



**Asia-Pacific  
Economic Cooperation**

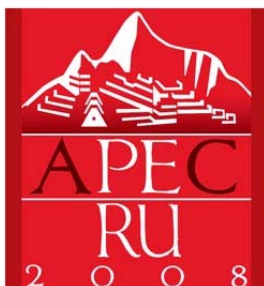
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**2008/SOM3/CTTF/STAR/004**

Session: 9

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

Submitted by: International Air Transport Association (IATA)



**6<sup>th</sup> Secure Trade in APEC Region Conference  
Lima, Peru  
20-21 August 2008**



# AIR CARGO

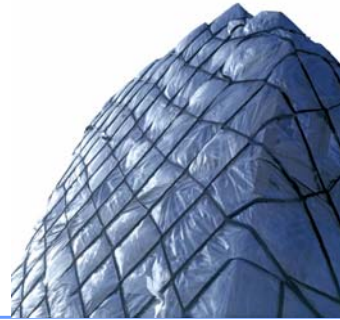
>> Safe, secure, simple and cost-effective

**Sixth Secure Trade in APEC Region  
Conference (STAR VI)**

**Security and Vulnerabilities of the  
Global Supply Chain**

20 - 21 August, 2008

**Lima, Peru**

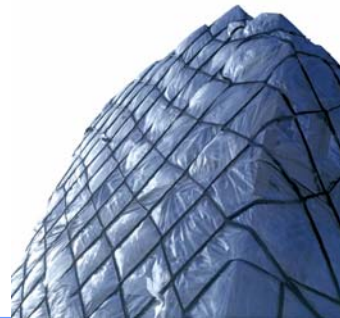


# AIR CARGO

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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%

3



## 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

4

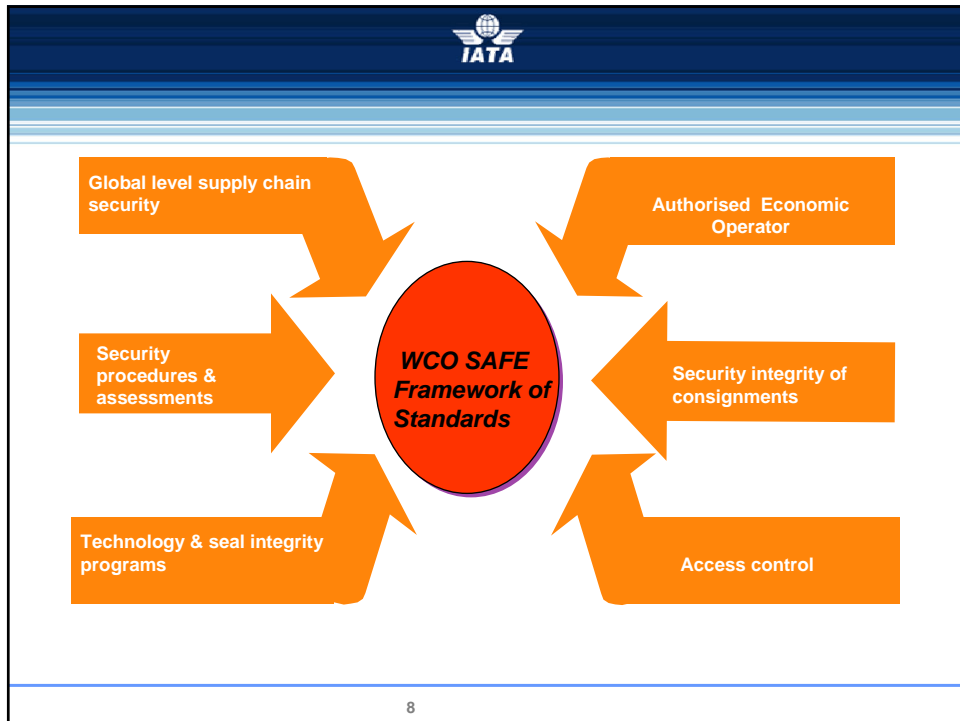
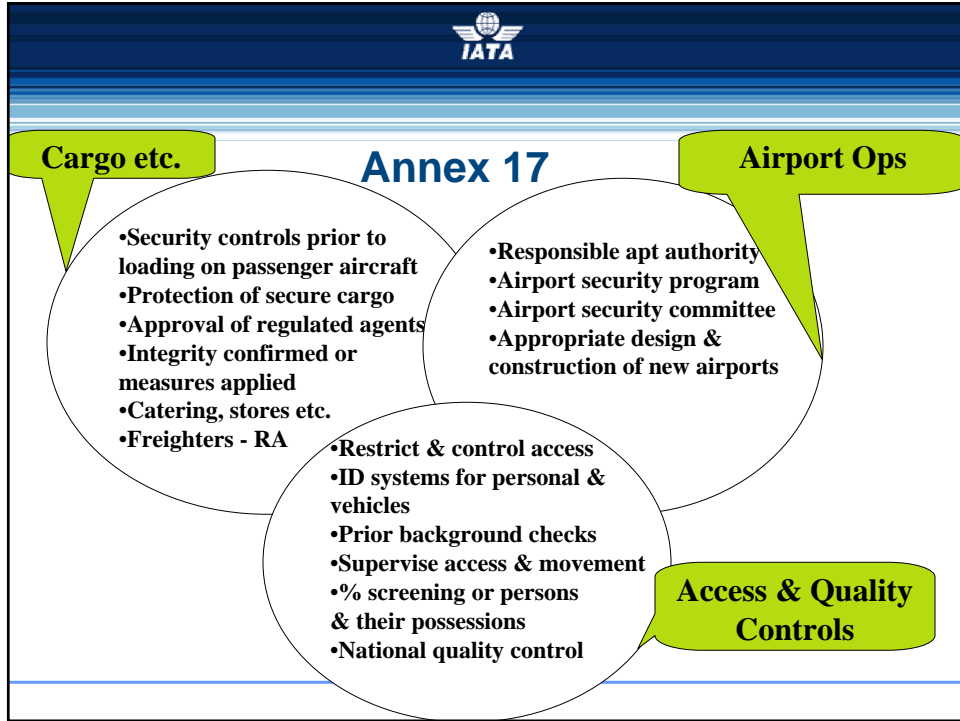
## Assumptions

