



# IATA - FIATA Air Cargo Program White Paper

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## 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

- Simplifying the Governance Structure reduces the administrative requirement to manage the program
- Given that >80% of transactions are performed by Freight Forwarders acting as principals, the proposed IFACP better clarifies and validates the business through a buyer/seller relationship
- Potential to achieve key industry goals including e-cargo priorities by establishing a joint IATA-FIATA Air Cargo Program
- Addressing properly the Principal-to-Principal relationship between Freight Forwarders and Airlines will help to diminish liability issues and reduce the risk of legal challenge going forward.

## Key Highlight

1. The current Cargo Agency Programmes will be replaced by the IFACP, and it will be governed by the IATA-FIATA Governance Board (IFGB).
2. Future regional or national Joint Councils (as appropriate), will be established to provide feedback and to discuss and submit proposals to the IFGB. This new streamlined governance will replace the current local Assemblies, Councils and ICAPs, which have been established by today's governance structure.
3. The new Joint Councils may propose to IFGB the minimum criteria of financial standing required for endorsement and retention of Freight Forwarders in their respective country/ies or region.
4. The CASS remains 'as is' and under the jurisdiction of the Cargo Agency Conference.
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

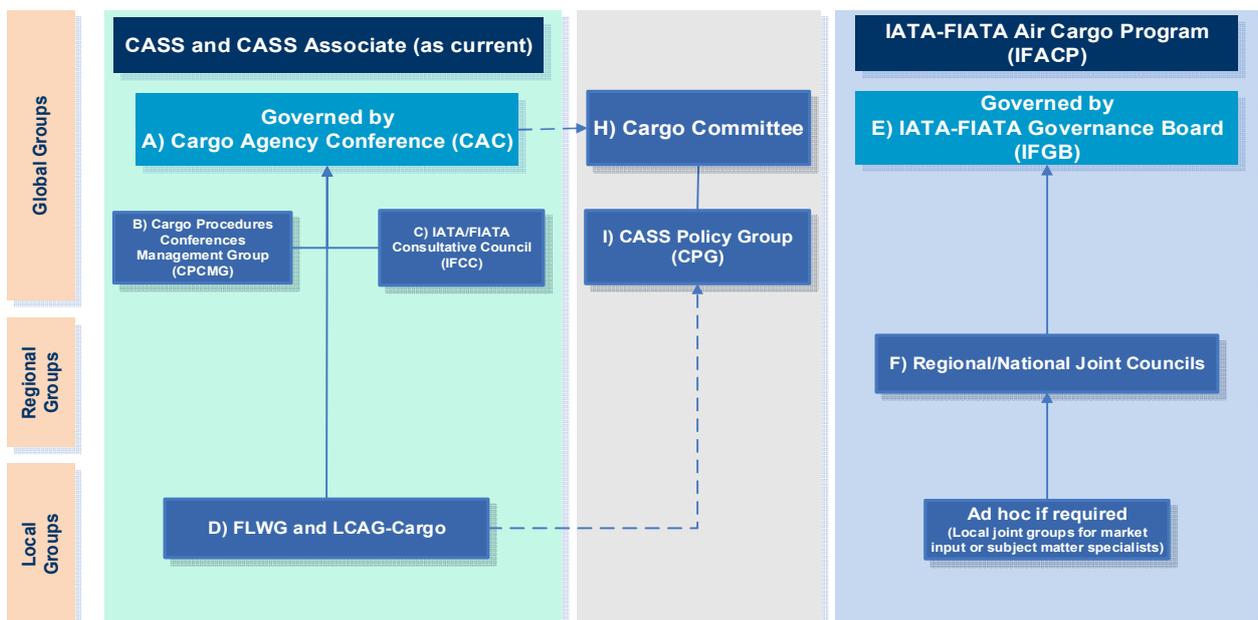


and Freight Forwarder's awareness of their responsibilities and their compliance to agreed industry operational requirements.

