



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
-

Advancing Air Cargo



Travelling first class
in a stable market

...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.

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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.

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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.

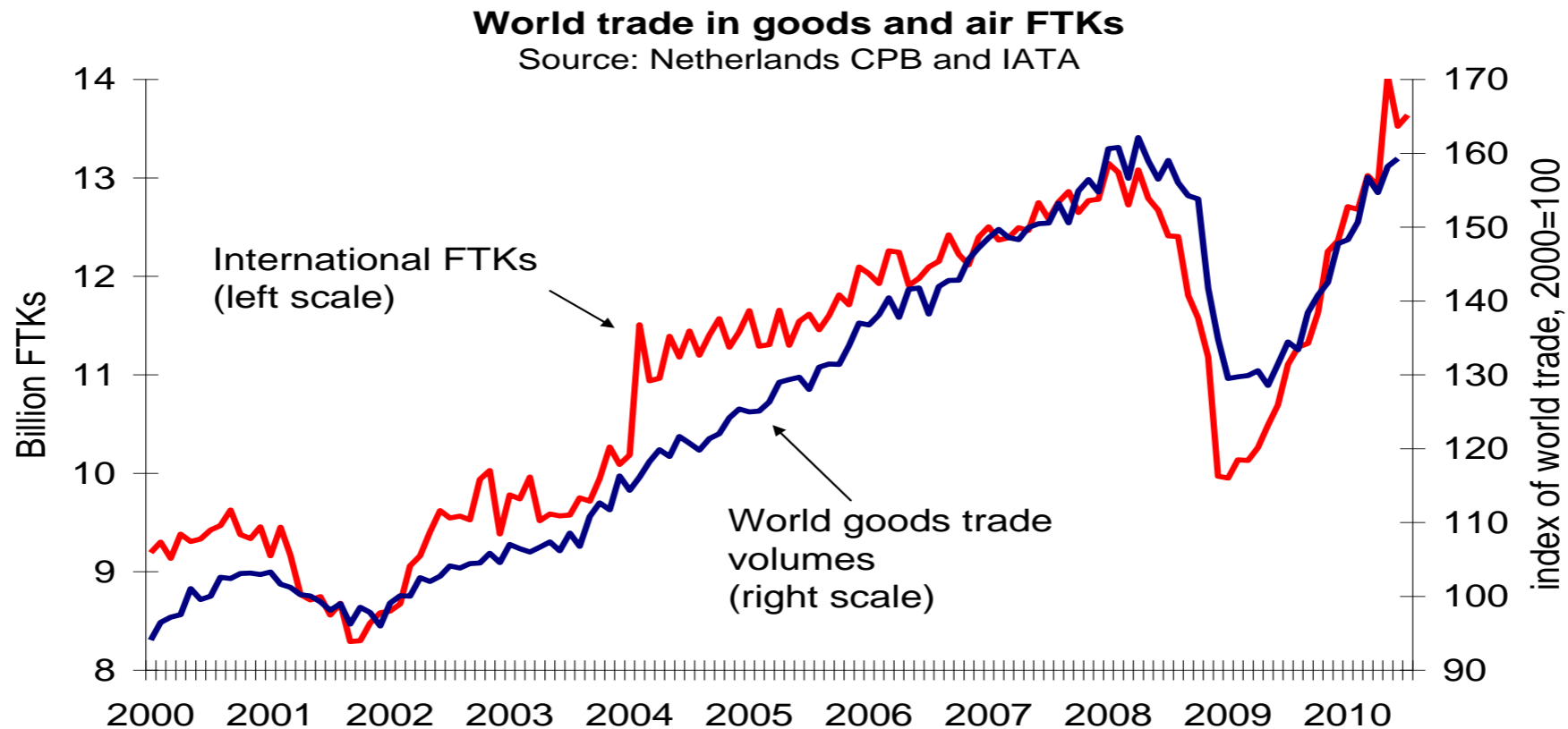
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The Value to the World Economies






