduce reporting mandates this year.
When did you last buy a new car? And when you did, were you able to choose the shade of its paintwork, or the color of the leather on its seats, or even the type of stitching on the trim?

According to Matthew Booth, who takes the lead in the UK on Product Lifecycle Management (PLM) for the business consultancy firm Accenture, this sort of customization, where the consumer can demand a massively personalized product, will no longer be the preserve of the luxury end of the market. He sees an end to the world where “all the cars down the production line are all the same, all black … “As he put it: “Factories are no longer producing 100,000 of the same thing.”

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But what sort of factory is capable of meeting this level of individual choice while producing such big volumes? These are the factories of what some are calling the fourth industrial revolution: “The Internet of Things” (IoT), a term many of us have become familiar with to describe the ability of our devices to talk to each other, has reached the factory floor.

Automation
These factories in this brave new world are highly automated and the machines themselves are not only able to communicate with each other, but even with the product (let us stick with the car) that is being assembled.

“It is about products being more aware of themselves,” Matthew Booth told TIACA Times. “The product will tell the robot where it needs to be fitted. The robot will know ‘you are a front seat’… It is much more than logic, there is intimacy, and understanding and awareness of where you are, who you are, and what your function is. The product itself will be adaptive, depending on the situation.”

Crucially, the data passing through the factory is as critical as the physical components. The physical factory will have a ‘digital twin’ which will allow companies to run simulations outside the factory. This in turn will give them the ability to optimize how their production processes function and to develop protocols of how things work with each other.

“There will be embedded software to allow things to co-operate and a huge requirement for digital infrastructure and apps as well,” said Booth.

In the world of Industrie 4.0, which, as the name indicates, originated in Germany, academics and businesses are working together to pioneer greater automation. Companies like Siemens...
and more data is being used by the enterprise itself for the business side, whether it is ordering materials or matching orders to production.

“The revolution is that advanced analytics are used to gain insight, rather than eyeballing the data with humans,” he said.

Computational analytics, which take the place of rows of humans staring at banks of screens, are extremely useful to industry as a predictive tool, Prof Stanford-Clark explained. If the computer spots patterns in the data that have led to failures in the past, it can send out an alert as to when machinery will need servicing or repairing, saving the cost of unscheduled downtime.

Smart factories making defect-free customized products with super-clever, communicative machines is one thing, but what will this mean outside the factory gates for the supply chain?

Prof Stanford-Clark cited two practical data-gathering technologies that are not new, but are increasingly making a difference to the efficiency of tracking and transporting goods. Firstly, radio-frequency identification (RFID) ensures that the right products get to the right places. A radio chip on a pallet or box leaving a loading dock or arriving at a supermarket acts as a sort of automatic barcode. You no longer have to rely on optical control to check the contents against a manifest.

The industrial Internet is about applying more intelligence to the data we have got.

– Professor Andy Stanford-Clark, IBM

Secondly, said Prof Stanford-Clark, global positioning system (GPS) data and vehicle diagnostics helps companies deliver a more responsive service to their customers, as well as saving them money though energy savings.

But aside from the role of Big Data in mitigating the inconvenience and cost to supplier and customer when deliveries do not work properly, how will the industrial Internet affect the geography of the supply chain?

There seems to be a consensus among the experts that greater automation in factories will “close the loop”, as Prof Stanford-Clark put it, between the point of manufacture and the point of supply. Quicker and cleverer production processes will mean less warehousing and more just-in-time delivery. Alongside this, techniques such as 3D printing will make a big difference to what stock is held.

“Production will be more decentralized and closer to the customer to provide customization,” said Adriana Diener, Global Lead and Managing Director for Accenture Freight & Logistics.

However, for those on the frontline of the supply chain she does not see dramatic change happening immediately. “It is not necessarily such a bad picture,” she said. “Raw materials are still needed… and the level of consumption is increasing.”

And she added: “Air freight costs have dropped, putting pressure on carriers. There is a high need for automation, while people want to operate in low-cost places and still afford to ship and have a decent margin.”

She pointed out that air cargo handlers have already invested in smart automation in their hubs and are aware of the need to streamline processes so that they have the requisite shipments in their warehouses for quick transhipment.

However, increasingly valuable software raises the all-too-familiar 21st century problem of data security. How vulnerable to hackers are networked factories operating within networked supply chains?

“Security risks are substantial around IoT, but this does not mean that it should not be considered or embraced,” stated Matt Clarke, Chief Technology Officer at Amaze, a digital marketing, technology, and commerce consultancy.
“The critical thing is to understand how the infrastructure is put together… connected sensors, devices, and machines all need access to the Internet, and the platform that manages this infrastructure is key to the robustness of the security.”

The right encryption software, used in the right place, is part of this system-wide security picture, as is Clarke’s recommendation that machines should never wait for instruction from the management platform, but should call the platform themselves. In this automated world, that point at which corporate systems are directly connected to the Internet seems to be what worries experts most, as is the case with industrial control systems (ICS) within some infrastructure companies.

**Enterprise IT**

In a recent interview, Ben Lowater, the Deputy Director for Critical National Infrastructure at GCHQ, the UK’s intelligence and security base said: “The single biggest vulnerability is connecting poorly protected enterprise IT to operational technologies.”

And he added this explanation: “The vast majority of attacks actually go after the enterprise IT and will act as if they were a legitimate user to get the ICS [industrial control systems] or OT [operating technology] to do something.”

Leaving the James Bond world of potential attacks on national infrastructure aside for a moment, just handling the amount of data running around the industrial Internet could be the biggest challenge for businesses.

Prof Stanford-Clark, whose company IBM provides its clients with end-to-end system integration, called it “the combinatorial explosion in data”. He thinks it is becoming harder and harder for humans to track and pull out the valuable nuggets. He described himself as “shielding people from that vast sea of data”. And IBM’s role, he said, is to take data from the sensors and store them in the cloud, and then to use cognitive analytics to gain what he calls “actionable insight”. A practical example of that might be telling a machine to turn down the temperature.

It seems that businesses are well aware of the need to build up their expertise in data analytics in order to win a competitive edge. When Accenture and GE surveyed big companies in eight sectors, including aviation, for their report for 2015, they found that nearly three-quarters of their respondents were already investing more than 20% of their tech budget in Big Data analytics. And most of the executives expected that level of spending to increase in the next year.

Increased automation, a robust data security system, more sophisticated data analytics – these all underpin the era of Industrie 4.0, or the industrial Internet. How can cargo and logistics businesses prepare for it? Adriana Diener of Accenture reiterated her point about the need to adapt with this straightforward advice: “They also need more digital capabilities that allow for agility in changes to the operational processes, given that supply chains are going in that direction.”

**TIACA’s ACF in Paris features a shipper panel debating future manufacturing trends. More at www.tiaca.org.**
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Over 40 of the world’s top 100 brands use Kerry Logistics. We provide professional, cost effective and trusted supply chain solutions tailored to each brand’s needs. Our expertise extends from all categories of merchandise, non-merchandise to POSM. With the strongest distribution network across Greater China and the ASEAN regions, we ensure your products are delivered faster than anyone in the industry.
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