



## AEA's Action Plan for Air Cargo

Adria Airways | Aer Lingus  
Air France | Air Malta  
Air One | Alitalia | Austrian  
bmi | British Airways  
Brussels Airlines | Cargolux  
Croatia Airlines | CSA  
Cyprus Airways | Finnair  
Iberia | Icelandair  
Jat Airways | KLM  
LOT | Lufthansa  
Luxair | Malev  
Olympic Airlines | SAS  
Spanair | SWISS  
TAP Portugal | TAROM  
Turkish Airlines  
Virgin Atlantic Airways



# AEA Cargo Policy Statements

## Contents

Introduction: The importance of air cargo in Europe's economy

1. Getting fair and open access to good logistics / infrastructure
2. Securing cargo while facilitating trade
3. Complying with administrative requirements via efficient systems
4. Giving European carriers opportunities with a pragmatic cargo liberalisation process
5. Maintaining cooperative relations between airlines and forwarders
6. Ensuring that air cargo and road feeder services continue to work hand in hand
7. Simplifying business with Paper-free initiatives

## Executive Summary

Air cargo is different from the passenger transportation business; it is part of a value chain which, within a uniform regulatory framework of international air traffic, requires that the services maintaining this value chain are facilitated.

Air cargo needs capacity at the airport; this means the possibility for European night flights and exemptions on road restrictions (for both manifested and AWB-documented goods) on road feeder services, as is already granted to perishables.

European carriers' cargo operations need an approach to traffic rights liberalisation which is based on reciprocity and equal opportunities.

Security and customs requirements, which can slow down the flow of air cargo, must be integrated and dealt with together to avoid unnecessary delays and costs. These requirements must always take the whole supply chain into account with a partnership in aviation security between the airlines and forwarders.

Responsibility for security and customs measures must be distributed throughout the whole supply chain. Liability resulting from the implementation of security measures may require a special insurance cover to protect the commercial entities and to keep intact their involvement in securing air cargo. It will certainly include an agreement on how to ensure the security at the point of origin i.e. "forwarders-customers".



### Introduction: The importance of air cargo in Europe's economy

The Lisbon Agenda's stated aim is "to achieve more and better jobs in a more dynamic, innovative and attractive Europe." The competitiveness of the European Union relies to a great extent on the competitiveness of its logistical actors. One key factor is transportation, and in particular the timely and efficient transportation of goods, both within the European Union and between the Union and its trading partners.

As the EU increasingly focuses on its high-value industry sectors, and as its services sector represents a large proportion of its foreign trade, air freight becomes crucial: the key European commodities, value-wise, are transported by air: while 2% of the tonnage of international trade is transported by air, this represents 40% of the value of global inter-regional trade in manufactured goods.

Aviation is essential for the movement of high tech products (e.g. lap-top computers), cars and automotive components, chemicals, pharmaceuticals and machinery parts; also in same-day and next-day delivery services and to the transportation of urgent or time-sensitive goods, such as post and packages, foreign newspapers. For the general EU citizen, this is also textiles, fashion consumer goods, fruits and flowers. In short, everyone in Europe is a customer of air freight.

Air freight also helps create the "good" jobs targeted by President Barroso: airlines cargo departments, airports, forwarders, third and fourth party logistics providers, handlers, security companies, are all major employers of qualified labour. High tech manufacturers and other time-critical shippers tend to

locate near airports, which in turn is driving substantial investments in the surrounding regions. Since jobs in such sectors are higher paying than country averages, they raise the income levels of the population, as well. Due to its complex and capital intensive model, air cargo is actually qualified as "flying warehouses". Air cargo is a vehicle for the expansion of international trade and at the same time a growing engine of economic development (TIACA, 2004).

13% of AEA airlines' total revenue is generated by cargo, representing a total value of €9.5 billion in 2005 ; on long-haul flights, this proportion even goes up to just about a quarter of revenue. Cargo can be said to be an inherent part of many airlines' strategies and is absolutely necessary to the continuation of their business. However air cargo is mainly a "B2B" business which relies on a complex chain of strong actors, a chain over which air carriers play an increasingly small part . It must be borne in mind, finally, that air cargo contains complementary features. All-cargo aircraft, which roughly carry 50% of worldwide international tonnage, serve specific needs, while a combination of passengers and cargo on the same aircraft is essential for the economic operation of European air carriers.

Because it is closely linked to world trade and to globalisation, air cargo has been regularly growing, at a rate of 6% globally in the last decade. Although it is not subject to the same fluctuations as passenger transport, air cargo faces a fierce international competition and also growing directional unbalances, making the economics of all-cargo flights a permanent challenge.