Air cargo was always considered as a barometer of the global economy

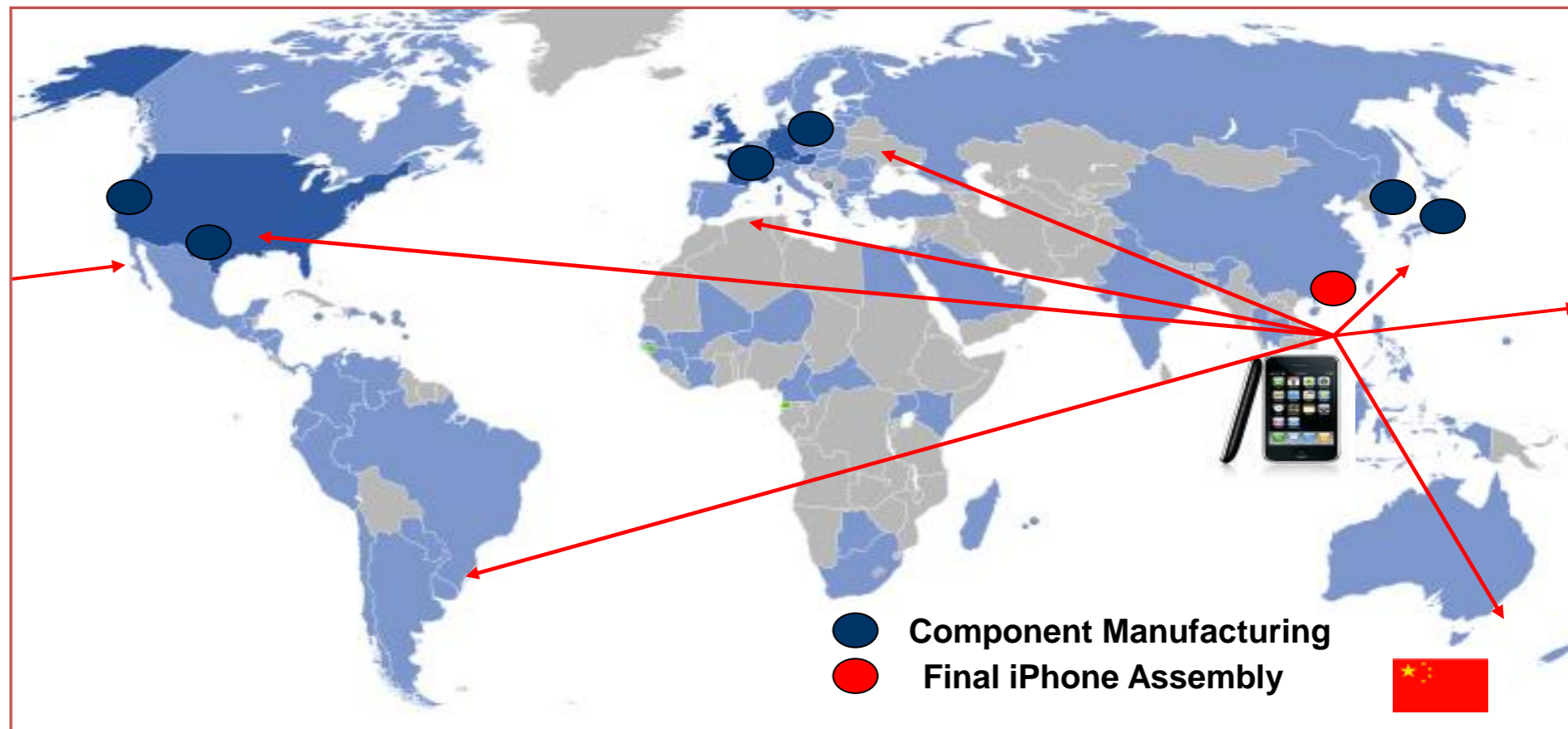


All is Interconnected: iPhone

Manufacturing & Distribution Process Demonstrates Importance of Good Logistics and the Utility of Air Cargo to World Economies

iPhone Components & Source Countries

LCD Display Flash Memory Chip Applications Processor DRAM Memory	
Bluetooth, GPS Chips Radio Frequency Memory Touch Screen Control, Wi-Fi	
Receiver/Transceiver Power Management	
Accelerator/Gyroscope	
Compass	



