



TRANSITION OF FREIGHT TO E-FREIGHT

**"E-cargo is a means to an end,
it's not an end by itself"**

Sandeep Fernandes, Mercator

Ecargo is a means to allow air cargo to pursue business opportunities as well as allow businesses to adopt transformational or disruptive technologies to change the way that air cargo is working across the

world, asserts Sandeep Fernandes, product manager, Mercator. Mercator is a leading provider of airline solutions like airline revenue accounting, cargo management and customer loyalty programmes management.

A lot has been written and debated about the e-freight initiative that was introduced in 2006. Developed collaboratively by IATA (International Air Transport

eAWB has been around for a long time now but the industry has found it difficult to implement the same. Will the global air cargo sector be able to do away with its habit of submitting paper documents for every air freight shipment, remains to be seen.

Deeba Kazi

Association) with industry stakeholders, the e-freight initiative aims to build and to implement an end-to-end paperless transportation process for the air cargo industry where paper documents are replaced with the exchange of electronic data. But ten years down the line when you take in an aerial view, you expect to see an industry-wide change. And change it is, but a rather slow and steady one. Driving the slow



progress of this initiative are a myriad of reasons. The most foremost lies in the fact that even if one stakeholder from the supply chain fails to adopt e-freight, the entire supply chain involved in the air cargo community faces a negative impact.

"We have spent a lot of time looking into what are the issues and challenges that the air cargo industry faces in trying to remove paper and I think the one biggest hurdle is the fact that there isn't just one obstacle, there are many obstacles. People have to invest in systems, they have to change processes, and we have to have a changed regulatory environment for customs and other government agencies to remove their reliance on paper to a digital world. I think all of these aspects come together to create a complex process because the supply chain itself is very complex," says Glyn Hughes, global head of Cargo, IATA. The air cargo industry fell short of meeting its end of year target for e-air waybill



We have spent a lot of time looking into the challenges that the air cargo industry faces in trying to remove paper and I think the one biggest hurdle is the fact that there isn't just one obstacle, there are many obstacles.

Glyn Hughes, IATA

(e-AWB) market penetration, by achieving 36.4 percent, out of its 45 percent target for the year 2015. For 2016, IATA has set a new target of 56 percent penetration for eAWBs and remains optimistic about the industry achieving the same.

The most challenging part of this initiative is that there is still a lack of knowledge of e-freight which needs to be imparted to everyone. IATA's e-freight handbook is an extremely comprehensive guide which explains in detail how to implement e-freight, however it is only available in English, which is again a communication hitch. Also, a simplified guide that explains to all the participants in the supply chain, as to what exactly must be done to participate in the programme, would turn out to be quite effective.

So why is it taking so long to adopt eAWBs industry-wide? Education on what e-freight is and that eAWB specifically applies to the Master Air Waybill (MAWB) has been a challenge. But like the introduc-

tion of any new processes or procedures, there's an adoption learning curve, says Don Bender, manager, Digital Marketing – Cargo Sales and Marketing, American Airlines Cargo. "Many times these terms, eAWB and MAWB, are used interchangeably, which can cause confusion and misunderstanding. Forwarders and shippers may think that they have to replace all paper documents at once, which can be overwhelming. While this is the ultimate and long-term goal, focusing just on the adoption of eAWB as the initial step of e-freight makes the transition more manageable and easier to adopt," he further adds.

Elaborating on the slowness of e-freight adoption Paolo Tuzzi, manager, e-freight & eAWB at Swiss WorldCargo says that for an industry wide e-freight adoption, one of the topics that have to be looked at is the data provision through all supply chain participants – including shipping companies, trucking companies, freight forwarders, landside handlers, airline handlers. "Only if all supply chain partners participate, add their share of contribution (and profit) from the same set of information, we will eventually get to a point where all participants benefit and we have an uninterrupted supply chain information flow," adds Tuzzi.

