

## **AIRFREIGHT SUB-COMMITTEE**

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RHENUS LOGISTICS HONG KONG LTD  
THE JANEL GROUP OF HONG KONG LTD  
CARGO FREIGHT SERVICES LTD  
DHL GLOBAL FORWARDING (HONG KONG) LTD  
DIMERCO AIR FORWARDERS (HK) LTD  
SEA-AIR LOGISTICS (HONG KONG) LTD  
TRANSPOLE LOGISTICS PRIVATE LTD

### **I. Liaise with the Civil Aviation Department (CAD)**

#### **A. Inspection Checklist for Regulated Agent Regime (RAR)**



After numerous follow up with the CAD, HAFFA obtained its latest RAR Inspection Form which was circulated to all Members via News 61 dated 27 February 2015. Members may refer to the form as a reference check list so as to better comply with the requirement when there is a RAR inspection to be done by the CAD officer at your premises. Such list is also distributed at the RAR class organized by HAFFA, Members please feel free to enroll into RAR class in order to better understand the requirement of CAD. Course details are available at: <http://www.haffa.com.hk/portal/Course/Detail.aspx?id=126>

As a Member's privilege, the said Checklist was uploaded onto HAFFA website under "Member Only" >> "Cargo Security" [After login] <http://www.haffa.com.hk/portal/Page/Default.aspx?id=123>

#### **B. Deficiency Statistics of RA Inspections 2014**

In response to HAFFA's request, CAD provided a summary of RA inspection findings with the statistics on the deficiencies found by the CAD inspectors during audit check conducted from 01 January to 31 December 2014. The highest percentage of deficiency (74.3%) was under the category of "Fail to maintain record of KC/AC declaration systematically or information as shown on the KC/AC declaration is incompleated" and they could be rectified if RAs improve their internal quality control procedures and/or by staff training. The full statistics was disseminated to all Member via News 61 dated 27 February 2015. As a Member's privilege, it was uploaded onto HAFFA website under "Member Only" >> "Cargo Security" [After login] <http://www.haffa.com.hk/portal/Page/Default.aspx?id=123>

#### **C. Future Development of Air Cargo Security - Key Elements of the Requirements and Criteria for Conducting Off-airport Cargo Screening**

HAFFA, industry stakeholders, Security Bureau (SB) and CAD always exchanged views on the future development of air cargo security in different occasions. It was revealed that US Transport Security Administration (TSA) so far has no concrete plan to implement 100% screening for freighters. However, given the concern about the actual compliance level of KCs in fulfilling the enhanced requirements after KC signed the new forms, the green status of EU ACC3 for Hong Kong could not be easily retained. As such, HAFFA urged the CAD to start developing up-stream screening programme because it would take time for the industry to get prepared and fully implement such programme.

In response, CAD provided a document outlining the security considerations of off-airport screening for Members' internal reference. The document is available at HAFFA website under "Member Only" >> "Cargo Security"[After login]

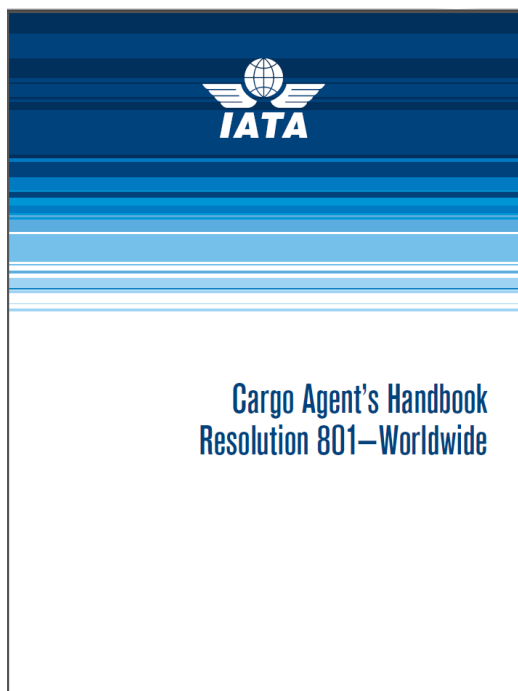
<http://www.haffa.com.hk/portal/Page/Default.aspx?id=288>

Should interested Members require more practical advice to write your program for conducting off-airport cargo screening, you are welcome to get in touch with Ir. Dr. Paul Tsui, HAFFA Chairman (Tel: 26260076) for more information.