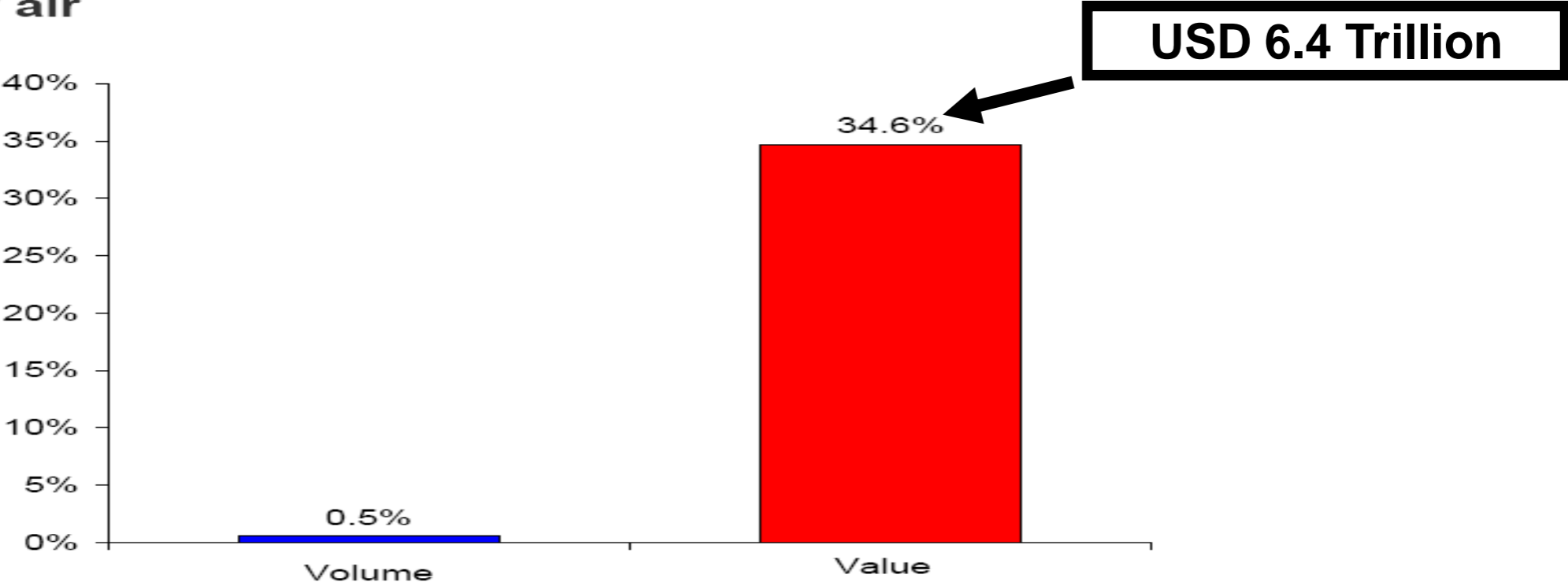
Source: New York Times, 05 July 2010, "Supply Chain for iPhone Highlights Costs in China."

**iPhones are available in all blue countries



The importance of air cargo ...

Chart 3.9: Proportion of global trade transported by air



Source : The Colography Group¹⁹, Oxford Economics

Advancing Air Cargo



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.

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From his field
to your vase

...air cargo makes it happen.