- 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)



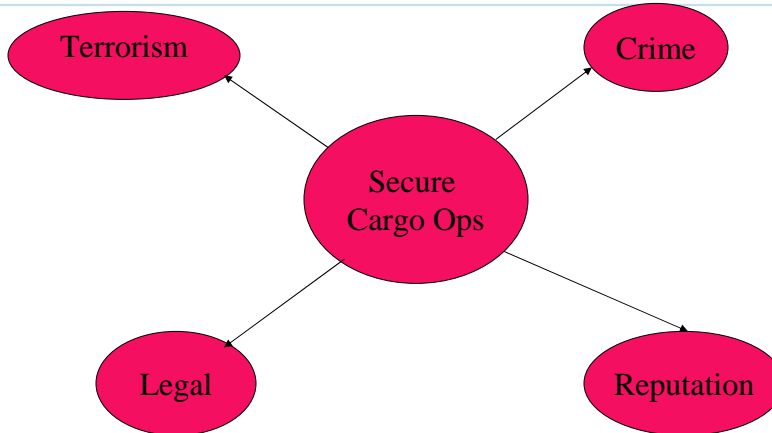


## Global cargo security regulatory framework

190 ICAO Contracting States



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



## Vulnerabilities - What?

## 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

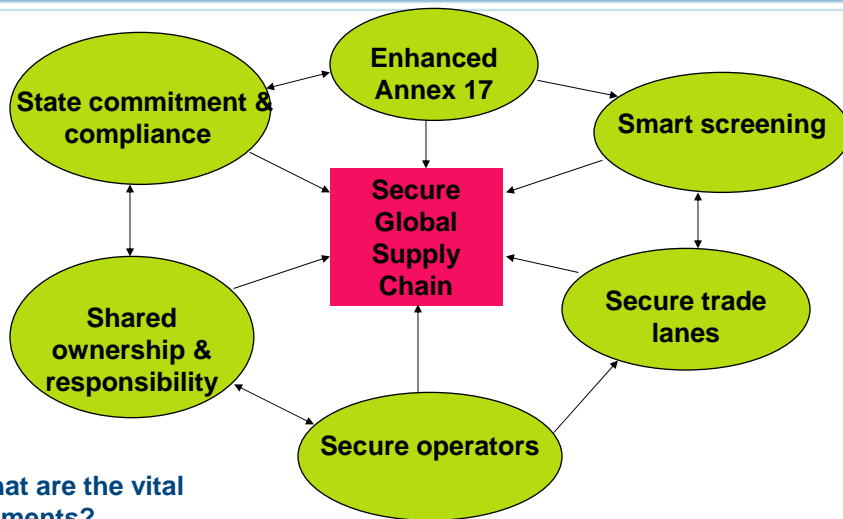
- Stakeholders share responsibility for security - and a common enemy
- Airlines should not be suffer from inaction by Contracting States or others
- The nature & magnitude of threat is different from pax & their baggage - solutions must be too
- Requirements must be proportionate, effective & sustainable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

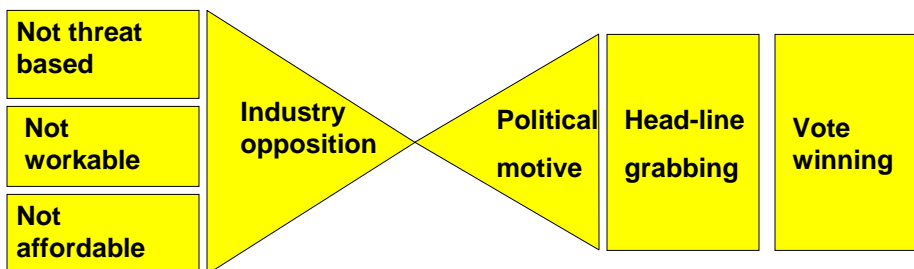


## ICAO Annex 17 & State Compliance

...could be strengthened to .....

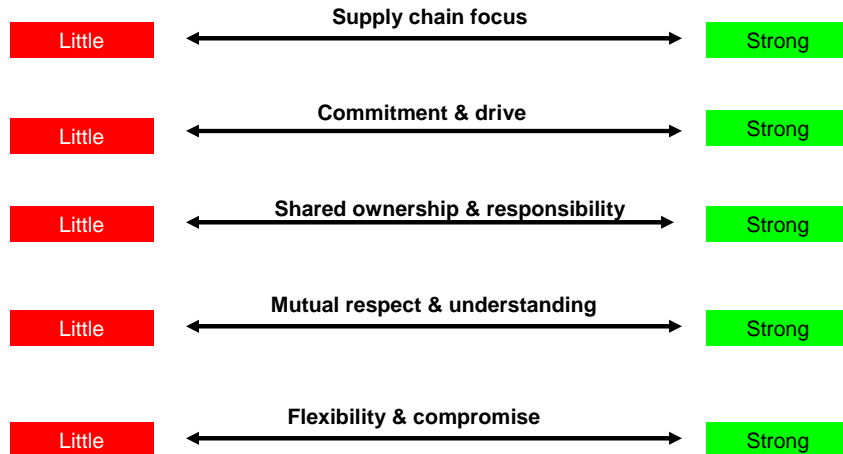
- Require approval *and inspection* of regulated agents
- Recognise known shippers & require their validation
- Prohibit exemptions
- Prohibit ineffective security controls e.g. storage (cooling) period

### 100% physical / technical screening



....unless based on proper risk assessment

**Screening measures must include known shipper etc.**



Regulatory / industry joint effort requires....