## II. Liaise with IATA

### A. IATA Annual Financial Review (AFR)



In year 2011, IATA-Hong Kong initiated a discussion on AFR, advising that according to IATA Resolution 801 S1.1.4.1(b), they were required to conduct annual examinations of the financial standing of IATA agents. If any forwarder failed in the assessment, IATA would base on local financial assessment criteria to collect additional Bank Guarantee (BG) from it. HAFFA brought out many concerns to IATA. In particular, agents would need to spend additional resources to support the financial assessment annually but there was no fair reciprocal arrangement in return.

In view of the obvious negative impact and the fact that the AFR is implemented based on IATA resolution, HAFFA joined efforts with the International Federation of Freight Forwarders Associations (FIATA) and the Federation of Asia Pacific Air cargo Associations (FAPAA) to escalate the said issues to the IATA-Headquarter for discussion. Following numerous deliberations throughout the past three years, IATA-Hong Kong decided to re-submit the proposal of exempting Hong Kong from AFR to the IATA Cargo Agency Conference (CAC) for adoption.

Prior to the IATA CAC meeting in March 2015, at the IATA / FIATA Consultative Council (IFCC) meeting on 25 February 2015, it was recommended to defer the proposal back to the Agents Liaison Working Group (ALWG) in Hong Kong to examine the possibility of cancelling bilateral guarantee, instead of just making use of the IATA current mechanism under Resolution 801 to ensure payment security, this with a view to avoiding double punishment to forwarders.

The Chairman expressed our position to the IATA CAC that the proposal cannot resolve the current issue of double guarantee, instead it is only to cover the administrative issue of IATA internal office to comply with the 801 annual examination for Hong Kong (a healthy city where never had any problem of payment and generating the largest cargo volume among any airport in the world). As a result, IFCC suggested returning the proposal to the local IATA office in Hong Kong to examine the possibility of cancelling bilateral guarantee. In the meantime, the IATA-Headquarter was requested to send an administrative direction to its local office in Hong Kong to suspend any annual examination according to the Resolution 801. Trust that this direction would definitely benefit the entire cargo industry.

## B. Cargo Agency Modernization Programme (CAMP)

Today's IATA Cargo Agents act in many cases as freight forwarders (*principals rather than agents of the carriers*) and conduct business with airlines as their shipper customers. Given the evolving business relationship between cargo agents and carriers, IATA and FIATA are instituting "Cargo Agency Modernization Programme" (CAMP) which would replace current all IATA agency programs (currently 8 programs worldwide) in future. Forwarders in Hong Kong should be better off under the new program (joint IATA/FIATA Air Cargo Program) with an aim to increase cash flow and reduce cost of Bank Guarantee (BG).

Further to the last Annual Report and Chairman's presentation made at the HAFFA AGM on 29 April 2014, we are pleased to update Members that the CAMP programme is expected to be rolled out from Q4 2015 to 2016 worldwide by phases and fully implemented in 2017. Members will be kept informed should there be any essential update on the programme.

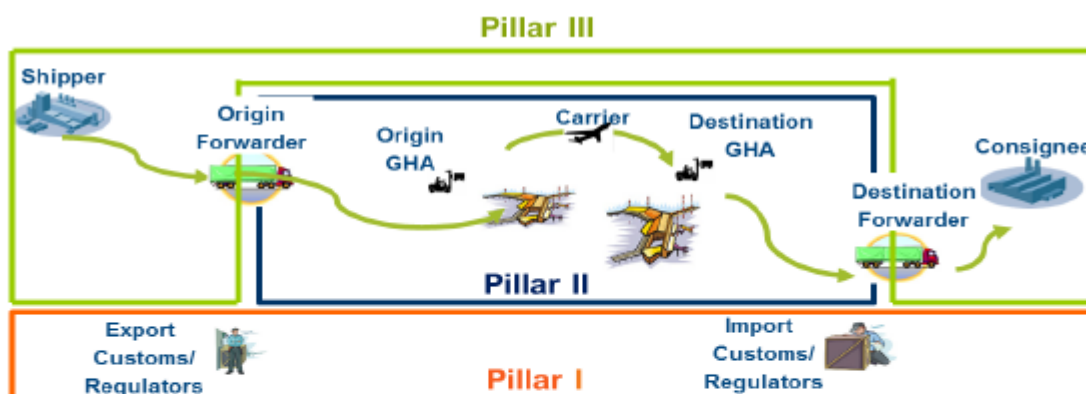
## C. 100% E-Freight Implementation for Import Cargo in Hong Kong