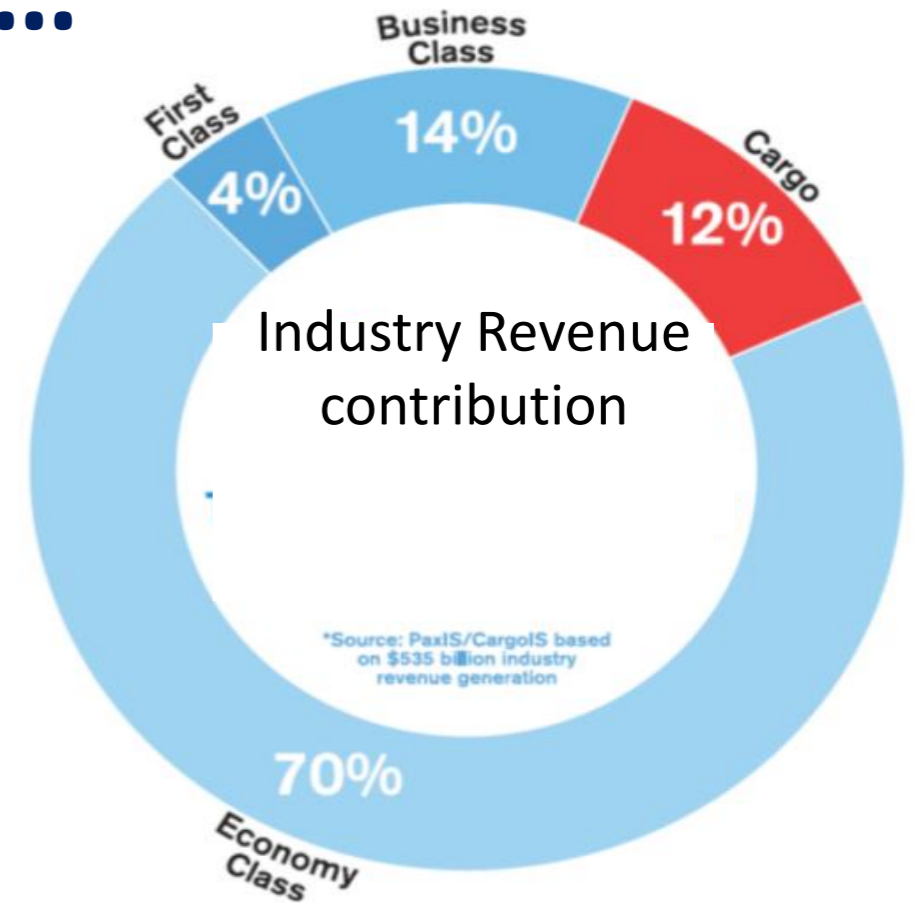
Air cargo flies over 90,000 tonnes of Kenyan flowers each year, sustaining 60,000 jobs. So when you say it with