

Chairman Report for the Year 2016-2017

Date: 18 April 2017

Dear HAFFA Members,

During 2016 (HAFFA's 50th Anniversary year), the resilience that distinguishes Hong Kong's freight and logistics service providers has again been put to the test, more intensely and frequently than ever before. As leaders and entrepreneurs in the cargo supply chain, HAFFA members play a vital role in helping raise the level of business confidence and, in 2016, there was a resulting growth in air freight of more than 3%. However, we still face as many challenges as we do opportunities, all of which are stepping stones to greater experience.

In particular, these challenges include the "Cargo Fuel Surcharge (cargo FSC)" and "Security and Safety", issues which continue to top the Hong Kong cargo business agenda. The Association reflected the difficulties and additional burdens encountered by Members that undermined Hong Kong's competitiveness after the cessation of cargo FSC and its mechanism. HAFFA expressed our position to Transport and Housing Bureau (THB) and Civil Aviation Department (CAD) of the need to maintain a fair, transparent and easily understood cargo FSC mechanism for the wellbeing of the airfreight market in Hong Kong. In matters relating to these and possible changes under the new policy direction of the International Civil Aviation Organisation (ICAO), HAFFA, THB and CAD continue to exchange views on the future development of air cargo security.

As for safety matters, last year was a hectic one for DG due to the substantial number of changes to the requirements of shipping lithium batteries by air, and Hong Kong experienced a number of hidden DG incidents. HAFFA took the lead, and seized the initiative to organize two joint seminars (instead of the usual one per annum) on "DG Awareness with a Focus on the Lithium Battery" in April and December 2016 respectively, jointly organized with the Carrier Liaison Group (CLG), the Hong Kong Shippers' Council (HKSC) and the Transport Logistics Training Board – Vocational Training Council (VTC-TLTB), and supported by the CAD. The April session was an ad hoc seminar organised with very short preparation time in order to present the additional changes which took effect from 1st April 2016. Substantial preparation work was also undertaken for the new IATA/ICAO changes in the December seminar. We also initiated a new session within the seminar with the three Cargo Terminal Operators (CTOs) in order to increase awareness when tendering consignments.

Thanks to industry's enthusiastic support, many participants attended the two seminars, which concluded with lengthy question and answer sessions. In response to Members' needs, HAFFA and the CLG established a local DG Best Practice, which sets guidelines to meet local requirements, such as co-load, consolidation.

In view of the obvious rising demand in Asia for temperature controlled air cargo and transshipment, HAFFA is in support of the Airport Authority Hong Kong (AAHK) drive to work on an "End-to-End" solution for the processing of temperature controlled products, and to promote this widely throughout the industry both locally and worldwide when the solutions are finalized in order to enhance the competitiveness of Hong Kong. To this end, we proactively participated in the AAHK Task Force for Temperature Controlled Airfreight Handling, and another Task Force on the facilitation of Air Cargo Transshipment, this to reinforce our commitment to the industry.



At the front-end, we conducted internal surveys and meetings to tackle current issues such as “Passenger flight reduction due to introduction of the new Air Traffic Management System (ATMS)”, “Recall of Samsung Galaxy Note 7 – Does airline accept recall Samsung Galaxy Note 7 device? (relevant follow up)” and “Survey for UN3480 (Lithium ion batteries) – Does airline accept UN3480 for carriage and require declaration of SoC for UN3480?”. These initiatives resolved many operational issues for Members. In addition, in view of the launch of the e-AWB 360 campaign, additional efforts were made and meetings held dedicated to striving for more EzyCargo special discounted packages especially for SME Members.

On the broader IT spectrum, to align with the global trend of e-freight and other international requirements under the World Customs Organization (WCO), back in 2013 and 2015, HAFFA submitted two proposals to the Chief Executive (CE) to urge the Government to consider building an e-Platform to facilitate trade information flow across the entire supply chain. We are particularly grateful to have received the Government’s response of carrying out a three-month public consultation to seek views on the development of a Trade Single Window (SW) in Hong Kong. The HAFFA Executive Committee met the Commerce and Economic Development Bureau (CEDB) and Customs officials to exchange views. HAFFA made a submission to CEDB in June 2016 expressing its full support of the SW; reflecting operational concerns; seeking clarification on possible liability issues under pre-shipment declarations; and expressing the need for the SW to expand to cater for Business to Business connection in order to genuinely enhance Hong Kong’s competitiveness.