Fernandes from Mecator says that air cargo to varying degrees has been slow in adoption of best practices and innovative technologies to modernise the whole air cargo process. But now the industry has reached a crucial point where a fast track approach to digitisation may be required, but before that there are a number of obstacles that need to be overcome. The first among them is that there are number of stakeholders – airlines, handlers, forwarders who are on an age-old legacy system or in-house system where they follow outdated, manual complicated processes and these organisations are looking at how to change their technology.

The second, says Fernandes, is around regulations; we find that true single process is sometimes difficult. Regulators sometimes ask for the electronic data and then afterwards ask for the paper data. Now that defeats the whole purpose of digitisation. Another challenge that we see is that security requirements are diverse across different regions of the world, so

As carriers, can we incentivise people who pre-declare shipments for instance; can we offer faster turn-around times, less of waiting times for people who base their shipments on e-freight?

Ashok Rajan, IBS Software Services



E-AWB INTERNATIONAL REPORT FEBRUARY 2016

(ranking by eAWB volume)

Top-5 Airports	
Airport	eAWB penetration
Hong Kong Int'l, Hong Kong	70.2%
Changi, Singapore	64.3%
Incheon International, Seoul	44.9%
Dubai International (DXB)	88.9%
Schiphol Airport, Amsterdam	43.8%

Top-5 Airlines	
Airline	eAWB penetration
Cathay Pacific Group	67.7%
Air France	46.2%
SIA Cargo	46.3%
Emirates	35.3%
International Airline Group	44.3%

Top-5 Freight Forwarders	
Freight forwarder	eAWB penetration
DHL Global Forwarding	46.7%
Schenker	50.7%
Panalpina	54.8%
Expeditors Group	59.2%
SDV Group	52.7%

Source : IATA

stakeholders are constantly catching up as opposed to realising the benefits of digitisation.

"The last factor we think is 30 to 40 per cent of the air cargo market is originated

from the SMEs, which are unconnected. If they are unconnected they can't pass on the information to the rest of the value chain. But I think in some way its enough to say that air cargo leaders understand that an accelerated approach to digitisation is extremely necessary to pursue their goals," continues Fernandes.

For Ashok Rajan, VP & global business head, Airline Cargo Services, IBS Software Services, e-freight inherently brings a significant value to the table. "The challenge in adoption has been our ability to articulate the value of e-freight at a very basic level, that's where we need to focus our efforts on. E-freight shouldn't be sold on its own, but on how services can be built on top of e-freight. As carriers, can we incentivise people who pre-declare shipments for instance; can we offer faster turn-around times, less of waiting times for people who base their shipments on e-freight?" questions Rajan.

One of the major issues when adopting e-freight is the concern over the safety, protection and ownership of data when exchanging information on a digitised platform. However, Rajan clears the suspicion by illustrating that there is clearly an ability to transmit rich content in a very safe, reliable and fast manner. "When speaking of managing confidentiality and security, if you turn around and look at the banking financial services sector, there isn't any more commercially sensitive industry than that and if an industry like that can embrace communication IT and really offer superior customer services, then why can't we from the air cargo industry do something very similar," says Rajan.

Providing insights on the same subject Fernandes says, "As a service provider it is our obligation to make sure that data is secure, that only authorised users access data

over authorised channels & we take this responsibility really seriously. Specifically we use digital certificates, we encrypt the data - we encrypt the channel itself to ensure that the data being transmitted is highly secure."