flowers, remember they've come further than you think.

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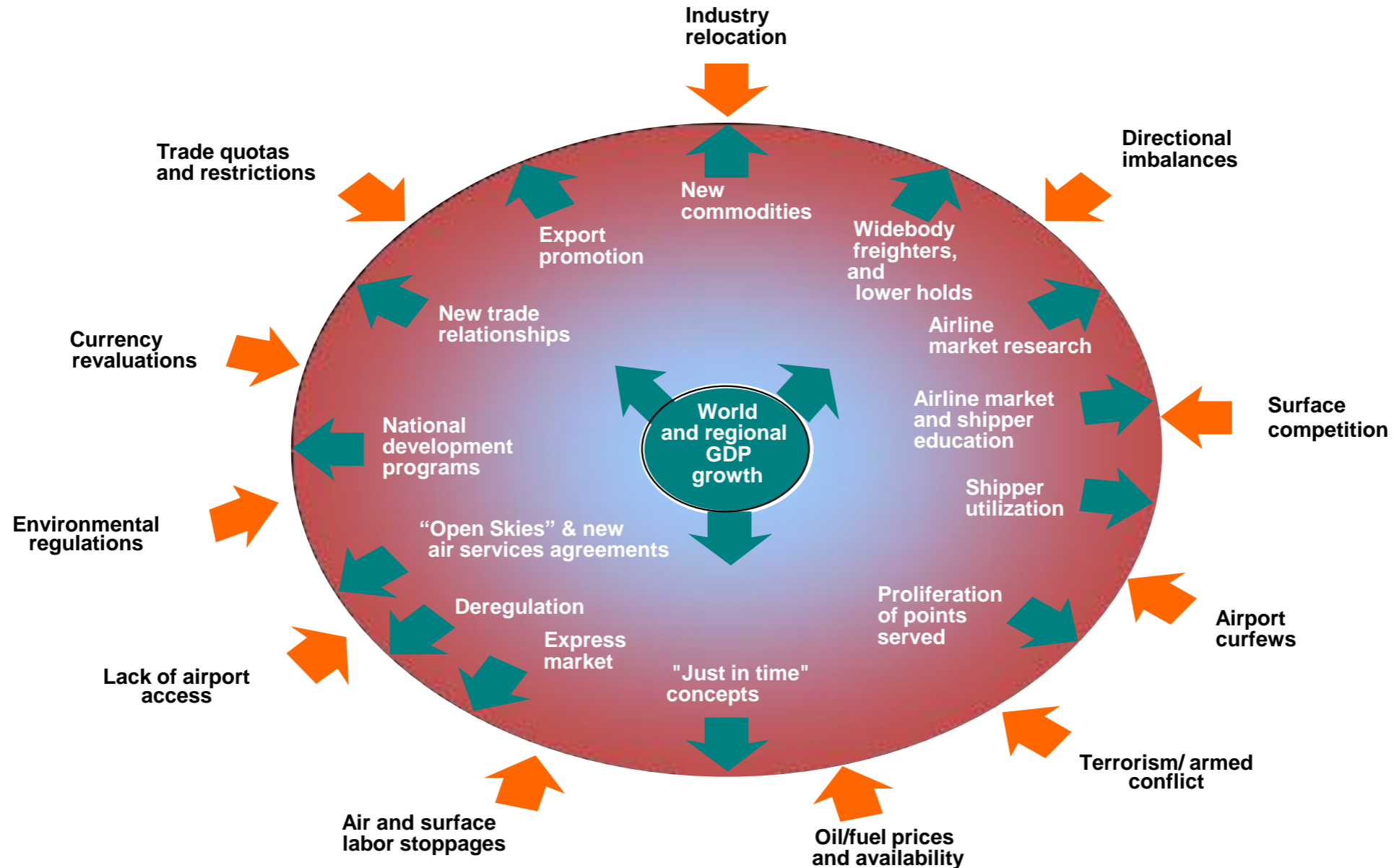




