

# GACAG<sup>TM</sup>

Global Air Cargo Advisory Group



## GACAG Industry Priorities

2017



## **Introduction and Overview**

Global Air Cargo Advisory Group (GACAG) – who we are and what we represent.

Recognizing the industry's changing needs and the benefit that a unified supply chain voice could bring in tackling areas of common concern, the four founding members of GACAG signed a letter of intent in 2010 committing to work together for the betterment of the air cargo industry.

IATA, FIATA, TIACA and GSF collectively represent all stakeholders engaged in air cargo and have agreed a number of key areas which require critical action to improve the overall industry.

Air cargo is an enabler for trade and a thriving global economy. Trade translates into growth which translates into national prosperity. Free and open trade, with efficient border management, remains our primary industry objective.

## **Our Vision**

A financially sustainable global air cargo industry that is safe and secure which provides the preferred mode of transport based on superior service, outstanding performance and the highest level of environmental stewardship.

## **Our Mission**

To ensure the air cargo industry has a strong, unified voice in its dealings with worldwide regulatory authorities and other bodies whose decisions directly impact on air cargo and to make the industry more efficient, competitive, sustainable and profitable.

## Document Executive Summary

We work in increasingly challenging times with fast moving technological developments, market evolutions adapting to new ways of doing business, increasingly diverse competition, changes to the regulatory environment, increases in threats and greater focus on risk mitigation, rapid shifts in consumer trends and overall rising customer expectations and demands as their needs increase and become more sophisticated.

The difficult operating environment of recent years reinforced the need for the industry to continue to evolve and ensure that we deliver a safe, secure, robust and sustainable industry.

This document seeks to introduce the key air cargo industry issues which GACAG is currently addressing and to identify where organizations (like ICAO) and other associations engaged and involved in the air cargo industry can use their global influence to assist in helping the industry overcome these challenges to deliver a safe, secure, efficient and globally connected air cargo industry.

In particular, as the world changes, connectivity is enhanced with new technological advances. We have seen the changes within the airline business, and adapt to take on board the resultant changes in the air cargo world, as global trade drives more air cargo business - the types of commodities moving are changing, as are the requirements for handling these new goods – and our primary goal remains to ensure safe and secure air transport.

GACAG provides the air cargo industry with a strong, unified voice in its dealings with worldwide regulatory authorities and other bodies whose decisions directly impact on air cargo helping to make the industry more efficient, competitive, sustainable and profitable.

## Air Cargo: a critical enabler, key to economic growth

Air cargo continues to be a major driver and enabler of the global economy connecting producers to markets. High value, lifesaving, time sensitive, vulnerable and perishable are just some categories that air cargo transports each and every day.

Another impact on the wider economy comes through the influence increased air cargo activity has on jobs, throughout the supply chain as activity ripples through the economy. These 'supply chain' jobs around the world are estimated to have been over 62 million in 2015.

It is important to note that steps taken by governments in developed countries have enabled the development and facilitation of air cargo as a means to underpin economic growth and improved social conditions. Positive pathways for development and growth of the air cargo sector and associated businesses – shippers, importers and supply chain providers, will enable developing countries to move up the global value chain.

It is possible to see within developed nations how certain decisions and approaches enabled the air cargo sector to grow and flourish contributing directly to GDP, the generation of jobs, both direct and indirect, as well providing strong contribution to local economies and communities they support.

Connecting the provision of goods and services through air cargo drives participation in an increasingly global society which in turn leads to improved living standards as more trade is enabled. An early provision of thought to the long term development of land around airports to facilitate air cargo suppliers, combined with maintaining a supportive and collaborative environment for trade encourages inward investment. Demonstrating how such long term plans affect developed countries can enable developing countries to follow best practices and drive the benefits associated with trade growth.

Air Cargo facilitates the movement and therefore provision of seasonal foodstuffs, pharmaceuticals, medical equipment and technology devices – the demand for which will continue to grow as people continue to travel globally and the demands for technology continue to rise.

