



Air Cargo

Des Vertannes
Global Head of Cargo



To represent, lead and serve the airline industry



Our vision

➤ Safe, secure, reliable, efficient and profitable
air cargo supply chain

IATA's vision has remained consistent – we continue to foster and drive for a safe, secure, reliable, efficient and profitable air cargo supply chain.

The focus of our agenda today is on two particular elements – security and efficiency



Today's focus

- Transforming the air cargo supply chain
- The value of air cargo - communicating the message
- Shifting epicenter of air cargo
- Partnership at work - GACAG

Today we will look at how we see efficiency coming through the supply chain. This is being achieved by our industry transformation project, otherwise known as e-freight. We will also highlight how we are progressing, and share with you the obstacles we face, and the next steps we are going to take.

The value of air cargo needs to be communicated to a broader audience, to enable policy makers and industry stakeholders to maximize efficiency and security, and plan for future growth. And we are seeing a shift in consumer markets that will drive that future growth, and shift the epicenter of air cargo.

Lastly, because air cargo is so fragmented, we are pursuing a more collaborative approach to achieve our objectives, through the establishment of the Global Air Cargo Advisory Group.



Transforming the air cargo supply chain

- e-cargo solutions
- Multi-layered security approach
- Industry quality management systems

So how do we transform the air cargo supply chain?

E-cargo solutions will touch upon how we build a paperless supply chain and specifically we hope to use the e-AWB (electronic Air Waybill) as a catalyst.

On security, IATA believes in a multi-layered security approach and there are three main components which form the basis of that.

Finally, quality has to stand behind everything that we do, especially because it impacts heavily on e-solutions and security. Both depend on the need for accurate and qualitative data being transmitted in a timely manner.



The value of air cargo - communicating the message

- \$66 billion in airline revenues
- Drives global trade and travel
- Leading economic indicator
 - Reliability and predictability therefore remain key
 - Spreading the word...communicating air cargo's value and impact on our economy and lifestyle

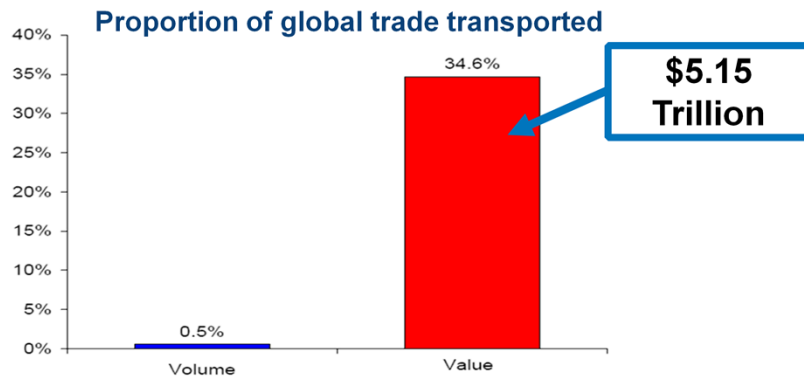
As you heard in Brian's presentation, the air cargo industry generates significant revenues for airlines – around \$66 billion. And these revenues are expected to grow significantly in line with capacity over the next decade.

The cargo industry also drives global trade and business travel and is a leading economic indicator. Therefore we need to ensure its reliability and predictability to enable it to remain a choice mode of transport and a more competitive supply chain.

In addition, most consumers have no idea how important air cargo is and how it impacts their daily life. This lack of visibility has a direct impact on the industry when it calls for the kind of investment and appropriate planning decisions that are necessary for growth, efficiency or security.

Some examples, the recent decision to ban night flights at Frankfurt will impact distribution timelines, while the EU decision to introduce a green and red list of countries requiring security accreditation of the airlines operating stations could well lead to an embargo being placed on certain routes.

The global airfreight industry - setting the scene



Source : The Colography Group¹⁹, Oxford Economics

Today the cargo industry, while only transporting 0.5% of trade by volume still moves 35% by value (some \$5.15 trillion).

Building on this is a must, so that the industry can continue to serve growing consumer demand.