When it comes to Seafreight, we had a very tough year. The requirements of SOLAS VGM became legally effective in July 2016. Our prompt response and extra efforts were focused on reflecting the many operational views/concerns to the Marine Department (MD). HAFFA met with the MD and made pragmatic suggestions to modify the relevant guidelines, declaration, forms and FAQ. We established three HAFFA Best Practices to assist members to perform better due diligence under the SOLAS requirements, and established a dedicated webpage with comprehensive and useful information.

Hanjin’s Receivership was a bombshell which impacted every operator in the supply chain. With the enormous losses it brought to freight forwarders and associated parties, we issued HAFFA News to provide timely updates, and received many calls as the news of receivership reached the public at the end of August 2016. The Association voiced outrage at the handling of the situation resulting from the receivership of Hanjin Shipping, and reflected Members’ grave concerns to THB and Hon. Frankie Yick (Legislative Councilor) respectively. In response to HAFFA’s requests, Mr. Yick convened an urgent meeting with THB, HIT, HAFFA and other associations in September 2016.

At the meeting, HAFFA spelled out the many difficulties Members had encountered, and made official requests to the Hongkong International Terminals (HIT) in order to mitigate a critical situation. After lengthy discussions, on 15 September 2016, HIT undertook to issue an official notice on the published rates, with details of payment methods, procedures and hotline numbers. An update on the meeting, together with the HIT notice, were disseminated to all Members via News and posted onto the website on the same day. Notwithstanding what the law may say, in today’s global world, it is difficult to stomach that a forwarder or shipper has to pay several times over the value of the freight to get cargo to a safe port. Regrettably, we are still facing insufficient protection in this area.



In summary, we presented our views to the authorities and forged ever closer relationships, in particular with THB, CAD, AAHK, CEDB, Customs and MD.

The Association plays an important role in representing the Hong Kong freight forwarding and logistics industry on an international level. HAFFA represents members' interests at meetings of the IATA, FIATA and Federation of Asia-Pacific Air Cargo Associations (FAPAA).

Under IATA's Annual Financial Review (AFR), abundant efforts were made to formulate strategy and organize a Member Consultation Meeting in order to deal with the issue of the AFR. The results of the vote held at the HAFFA Members' Consultation Meeting in April 2016 were relayed to IATA-Hong Kong, and an AFR exemption proposal was submitted to CAC for a mail vote with the aim of protecting members' best interests. Unfortunately, the IATA Cargo Agency Conference (CAC) defeated the ICAP proposal to exempt AFR in Hong Kong. Therefore, AFR must be implemented in Hong Kong according to the resolution. Given that the implementation of AFR would have significant impact on Hong Kong, with HAFFA's support, ICAP airlines submitted a further proposal to CAC requesting a one year lead time in which to prepare for the implementation of AFR. The proposal was finally adopted by CAC on 13 March 2017.

Under the IATA-FIATA Air Cargo Program (IFACP), IATA and FIATA announced that an agreement had been signed in July 2016 by Tony Tyler of IATA and Huxiang Zhao of FIATA, to implement the IFACP which will replace all existing IATA Cargo Agency Programmes in the future. The IATA Cargo Agency program has operated for many decades without significant alterations, despite compelling changes in the business relationship between cargo agents and airlines. Today, the traditional IATA Cargo Agent has transitioned from being a selling-agent of the airline to being a purchasing-customer. In an effort to modernize the current Agency program, FIATA and IATA joined forces to review, refine, and re-engineer the airline conference-based program to one which would be jointly managed by airlines and forwarders. Major steps have been made, and this collaboration has resulted in the development of a new joint IATA-FIATA Air Cargo Program, and significant strides towards redefining airline and forwarder responsibilities.

One year ago, we celebrated our 50th anniversary joined, for the second time during his term, by Chief Executive the Honourable C Y Leung, his presence testament to the importance of our industry to the continued prosperity of Hong Kong. As we embark upon our sixth decade, I hope you share our ambition and will support HAFFA in its commitment to do more as a team to contribute to the industry and Hong Kong as a whole. With this vision, the phrases which come to mind are those of "unity, taking advantage of our inheritance, and pragmatically building a bright future". These are the characteristics of HAFFA, and a reinforcement of these values, which have helped the industry succeed, will no doubt be our pillars as we confront the challenges ahead.

With that, I would like to take this opportunity to express my pride and appreciation for the sincerity and unparalleled support we have received from you, the Board of HAFFA, the HAFFA Secretariat Office and our government & industry partners.

Yours truly,

Cliff Sullivan
Chairman