Air cargo provides vital connectivity for manufacturers in developing and developed nations and remains a critical enabler contributing the transport of vital materials that play a key role in today's globalized economy, representing a combined value of \$5.5 trillion worth of goods moving by air annually which is approximately 35% of global trade by value.

# USD 5.5

Trillion: Value of Goods transported

A recent study, looking at the value of air cargo and global value chains, determined that a 1% increase in air cargo connectivity translated into a 6% increase in total imports and exports.

Air cargo is integral to many facets of modern life. Getting **perishable** goods from developing economies to markets in industrialized nations would not be possible without air transport. The **pharmaceutical** industry relies on air transport for its speed and efficiency in transporting high-value, time and temperature sensitive cargo, particularly vaccines. In today's modern world, carriage of **live animals** by air is considered the most humane and expedient method of transportation over long distances.

Most people have personal **electronic devices** that were built using a global supply chain linked by air. Amazon, Alibaba, eBay and other e-commerce websites rely on the **express** delivery services made possible by aviation to get those devices, and so much more, to their customers. Almost 328 billion letters and 7.4 billion **postal parcels** were sent in 2016, and air transport plays an essential role in their delivery



All parties within the supply chain face increasingly challenging costs relating to compliance and a need to invest in capital projects to stay current with technological advancements. This compounds the difficult conditions experienced by forwarders, airlines and ground handlers as manufacturing margins diminish, more focus is placed on reducing transportation and to market costs while trying to introduce more efficiencies.

All the members of the air cargo supply chain operate within this challenging business environment and recognize the need for quicker, safer and more transparent high quality air cargo services. To this end, and providing a unified voice for air cargo, the air cargo supply chain focuses on the following areas which will have significant beneficial impact for the industry.

- 1. Safe transport of lithium batteries**
- 2. Effective border security and advance cargo information**
- 3. Efficient border management and trade facilitation**
- 4. Accelerating industry modernization**
- 5. Minimizing environmental impacts**

## **1. Safe transport of lithium batteries**

## Background:

Lithium batteries continue to be a high profile issue for the air cargo supply chain. ICAO through the Dangerous Goods Panel (DGP), Air Navigation Commission and Council have taken steps to prohibit the carriage of lithium batteries as cargo on passenger aircraft, and also to place restrictions (state of charge limitations) when carried as cargo on cargo aircraft.

Despite this regulatory action there continues to be miss-declared shipments containing lithium batteries entering the supply chain. These miss-declared shipments should additionally be viewed with skepticism as to whether they are manufactured in compliance with safety requirements.

## GACAG position and Actions:

GACAG is working across the industry to advocate for consistency in approach and enforcement across states as the safety issue for these products applies from the manufacturing entities right through to the consumer safety of the end users. Compounding the challenges is the fact that many postal services facilitate and handle e-commerce products containing lithium batteries, so work is ongoing to involve the Universal Postal union (UPU) and national authorities to raise awareness, promote

compliance and lobby governments to bring about enforceable laws which criminalize deliberate miss-declaration of these hazardous goods.

GACAG Members, along with a number of Battery Associations have engaged in a campaign directed to governments calling on them to strictly enforce existing regulations and criminalize the activities of those who circumvent the regulations as such willfully disregard could put lives at



**Shipping  
Cargo Safely**

risk.

## Proposed Industry Action:

GACAG appeals to all involved in the air cargo industry to reinforce this message to governments, as the concern lies not with correctly shipped batteries but with the wilful disregard of the regulations by certain non-compliant manufacturers and shippers. The actions by this tiny minority threaten to undermine confidence in legitimate battery manufacture and transport.

Pressure on airlines to unilaterally ban all forms of lithium battery is increasing but is not the answer. This would add to the cost of global supply chains and consumer goods, while encouraging those who flout the law to increase mislabelling of batteries, further aggravating safety and security risks.

Call upon the Society of Automotive Engineers (SAE) to complete the task of enhancing safety aspects of lithium battery packing materials and encourage ICAO to embrace the results and proceed with the reversal of the temporary prohibition of bulk lithium ion consignments on passenger aircraft.

