CEIV FRESH STANDARD LAUNCHED IN SINGAPORE FOR PERISHABLES QUALITY

By Randy Woods

The International Air Transport Association (IATA) on Tuesday launched a new industry certification — the Center for Excellence for Perishable Logistics (CEIV Fresh) — to improve the handling and the transport by air of perishables.

“Perishable goods is a growing market for air cargo,” said Alexandre de Juniac, IATA’s Director General and CEO. “Ensuring that these delicate and short-shelf-life products reach the customer unspoiled with minimal waste and loss is essential. Shippers will have assurance that CEIV Fresh-certified companies are operating to the highest quality and standards in the transport of perishable products.”

The specific time and temperature requirements for food and plant products makes the transportation of perishable products challenging. The program meets these exacting requirements primarily based on the IATA Perishable Cargo Regulations (PCR), which combine professional regulatory and operational input from industry and government experts.

CEIV Fresh launch partners, the Airport Authority Hong Kong (AAHK), Cathay Pacific, Cathay Pacific Services Limited (CPSL) and Hong Kong Air Cargo Terminals Limited (Hactl) were the first organizations to pilot the CEIV Fresh program taking a community approach to certification. This unique approach helps align the needs and responsibilities of all stakeholders involved in the handling of perishable goods.

“We took a community approach to developing CEIV Fresh, recognizing that the successful shipment requires the alignment of many stakeholders,” said Glyn Hughes, IATA Global Head of Cargo. “Shippers can have peace of mind knowing that every entity handling their goods is operating to the same standards. Understanding the value of this to the success of its customers, AAHK pioneered the world’s first CEIV Fresh certified airport community.”

“With the new certification, HKIA is well-placed to capture the increasing growth opportunities in the market for fresh and perishable goods,” said Fred Lam, Chief Executive Officer of AAHK.

PEARCE: NO GROWTH FOR 12 MONTHS ‘SOMETHING TO WORRY ABOUT’

By Nina Chamlou

Economic reports are often a mixed bag. For every positive sign, there are several lurking omens that could spell disaster. Yesterday, Brian Pearce, chief economist at IATA, addressed the current economic conditions of the air cargo industry, but it was hard to read his assessment as anything other than blunt.

“The hard reality of the last 12 months is that we’ve actually seen no growth in the industry at all,” Pearce said, adding that the situation is “something we certainly need to worry about.”

Pearce is referring to the trend of diminishing growth in volume growth in freight tonne kilometers (FTKs) across [Continued on p3]
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THIRD ANNUAL SHIPPERS SURVEY REVEALS A FEW GLARING OPPORTUNITIES FOR IMPROVEMENT

By Randy Woods

Overall, not much changed for air cargo in the minds of shippers. We, as an industry, still earned a respectable 7 out of 10 points for satisfaction — with 16 percent saying very happy (scoring 9 or 10 points) and a scant 8 percent saying very unhappy (scoring 4 points or less). This was the same decent score we received in the first two editions of the survey, but it also left the same three-point window of improvement that has not budged.

For the few who said they were “very unhappy” with the performance of air cargo, their explanations included: “no end-to-end visibility,” “lack of reliability,” “spikes in rates,” “not enough capacity/too many offloads,” “dramatic drop in quality at one of the local handling agencies, resulting in delays and supply chain breaks,” and “shipping times are not respected/no real commitment for the service.”

Out of a total of 419 responses, 76 percent of the shippers said they were multimodal, and of those multimodal respondents, 69 percent said that air transport was “more or equally competitive” with other modes they use. “This was also basically the same answers we received from our survey in 2017,” said Glyn Hughes, IATA’s head of cargo, during his Tuesday “Year in Review” presentation.

Encouragingly, more than half of the total respondents said they will be using air cargo more in 2019, compared to 2017; 35 percent said they would send an equal amount this year; and only 6 percent said less. In addition, 55 percent said they used airfreight more in 2018 than in 2017; 29 percent said equally, and 13 percent said less.

The top reasons these shippers said they planned to use air cargo more often this year were a combination of “improved/growing business,” “new markets,” “we are expecting a good business this year.” The second-most common reason was “e-commerce growth,” followed by favorable economics in Brazil and Vietnam, “manufacturing delays by ocean shipments” and the potential threat of Brexit.

On the other side of the coin, survey respondents who said they’d used less airfreight this year cited the “economic situation in Venezuela,” the U.S./China trade disputes, “better marine transit times,” and a possible downturn in the semiconductor business.