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

CURRENT	FUTURE
8 agency programs (incl. 4 Intermediary Programs)	1 Global IATA-FIATA Air Cargo Program jointly managed by IATA and FIATA, through the IATA-FIATA Governance Board
Cargo Committee and Cargo Agency Conference advise strategic direction	<ul style="list-style-type: none"> <li>IATA- FIATA Governance Board sets strategic direction for the IATA FIATA Air Cargo Program</li> <li>Cargo Agency Conference advise strategic direction on CASS</li> <li>No change from the existing role, Cargo Committee advises strategic direction to IATA on all Cargo matters</li> <li>Cargo Committee and FIATA Airfreight Institute advise strategic direction to respective IFGB delegates</li> </ul>
CASS settlement and procedures	CASS settlement and procedures - unchanged
Diverse local and regional joint or airline-only governance bodies	Potentially 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)
Conference adopted Resolutions	<ul style="list-style-type: none"> <li>IATA-FIATA Air Cargo Program governed by IATA FIATA Governance Board (e.g. determining financial and operational criteria for membership endorsement)</li> <li>CASS governed by Cargo Agency Conference</li> </ul>
A degree of Conflict with forwarding community caused by ambiguous rules and terms	Clearly defined roles and responsibilities
Agent based accreditation standards	Customer based endorsement standards

### 7. Future Governance Structure





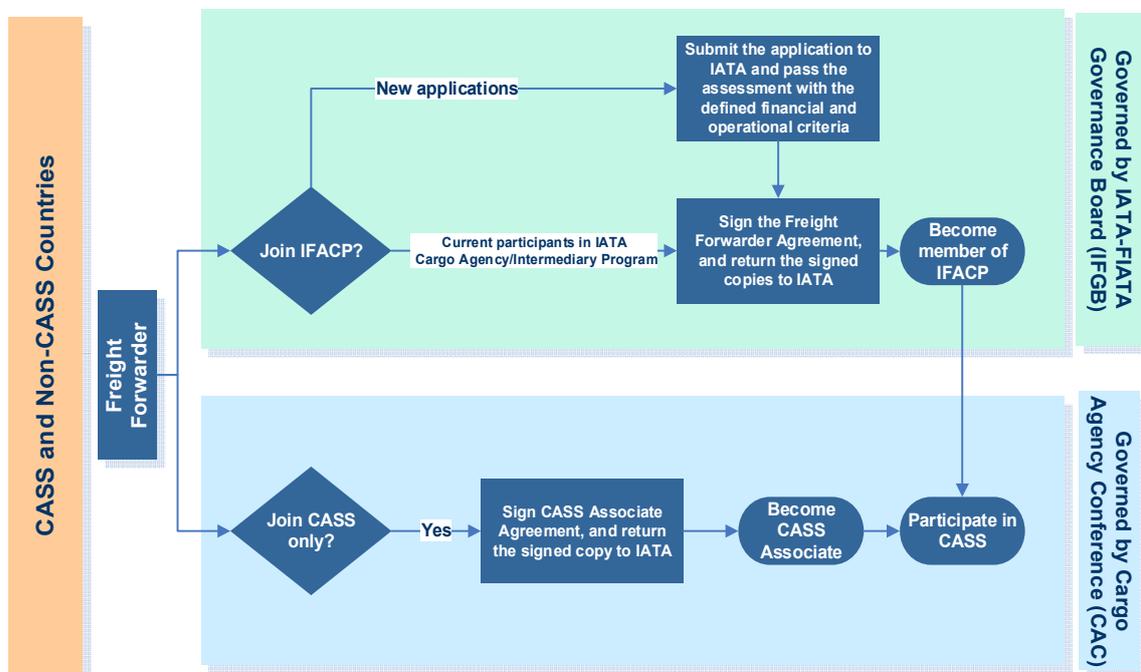
Groups	Description
A) Cargo Agency Conference (CAC)	It is the permanent Conference of Airline Members established by IATA, to take action on matters pertaining to relationships between Airlines and Freight Forwarders engaged in the sale and /or processing of international air cargo, but excluding remuneration levels. A new name for the CAC should be considered in the future due to the rescinding of Cargo Agency Program.
B) Cargo Procedures Conferences Management Group (CPCMG)	The CPCMG provides the support and guidance in relation to the strategies determined by Cargo Services Conference (CSC) and Cargo Agency Conference (CAC). It formulates IATA cargo industry policies, monitors industry developments and priority issues, and develops relevant industry solutions in response. The CPCMG also prioritizes, assigns and monitors the activities of the various standing Conferences sub group.
C) IATA/FIATA Consultative Council (IFCC)	The IFCC was constituted to initiate, consider and make recommendations to the Cargo Agency Conference (CAC) and Cargo Services Conference (CSC) on issues; arising from CAC and CSC agendas, resolutions and recommended practices affecting Freight Forwarders, and the Airline/Freight Forwarder relationship.