We further urge governments to strictly enforce regulations against wilfully non-compliant shippers which would greatly assist these industry efforts.

## 2. Effective border Security and advance cargo information.

### Background:

Many countries around the world have not taken steps to implement international conventions and standards to automate, coordinate or integrate their border controls. As a result, air cargo stakeholders are confronted with a variety of inefficiencies, delays and unnecessary costs. This is particularly prevalent in “least Developed Countries” but can also be found regularly in “Developing Countries”.

### GACAG position and Actions:

GACAG members, working across our respective membership regions, seeks to resolve cargo border issues in countries around the world. Priorities and objectives include promotion of automation, adoption of single windows, introduction of trusted trader programs and risk based border controls as well as expedited air cargo procedures.



**Smart  
Regulations**

### Proposed Air Cargo Industry Action:

GACAG urges the WCO, ICAO and UPU, working in conjunction with national governments and industry trade partners, to accelerate the development of global harmonized solutions for pre-loading ACI, to incorporate the standards into the relevant global instruments and recommended practices administered by these bodies; all parties should adhere to them accordingly. This should include the development of standards and globally harmonized approaches to handling high risk cargo, e.g. responsibilities for loading/unloading, instructions when cargo is in flight, instructions when cargo is on a third party carrier which is not owned by the data-submitting company etc.

## 3. Efficient Border management and Trade facilitation

## **Background:**

Effective border management is not just about securing goods entering or leaving a country, it is also about cost effective and efficient clearance practices which promote international trade and commerce.

In December 2014 the World Trade Organization published their “Trade Facilitation Agreement” (TFA). In February 2017, the TFA received the required number of state ratifications has now entered into force. The TFA is legally binding on those members who have acceded to the agreement. There are many synergies between the TFA and GACAG positions on air cargo objectives (promotion of automation, single windows, trusted trader programs, risk based border controls, and expedited air cargo procedures). Indeed, the TFA provides valuable tools and guidance to resolve many of the border issues mentioned above. Moreover its binding nature should make it a very efficient instrument to obtain actionable achievements.

Speed remains air cargo’s competitive advantage. Ensuring efficient and smart borders is a critical component of maintaining this benefit, with increased focus on cargo trade facilitation capacity building. These activities are being requested by many developing countries and organizations such as the World Bank, Asian Development Bank and US Aid.

Further to capacity building activities, there is a need to develop international standards for inclusion in their instruments. Recent examples are the Consignment Security Declaration (CSD) guidance material, Advance Cargo Information (ACI) standards, guidance for implementing Advance Cargo Information programs, guidance for data quality improvements.

The current potential threat to cargo border management opportunities remains the application of cargo security programs that are either not aligned with International standards or disproportionate to the risk they are seeking to mitigate. Also, protectionist measures impeding the flow of goods are a constant challenge against any trade facilitation effort.

## **GACAG position**

Disclosure of information should be done in a way that industry partners can access and use it. Policy considerations, regulations and decisions should be disseminated and discussed with industry representatives prior to adoption, implementation and enforcement to facilitate the shaping of amended or new laws with emphasis on simplification, harmonization and standardization.

## Trade Facilitation

### Proposed Industry Action:

GACAG supports WTO and WCO Mercator approach to Implementation of the Trade Facilitation Agreement as well as CSD and ACI for security requirements and would request promotion of transparency within governments to promote openness and accountability.

Furthermore, GACAG supports WTO initiatives and seeks to work collaboratively on efforts to promote international trade and encourages Member states embrace and implement TFA components as a matter of urgent priority.

#### 4. Accelerating Industry modernization

## Background:

The air cargo industry needs to constantly innovate and adapt to the changing environment to ensure safe and efficient adoption of new technologies and processes. With an eye on the horizon, GACAG recognizes the need for transformation of current practices which will lead to increased consumer welfare and provide enhanced market efficiencies. Airlines and freight forwarders remain connected in the traditional way with very little change in the supply chain over the last 30+ years in terms of the flow of goods and information. However with increasing technological advances and connectivity, there is a growing necessity for streamlining processes.

