



IATA - FIATA Air Cargo Program (IFACP) White Paper – Airline information

Release Date: April 2017



Background

Despite the successful global operation of the IATA Cargo Agency Program over many decades, the role of IATA Cargo Agents (freight forwarders) has changed. Previously Cargo Agents were 'selling-agents' for and on behalf of airlines. Whereas today the vast majority of forwarders are 'purchasing-customers' of those airlines and their business relationship is often as buyer and seller.

To meet the evolving needs of the air cargo industry and better reflect the change in relationships and the transformed role of the freight forwarder IATA and FIATA joined forces to review, refine, and re-engineer the current Cargo Agency Program to develop a new and modernized Program - IATA-FIATA Air Cargo Program (IFACP). This will replace the current IATA Cargo Agency Program.

The IFACP will provide a framework of industry standards that are relevant, in line with best practices and safety regulations and fit for purpose. Standards to cover the endorsement of freight forwarders will be administered as a joint program on behalf of and to the benefit of the Participants in order to ensure that appropriate and relevant standards with respect to cargo operations are developed and maintained.

Benefits

- Address the new business relationship between Freight Forwarders and Airlines and help to clarify the legal/contractual relationship
- Given that >80% of transactions are performed by Freight Forwarders acting as principals, and no longer as agent of the carrier, the proposed IFACP better clarifies and validates the business through a buyer/seller relationship
- Simplifying the Governance Structure to reduce administrative requirements to manage a new program, while enhancing consultation and dialogue at all levels
- Working together and establishing a joint IATA-FIATA Air Cargo Program increases the potential to achieve key industry goals and common industry initiatives, including e-cargo priorities.

Key Highlights

1. The various current Cargo Agency-Intermediary Programmes worldwide to be replaced by the IFACP, a single standardized Program which will be governed by the joint IATA-FIATA Governance Board (IFGB).
2. Future regional or national Joint Councils will be established to provide feedback from local markets and to discuss and submit proposals to the IFGB. This new streamlined governance will replace the variety of current local Assemblies, Councils and ICAPs, established under today's governance structure.
3. The new Joint Councils may propose to IFGB the minimum criteria of operational and financial standing required for endorsement and retention of Freight Forwarders in their respective countries or region.
4. The CASS remains 'as is' and under the jurisdiction of the Cargo Agency Conference, with current settlement procedures and processes unchanged. CASS remains as integral part of the IFACP.
5. Ready for carriage conditions, operational criteria (e.g. DGR training requirements) and best business practices (e.g. cargo standards) will be referenced in the IFACP Handbook helping to raise the Airline



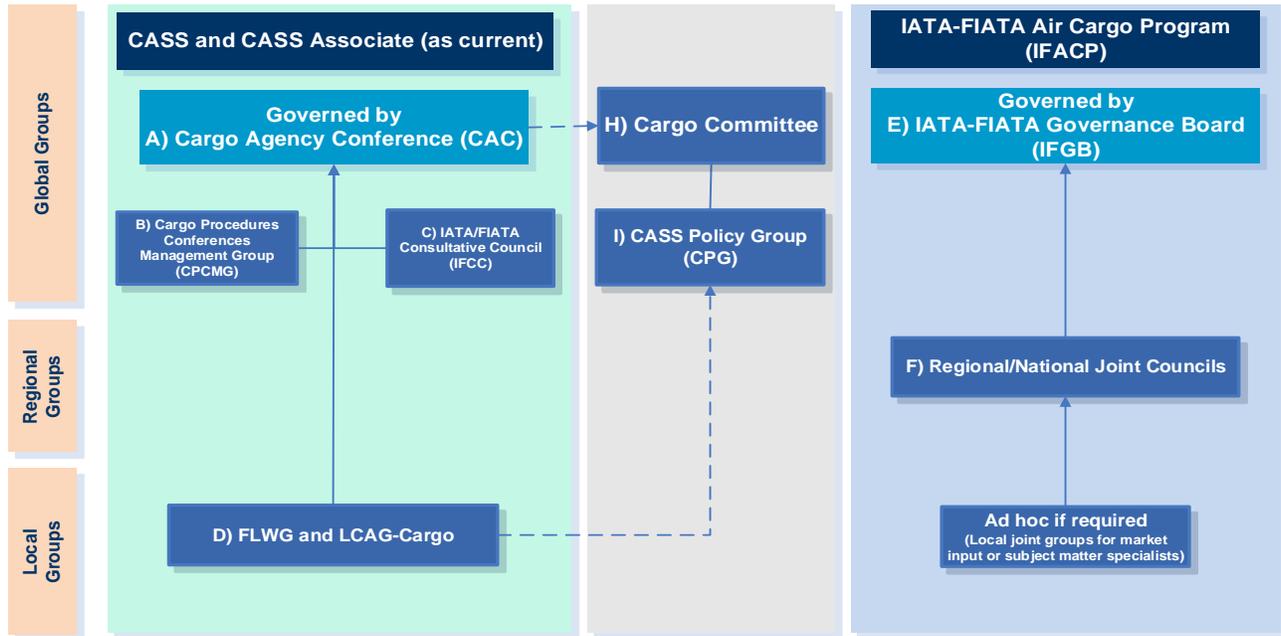
and Freight Forwarder's awareness of their responsibilities and their compliance to agreed industry operational requirements.