Starting from 2013, special Business Working Group (BWG) meetings were convened to explore the feasibility of implementing 100% e-freight WITHOUT pouch for IMPORT cargo. HAFFA reiterated to the BWG that:

- HAFFA commits to e-import implementation provided that ALL stakeholders should also agree to do so.
- Forwarders are happy to move forward to 100% e-import but definitely not partial electronic and partial manual procedures, which brings no benefit to us as a result.
- While HAFFA has no objection to proceed with the 100% e-import progressively, it is essential to work out a reasonable and concrete timeline to achieve a real 100% e-import (for all kinds of cargoes).

A draft Standard Operating Procedure (SOP) has been prepared. When all Cargo Terminal Operators (CTOs) confirm to assist forwarders to pass electronic documents to the Customs when there are constraint codes, CX, being the pilot airline, would nominate its appointed agents to join the trial run. At pilot stage, forwarders will decide on which origin to select and there will be no mandatory origin station for 100% e-freight import.

## e-Freight Three Pillar Roadmap



### Pillar I – Establish Route Network (enabler)

- Engage regulators to create network where customs are electronic and regulatory environment supports paperless

### Pillar II – Implement Paperless 'airport-to-airport'

- Digitize core transport docs: Air Waybill, House Manifest, Consignment Security Dec. (CSD), Flight Manifest
- Goal: Paperless acceptance and delivery of freight, airport to airport.

### Pillar III – Implement Paperless 'door-to-door'

- Digitize core commercial docs [invoice/Packing list/HAWB] and Special cargo docs
- Goal: Removal of document pouches, shipper to consignee

\*Air Waybill, House Manifest, Flight Manifest, (Consignment Security Declaration is anticipated)

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In stage 1: **AWB Copy 4** will be eliminated but the SRF (*Shipment Release Form*) procedure will still be maintained as current.

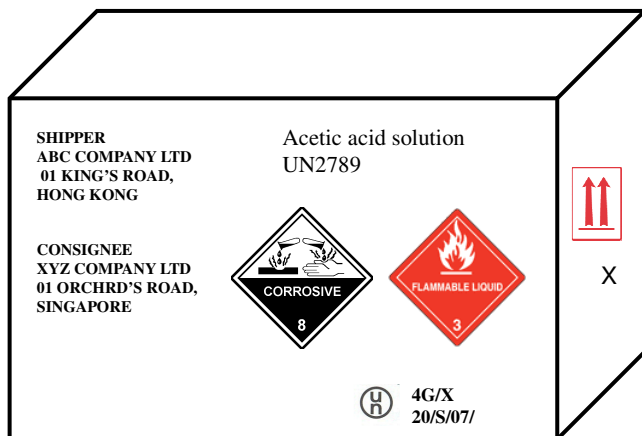
In stage 2: BWG will further refine the procedure of the SRF. Each CTO will define their own procedure on how to release cargo at the exit point.

The timeline for key milestone (*e.g. elimination of AWB copy 4 and SRF*) will be defined after roll out of pilot phase. The target timeline for live implementation will be discussed and reviewed after pilot period. Should Members be interested in joining the pilot, please contact Ms. Lim at 2796 3121.

### III. Liaise with Carrier Liaison Group (CLG), HACTL, AAT and CPCT

#### **A. HAFFA Best Practice BP009 - Recommendation for Members to take photos of labels, marks & number for each type of commodity during cargo acceptance**

Mis-handling and improper shipping of Dangerous Goods (DG) including lithium battery by air may cause disastrous consequences. Increasing number of DG incidents reported arouse a heightened awareness among the competent authority and industry regarding the risks associated with the transport of the hidden DG and the importance of complying with relevant DG regulations.