D) Forwarder Liaison Working Group (FLWG) and Local Customer Advisory Group- Cargo (LCAG-Cargo)	These are established by the Cargo Agency Conference (CAC), composed of local Airlines and National Freight Forwarder Association(s) to provide advice on CASS Policy and Management to address local needs.
H) Cargo Committee	<ul style="list-style-type: none"> <li>• Unique group in the cargo structure, established by and reporting to IATA Board of Governors</li> <li>• Membership of 15-20 airline CEOs Cargo – reelected every 2 years</li> <li>• Provides strategic direction and targets for IATA on all cargo issues</li> </ul>
I) Cass Policy Group (CPG)	The CPG is established by the Cargo Committee to provide the direction on CASS matters and be responsible for providing advice to IATA Management on all matters relating to the functional management and operation of CASS.
E) IATA-FIATA Governance Board (IFGB)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The IFGB will be composed of a minimum of eight and a maximum of twelve members. The IFGB membership will include both IATA-Airline and FIATA-Freight Forwarder representatives, with a minimum of four and a maximum of six members being appointed respectively by each Association. The appointment process shall be in accordance with the internal governance rules of FIATA and IATA. Each appointed member shall be either an airline representative if appointed by IATA or a freight forwarder representative if appointed by FIATA, and shall serve as an industry representative and not as a representative of any particular airline or freight forwarder.</li> <li>• The IFGB is responsible to establish guidelines for endorsement of IFACP Forwarders related to the operational and financial criteria, and to determine relevant industry standards and procedures.</li> </ul>
F) Regional/National Joint Councils	<ul style="list-style-type: none"> <li>• The Joint Council is established by IFGB. It shall consist of not more than six members and not be fewer than four members from each constituency (Airlines and Freight Forwarders). A reasonable and equitable balance of representation should be sought, together with reasonable and practical regional geographic coverage. The number of members from each constituency shall be equal.</li> <li>• 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.</li> <li>• Freight forwarder representatives are appointed by FIATA, drawing from the respective National Forwarder Associations</li> </ul>