In this context, it is of primary importance that the European air cargo industry makes the most of the existing

market opportunities. Countries outside Europe have already realised these opportunities and have created platforms working in an attractive, business-friendly environment for cargo. Asian and Middle East airports, primarily, have recognised the importance of air cargo in airport development; larger fleets of dedicated freighters are also increasingly in the hands of Asian national carriers, a growing number of which operate round-the-world services including the Atlantic sectors, thus competing with the incumbent European airlines. Middle-Eastern carriers, without any sizable home-market similarly compete with the European airlines via their hubs. While favourable traffic rights may be one factor, other competitive advantages may be in the hands of all these non-European airlines including state ownership and support: this means that the competitors of European carriers are no longer carriers, but countries.

In short, while the global climate is favourable, European airlines' profitability will decline if regulators hamper the level-playing field against competitors from third countries. The European environment so far has not been conducive to keeping its carriers' growth in line with market developments worldwide. Any obstacle in the drive towards more efficiency and lower costs must be collectively addressed between the airlines, the EU and national authorities, the airports and the private operators. AEA would therefore like to raise attention to the following key policies which, if dealt with adequately, will help European airlines and their supply chain partners make the most of worldwide trade opportunities.

<sup>1</sup> Air Transport Action Group, The Economic and Social Benefits of Air Transport, Sep 2002.

<sup>2</sup> Logistics costs typically represent about four times the Costs of transportation itself in air cargo.

# AEA Cargo Policy Statements



## 1. Getting fair and open access to good logistics / infrastructure



Airlines need access to efficient, rational infrastructure for cargo at airports. This access should be fair, transparent and cost-related.

Air cargo operates mostly as a round-the-clock business, with fast, next-day deliveries for which night flights are a central element. Foreign carriers operate in hubs open around the clock, which allows higher aircraft utilization through less network planning constraints. Indeed, planning a large fleet by bypassing European curfews has a direct impact on the scheduling with a double effect on reduced use of aircraft, and delay recovery. There is an obvious requirement of European cargo carriers for less curfew restrictions with growing investments into fleets of environmentally friendly aircraft.

The European industry equally objects to increased night-time movement (landing and departure) fees, now surfacing more and more. Heavy cargo aircraft pay the highest landing fees of all aircraft based on maximum certified take-off weights of the freighter aircraft and thus cross-subsidise other aircraft operations. Indeed it can be argued that freighters do not participate in most airport facilities, except run-ways and taxi-ways, as ramp usage and terminal investments are paid for within the cargo handling charges. Charges must respect the fundamental principles of any airport charging scheme, i.e. transparency, cost-relatedness and non-discrimination.

Road bans, during nights, weekends or holidays should not apply to road feeder services : perishable goods, usually flown by air, are already exempt in most EU States.

The Eurocontrol charges represent an inappropriate portion of worldwide IFR fees. This item remains a medium-term objective to be addressed through more comparable cost levels or improved use of the European skies.

<sup>3</sup> Road Feeder Service (RFS) can be defined as "Cargo that is transported by surface means (usually by dedicated truck) on an airway bill (AWB). Carriage can be exclusively between origin and destination by air or surface."

## 2. Securing cargo while facilitating trade



AEA strongly believes in the need to secure the whole supply chain rather than applying security measures at the last point before uplift, i.e. the airport. Only in this way can bottlenecks be avoided and trade facilitated. AEA is pleased that the European Commission has recognised this concept of supply chain security as the basis for the future EU air cargo security system. Under such a system, the financial liability of carriers and regulated agents in case of a terrorist action through air cargo, should be clarified by the regulatory authorities, at national and European levels, since the global damage would largely exceed the financial capability of any commercial company beyond the level which is covered by insurance companies. Some national legislations do not limit the exposure of carriers and regulated agents in case of failure in cargo security checks and this could endanger the survival of (small) forwarding agents, thus defeating the concept

of "secured supply chain".

AEA also believes that harmonisation of air cargo security throughout E.U airports should be addressed as a matter of priority, by adopting detailed regulations and standards starting at E.U level and by facilitating and promoting an equal enforcement of security legislation by all countries to prevent a distortion of competition. While harmonisation should provide a baseline of measures, security screening of cargo should be risk-based, i.e. targeted to high-risk shipments. The nature of the risk posed by each shipment should be determined by customs authorities, which are in possession of intelligence and consignment data information.

As a next step, international mutual recognition and harmonisation of cargo security standards should achieve the aim of "one-stop security" which should facilitate exchanges worldwide, by reducing duplications and secondary requirements. AEA understands the concern that cargo departing from third countries might not have been adequately secured and supports the negotiation by the European Community of agreements with like-minded countries determining that cargo standards in place within the two parties are equivalent. AEA carriers do apply the same standards at their homebase as at their line stations, which is why they should also have the opportunity to apply for exemptions based on the security programme which they submit to their authorities. Providing the carrier's home base programme delivers at least the equivalent level of aviation security as the host State programme.