The critical value of air transport becomes clear when it is not there



10 million roses ruined, 5K Kenya workers laid off



Ash cloud grounds U.S.
produce, fish and parts



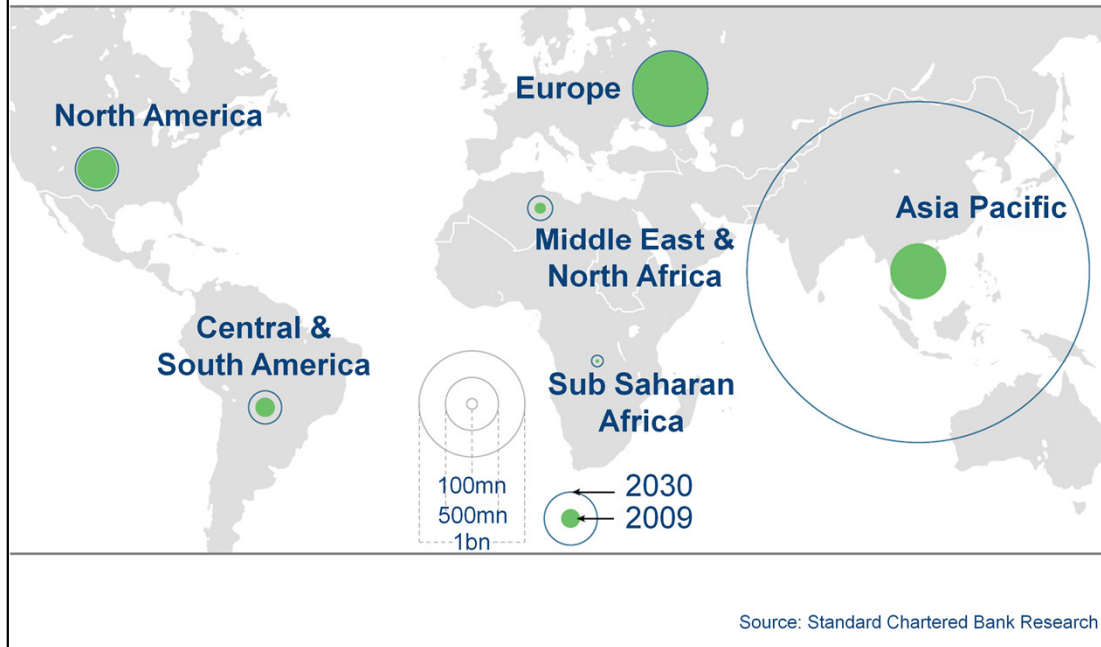
Volcano disrupts BMW supply
chain to S.C.



Volcano Fallout: Where's the Tuna and Pineapples?

We've already seen the impact when the air cargo supply chain is interrupted or cut off. Here are some headlines from during the ash cloud crisis in 2010.

Global middle class in 2009 and prediction for 2030

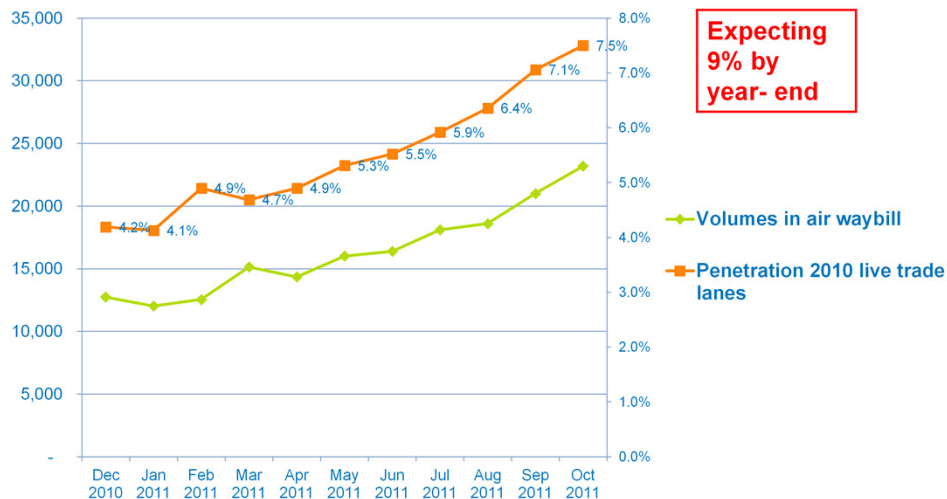


There is a shifting epicenter of air cargo; the emergence and expansion of BRICS as future major consumer markets will lead to more balanced trade flows...as we are already seeing in China, especially with the growth of discerning high end consumers.

The Asia Pacific region stands out because the growth in China and India. Latin America is also promising but, if these forecasts are correct, it will generate considerable demand and stimulate new traffic.

Europe and North America will however remain significant consumer markets but with little growth opportunity.

e-freight: paperless transportation process for air cargo – **status**



e-freight is a critical component in the vision of a Safe, secure, reliable, efficient and profitable air cargo industry.