However, Helmut Kaspers, COO Air & Ocean, CEVA Logistics is of the opinion that the benefits stated by IATA in the past are inflated – or in other words, they are based on an ideal world where all documents pertaining to a shipment are produced once and data is transmitted automatically throughout the whole supply chain. He says that the reality is that, so far, digitalisation (apart from the AWB) is simply scanning of documents and then forwarding PDFs by email instead of the hardcopy paper. That takes out certain cost, but the impact on productivity is questionable as hardcopies have to be scanned (either by shipper or forwarder). At the receiving end, the documents still need to be opened, potentially printed or stored electronically and, in a worst case scenario, continue to be typed manually from the PDF into numerous other applications. "A real quantum leap would be EDI interfacing and electronic transmission of data for the shipment related data (e.g. shipper and consignee address, weight, commodity etc.) which are part of all shipment related documents. But as we stand today, there isn't even an industry wide EDI standard for commercial invoices, packing lists etc," explains Kaspers. CEVA logistics, one of the world's leading supply chain management companies, nearly doubled their share of e-AWB shipments from 25.4 percent in December 2014 to 46 percent in December 2015, even though their single largest country organisation, the US, has not yet implemented eAWB.

On the other hand, a lot of airlines have adopted the e-freight initiative



The benefits stated by IATA in the past are inflated, they are based on an ideal world where all documents pertaining to a shipment are produced once and data is transmitted automatically throughout the whole supply chain.

Helmut Kaspers, CEVA Logistics



Photo: LAN Cargo

and are clearly having positive effects of the same; one of them is Cathay Pacific. "Digitising transportation documents has brought huge benefits to Cathay Pacific Cargo and our partners. It improves essential shipment data quality for billing, reduces manpower on paper document handling, reduces shipment cycle time, enables timely management reporting & further automation within company. Most importantly, it reduces operating costs and improves operational efficiency," shares Jackson Chan, Cargo Services manager for e-freight, Cathay Pacific.

Koo Chung, commercial director project, LAN Cargo, says that the e-freight initiative, and specifically the e-AWB solution, allows them to provide a better service to their customers by proactively controlling information quality and avoiding last minute re-processing, which on occasion leads to cargo missing its flight.

Bringing efficiency in the lifecycle of air

cargo business processes, Cargo Reservations, Operations, Accounting and Management Information System (CROAMIS), a next gen end-to-end cargo management system for the aviation industry was launched at IATA's World Cargo Symposium held in Berlin recently. The solution helps airlines and ground handling agents get an end-to-end view of cargo operations, ensures better control over costs, thereby delivering the best in class services to the end customers. The system is fully compliant to IATA initiatives like eAWB, e-freight, ecCSD, Cargo XML and also facilitates adherence to Cargo 2000 quality standards.

CROAMIS has been developed jointly between Wipro, a leading global information technology, consulting and business process services company, and Qatar Airways, through an innovative co-funded model.

Though the application of the eAWB implies improvement in the speed and

security of the air freight shipments, a lot needs to be done towards 100 percent implementation of eAWB, thus, facilitating total efficiency and accuracy in the system. "A single process is required from point of origin to final recipient. The main stream air freight industry must move to individual piece-level tracking. Manufacturers apply unique barcodes to their products but neither forwarders nor airlines are equipped to use them. The eAWB and Cargo 2000 (renamed Cargo IQ) are only the first steps into the digital age. However, if the industry continues to drag its feet the way it has done for the past decade we will never get to the IATA target of full e-freight implementation by 2020," Nina Strippel, Manager Sales & Customer Service, LUG aircargo handling, sums it up.

To reverse the situation of e-freight adoption, IATA has taken off with a new initiative called eAWB 360, an aggressive airport-centric publicity campaign where IATA works with selected airports to implement the eAWB as standard operating procedure for all parties involved in the shipping air cargo. Mowntreal-Pierre Elliott Trudeau International Airport is set to become the first airport to implement the programme on May 3, followed by Toronto Pearson International, Vancouver International, John F. Kennedy International, Dallas Fort Worth International, O'Hare International, Los Angeles International, Miami International and Hartsfield-Jackson Atlanta International.

According to IATA, a handful of airlines with operations in the Americas have agreed to participate in eAWB 360. They include Aeromexico, American Airlines, Air Canada, Air France, China Airlines, Cathay Pacific, Delta Air Lines, Finnair, KLM, Korean Airlines, Lan Cargo, Lufthansa Cargo, Qatar Airways, Saudia Cargo, Swiss and United. ■