The importance of air cargo ...



Forces and Constraints for Air Cargo Growth





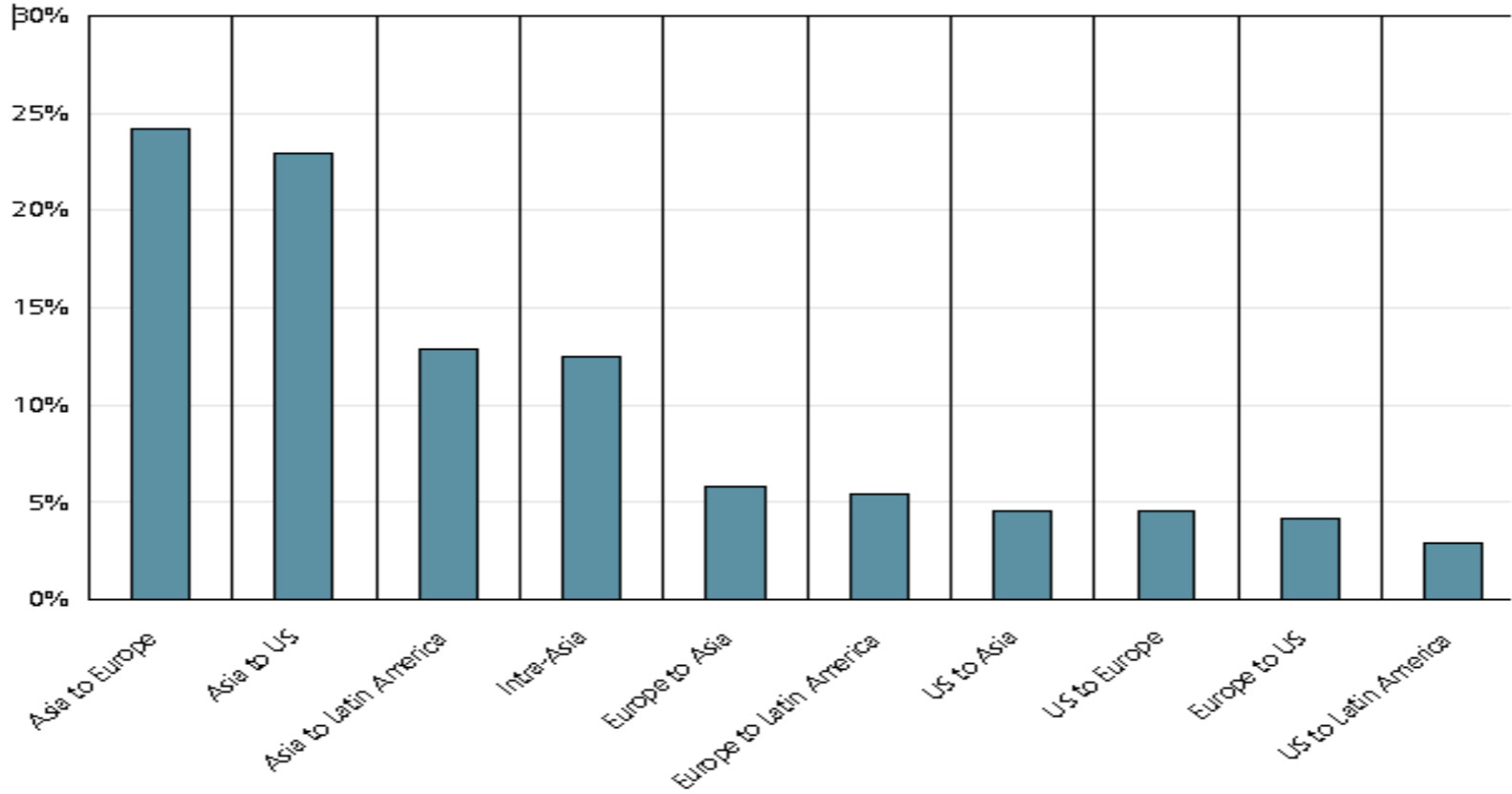
Modal Shift

- 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%.
- Ericcson: 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