In any case, AEA firmly believes and reiterates that it is impracticable to require 100% physical screening of freight at airports using existing technologies.



### 3. Complying with administrative requirements via efficient systems



Administrative controls implemented by customs, veterinary, agricultural and other authorities, should not slow down the movement of cargo.

The implementation of the "New Modernized Customs Code" (Regulation 648/2005 of 13 April 2005) is likely to be the single biggest amendment to European Customs legislation in the history of aviation, because it includes significant security enhancements and modernises the system.

The Community has adopted in the wake of this new legislation a set of implementing rules which could lead to the introduction of similar processes as passenger PNR for Cargo. The EC could require 14 to 15 data elements for customs declaration which would incur significant costs for carriers and which goes beyond the data required by the US and other countries. Like for the passenger transport sector, there is a lack of global harmonisation and more and more conflicting rules even within the EU, as not all Member States will be ready by the deadline for implementation of the new Customs code.

AEA is concerned with the complexity of information required by E.U customs, the unpracticality of providing export data within the required timeframe, the resulting liability of carriers as regards the contents of business information, and with the direct and indirect (e.g. delays) cost impacts of such measures for the whole industry.

AEA supports the development of effi-

cient, harmonised data transfer requirements and systems within the EU authorities, but also with third countries. In this regard, responsibilities for the transfer of information to Customs authorities should be shared within the whole supply chain. For instance, information on the contents of the shipment is in the hands of the shipper and forwarder, not of the air carrier. Imposing a time and cost burden on one part of the chain will unnecessarily endanger trade facilitation as a whole.

The trend in the customs field seems to be going to shipment-driven processes as opposed to flight-driven. The choice of import location should ultimately remain with the owner of the goods. It is therefore vital to achieve "implementing rules" fully reflecting industry needs.

### 4. Giving European carriers opportunities with a pragmatic cargo liberalisation process



AEA, like the OECD in its 2002 report, believes that air freight requires an economic regulatory regime that allows the industry to provide the services required by its users. While air transport liberalization is making cautious advances, the question remains whether this regulatory system is in fact appropriate to cover the needs of today's air transport. Several potential routes towards further liberalization have been drawn up.

Substitute operators such as the maritime networks of containerized transport, are an example of a flexible and open market without regulatory limitations. Flag of convenience charter services, sometimes controlled by forwarders, are also searching for solutions to global shippers'

transport needs. All this puts strains on the air transport side, forcing it to build competing networks of franchised subservices, to enter into complex cooperation patterns or into heavy fleet investment.

The basis for liberalisation is the creation of mutually beneficial opportunities for market entry. Unilateral advances at the expense of the European Air Freight Transport Industry must not be considered. AEA supports a determined, progressive approach that facilitates economically viable logistical services to be rendered by European air cargo operators to the benefit of customers, economies and airlines alike. Relevant initiatives may offer themselves between like-minded States, Economic Blocks or Regions. This must be based on reciprocity and equal opportunities in order to secure a viable position for European carriers.

*\*OECD, study of "Liberalization of Air Transport" (2002)*

### 5. Maintaining cooperative relations between airlines and forwarders



Air cargo is by far the most cohesive industry worldwide in terms of procedures for the benefits of shippers and consignees, and the cooperation between airlines and forwarders has always been a vital requirement for its development.

For instance, with the lapse of EU exemptions to IATA resolutions since May 2004, carriers and forwarding companies have decided to continue the cargo settlement programme (CASS) on a cooperative basis through the adoption of a joint cargo agency programme (EACP) for the wide European area.

# AEA Cargo Policy Statements



To sustain and develop the existing procedures, permanent contacts between AEA and various associations (FIATA, AFI, CLECAT) are essential when addressing the critical issues of air cargo such as security, safety and service levels (e.g. Cargo 2000), with the aim to improve the efficiency of the supply chain. Liaising with shippers associations is also very important since air cargo transportation is an essential and integrative element of international multi-modal logistics, where shippers, manufacturers and forwarders are the driving forces.

## 6. Ensuring that air cargo and road feeder services continue to work hand in hand



The airline industry strongly supports and defends the road feeder system. With restrictions at airports and night bans it is all the more in the interest of everyone that the road feeder system and the special regulations (in particular exemptions) attached to it remain firmly in place.

Harmonization in the customs field may endanger this process: indeed, without regulation to simplify and integrate the road feeder system, transportation will become cumbersome. Should the current European customs proposals be adopted, carriers will have to provide declarations on a shipment level. This will require the assistance of declaration specialists and insight in all houseway-bill and invoice details, which partners in the chain such as forwarders will have difficulty to accept.

