IATA e-freight
Bigger Than An Industry!

0830-1030, Thu 18 May, Salon 4

IATA e-freight: Bigger Than An industry!
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• Alva Fung, Senior Operations Officer Hong Kong CAD
• Keith Wong / Ken Wong, Hong Kong Customs
• Rita Filiaggi, IATA e-freight Legal Counsel
• Aleksander Popovich, IATA Global Head of Cargo

IATA e-freight: Quick Recap from Plenary Session

• A 20 year dialogue with little outcome.
• Transport time 6.5 days: 12 hours better in 33 yrs.
• NOT a standing start:
  • EDI messaging already covers > 60% of air cargo
  • IATA e-freight: major push on EDI data accuracy

From talk to industry wide action!
IATA e-freight: Industry wide action

Security
- Customs demanding advanced electronic manifest information
- Large penalties for non-compliance
- Need for globally coordinated drive for industry simplification

Customers
- Shippers, manufacturers, importers—info transparency and time-definite

Efficiency
- Our industry is carrying paper-work costs it can no longer afford.

Alignment and Mobilization
- Many are joining forces: IATA, WCO, UN, FFI, and Cargo 2000

IATA e-freight: Implementation

Business Stream:
Local Implementation, process, standards, data.

Technical Stream:
Technical direction, requirements, solutions.

Legal Stream:
Legal, government, regulatory, treaties.

IATA e-freight: Business Stream 2006

- Carrier and forwarder EDI data completeness drive
- Standard operating principles.
- Airline and forwarder MOUs for early implementation
- Target trade-lanes for early implementation
IATA e-freight: Technology Stream 2006

- Evaluation completed of extent of vendor global market cover
- LOIs for pilots with preferred vendors
- Decision on need for IATA industry solution IF gap fill needed
- Strategy in place for IATA industry solution (IF needed)

IATA e-freight: Government, Legal & Regulatory Stream 2006

Rita Filiaggi
IATA e-freight Legal Counsel

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Keith Wong and Ken Wong, Hong Kong Customs
IATA e-freight

Rita Filiaggi
Legal Council, IATA e-freight

IATA e-freight: in a nutshell

What is it?
- Joint air cargo industry program of carriers, forwarders and customs, led by IATA.
- Eliminates need to produce and transport all paper docs for air cargo shipments

What is it worth?
- 1.2b US$ supply chain cost saving, driven by 80% reduction in paper-work cost

When will full benefits be delivered?
- Build as governments adopt WCO single window compatible e-customs systems

What is our approach?
- Close linkage to Cargo 2000

Components of IATA e-Freight

Phase General Scope of Documents

Advance Security Manifest, Master and House AWB

e-clearance General freight Customs Only

e-clearance Special freight Other Government Agencies

E-freight: are we entering a paperless era?

Paperless?
An air cargo industry which prints no paper

Paper-Free?
Air cargo industry processes which are not paper-dependent

Paper-Work?
Air cargo industry cost of processing paper, including data quality

IATA e-freight: Delivers a paper-free industry reducing paper-work!
The increasing pressure for e-freight

- Technology is not a primary barrier to e-freight implementation
- E-freight implementation timelines are ultimately customs driven and government dependent
- No country surveyed to date has all of the necessary legislation and technology in place to allow IATA e-freight to operate
- However, a number of countries are making good progress
IATA e-freight: Vision for the Air Freight Industry

Scope / Objectives

2007

All transport & import/export clearance documents which can be removed from the supply chain
Airlines & forwarders on specific trade lanes
Implementation between governments where viable from an international treaty and legal framework perspective and not contrary to government technical ability and will
Shipper to consignee supply chain for all cargo at a piece level for all industry stakeholders operating within such governments

2010

Implementation for all documents on trade lanes where viable from an international treaty and legal framework perspective and not contrary to government technical ability and will

Vision

Implementation for all documents on trade lanes where viable from an international treaty and legal framework perspective and not contrary to government technical ability and will
Shipper to consignee supply chain for all cargo at a piece level for all industry stakeholders operating within such governments

e-booking
e-billing

Progressive roll-out as regulatory changes make more countries eligible

IATA e-freight: Governmental Plan for Pilot Selection

Legal – Government Audit
Feb 06 – June 06

Legal – Assess Treaties
May 06

Legal – MOUs
Government Local Clusters
Dec 06

Legal – MOUs
Stakeholder Local Clusters
Jan 07

Government and Customs Audit

Conduct country governmental and customs audit.
Refine selection of Pilot Governments based upon results.
Assess need to add to and/or amend list of Governments.

Assess Impact of Treaties

Government treaties audit.
Use MP4/MC99 treaty matrix to assess status of treaty ratification and compatibility of Pilot Governments.
Use results as filter for further screening of pilot governments to refine selection and create Local Clusters and trade lanes.

IATA e-freight: Customs Administrations

Surveyed

Canada
United States of America
Chile
Sweden
United Kingdom
Germany
Netherlands
Spain
South Africa
Dubai
China
Hong Kong
Singapore
Malaysia
Korea (south)
Japan
Australia

Selected on the basis of:

- WCO recommendations
- Global cargo volume
- Geographical split

Governmental, Customs, and Regulatory Issues

Customs Administrations Must Adopt, Develop, and Implement a WCO Compatible Single Window Concept

- Determine whether a customs administration intends to develop and implement a single window concept
- Determine the extent to which the custom administration’s single window concept is similar to the WCO Data Model
- Determine manner in which it differs from the WCO Data Model
- Determine manner in which the custom administration’s concept allows for the identification and recognition of Authorized Economic Operators and use of UCRs
- Determine realistic timeline within which the customs administration will implement the concept