Two-thirds of all shippers said they see e-commerce impacting or transforming their supply chain, yet only 29 percent said air cargo serves their e-commerce needs adequately; 59 percent said only partially; and 11 percent said “not at all.” Those unhappiest with air cargo’s performance in e-commerce cited a lack of sufficient online tracking, instant notifications, end-to-end visibility, speedy deliveries or faster customs clearance, the survey found.

This 29 percent score could be considered a wake-up call for those who thought e-commerce’s growth alone would carry them for the next few years.

ECONOMIC FORECAST

[Continued from p1]

major trade lanes that emerged in mid-2018 and has continued into the beginning of 2019.

While it would appear that 2018 was an improvement on 2017, if one observes that FTK volumes were 3.5 percent higher in 2018 than the year before, Pearce noted that this is a misleading figure, because “all that growth had happened by January 2018” – not in the remaining 11 months.

In reality, the growth margin is the result of a coat-tail of the surge in growth from 2017 that happened to bleed into January of 2018, not a legitimate increase in demand for air cargo capacity between the two years.

It’s no secret that industry leaders, including Pearce attribute suppressed growth to the wave of protectionist policies that have cropped up on major trade lanes over the last 10 years, a focal point of Pearce’s presentation.

IATA tallied more than 9,000 individual protectionist policies from various countries’ respective governments over the last ten years. This trend reached its peak in mid-2018 with the barrage of Trump-era policies affecting trans-Pacific and inter-North American trade, as well as increasingly tumultuous Brexit negotiations.

Pearce said that he’s observed governments take an increasingly protectionist view of the world since the financial crisis in 2008, but that he has hope that the trend will begin to change.

“It does look like we might be on the cusp of a deal between the U.S. and China,” he said, “but I do think we need to have open eyes on the trade policy situation. We are in the world of what one might called aggressive unilateralism.”

While the U.S. and China may be moving to neutralize aggravated trade relations, the U.K. is on the verge of what Pearce says will be a highly frictional exit from the European Union.
ENABLING GLOBAL TRADE: CAN INTEGRATED TRADE SURVIVE IN THESE PROTECTIONIST TIMES?

By Nina Chamlou

Yesterday at WCS, speaker Brian Pearce, chief economist at IATA, said at the "Enabling Global Trade" panel discussion, that he thought the industry was "at a dangerous junction, because in many ways, I think the West is moving away from that model that is the integrated world that we were living in pre-financial crisis, where now governments are focused on 'protecting'."

“I think we will look back and see this period of aggressive unilateralism as a huge mistake,” he added.

The panel, which also consisted of Chin Yau Seng, senior vice president cargo Singapore Airlines; Steven Polmans, head of cargo and logistics at Brussels Airport Company; and moderator Nick Careen, senior vice president of airport, passenger, cargo and security (APCS) at IATA, delved into the barriers that are stalling the progress of the airfreight industry. Conversations revolved around the global theme of protectionism and the continued slog toward digitalization, both of which are prominent hindrances to growth in demand for airfreight.

Polmans said he agrees trade disputes are a concern for airfreight demand, especially Brexit. "In the short term, there will be a big operational problem,” he said. “Everyone will be forced to solve short-term problems rather than looking for good opportunities.”

On a positive note, he added that he doesn’t think that such policies will become a theme. “What we have done in the last thousands of years is always working closer together,” he said. “We’re going to look back and see some small hiccups, and I think the rest is history.”

While some time was spent continuing to highlight the metaphorical black spot on the x-ray that is the effect of protectionist policy on fluidity of cross-border trade, the panel agreed that air cargo still stands to benefit from demand for the transport of time-sensitive cargo, which encompasses both the booming e-commerce and healthcare industries.

“I think air is always going to be the favored mode for high-value goods, particularly when manufacturers are creating just-in-time processes,” Pearce said.

Seng believes that shippers’ willingness to pay the premium cost for fast-transportation means that they should also be able to expect premium services.

“The big elephant in the room is digitalization – [we have] to make things a lot more seamless… in order to improve the overall value proposition of air freight.”

So, on one hand, the industry’s move to digitalization could be its saving grace, in light of a protectionist trade environment, but vice versa, its failure to do so could end up worsening the blow.
Horizon Forum Seeks the Right Questions to Be Asked in Pursuit of Innovation

By Randy Woods

At this year’s “Horizon: The Air Cargo Innovation Forum” workshop, held on Monday of this week, speakers asked attendees to question the nature of innovation and how it impacts an entire system. Brendan Sullivan, head of e-commerce and cargo operations for IATA’s “Cargo Facility of the Future” project, kicked off the afternoon by getting the audience to understand that innovation may solve one problem but can lead to other, bigger problems.