Severe customs requirements will there-

fore endanger the position of the European hub carriers, as carriers from outside the European Union will easily distribute their flights over the EU so as not to rely on road transport/trucking.

AEA supports the European Commission's proposals to develop alternatives to road transport, whether it be by putting trucks on trains, on boats or any other way to transport air cargo by land. The Trans-European Networks focus mostly on rail projects and not on aviation; air cargo should make the most of these funding capabilities. Rail helps relieve the pollution and congestion of roads. One problem which cargo operators are faced with, is that railway companies often think in terms of units as trains and not in terms of parcels or containers. Railways should also be willing to facilitate cargo transport: infrastructure must be adequate, efficient and cost-effective for the users. Airports should at least facilitate, without heavy investments, the connection to rail.

Finally, local road restrictions should not hamper operations of airlines or bring unfair disadvantages to companies having their head office in one particular country. A level-playing field must be in place for road feeder services, which are an integral part of the air freight system.

## 7. Simplifying business with Paper-free initiatives



In the context of the Lisbon Strategy, which focuses on improving the competitiveness of the European industry and its sectors in a knowledge-based economy, the impact of information and communication technologies for the acceleration

of productivity growth is commonly recognised.

The dematerialization of the air cargo industry was discussed during the November 2005 IATA e-freight seminar, to which many stakeholders took part including from the national authorities. E-freight is IATA's new strategic objective to reduce the cost of logistics and to facilitate world trade. Contrary to paperless programmes on the passenger side (e-ticketing, e-checking, e-boarding and RFID) which are largely under the control of carriers, cargo documents other than the Flight Manifest are issued by non-airlines entities like forwarding agents and shippers to meet legal requirements from national and international regulatory bodies (Customs, UN, ICAO, E.U, Banks...). This makes cargo dematerialization a complex task involving many players and solutions. Ratification of the 1999 Montreal Convention (MC) or the Montreal Protocol No. 4 (MP4) by Member States is a prerequisite with the additional problem that the MC does not incorporate MP4.

Existing initiatives have been successful in reducing the paperwork. Yet, original documents are required by the authorities and must be produced at destination. The dematerialization of cargo information is the central issue which IATA is addressing globally in its current "e-freight" project. A close cooperation of this e-freight project with the EU customs initiative of a Single Window approach of clearing goods electronically and with one interface for all authorities involved, could enhance the mutual efforts of modernizing and facilitating international trade and logistics.

AEA members have an opportunity to take a stand on e-freight issues from an airline point of view by supporting the scheme, with the aim to coordinate their actions vis à vis both national and EU Customs bodies and national freight forwarding agents associations.



## CONCLUSION / SUMMARY:

### The needs of the European air cargo industry

Introduction: Air cargo is important for Europe and its economy

- 1. Getting fair and open access to good infrastructure**
  - Night flights are essential and must be maintained
  - Slots must be available for freighters in the same way as for passenger aircraft
  - Charges for freighter aircraft must respect the fundamental charging principles of transparency, cost-relatedness and non-discrimination
- 2. Securing cargo while facilitating trade**
  - The supply chain must be at the centre of the security system, with responsibilities adequately distributed among airlines, forwarders and customers
  - Air cargo security must be fully harmonised, first within the EU but also with like-minded non-EU countries
- 3. Complying with administrative requirements with efficient systems**
  - Administrative controls of any kind (customs, agricultural, veterinary) should not slow down the flow of cargo
  - The increasing and more and more complex requests for shipment data must be harmonised and in no way duplicated
  - The IATA e-Freight or Paper-free project must be supported and relayed with public authorities and partners in the EU and EU Member States
- 4. Giving European carriers opportunities with a pragmatic cargo liberalisation process**
  - Latest developments in international trade flows are putting pressure on the regulatory regime of bilateral agreements
  - Air cargo operators need a uniform regulatory framework for air services which facilitates economically viable logistical services to the benefit of customers, economies and airlines alike.
  - Any further liberalisation of air cargo can only be in the interest of European airlines if it takes place on the basis of reciprocity, equal chances and delivers a benefit.
- 5. Maintaining cooperative relations between airlines and forwarders**
  - European airlines need to work closely together with cargo partners
- 6. Ensuring that air cargo and road feeder services function hand in hand**
  - Road Feeder Services (RFS) are an integral part of the air cargo transportation system and must therefore be dealt with jointly
  - Alternatives to road transport must be developed, including with the help of the EU's Trans-European Networks financing



Association of European Airlines  
Avenue Louise 350  
1050 Brussels, Belgium  
Tel. + 32 (0)2 639 89 89  
Fax + 32 (0)2 639 89 99  
[aea.secretariat@aea.be](mailto:aea.secretariat@aea.be)  
[www.aea.be](http://www.aea.be)