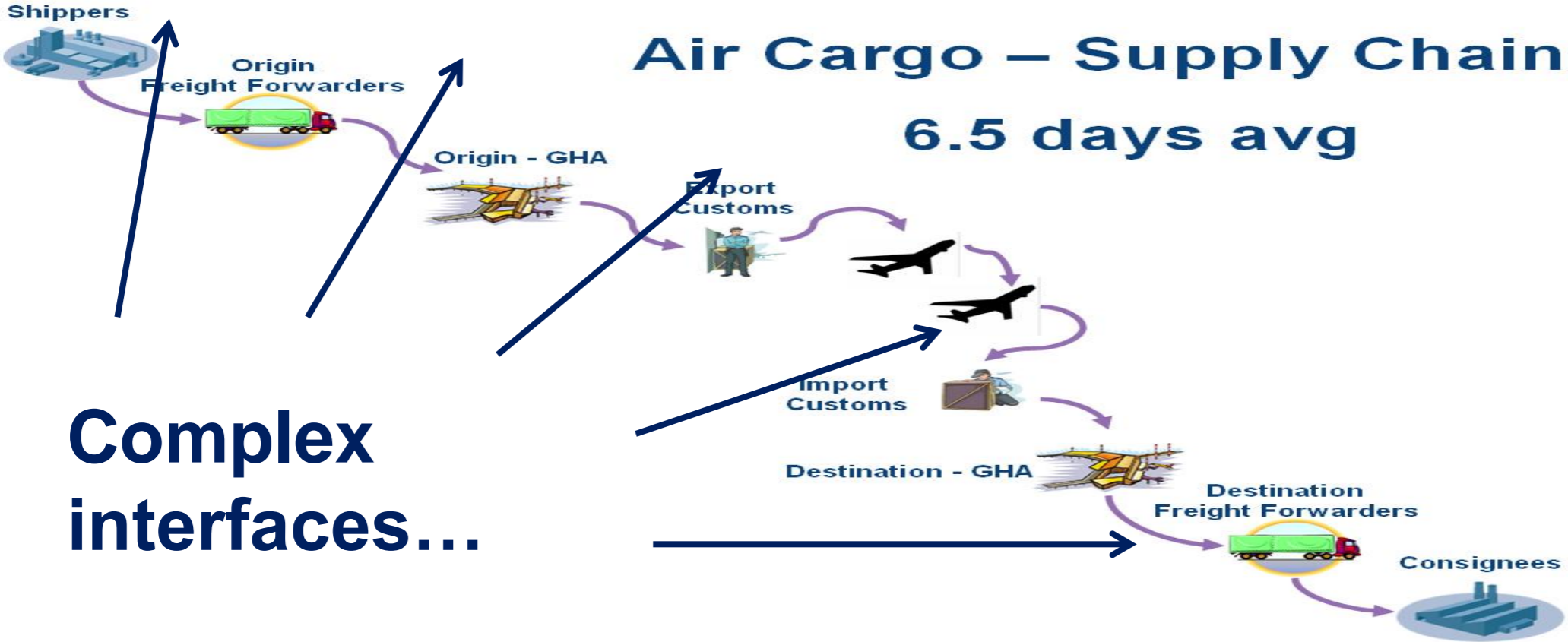


Challenges the Industry faces

- 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



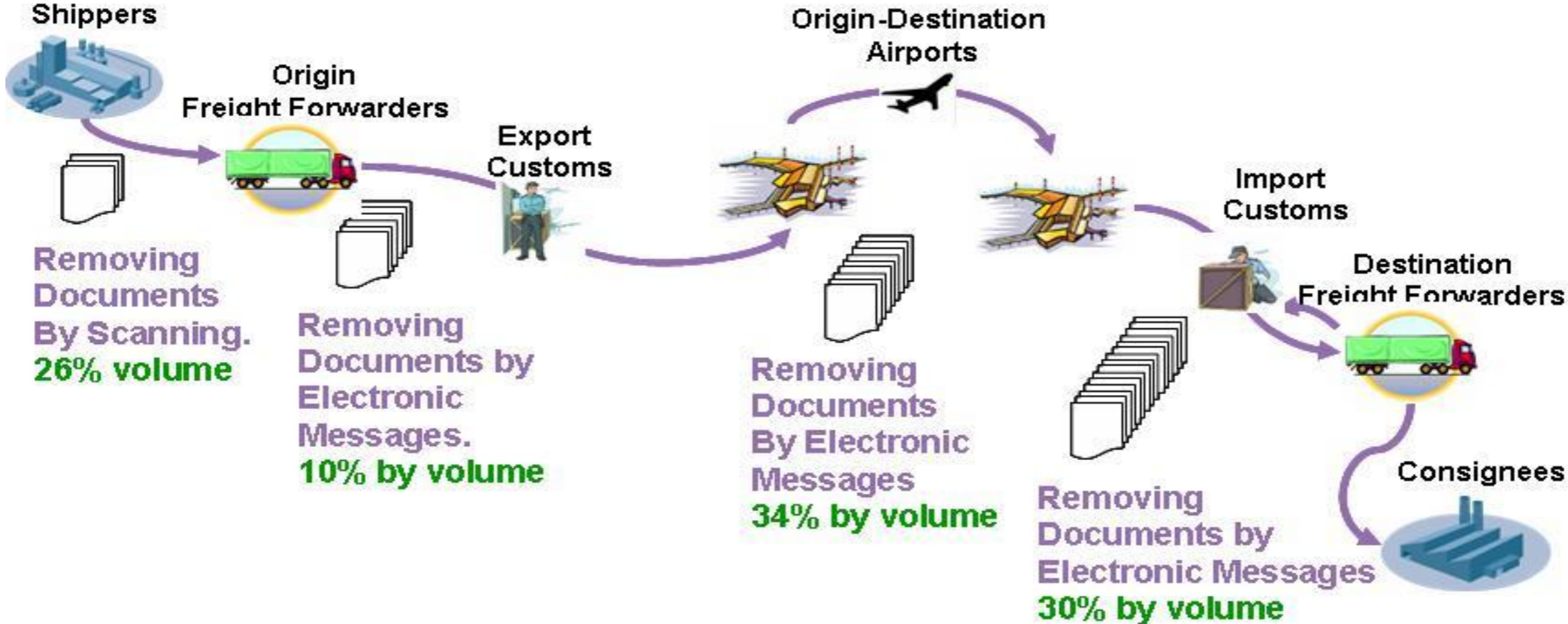
The air supply chain



Complex interfaces...



