ENABLING GLOBAL TRADE AT THE 13TH WORLD CARGO SYMPOSIUM

By Glyn Hughes

Welcome to Singapore for the 13th World Cargo Symposium (WCS). It’s incredible to think that a full year has passed since we were last together in Dallas. And what a year it has been.

Trade skirmishes became full on trade wars, Brexit uncertainly became Brexit chaos and the air cargo industry suffered as a result. Consumer confidence, the driver behind air cargo fortunes, sadly took a downward trajectory and 2018 finished with 3.5 percent growth. And last week we had our first look at what 2019 holds in store (see story below).

But it’s not all negative. Looking forward to 2019, the growth of e-commerce is exponential. And the demands of shippers who entrust us with their most valuable cargo is ever-increasing. These fast-growing markets demonstrate the need for quality and a customer-first approach.

In 2017, the industry passed a resolution at the 73rd IATA Annual General Meeting (AGM) to accelerate the modernization and transformation of the air cargo industry. Customers were at the heart of the resolution that recognized the importance of partnerships in driving industry transformation, especially for an activity for which global standards are so vital. And we are beginning to see progress. Supply chains are becoming more customer-centric and solutions are being developed that provide enhanced shipping quality and service, and better predictability.

We cannot, however, overcome geopolitical headwinds. We need the support of governments for that. We need them to keep the global economy open. At the end of the day, an open global economy benefits all consumers and all nations – both developing and developed. The most sustainable global economy is premised on free and open access to global markets, with efficient border controls supported by globally connected supply chains. Protectionist plans need to be put aside, and the long-term game of global prosperity for all needs to be the focus.

The theme of WCS this year – “Enabling Global Trade” – truly captures the agenda for what must be done to align with tomorrow’s business and consumer needs. I am looking forward to a great week of discussions. This year’s World Cargo Symposium will bring together more than 1,200 senior industry leaders, influencers and experts, representing the entire supply chain, to challenge, debate, explore and agree how best to move the industry forward.

As always, the agenda is packed and I am sure that the level of participation and contribution will be high. In fact, some of the work has already begun – I’d like to thank the industry standards-setting groups, such as Cargo Services Conference, Cargo Agency Conference and their various subcommittees, who have been here since the weekend and have already started their important work.

Prepare yourself to be challenged, excited and inspired. Have a great symposium.

JANUARY AIR CARGO DEMAND ‘WORST’ IN THREE YEARS

By Nina Chamlou

In a report released last week by IATA, data for global airfreight markets indicates that demand for air cargo decreased by an average of 1.8 percent, year-over-year, in January – which IATA called the “worst performance in the last three years” – while available capacity increased again, by 4 percent, for the 11th month in a row. IATA had originally predicted 3.7 percent growth for the month.

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E-COMMERCE OPPORTUNITIES TO DOMINATE AFTERNOON PLENARY SESSION

By Nina Chalmou

Last year, the impacts of protectionist policy to the international trade environment were widely predicted to pose obstacles to major world supply chains, and in turn, dampen demand for airfreight.

This phenomenon is widely considered to be one of the key causes of deflated air cargo traffic and volume figures from late 2018 and early 2019 (see page 1, on the latest IATA data)

Still, the e-commerce movement continues to surge full steam ahead in spite of any barriers, fueled by limitless consumer demand for the fastest home delivery of everything from electronics, to furniture, to fresh lobster.

As demand continues to increase and spread to new geographic locations, industry members are keen on finding their own ways around any such obstacles in order to capitalize on opportunities.

At the Word Cargo Symposium today, the second half of the Opening Plenary Session will be dedicated to e-commerce and its effect of air cargo markets.

Hot topics related to the logistics of e-commerce will include how companies can adjust business models to quickly adapt to change, the role that the Asian market continues to play as a catalyst to air cargo growth, and technology and digital innovation.

First, we will hear from Marco Bloemen, managing director of Seabury Consulting (which was recently purchased by Accenture) who will discuss how the changes brought about by e-commerce demand – such as new technologies and processes are speeding up the supply chain – are affecting overall air cargo demand, especially in the Asia-Pacific region.

