Collective Efforts of the User Community and Logistics Service Providers: A Case for Air & Sea Hubs

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“Collective Efforts of the User Community & Logistics Service Providers: A Case for Air & Sea Hubs?”

John M. Edwards, Head of Cargo Security
State of the industry – prior to recent fuel price hikes

➤ Global revenues ‘06 USD$ 51.7b, ‘08 USD 53.5b(f)
➤ Sea freight growth f’cast 6% year-on-year ‘07 & ‘08
➤ Average returns below cost of capital
➤ Average operating profit margin, circa 7%
➤ Average 2007 load factors by weight, 52%

State of the industry / cont.

➤ Predicted ‘08 profit in Mar USD $4.5b, now minus $2.3b
➤ To date 25 a/l’s ceased ops or filed for bankruptcy in ‘08
➤ Governments must help the industry survive: -
➤ Focus on risk assessment,
➤ Harmonise global standards
➤ Endorse smart solutions
Assumptions

- Annex 17 will not change significantly in near future
- Threat levels will remain largely stable
- Pressure to address vulnerabilities will increase
- Cargo revenue will be increasingly important to airlines
- Air cargo will remain very important to global economy

Current Global Standards

- Global instruments
  - ICAO Annex 17,
  - WCO SAFE Framework of Standards
- Industry best practices
  - IATA SeMS, IOSA & ISAGO
  - TAPA, ISO & others?
  - Wassenaar Arrangement (SALW)
Annex 17

- Security controls prior to loading on passenger aircraft
- Protection of secure cargo
- Approval of regulated agents
- Integrity confirmed or measures applied
- Catering, stores etc.
- Freighters - RA

- Responsible apt authority
- Airport security program
- Airport security committee
- Appropriate design & construction of new airports

- Restrict & control access
- ID systems for personal & vehicles
- Prior background checks
- Supervise access & movement
- % screening or persons & their possessions
- National quality control

Airport Ops

Cargo etc.

Access & Quality Controls

Global level supply chain security

Security procedures & assessments

Technology & seal integrity programs

Authorised Economic Operator

Security integrity of consignments

Access control

WCO SAFE Framework of Standards
Global cargo security regulatory framework

1. No: with cargo security programmes?
2. No: with Customs security programmes?
3. No: of harmonised programmes?

Vulnerabilities - What?

- Terrorism
- Crime
- Legal
- Reputation

Secure Cargo Ops
Vulnerabilities – Where?

Survey of 32 States inc. large, medium & small cargo markets

- 27 permit screening by air carrier, 18 by Regulated Agent
- 23 have RA programs, 15 require their inspection
- 22 have Known Shipper programs, 9 require inspection
- 6 do not require inspection of RA or KS
- 8 permit screening by RA although the RA is not inspected

Vulnerabilities – Why?

- 21 permit use of “storage period” as a security control
- 12 require set % random screening in range 0.5 – 10%
- 24 permit use of canines
- 27 permit use of metal detectors
- 24 permit EDS & 23, ETD
- All permit or require X-ray, 30 permit hand search
The airline perspective

- Stakeholders share responsibility for security - and a common enemy
- Airlines should not be suffer from inaction by Contracting States or others
- The nature & magnitude of threat is different from pax & their baggage - solutions must be too
- Requirements must be proportionate, effective & sustainable
  - low cost, low tech
- Consistent global standards are achievable

Situation in Summary

- Airlines are disadvantaged
  - Uplift costs increase – & cannot necessarily be shared
  - Complexity increases, speed & quality decrease
- States become uncompetitive
- Security vulnerabilities exist
- Economies suffer
A Case for Air Hubs –

Or

Alternative Solutions?

What are the vital elements?
ICAO Annex 17 & State Compliance

...could be strengthened to ……

⇒ Require approval *and inspection* of regulated agents

⇒ Recognise known shippers & require their validation

⇒ Prohibit exemptions

⇒ Prohibit ineffective security controls e.g. storage (cooling) period

100% physical / technical screening

Not threat based
Not workable
Not affordable

Industry opposition

Political motive
Head-line grabbing
Vote winning

….unless based on proper risk assessment

Screening measures must include known shipper etc.
Regulatory / industry joint effort requires….

Supply chain focus
Little → Strong
Commitment & drive
Little → Strong
Shared ownership & responsibility
Little → Strong
Mutual respect & understanding
Little → Strong
Flexibility & compromise
Little → Strong

IATA Secure Freight Programme

2020 Vision:
An air cargo industry comprised of certified secure operators on secure supply chains operating to internationally recognised standards within Contracting States that are compliant with ICAO Annex 17.

Mission:
To work with Contracting States and the industry to secure international air cargo against terrorism and crime by 2020.
The Mission

Vulnerable air cargo network

SFP gains initial State recognition

SFP commences certification of secure operators

Effective Annex 17 & efficient SFP, secure global network

Smart sustainable security

SFP QAS operational & mature

SFP widely recognised by States. Large scale implementation achieved

ICAO Annex 17 – standards & quality control too inconsistent

2008 2010 2013 2020

IATA Secure Freight Programme

Goal 1 - Regulatory:
To work with Contracting States to implement model ICAO Annex 17 cargo security programmes by 2013

Goal 2 – Operational:
To establish secure operators in secure supply chains operating to internationally recognised standards by 2013.
Goal 1 – Model Annex 17 Cargo Security Programmes

2008/09. Develop a concept for enabling Contracting States not compliant with ICAO Annex 17 to become so; develop model programmes and templates for all-cargo & combination carriers & integrators; develop a marketing & funding policy

2010. Identify suitable States with whom to prove the concept & pilot delivery of model programmes. Prioritise implementation in States of most importance to the industry

2011. Expand the number of States with whom we work on delivery & implementation

2012. Develop a plan to support ongoing State capacity building & deliver SFP 2020 Mission

2013. Complete current workstream for delivery & implementation of model programmes

Regulatory Roadmap: 2008 / 09 deliverables & timelines

- Plan interdependencies between regulatory & operational goals
- Identify potential pilot States
- Design outline model programmes
- Prepare & prioritise stakeholder management plan
- Design options to support State capacity building
- Develop programme templates, & other vital elements required for pilots
- Incrementaly develop & roll-out goal communications plan
- Build regulatory & industry support for delivery of regulatory goal

Q4 2008 Q1 2009 Q2 2009 Q3 2009 Q4 2009
IATA Secure Freight Programme

Goal 1 - Regulatory:
*To work with Contracting States to implement model ICAO Annex 17 cargo security programmes by 2013.*

Goal 2 - Operational:
*To establish secure operators in secure supply chains operating to internationally recognised standards by 2013.*

5 Point Plans:
- Secure receipt
- Protect
- Secure transport
- Secure handover
- Incident reporting

For Operators
- Secure receipt
- Verify chain integrity
- Maintain records

For SFP Development
- Cargo SeMS
- Verify chain integrity
- Contractors to be SFC
- Oversight & control
- Review & develop

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2008/9
- Develop basic export quality assurance system (QAS), conduct pilots, prepare for go-live

2010
- Go-live, develop export QAS to include wider range of operator types and import QAS

2011
- Scale-up delivery and stakeholder management plan to ensure completion of Operational Goal by 2013

2012
- Develop a plan to ensure capacity building and delivery of SFP Mission by 2020

2013
- Complete current workstream for delivery and implementation of the Secure Freight Programme
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Smart sustainable security

The Mission

Thank you... any questions?

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AIR CARGO

Safe, secure, simple and cost-effective