It is a common practice for Member companies to outsource the services of physical cargo acceptance and pallet building to the third party contractors. Considering that some companies may not be able to access the physical shipment to conduct reasonable checking on labels, marks and numbers outside the packaging during cargo acceptance, so HAFFA would like to address the issue by developing a best practice (*HAFFA BP009*).

BP009 recommended Members to request their contractors or warehouse operators to take photos of labels, marks &

number for each type of commodity during cargo acceptance and then send the photos to the Member forwarders for examination with an aim to identify hidden DG.

Understanding that not all Members may be able to follow the suggestions in view of limited resources and manpower, the recommendation is issued in a form of Best Practice which is not binding on Members.

For details, please refer to the BP 009 which is available at the HAFFA website:

<http://www.haffa.com.hk/portal/Page/Default.aspx?id=140>

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## B. Dangerous Goods Working Group (DGWG)

### Best Practice 012 - Best Practice for Consigning Lithium Cells / Batteries by Airlines in Hong Kong

In response to the numerous changes in the 56th Edition IATA DGR (2015) (with effect from 01 January 2015) particularly on the lithium battery, CLG-DGWG and HAFFA worked together to provide an update of the Best Practice (BP) with operational guidance for Members and the industry. Comments from the Rechargeable Battery Association (PRBA), a trade association of mrg eable battery manufacturers and possesses strong lobbying power in US Congress and international level, were also incorporated in the BP. The relevant documents were disseminated to all Members on 29 December 2014 via News and uploaded on the HAFFA website. <http://www.haffa.com.hk/portal/Page/Default.aspx?id=157>



Please note the best practice is jointly issued by the CLG-DGWG and HAFFA for industry reference only. Shippers and freight forwarders shall always follow the IATA Dangerous Goods Regulations and the requirement of individual carriers for the air carriage of shipments containing lithium batteries at all times.

### Seminar on “DG Awareness with a Focus on the Lithium Battery”, 17 December 2014

In view of the increasing number of Dangerous Goods (DG) incidents involving shipments of undeclared or mis-declared lithium batteries, with the support of CAD and Hong Kong Logistics Development Council (LOGSCOUNCIL), HAFFA initiated and organized with CLG and Hong Kong Shippers' Council (HKSC) a seminar for enhancing the general DG awareness with more focus on the lithium battery handling in daily cargo operations on 17 December 2014.



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Thanks for industry's enthusiastic support, there were over 300 participants attended the seminar and it was concluded after a fruitful "Question and Answer" session. The seminar can raise the awareness of the industry, thereby helping enhance safety in air cargo transport and maintain a good reputation of the Hong Kong air cargo industry. For better understanding of the new requirement of shipping lithium batteries/DG from 01 January 2015 onwards, the relevant BP 012 and speakers' PowerPoint have been uploaded at the HAFFA website:

<http://www.haffa.com.hk/portal/Page/Default.aspx?id=157>

### C. Latest Reported Dangerous Goods Incidents Involving Shipments of Undeclared Lithium Batteries



Shared by CLG, the list of latest reported DG incidents involving shipments of undeclared lithium batteries occurred since April 2014 was timely circulated to Members via News. To prevent undeclared lithium batteries from being carried on board aircraft which may cause disastrous consequence, HAFFA's view on the case (if any) is included in the list with a hope

that Members can exercise extra caution on our observations and prevent undeclared DG being carried on board aircraft which may cause disastrous consequence. Besides, we were advised that airlines may conduct random check on the shipments more frequently. The list is a living document which is available at the HAFFA website: <http://www.haffa.com.hk/portal/Page/Default.aspx?id=401>

### IV. Others

#### **EU Aviation Security Training (ACC3, RA3 and KC3) Course - first of its kind in the HKSAR**

In September 2014, the HAFFA Training School introduced the new EU Aviation Security Training (ACC3, RA3 and KC3) Course, the first of its kind in the Hong Kong market. Please refer to a separate report under "TRAINING" for details. Course information is available at:

<http://www.haffa.com.hk/portal/Course/Detail.aspx?id=377>

*Date: 21 April 2015*

**(END OF REPORT)**