E-freight: What happens with the documents





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
- +++

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:



Douane
Belastingdienst



The SmartGate Concept



Customs Control Centre



Joint Inspection Centre



ULD Scan



Centralized, Remote Risk Analysis



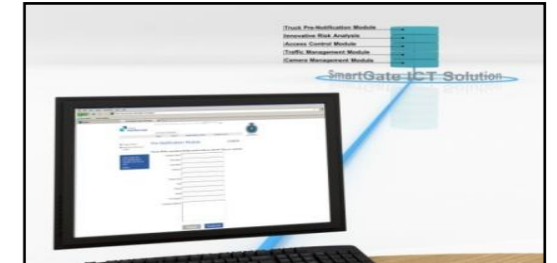
Remote Scan



Mobile Teams / Scan



Nuclear Detection



SmartGate ICT Solutions

Flexible, integrated supervision and inspection process



Security

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.



The Prevention of terrorists in aviation must be our number one priority



Countries that fail to give shippers the option of participating in supply chain security are less attractive as an investment location for production and distribution centres. On top of supply chain security, customs agencies and the security authorities also need to concentrate on enhanced data quality that makes for proper risk analysis. Most information is already available at the shipper's end.

Every country or region have different rules for air cargo security or supply chain security in their own territory. The US and the EU even have cargo security rules for third countries. This diversity in cargo security rules will lead to a heavy administrative burden for shippers and logistic service providers, unless action is taken. The European shippers aim for one global set of air cargo security rules that provide shippers with the option to participate in the secured chain. This global regime should reduce the administrative burden and will lead automatically to mutual recognition between regions or countries.

Multinationals can then implement the same rules in different countries. There should also be mutual recognition between AVSEC anti-terrorism legislation and trade facilitation security rules (AEO/SAFE Framework). ICAO and the WCO are, from our perspective, best-placed to set up an acceptable global and dominant regime for preventing terroristic attacks and improving safety.

The European shippers would like to establish a global standard on air cargo security, data exchanges and the secure supply chain by 2020. Regional and national security rules have to be merged to form a universall one on the basis of customs and aviation- security standards.

Every Country or region
have different rules for
air cargo security



Customs and other agencies

The role of customs in the air cargo industry has changed in the last decade. In the late-1990s, the primary focus of customs was on the collection of customs duties. Mainly due to 09/11 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 process. 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 mind-set.

In addition to a different mind-set 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.

The role of Customs has changed

Shippers did not see the promised trade facilitation



Concepts like the data pipeline could contribute to a safer and more reliable supply chain. Supply chains start at the shipper's end, while transport is organized by either sender or client, so the sender is one who need to upload the first data elements.



The forwarder can supplement this data with, for example, flight information. Customs can have a direct insight in this data pool, do a risk analysis and take proper action. If needed, customs could bring in another border agency. Controls on meat, for example, are conducted by the Food Drug Administration.

By giving customs that role, coordinated border management can be achieved. For European shippers, this could result in a reduction in double controls and waiting times at the border. An important role in creating a data-pipeline could be played by port community systems. These can gather all necessary data elements and distribute them between parties in the supply chain, customs and other border agencies.

More cooperation between port community systems and an innovative attitude is necessary. That is one of the reasons why Europeans shippers are against monopolies of port community systems. Competition creates an innovative attitude. Of course, another benefit is that it has a positive effect on the price.

By giving customs that role coordinated border management can be achieved



Air Cargo – Vital for today's society and economy



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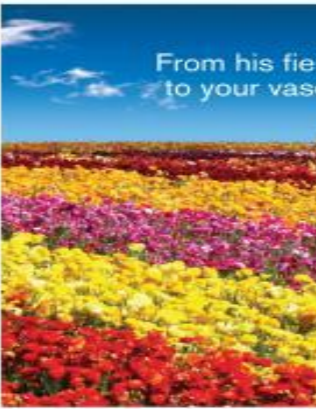
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...air cargo makes it happen.
The Swiss watch industry continues to record strong growth. Reliable air cargo is keeping this industry ticking by connecting the Swiss made timepieces with the world.

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