It requires all participants within the supply chain to revamp their processes, take advantage of electronic customs procedures from governments and utilise EDI technology for data transmission along the supply chain. (airlines, forwarders, ground handlers, and shippers).

So how are we progressing in this regard?

In 2011, after a slow start, we have seen continued growth in e-freight penetration on live trade lanes.

During this year however, progress was handicapped in particular in the US where expansion was frozen for 6 months while US Customs Border Protection conducted a review of e-freight jointly with IATA. This review was successfully completed and we are now able to expand e-freight into the US.

This explains one reason why we anticipate finishing the year at around 9%, just short of the IATA Board Target of 10%.

For 2012 the trend looks positive with growth accelerating in recent months.



2012: focus on industry **collaboration**

Two priorities in 2012:

- Engage industry to adopt the e-Air Waybill (e-AWB) – a key document in the end-to-end process
- Engage regulators in list of priority countries to implement electronic customs procedures supporting an e-freight process

Two priorities have been set for 2012:

-The e-AWB: IATA has a board target of 15% for the e-AWB, the most critical document out of the suite of documents that are part of the e-freight end-to-end process. This is also a critical element within our members control and we are getting good commitment from them.

-We will collaborate on lobbying with industry partners for adoption of electronic Customs procedures in all priority countries, a list of which is being established as we speak, which include in particular the BRIC countries (Brazil, Russia, India, China)



e-AWB

- The e-Air Waybill removes the requirement for a paper Air Waybill
- Oct. 2011 penetration was 3.23%
 - Carriers leading the way: Cathay Pacific and Emirates
- Target is 100% e-AWB by end 2014
 - 15% in 2012
- Remove blockers
 - Lobby countries to ratify MC99



The e-AWB standard was completed in Q2/2010. And IATA, along with the rest of the industry, feel that leveraging this document will act as a significant catalyst for the rest of e-freight.

In our first year by the end of December we are looking to achieve 5.6% global penetration, helped considerably by Cathay Pacific and Emirates leading the way. Our target for 2012 is 15% - and we are optimistic we can achieve 100% implementation on feasible trade lanes by the end of 2014. There remains some blockers and IATA and the industry will continue to lobby those countries yet to ratify MC99 and MP4*.

*MC99 and MP4 are treaties that allow for liability protection within an electronic environment.



Cargo security

- IATA works with ICAO, WCO and Regulators
- IATA supports a multi-layered approach
 - Developed an e-consignment security declaration
 - Support Countries with Secure Freight



IATA is working closely with ICAO, World Customs Organization, regulators and the industry to further improve all aspects of cargo security.

IATA supports a multi-layered cargo security approach, with three distinct elements:

- Layer 1 on advance electronic information
- Layer 2 on physical security
- Layer 3 on infrastructure in Secure Freight

IATA has developed a standard electronic consignment security declaration providing an audit trail of who secured, what, how and when. It is being tested in UK, Netherlands and more Countries have shown interest to do the same.

IATA continues to work with Governments to implement Secure Freight principles. This involves moving Security up the Supply chain and maintains its integrity before it is loaded on an aircraft.

In 2011 we implemented pilots in Kenya and Mexico and in 2012 we have been tasked to introduce two new pilot countries – Countries who have signed LOI's with IATA are Chile and UAE while South Africa has shown similar interest.



GACAG: Partnerships at work

Objective:

- Establish vision, strategy, priorities and drive implementation for the global air cargo supply chain

Priorities:

- Security
- e-commerce
- Customs and trade facilitation
- Sustainability

GLOBAL AIR CARGO ADVISORY GROUP
(IATA, FIATA, TIACA & GSF)



For IATA to succeed in all our projects and initiatives we need to work more collaboratively with all stakeholders in the supply chain!

Following an initial announcement at the ACF last November, the major partners in the industry IATA, FIATA (the freight forwarders association), TIACA (the International Air Cargo Association) and the GSF (Global Shippers Forum) formally launched GACAG in March at our World Cargo Symposium

This brought together for the very first time a unified voice for the industry, enabling it to pursue one vision and strategy, identify key priorities and collectively work to drive implementation. The priorities for GACAG, as determined by the industry at the Symposium were:

Security
e-commerce
Customs and Trade Facilitation
Sustainability

Progress of these priorities will be reported and reflected on at the World Cargo Symposium in March 2012.



World Cargo Symposium 2012

“Partnership at Work”

13-15 March 2012
Kuala Lumpur, Malaysia

The WCS will help set the agenda for partnership as we look to achieve our ambitious targets in the year ahead.



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