Connectivity and removal of paper from the supply chain started with a focus on adoption of eAWB, improving the flow of information by making use of the data required throughout the supply chain – by shippers, forwarders, ground handlers, airlines and regulators. Data collected once and used as required by those supply chain partners concerned, will result in improved data quality and increased speed, as the information to move shipments will be available as and when needed.

## GACAG Position and Actions

There is ongoing focus to look at ways to adapt consumer technology to improve the connectivity with end users and all parties within the supply chain (including regulators). Through collaboration and constant dialogue with industry stakeholders, GACAG is looking to lead, develop and influence all supply chain stakeholders to make the necessary transformational changes to keep the cargo industry a viable area to invest in, and to raise standards across the supply chain to meet increasingly sophisticated customer demands. We are committed to promote the introduction and widespread adoption of new technologies in order to improve competitiveness, create value and ensure the sustainability of the air cargo industry.



**Industry  
Modernization**

## Proposed Industry Action:

GACAG encourages governments to enable the adoption of new technologies within smart regulations that are not of a restrictive nor time consuming nature, while still having the desired effect of protecting people, businesses and the air cargo industry. In particular, we place emphasis on promoting the “single process’ approach to eAWB tendering and common eAWB handling procedures as that will enable the industry to embrace eAWB as the preferred means for shipping cargo to all destinations. Removing paper from the industry will also result in a smaller carbon footprint across all supply chain parties.

## 5. Minimizing the environmental impact

## Background:

The 39th International Civil Aviation Organization (ICAO) Assembly adopted a global market based measures program designed to stabilize emissions and achieve carbon neutral growth. ICAO's 191 member states agreed to implement the Carbon Offset and Reduction Scheme for International Aviation (CORSIA).

The historic significance of this agreement cannot be overestimated. CORSIA is the first global scheme covering an entire industrial sector. The CORSIA agreement has turned years of preparation into an effective solution for airlines to manage their carbon footprint. Aviation is a catalytic driver of social development and economic prosperity—it is the business of freedom making our world a better place. This agreement ensures that the aviation industry's economic and social contributions are matched with cutting-edge efforts on sustainability. With CORSIA, aviation remains at the forefront of industries in combatting climate change.

**Environmental  
responsibility, protecting  
the planet**

CORSIA is set to commence with a voluntary period (2021-2026) after which it will become mandatory. The list of states volunteering for the first phase now numbers 65.

### GACAG position

Shippers, Forwarders and Airlines are all looking for ways to measure their carbon emissions in a standardized way which is

fair and enables their participation and contribution to the continuing efforts of member airlines and States within ICAO to achieve the objective of carbon neutral growth through the adoption and now implementation of the global MBM program.

GACAG works with our respective members to reduce the environment impact of air cargo through Green freight initiatives such as harnessing renewable energy, utilizing zero emission ground transport, embracing recycling initiatives, implementing water usage reduction and recovery programs and capital investments in modern equipment. Additionally GACAG supports the efforts of ATAG (Air Transport Action Group).

These programs combined with industry programs to encourage diversity, multi culturalism and investment in people placed sustainability at the heart of the industry agenda.

## Proposed Industry Action:

ICAO has endorsed the IATA RP 1678 which establishes an industry standard methodology for calculating carbon emissions as related to air cargo transportation. ICAO's endorsement will help having this standard recognized and used by local civil aviation authorities worldwide. GACAG will also pursue efforts towards global harmonization across all modes of transport, through the Global Logistics Emissions Council (GLEC) as they too recognize RP1678 as the reference standard for air cargo.

### **Action Plan:**

In addition to media articles, presentations at industry events and promulgation via member web sites the GACAG steering committee will promote the industry priorities to global policy makers and regulators in order to advance the vision of a safe, secure and sustainable air cargo industry. Joint delegations to the following organizations will be addressed as a priority to urge state, regional and global bodies to adopt solutions to address today's air cargo challenges.

- ICAO
- WTO
- WCO
- EU
- DHS (CBP/TSA)