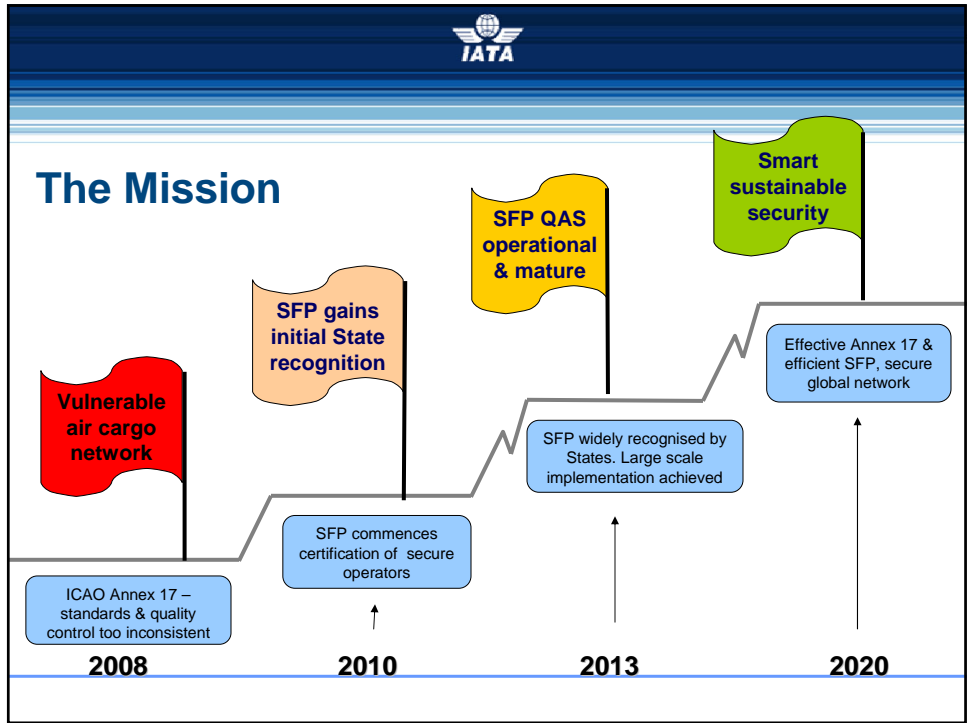
## IATA Secure Freight Programme

### 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.



**IATA**

## 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.*

22



## 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

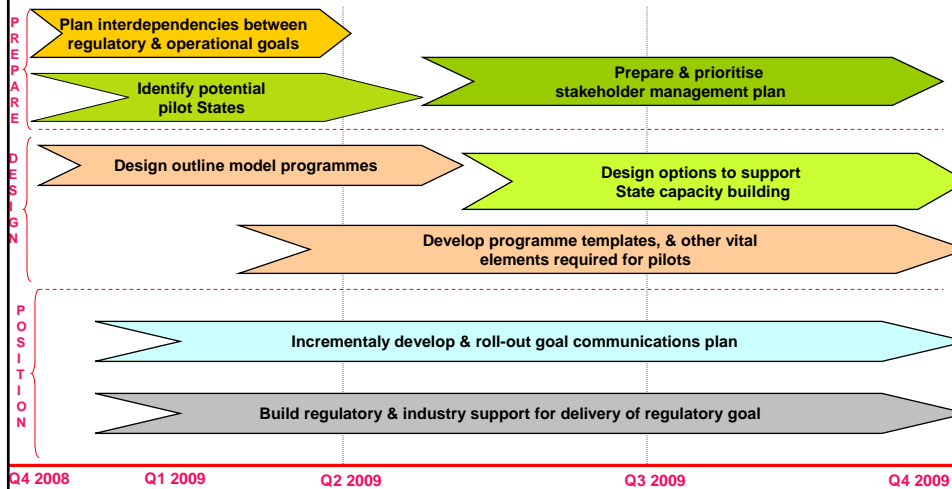
**2012.** Develop a plan to support ongoing State capacity building & deliver SFP 2020 Mission