6. The chart below provides more details on the proposed changes:

CURRENT	FUTURE
8 Agency Programs operating under different and varying Cargo Resolution-Rules	Only 1 Global IATA-FIATA Air Cargo Program under standard rules, jointly managed by IATA and FIATA, through the IATA-FIATA Governance Board
Cargo Committee and Cargo Agency Conference advise on strategic direction	<ul style="list-style-type: none"> • IATA- FIATA Governance Board advises strategic direction for the IATA FIATA Air Cargo Program • Cargo Agency Conference maintains advising strategic direction on CASS • No change to existing role of Cargo Committee to advise strategic direction to IATA on all Cargo matters • Cargo Committee and FIATA Airfreight Institute advise strategic direction to their respective IFGB delegates
CASS settlement and procedures	CASS settlements and procedures – unchanged CASS rules consolidated into a single streamlined Resolution, new 851r, to be rolled out with IFACP (replacing 801r/re)
More than 80 diverse local and regional joint or airline-only governance bodies	Only 10 Regional/National Joint Councils (Canada, LATAM, Europe including Russia, India, China, Africa, Middle East, Asia Pacific, HK & TW, Australia including New Zealand and South Pacific) Improved consultation via joint groups worldwide
Conference adopted Resolutions	<ul style="list-style-type: none"> • IATA-FIATA Air Cargo Program governed by IATA FIATA Governance Board (e.g. determining financial and operational criteria for membership endorsement and Handbook of Program Rules) • New IFACP Forwarder Agreement • CASS remains governed by Cargo Agency Conference
A degree of conflict with forwarding community caused by ambiguous rules and terms	Clearly defined roles and responsibilities and jointly managed program
Agent based accreditation standards	Customer based endorsement standards established following joint consultation



7. Governance Structure



New IFACP Groups	Description
E) IATA-FIATA Governance Board (IFGB)	<ul style="list-style-type: none"> The IFGB is established to govern the IFACP on behalf of IATA and FIATA and to provide strategy, policies, oversight and guidance as to how the IATA-FIATA Air Cargo program operates. The IFGB will be composed of a minimum of 8 and a maximum of 12 members. IFGB membership will include both IATA-Airline and FIATA-Freight Forwarder representatives, with a minimum of 4 and a maximum of 6 members being appointed respectively by each Association. The appointment process shall be in accordance with the internal governance rules of FIATA and IATA, with appointed members serving as an industry representative, and not as a representative of any particular airline or freight forwarder. The IFGB is responsible to establish guidelines for endorsement of IFACP Forwarders related to the operational and financial criteria, Program rules and to determine relevant industry standards and procedures.
F) Regional/National Joint Councils	<ul style="list-style-type: none"> The IFACP Joint Council(s) are established by IFGB. A Council shall consist of not more than 6 members and not fewer than 4 members from each constituency (Airlines and Freight Forwarders). A reasonable and equitable balance of representation should be sought, together with representative and practical regional geographic coverage. The number of members from each constituency shall be equal. Airlines representatives are appointed by Cargo Agency Conference, or other delegated body. Appointed airline representatives serve for a two-year term, renewable for up to three terms. Freight forwarder representatives are appointed by FIATA, drawing from the respective National Forwarder Associations
Ad Hoc local groups	<ul style="list-style-type: none"> A local group may be constituted by a Joint Council to assist it, if circumstances require specific local input or feedback, or specialist subject matter knowledge



8. How will an Airline make the transition from the current program to the new IFACP?

For IATA Member Airlines:

IATA members will transfer to the new Program without any formalities, nor any need for signature of a new General Concurrence, having adopted the new Resolution 849–Tie-in Transferal Resolution (at CAConf/43). This Resolution and transfer will automatically take effect on the date on which IATA launches and declares effective the IFACP in a particular country or region.

