Economic Impact of Air Cargo Security
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Value of Air Cargo

• The Value to modern life – Consumers
• The Value to economic prosperity – Governments / Regulators
• The Value to the global community – everyone
The Value to modern life

Daily Impact if Air Cargo didn’t exist

- Food
- Clothes
- Entertainment
- Technology
- Leisure
- ....
...air cargo makes it happen.
The world's most valuable horses are now competing in parts of the world where this would have been unimaginable 20 years ago.

www.iata.org

16-18 March: Australia

23-25 March: Malaysia

...air cargo makes it happen.
By flying 60 cars and 300 tonnes of equipment to 20 grand prix in 19 countries, with 500 million avid viewing fans, air cargo keeps Formula 1 on track.

www.iata.org
The Value to the Global Community

• First responder in getting relief to natural disaster sites
• Safe and controlled transport of medicines
• Vaccines .... etc.
Help from the sky

Air cargo makes it happen.
Air cargo plays an essential role in assistance to regions facing natural disasters, famine and war by delivering aid and emergency supplies where they are needed as soon as they are needed.
www.iata.org

A life protected

...air cargo makes it happen.
Immunization prevents 2.5 million deaths every year. Air cargo is critical in flying vaccines to their destination in time to be effective.
www.iata.org
The Value to the World Economies

Air cargo was always considered as a barometer of the global economy.
All is Interconnected: iPhone Manufacturing & Distribution Process Demonstrates Importance of Good Logistics and the Utility of Air Cargo to World Economies

**iPhones are available in all blue countries**

The importance of air cargo...

Chart 3.9: Proportion of global trade transported by air

USD 6.4 Trillion

Source: The Colography Group 19, Oxford Economics
Have you got one of these with you?

...air cargo makes it happen.

Air cargo transports over US$ 5 trillion in goods, including the latest phone, game and multimedia gadgets — bringing your world to life.

www.iata.org

From his field to your vase

...air cargo makes it happen.

Air cargo flies over 90,000 tonnes of Kenyan flowers each year, sustaining 60,000 jobs. So when you say it with flowers, remember they’ve come further than you think.

www.iata.org
The importance of air cargo ...
Forces and Constraints for Air Cargo Growth

- Trade quotas and restrictions
- Currency revaluations
- Air and surface labor stoppages
- "Open Skies" and new air services agreements
- "Just in time" concepts
- New commodities
- National development programs
- "Open Skies" and new air services agreements
- Airline market research
- New trade relationships
- "Just in time" concepts
- Airline market and shipper education
- Proliferation of points served
- Deregulation
- Airline market research
- Shipper utilization
- New commodities
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Industry relocation
Directional imbalances
Surface competition
Airport curfews
Terrorism/armed conflict
Oil/fuel prices and availability
Proliferation of points served
Shipper utilization
Airline market and shipper education
"Just in time" concepts
New commodities
National development programs
"Open Skies" & new air services agreements
Deregulation
Export market
Express market
"Just in time" concepts
New trade relationships
World and regional GDP growth
Lack of airport access
Environmental regulations
Currency revaluations
Trade quotas and restrictions
Modal Shift

- AstraZeneca is shifting transport of pharma products from air to sea, with the objective by end of last year to have moved 40% to sea transport and by end of 2013 70%.

- Ericsson: better production planning will support strategic shift away from Air Cargo

- Sony Corp.: CSR (Modal shift) nearly 30% of total VAIO® notebook computers are now by sea transport
Modal shift from air to sea (freight)

Source: Davy; Transport Intelligence Survey
Challenges the Industry faces

- Solutions must align with customer demands
- Costs must be reduced
- Processes must be simplified
- Technology must be embraced
- Innovation must replace status quo
- We must collaborate to produce integrated solutions
The air supply chain

Air Cargo – Supply Chain
6.5 days avg

Complex interfaces...
E-freight: What happens with the documents

- Shippers
  - Origin Freight Forwarders
    - Export Customs
      - Origin-Destination Airports
        - Import Customs
          - Destination Freight Forwarders
            - Consignees