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

23



### Regulatory Roadmap: 2008 / 09 deliverables & timelines



24



# IATA Secure Freight Programme

## Goal 1 - Regulatory:

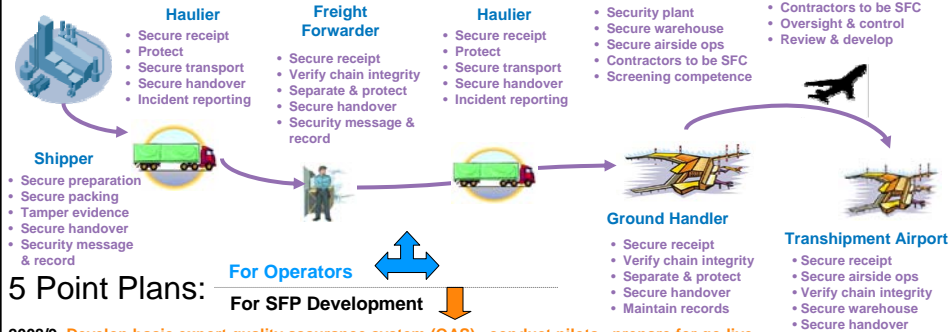
To work with Contracting States to implement model ICAO Annex 17 cargo security programmes by 2013.

## Goal 2 - Operational:

To establish secure operators in secure supply chains operating to internationally recognised standards by 2013.



## Goal 2 – Secure Operators in Secure Supply Chains



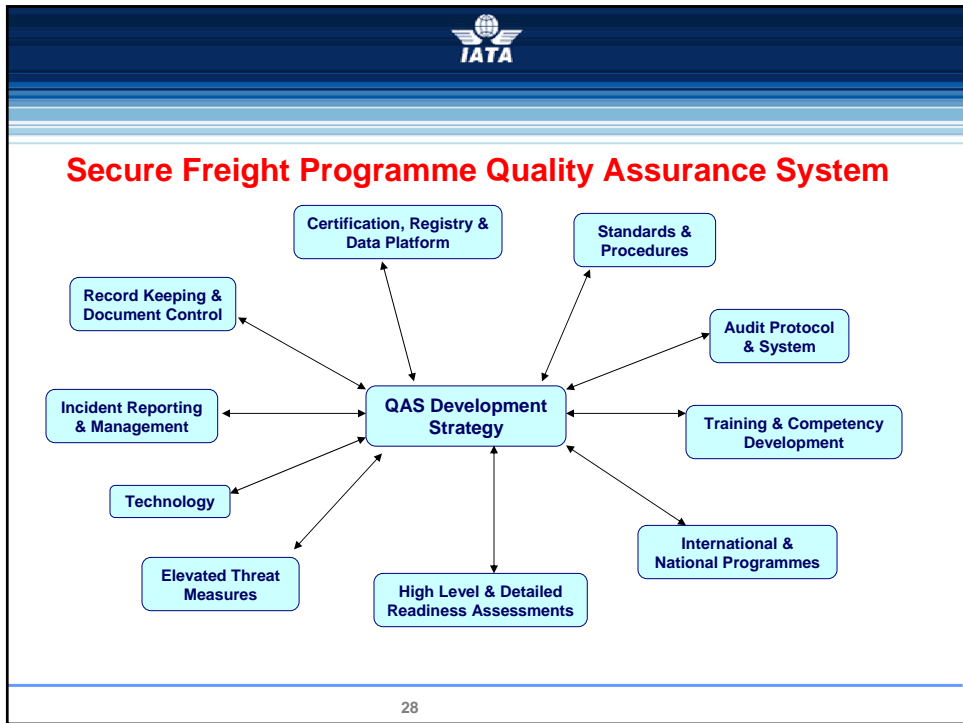
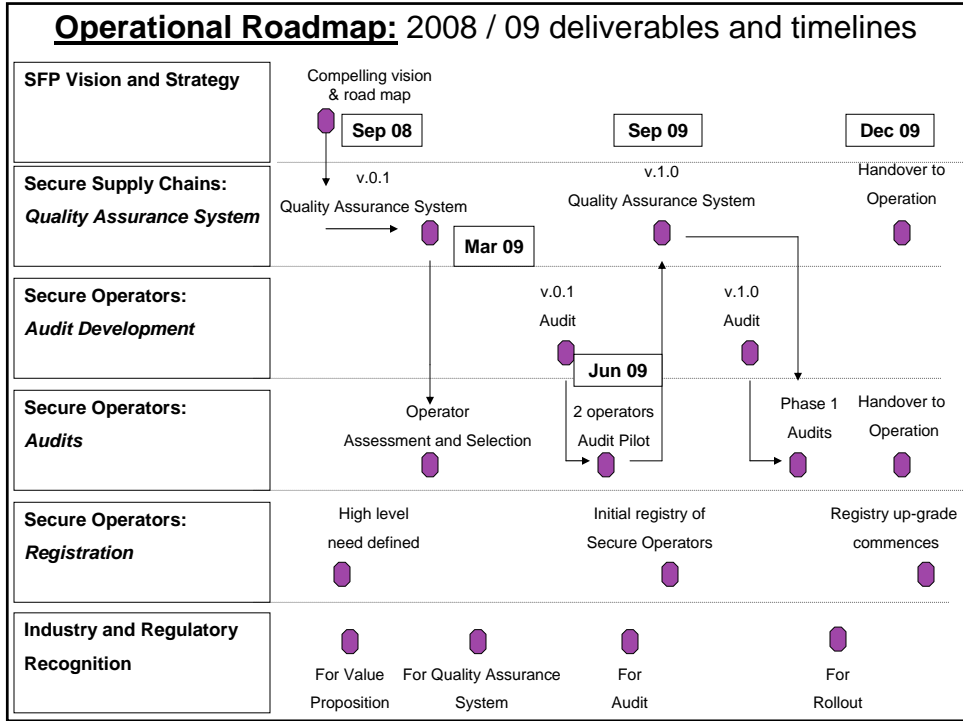
2008/9 Develop basic export quality assurance system (QAS), conduct pilots, prepare for go-live