For non-IATA airlines (participating in CASS):

They will need to sign the new General Concurrence agreeing to the Tie-in Resolution and the Program rules in order to join the IFACP as such airlines are not members of the Cargo Agency Conference.

Impact:

Transfer to the IFACP should not affect the Airline(s) and Forwarder(s) day-to-day cargo acceptance or handling, nor freight operations or 'ready for carriage' procedures. The IFACP should not require any system changes as current IATA codes will remain valid.

CASS:

There will be no changes to Airlines, nor Forwarders current participation conditions in CASS nor to current settlement procedures that apply in a given country. Nor will the transfer to the IFACP impact any individual or alternative bilateral arrangements Airlines may have currently with Forwarders.

9. How will the IFACP affect Freight Forwarder?

Current participants, Accredited Agents/Intermediaries in any of the existing IATA Cargo Agency/Intermediary Programs will be provided with a new IFACP Freight Forwarder Agreement. Upon execution and return of the completed and signed new Agreement, the Endorsed Freight Forwarder will automatically join the IFACP, it will retain its current IATA code(s) and continue its participation CASS without interruption. No further assessment of the Forwarder will be required to transfer to the IFACP. In future Endorsed Forwarders will be subject to IFACP rules and procedures as may be adopted by the IFGB. It has been agreed wherever possible, that the status-quo in respect of current basic criteria and the levels of fees will apply (through 2017), or until the IFACP is fully implemented.

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Appendix A

Value Proposition

1. Recognize the true business relationships

OBJECTIVE: To modernize the contractual relationship between Airline and Forwarder so that it reflects the true nature of their business relationship.

In a “principal to agent” contract, the airline generally has the right to instruct its agent on operational and commercial matters. In a principal-to-principal contract (most “buyer-seller” relationships), as is the case with Airline-Forwarder, the rights and obligations of the parties are a matter of negotiation.

Example of “negotiated” terms between Forwarder and Airline:

- a) Rates
- b) Service standard

(Note: Importantly commissions should be paid only in countries where this is allowed by law. In other countries paying a commission to a Forwarder who may owe a duty of loyalty to the shipper, may expose both the Airline and the Forwarder to civil and criminal liability under anti-bribery laws.)

2. Simplification and improving efficiency

OBJECTIVE: To facilitate the operational environment whereby industry efficiencies and enhanced use of technology for mutual benefit can thrive.

The Cargo Agency Conference and the IATA/FIATA Consultative Council both recognize the need for collaborative supply chain approaches to develop industry standards and reduce supply chain complexity, cost, and overall transportation time. The program will promote and guide the participants on technical and operational capabilities to increase industry professionalism and interoperability success.

3. Clarification of Liability

OBJECTIVE: To clarify the liability scenarios effective under the role performed by the Forwarder.

Forwarder consignments will be governed by the same rules of contract formation and liability as true shipper consignments.

- a) Liability for loss, damage or delay will not commence until cargo is accepted by the Airline or the Airlines ground-handling agent.
- b) In some jurisdictions such as India, significant tax complications can be avoided if it is clear who the true purchaser of the air transportation service is; the Forwarder or the true shipper.



4. Enhanced Regulatory Program

OBJECTIVE: To ensure all IATA Cargo programs continue to be fully regulatory compliance and supported by regulatory agencies throughout the world.

In 2004, IATA modernized its Cargo Agency Program to facilitate its operation in the European Commission without immunity (CAC Resolution 805zz). Subsequent to 2004, many of the principles contained within Resolution 805zz (the European program), although with some regional variations, were adopted in Australia, Canada, and India (albeit the latter has not yet been declared effective), and most recently the Latin American Cargo Agency Program, is seeking to amend its program to feature a Joint Council type body similar to the one found in the European Program. The idea in 2004 was to eventually have the de-immunized European style program become the global standard for Cargo Agency Program.

As global competition authorities become aware of the reforms, adopted in the European Union, USA, Australia, Canada and India, we expect countries globally to encourage similar reforms (20 years ago there were some 30 countries competition law regimes, today there are over 130). IFACP provides for a global rollout of a modernized program in anticipation of the growing number of Competition Law regimes worldwide. The IFACP represents the culmination of the 2004 IATA vision for a global standard when it developed the European Program.