## 8. How can a Freight Forwarder join the IFACP?

- a) New Application
  - i. A Freight Forwarder may be endorsed as a member of the IFACP by submitting an application and by meeting the defined financial and operational criteria.
  - ii. The Freight Forwarder signs the Freight Forwarder Agreement.
- b) Current participants of IATA Cargo Agency/Intermediary Program



- i. The current participants of the IATA Cargo Agency/Intermediary Program will be provided with a new IFACP Freight Forwarder Agreement. Upon execution and receipt of the completed Agreement, the Endorsed Freight Forwarder will join the IFACP and continue its existing enrolment in CASS. No further assessment will be required.
- c) A Freight Forwarder's suspension from CASS for financial reasons will result in a review by the Independent IFACP Assessor of that entity's continued participation in the IFACP under the IFACP financial criteria and IFACP Rules adopted by the IFGB. In the event that an IFACP Forwarder is defaulted from CASS, is not reinstated and fails to satisfy any undisputed indebtedness to the CASS or its participating CASS Airlines, such IFACP Forwarder will also have its participation in the IFACP automatically reviewed by the Assessor. Notwithstanding the foregoing, Freight Forwarders and Airlines reserve the right to settle accounts outside the CASS as bilaterally agreed.





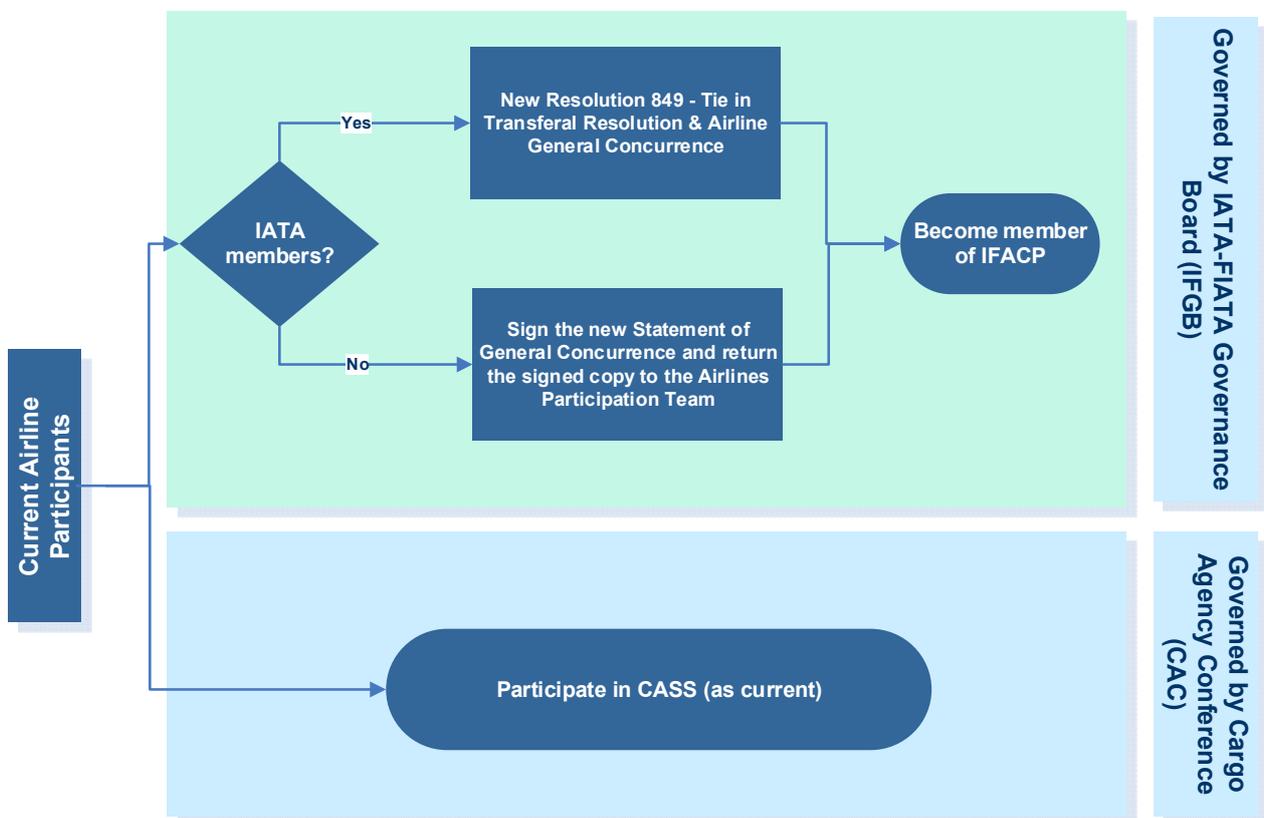
## 9. How will an Airline make the transition from the current program to the new program?

### For IATA Member Airlines:

Adopting the new Resolution 849 – Tie in Transferal Resolution, IATA members will transfer to the new program without the need for signature of the new General Concurrence, it shall automatically take effect on the date which IATA declares effective the IFACP in a particular country or region.

### For non-IATA members (participating in CASS):

They will need to sign the new General Concurrence agreeing to the Tie-in Resolution to join the IFACP, as they are not members of CAC.



Contact details:

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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 compliant and supported by regulatory agencies throughout the world.

In 2004, IATA modernized its Cargo Agency Program to facilitate its operation in the European Union 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.

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