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

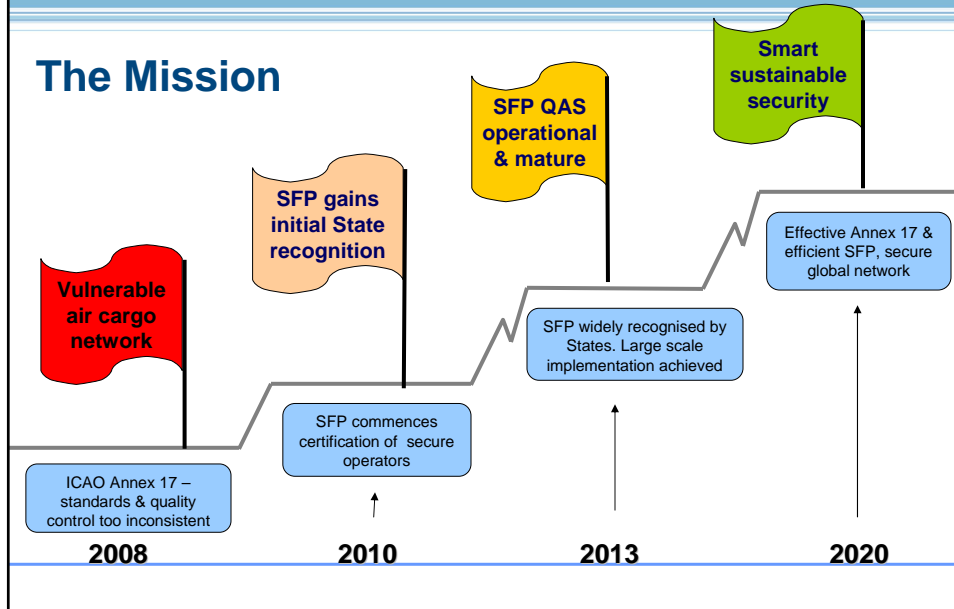
2012 Develop a plan to ensure capacity building and delivery of SFP Mission by 2020

2013 Complete current workstream for delivery and implementation of the Secure Freight Programme





## The Mission



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**Thank you... any questions?**

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