E-freight’s slow assent

Air cargo industry optimistic paper will be taken out of process.

By Eric Kulisch and Chris Gillis

The air cargo industry has been slow to move towards automated documentation exchanges between air carriers, customers, ground-handling agents, truckers and customs authorities. But more companies could feel pressure to transact business electronically as governments increasingly seek advance commercial data for security and safety purposes.

Leading the way to a paperless environment is the International Air Transport Association, which represents about 230 international airlines. The goal is to simplify business, improve service and reduce costs — not to mention the environmental benefit of saving thousands of trees and reducing pollution from output production — by eliminating the need to physically transport paper forms with the shipment and instead forward them electronically.

The average shipment generates up to 30 different paper documents, according to industry experts. When documents arrive ahead of the cargo, customs clearance and air transport processing time can be cut by an average of 24 hours. Delays associated with lost documents are eliminated and accuracy is improved because there is no need to relay data into various information technology systems along the way.

IATA estimates the air cargo supply chain can add $4.9 billion to the bottom line per year, net of operational costs, if everyone sent electronic messages for trade, transportation and customs documents.

“It’s the last frontier of cost-cutting available to us,” said Oliver Evans, chief cargo officer for Swiss WorldCargo, during a recent interview in Zurich, Switzerland. “Shippers will continue to put pressure on forwarders and carriers to reduce costs and e-freight will help us achieve that.”

By the end of 2010, IATA had replaced 20 paper documents with electronic equivalents, including the master air waybill, packing list, dangerous goods declaration and import/export cargo declarations.

The organization first determines whether countries have the legal and regulatory framework, technical capabilities and willingness to implement e-freight, and then engages in intensive coordination with the private sector and government to make any necessary changes. Electronic document exchanges begin once e-freight operational procedures are defined and validated by local customs for accepting inbound and outbound shipments.

In December, 57,307 e-freight consignments were transported. There have been nearly 721,000 e-freight consignments through the end of 2010 on 2,126 trade lanes, still a small portion of the total air cargo moves globally.

A recent survey of 450 forwarders around the world by two industry groups indicated that many are still reluctant to fully embrace airport-airport e-commerce programs, such as e-freight, unless they realize a significant improvement in their operations.

Less than 20 percent said they were participating in the IATA initiative and almost half said they had never heard of it.

“The slow pace of implementation has been one of lack of leadership in the industry, and secondly learning just how complex this initiative is,” Evans said. He noted problems related to blending of various systems among airlines, forwarders and shippers, making automated connectivity in the air cargo industry extremely difficult.

The heads of The International Air Cargo Association and the International Federation of Freight Forwarders Associations (FIATA) said the industry needs to do a better job communicating to forwarders about how e-commerce can lower costs and improve efficiency.

The United States presents an interesting case study of the challenges still faced trying to shift over to full automation.

All inbound flight manifests must be transmitted by carriers (or forwarders too, if they choose) to U.S. Customs through its Automated Manifest System, but 95 percent of the cargo lists do not require the actual master, or house, air waybills establishing the terms of transportation and identifying the commodity because the required data is already entered into the system.

About 5 million air waybills and house waybills are submitted this way through Air AMS every month, but only a few thousand of these are e-freight shipments, said Mike White, assistant director of cargo standards for Cargo Network Services.

CNS is the IATA affiliate in the United States that operates a freight billing and payment service and offers other resources for members.

The electronic process still results in a lot of paper being printed. That’s because U.S. law requires airlines and forwarders to maintain hard copy records for five years, even if companies electronically store them in a data warehouse and despite the fact that CBP seldom checks the original documents used to create the manifest.

The problem is worse on the outbound end because Customs and Border Protection doesn’t have an electronic system for processing exports. That means airlines and forwarders must present paper manifests and all the other associated documentation.

IATA, in conjunction with CBP, has developed an alternative process so that participating e-freight companies can print records on demand when Customs officers have additional questions about a shipment instead of attaching the air waybill or other paper documents to the manifest, as is done on the...
import side, White explained.

Not all companies, however, have the ability to electronically store massive amounts of data to meet those requests, he noted.

The experiment is limited to general cargo. Shipments that involve hazardous material, transshipment (not point-to-point), high value, agricultural permitted goods, and products on the State Department’s munitions list or the Commerce Department’s export control list cannot be considered for e-freight, he said.

That means an airline must present a paper manifest, air waybill and other necessary paperwork for a consolidated load even if only one of its discrete shipments falls into those categories.

The hope is that once IATA is able to demonstrate that airlines have good data and process, CBP will have the confidence to open e-freight to other categories of cargo, White said.

The move to e-freight is picking up steam in the United States after the Department of Transportation last year allowed the use of an electronic contract of carriage, a right first granted civil aviation authorities in 1999 under a treaty known as the Montreal Convention.

Several companies, such as Cathay Pacific have signed electronic master-contracts that cover all shipments so documents don’t need to be signed each time, as is done in many other parts of the world, White said. Cathay has gone to 100 percent use of electronic air waybills.

If it’s up to companies to approach CBP and ask if they can provide air waybills in electronic form. The shipments so documents don’t need to be signed each time, as is done in many other parts of the world, I think that’s realistic,” Evans said. “For sure there will be laggards in certain markets and among some degree by 2015.

They expect the industry to eliminate paperwork to a greater extent by 2015. Having built out the main part of the e-freight network, IATA’s goal through 2015 is to build up the volume of e-freight consignments, officials say.

Swiss Efficiency. Earlier this year, Basel became the third airport location in Switzerland — after Zurich and Geneva — to become “e-freight capable,” making the country the first in the world to have all of its airports ready to deploy e-freight, Evans said.

In addition to Swiss WorldCargo, carriers Lufthansa and Singapore Airlines, ground-handling agent Swissport, customs and airport authorities, and a number of forwarders, such as Panalpina, DHL and Fracht AG, worked together on the implementation at Basel.

The first e-freight compliant transaction from Basel to Hong Kong was conducted by Swiss WorldCargo and Kuehne + Nagel on Jan. 14. "The implementation of the e-freight process in Basel marks a significant step to improve data quality and efficiency as well as strengthens the leading role of Switzerland as a hub for urgent, sensitive and high value cargo," said Markus Loeffler, senior manager of quality and safety assurance at Swiss WorldCargo. Switzerland serves as a manufacturing and export center for numerous pharmaceuticals and watches.

However, Swiss WorldCargo executives admit the benefits of e-freight are so far limited. In the short term, the airline has maintained a parallel paper process with its e-freight transactions. They expect the industry to eliminate paperwork to a greater degree by 2015.

"I think that’s realistic," Evans said. "For sure there will be laggards in certain markets and among some forwarders and carriers, but they will ultimately be dragged along by the rest of the industry."

Documents and tips on how to get started on e-freight are available at www.iata.org/whatwedo/cargo/e-freight

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Olivier Evans
chief cargo officer
Swiss WorldCargo

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