- Removing Documents By Scanning: 26% volume
- Removing Documents by Electronic Messages: 10% by volume
- Removing Documents by Electronic Messages: 34% by volume
- Removing Documents by Electronic Messages: 30% by volume
A vision for a modern industry (1/3)

- **Strengthening industry relationships**
  - Modernize IATA Agency model: partnership based, aligned with airline / forwarder evolution

- **Reacting to business model evolution**
  - Respond to changing consumer patterns...collaboration with supply chain partners a must to address “click-buy-fly” home-to-home or factory-to-home trends.
  - Value price, service revaluation... bespoke supply chain solutions (commodity specific)
A vision for a modern industry (2/3)

• Maintaining high level safety & security

• Re-engineering ground processes
  – Acceleration of transportation process. Collaboration with supply chain partners a must to address “shipper to aircraft” process.

• Ensuring technology is fully embraced
  – Reduce reliance on human intervention ... e-booking, e-track, e-claims, e-delivery, e-perform
  – Data exchange rather than message exchange
Security: protecting the skies

- ACC3
- ACAS
- New ICAO guidance material
- RA / KC programs
- +++
Introduction

Context: The SmartGate program is one of the initiatives to effectively manage the risks of safety and security at Amsterdam Airport Schiphol and to improve the cooperation in the air cargo chain.

Objective: To create an integrated supervision and inspection process for air cargo with a swift and unhindered cargo handling operation and efficient government supervision.

Initiators:

1. Douane Belastingdienst
2. Schiphol Amsterdam Airport
3. ACN
The SmartGate Concept

Customs Control Centre

Remote Scan

Joint Inspection Centre

Mobile Teams / Scan

ULD Scan

Nuclear Detection

Centralized, Remote Risk Analysis

SmartGate ICT Solutions

Flexible, integrated supervision and inspection process
The Prevention of terrorists in aviation must be our number one priority.

Unfortunately, the prevention of terrorist in aviation must be our number one priority. The actors in the air cargo industry need to work closely together with each other and with governments to safeguard their industry.

There are different ways to secure the air cargo supply chain. The European shippers do not believe in the 100 percent scanning/screening approach. Shippers use the air cargo mode for shipping time and temperature-sensitive goods. Screening cargo at the end of the supply chain (before loading it onto a plane) may not only affect the reliability of the air cargo mode, but also the quality of the goods. Lifesaving medicines such as radiopharmaceuticals have a half-life of 24 hours and are useless when missing a selected flight. Allowing only screened cargo onboard a plane can have major consequences for the economy and society.

Governments should always give shippers the option of taking part in a secured supply chain. Shippers with sensitive goods or a large volume of air cargo volume can invest in security measures that keep cargo identifiable as air cargo safe and secured. Other types of shippers that are unable to invest cost-efficiently in the supply chain will hand over their cargo as being “not secure” to the logistic-services provider for screening and will accept the negative consequences of screening.
Every Country or region have different rules for air cargo security.
The role of Customs has changed

Shippers did not see the promised trade facilitation

In the air cargo industry, the role of customs has changed significantly. In the late-1990s, the primary focus of customs was on the collection of customs duties. Mainly due to 9/11 and the Yemen incident in 2010, the focus of customs shifted more and more to security. The introduction of the AEO (Authorized Economic Operator) in 2008 required both shippers and logistic-services providers to introduce internal security checks in their business processes. As a reward, business would receive more trade facilitation. The concept of AEO is based on mutual trust between customs and business.

In practice, businesses indeed took many measures to manage their customs and security risks. However, shippers did not see the promised trade facilitation, and even worse, they do not see a trust relationship being built up between them and the customs administration. Controls on the measures taken by business should be more system-based and take place, for example, only once a year. The checks carried out by customs at that point ought to provide enough of a guaranty to prevent consignment-based intervention by customs. This way of working requires a different mindset.

In addition to a different mindset on the part of customs administration, which need to gain trust in business, trade facilitation can also be achieved by a better distribution of financial and security-related data.
By giving customs that role coördinated border management can be achieved.
Air Cargo – Vital for today’s society and economy