One of Sullivan’s tasks is to determine what the air cargo facility of the future will be used for. “Why does it need to be any different in the future?” he asked. “If it’s just a lot more cargo, can I just make a bigger one? Airports are pretty constricted spaces and expensive to build on, and there are not that many new ones coming up.”

Most of the technologies that get discussed — e-commerce, drones, automation, augmented reality (A.R.), artificial intelligence (A.I.) — “they’re not the kind of thing you can just throw on top of your operations,” he said. “It’s forcing process change, and a re-evaluation of the physical infrastructure.”

Speaker Ashish Pradhan, global head of airlines at Wipro, referred to the changes coming from A.R., virtual reality (V.R.), the Internet of Things (IoT) and automation as an “Innovation Tornado,” a term that accurately conjures both excitement and a bit of a mess.

Some of the obstacles he described were older systems that used to get the job done. “We’re not starting from a clean slate,” Pradhan said. “There’s always a legacy that you’re inheriting.”

The second-half of the forum was given over to several “TED-style” talks by various technology providers, who have generally come from companies outside air cargo industry. For instance, Serge Hanssens, a partner with Price-WaterhouseCoopers, discussed how some consumer-friendly tech, like digital smart identity and biometrics, which has popular uses in passenger rail cars, can find new uses in high-speed recognition of cargo passing through various points along the supply chain.

Next, Harald Sieke, of the Fraunhofer Institute, discussed how A.R. can teach workers about how to build a ULD to the proper dimensions. The common mobile app can be used to simplify labor-intensive tasks in the warehouse, said Sabari Ramnath, cargo industry manager for Unisys, while Kim Kian Wee, assistant director of training and innovation for IATA, said V.R. headsets could be used to teach proper cargo placement.

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DE JUNIAC’S AIR CARGO PRIORITIES FOR 2019: TRADE, GLOBAL STANDARDS, MODERNIZATION

By Randy Woods

After acknowledging a rather sour start to the year for air cargo, IATA Director General Alexandre de Juniac, in his opening address of the 13th World Cargo Symposium, called on governments and the air cargo industry to reverse this trend by focusing on three priorities to expand air cargo demand and maximize economic and social benefits of aviation: 1) Accelerating the speed of process modernization, 2) Implementing and enforcing global standards, and 3) Keeping borders open to trade.

Demand for air cargo grew by 3.5 percent in 2018, but it was a significant deceleration from 2017, which saw “extraordinary growth” of 9.7 percent, de Juniac said. Weakening global trade, sagging consumer confidence and geopolitical headwinds all contributed to a general slowdown in demand growth commencing in mid-2018, he added, and January 2019 saw a year-on-year contraction of 1.8 percent.

For his first point, the Director General said on the opening of the Tuesday Plenary Session that modernization will be critical to meet the doubling of air cargo demand over the next two decades, especially in the industry’s most promising growth markets — e-commerce and the transport of time- and temperature-sensitive goods, such as pharmaceuticals and perishables.

Echoing a resolution on modernization of air cargo facilities. “The e-commerce world is looking for fully automated high-rack warehouses, with autonomous green vehicles navigating through the facility, and employees equipped with artificial intelligence and augmented reality tools,” de Juniac said. “The average cargo warehouse today is an impressive sight. But there is a huge gap to fill.”

“The problem is not technology,” he was quick to add. “The problem is the speed to market. It’s exceptionally tough to drive change in a global industry with a huge number of stakeholders where safety is top priority. But it is not mission impossible. I challenge stakeholders to find ways to drive critical change at the speed our customers expect.”

de Juniac also urged governments to ensure that global standards are consistently implemented and enforced when necessary, citing lithium batteries as an example. “Global standards are being ignored by rogue shippers. And governments are not enforcing the rules. In some cases, we see more effort going into stopping counterfeit production of Louis Vuitton bags than lithium batteries. Both need attention. But lithium batteries are a safety risk,” he said.

Finally, he warned about the dangers of protectionist policies worldwide, including trade frictions, tariffs, Brexit and anti-globalization rhetoric. “We need to be a strong voice reminding governments that the work of aviation — including air cargo — is critically important,” he said. “There are no long-term winners from trade wars or protectionist measures.”

The need to keep the world trading aligns with the theme of this week’s WCS — Enabling Global Trade, de Juniac concluded. “This is an integral part of why we call aviation the Business of Freedom. And nothing should stand in the way of air cargo delivering its unique contribution to the prosperity of our world.”
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