In the following panel discussion, called “E-commerce: Embracing the market opportunity,” Michael Steen, executive vice president and chief commercial officer of U.S.-based cargo carrier Atlas Air; Wolfgang Lehmacher, senior supply chain executive; and moderator Glynn Hughes, global head of cargo at IATA, will focus on the rapidly changing cargo environment, specifically in relation to e-commerce, and what opportunities are available for each segment of the supply chain.

From there, a second e-commerce panel discussion – “Connecting the world through logistics” – will feature executive-level industry leaders, such as William Xiong, head of strategy and CEO chief of office at Cainiao; Viven Lau, executive director of Hactl; and Dan March, CEO of freight forwarding network WCA Ltd.

Together, they will provide some perspective from the airport, logistics and forwarding side of the business.

Alibaba, for instance, is moving forward with conviction to expand its logistics firm Cainiao’s network to six new international consumer destinations, while smaller players, like India-based Flipkart, emerge with their own unique strategies in hopes of reaching untapped markets.

At the same time, innovations in cargo management technology are making previously outlandish expectations for transparency and access to valuable data, tangible realities.

These innovations are both boosting the potential for supply chain optimization and raising the bar for the standards of shipment visibility across regions and industries.

OPENING PLENARY SCHEDULE — TUESDAY, MARCH 12

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ONE RECORD TO BE ROLLED OUT AS NEW DATA-SHARING STANDARD

By Randy Woods

For the last couple of decades, one of the Holy Grails of airfreight technology has been the digitalization of cargo. After about 50 years of effort, 95 percent of documents exchanged electronically in airfreight use a “dialect” of electronic data interchange (EDI) called Cargo IMP or Cargo XML, its successor. But still it is not nearly enough.

“I have been an engineer since the ‘80s and cherish its technologies, but I am somewhat shocked that airfreight is still stuck in 1970s EDI messaging,” said Henk Mulder, head of digital cargo at IATA.

EDI, he said, was never designed to operate at the scale needed for management of today’s dynamic supply chain. What was needed, he said was a new digital data-sharing specification that IATA is calling ONE Record – a new standard that provides instant access to all necessary cargo data, while also providing security for sensitive information.

At Wednesday’s Digital Cargo Track at the World Cargo Symposium, Mulder will talk about how the proposed data-centric model will move forward through the rest of the year.

Developed in 2018 and set to roll out to logistics firms around the world this year, ONE Record is designed to be useful for sharing data between every segment of the supply chain.

By using an application programming interface (API), all members of the supply chain can integrate data access into their own systems. “You put your freight data on a server and get your business partner’s system to access your data as needed,” Mulder said. “This is exactly how digital industries operate.”

ONE Record is also flexible, he said, and assumes that there will never be one specific model to cover all types of cargo, so the system is designed to recognize various ontologies, or “languages,” used by other cargo systems. By doing this, separate IT systems using different ontologies will still be able to communicate fluently through the supply chain.

To date, about 42 different airfreight firms, including e-commerce companies, have shown interest in ONE Record, Mulder said. “We’re going to start pilot programs with these companies to validate the processes,” he added.

Mulder warned, however, that those airfreight companies that have not yet adopted the Cargo XML messaging standards should not immediately make the leap to ONE Record. “You need to use XML first before you can take on ONE Record,” he said.
Alexandre de Juniac, IATA’s director general and CEO, noted that the trend has been ongoing since mid-2018 and conveyed the familiar sentiment that “unless protectionist measures and trade tensions diminish, there is little prospect of a quick rebound.”

Concerns about growth demand for airfreight began to emerge during the latter part of 2018, and recent data from organizations, including IATA and the Association of Asia Pacific Airlines (AAPA), show that the trend of diminishing growth is being experienced by carriers from around the world.

Half of the six regions in the IATA study showed marginal year-over-year decreases – Asia-Pacific, Europe and the Middle East – where volumes contracted by 3.6, 3.1 and 4.5 percent, respectively, during the month.