- Assess the legislative and regulatory environment that must exist within the government in which the customs administration operates for the single window to be implemented
- Determine whether the government’s customs code or similar construct need to be expanded and/or amended
- Identify branches of government involved in these processes
- Identify what the processes entail and determine timelines within which the governmental and regulatory environment of the government will be ready for implementation of the single window
Additional Governmental, Customs and Regulatory Issues

- **Ownership of Customs Data - Responsibility for inaccurate and incomplete data**
  - Determine laws and regulations that exist within each government regarding liability for inaccurate and incomplete data
  - Develop industry position (for airlines, forwarders, customs authorities) and push governments to adopt the same

- **Authentication of Data and Electronic Signature Requirements**
  - Determine status of each government with respect to the regulations and requirements for authentication of data and electronic signatures

- **Ownership of Documents**
  - Determine which, if any, documents within each government’s e-freight air cargo supply chain have ownership issues attached at the international, national, local, or private level

Governments surveyed: current status

- **Canada** – potential pilot
- **United States of America** – June meeting
- **Chile** – Second wave
- **South Africa** – Second wave
- **Sweden** – June meeting *
- **United Kingdom** *
- **Germany** *
- **Netherlands** *
- **Spain** *
- **Dubai** – Second wave
- **China** – not an early adopter
- **Hong Kong** – potential pilot
- **Singapore** – potential pilot
- **Malaysia** – not an early adopter
- **South Korea** – not an early adopter
- **Japan** – not an early adopter
- **Australia** – potential pilot

* EU security requirements by 2009; full single window 2012, but need to check individual countries

Current status of Governments Surveyed – Full e-freight

<table>
<thead>
<tr>
<th>Phase</th>
<th>General Scope</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Security</td>
<td>Manifest, master and house AWB</td>
<td>Australia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Canada (June 06)</td>
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<tr>
<td></td>
<td></td>
<td>EU (2009)</td>
</tr>
<tr>
<td>e-clearance General freight</td>
<td>customs only</td>
<td>Zero</td>
</tr>
<tr>
<td>e-clearance Special freight</td>
<td>Other Government Agencies</td>
<td>Zero</td>
</tr>
</tbody>
</table>

Government Preparedness for e-Freight

Qualifying Criteria:

1. Legal framework/legislation that enables electronic customs clearance
2. Customs & governmental systems environment able to support e-customs
3. Customs procedures and business framework in place to support paper-free environment (acceptance of e-docs/data etc)
4. Legal framework/legislation that supports paper-free commerce for the trade (i.e. electronic data or e-docs have same legal status as paper documents & contracts)
5. Treaty (MP4/MC99) compatibility on e-freight trade lane(s)
Challenge: Air Carrier Liability

- **Warsaw Convention** (for the Unification of Certain Rules for International Transportation by Air) and Warsaw as Amended by the Hague Protocol.
  - Paper airwaybill required for carrier to assert liability limits stated in Warsaw, Warsaw-Hague.
- **Montreal Protocol No 4** (MP4) (Amends Warsaw Convention)
- **Montreal Convention 1999** (MC99) (for the Unification of Certain Rules for International Carriage by Air)
  - Allows electronic airwaybill. Carrier may assert liability limits stated in the Montreal Convention.
- Governments of Origin and Destination must be party to the same treaty (MP4 or MC99) for the treaty to apply.

Treaties: status of “smart pilot” governments

What are the implications of dealing with non-treaty compatible countries?

Governments of Origin and Destination must be party to the same treaty (MP4 or MC99) for the treaty to apply.

Key additional work areas:

- Legal status for industry stakeholders operating in an e-customs / e-freight environment
- Technical requirements for stakeholders operating in an e-customs / e-freight environment

Industry challenge: identify the paper problem

- Paper drives current processes, so forwarders, carriers and Customs need to understand the implications of removing existing paper documents:
  - Identify the full e-freight document set – export & import
  - Map the document flow throughout the end to end supply chain
  - Determine who uses these documents, including non-operational areas – accounting; claims etc.
- Identify any documents that cannot be replaced by data:
  - Why are they required?
  - What can be done to remove the requirement?
  - What is the fallback if the documents cannot be removed?
- To replace paper documents, stakeholders must be confident in the quality of the data transmitted….
  - The FWB becomes the legal contract replacing the airwaybill and must therefore be accurate, authenticated, tamper-proof and digitally signed
  - Paper documents cannot be eliminated until there is confidence that electronic data provides the same accurate information
### Single Document analysis – Master Airway bill

#### Paper vs Electronic

<table>
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<tr>
<th>Paper</th>
<th>Electronic</th>
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<tbody>
<tr>
<td>MAWB</td>
<td>FWB</td>
</tr>
<tr>
<td>Shipper</td>
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<tr>
<td>Consignee</td>
<td>Consignee</td>
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<tr>
<td>Pieces</td>
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<td>Commodity</td>
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<tr>
<td>Routing</td>
<td>Routing</td>
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<tr>
<td>Rating</td>
<td>Rating</td>
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#### Custom Risk analysis
- **Issues**
  - Governments adopt compatible treaties
  - Define e-contract message with FWB
  - Technical solution to transmission
  - Customs accept electronic as a replacement of the document
  - Legal, Regulatory acceptance (including taxation)
  - Liability for shipment data

#### Industry Risk analysis
- **Variable data**
  - Shipper
  - Consignee
  - Pieces
  - Weight
  - Commodity
  - Routing
  - Rating

- **Static data**
  - Contract Conditions of carriage
  - Does not exist

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### IATA e-freight: How to stay connected!

[http://www.iata.org/whatwedo/simplibiz]

Click on the StB Support Portal button

- Updates
- FAQs
- Materials
- Log request for follow up
- StB eNewsletter