IATA said that both Asia-Pacific and Europe could have been affected by “poor manufacturing conditions.”

AAPA’s most recent data from early March showed further evidence that carriers in the region are not immune. Asia-Pacific cargo traffic declined by 3.8 percent, year-over-year, during the month of January.

It’s widely believed that declines in traffic support predictions are, in part, due to the effects of tariffs on trans-Pacific traffic flowing out of the region.

Andrew Herdman, AAPA director general said that while underlying global economic conditions still remain relatively firm, some major economies are responding to changing to trade relations by “leaning towards more accommodative policies to support demand.”

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THE HUMBLE ULD FINALLY GETS RECOGNITION AS IT TURNS 60

By Randy Woods

They’re so ubiquitous, they almost aren’t noticed anymore. The ungainly-looking boxes, with a corner shaved off on one side, seem like they have always been around, since they match the contours of cargo holds so well. But even unit load devices, or ULDs, had an origin point, albeit a vague one. Though many containers were created to both protect and standardize cargo loads, the general accepted beginning of the ULD is sometime is 1959, at the dawn of the jet age, 60 years ago.

To celebrate, this humble piece of engineering is being given a proper “birthday” at the World Cargo Symposium this year, with its own ULD Track beginning Wednesday morning. ULDs also feature prominently in all three finalists for the 2019 Innovation Awards, which will be determined on Thursday of this week (see the Thursday edition of the Daily Report for a profile on each finalist).

To understand how ULDs have transformed the business of general cargo, it’s important to remember what it was like before 1959, when precious cargo was held together by pieces of fabric and twine, with little consideration for temperature control.

Searching for a way to ensure that perishable airfreight could be quickly loaded and unloaded from cargo holds, while still protecting it from spoilage and theft, engineers at Aerobilt Bodies, Inc., created a lightweight aluminum container in the late 1950s that, for reasons since lost to time, they dubbed the “Paul Bunyan Box,” after the legendary giant lumberjack of North American folklore. In 1958, American Airlines ordered 200 units at a cost of US$65,000.

Shippers soon discovered that the Bunyan Boxes could keep perishable goods, such as fruit, fresh by chilling them before flight and sealing them tight to keep as much cool air in as possible. As propeller craft began to be replaced by faster jet airliners, some perishables could be kept cool and protected for an entire trans-continental voyage.

With the reduction in spoilage and the added speed, the cost savings to brokers to send fruit by air rather than by truck was about 10 to 15 percent. From there, standardized pallets and containers were introduced in 1959 to optimize the loading and unloading of freight and quickly spread.

By the end of the 1960s, the Paul Bunyan Boxes began to fall out of favor as ULDs custom-made for a curved fuselage started to dominate the market.

Wednesday’s session will also honor the contributions of James H. (Jim) Jackson, a former chair of IATA’s ULD Board, who was a tireless advocate for standardization of ULDs and lauded for his many technical innovations. “Mr. Jackson is too humble to accept but people in the industry recognize him as ‘father of AKE/ LD3’, who played the leading role in developing the first standardized lower deck container,” said Liao Zhi Yong, manager of cargo business process and standards for IATA.

According to Liao, Jackson himself said his role would be “considered small in the overall effort and due credit should rest with the various committee members.”

As the importance of ULDs grew, IATA began a well-regarded safety campaign in 2016 to reduce the number of ground handling incidents involving ULDs. Through raising awareness of the need for careful handling of ULDs across all touch points, the campaign seeks to minimize flight safety risk and reduce the number of incidents of container damage from mishandling. IATA’s target is to save the cargo industry US$264 million annually.

Because 2019 also happens to be the 15th anniversary of ULD outsourcing firm Jettainer GmbH, a wholly owned subsidiary of Lufthansa Cargo, the company is joining the party with a specially designed “double anniversary” container that it is sending around the world to honor the milestone (pictured below). The ULD left Frankfurt on March 7 and will arrive in Singapore this week for the World Cargo Symposium before it will continue its global journey.
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