

The European Air Cargo Programme – facts and figures from Iata

In May 2004, EU Competition Law changed significantly. Under the new regime, individual exemptions are no longer possible for any industry. Corporations and undertakings must now self-assess their compliance with competition law requirements. Iata and the Cargo Agency Conference responded by undertaking a complete redesign of the programme in order to ensure full compliance with EU competition law, in the absence of the possibility of obtaining an exemption.

Following extensive industry dialogue, the shape of the European Air Cargo Programme (EACP) was constructed around three key components.

- The recognition of the dual role played by today's air freight forwarders – that of agent of the airline as well as that of a direct contracting customer
- The importance of establishing



Iata is monitoring EACP to see if it may be applicable in other regions

strong industry standards through programme membership criteria

- The continuance of the industry settlement system CASS.

This new programme also established a joint council under the auspices of the Cargo Agency Conference comprising airline and forwarder representatives. The council is responsible for establishing the criteria as well as programme direction through the publishing of a handbook, which contains the various

industry standards and resolutions adopted by the Iata Cargo Procedures Conferences as well as other useful industry information.

The council is a progressive body designed to enhance airline/forwarder dialogue and to ensure that industry standards designed to respond to challenges in the cargo industry today and tomorrow have an effective implementation vehicle. Since its inception the council has held two meetings and is planning to launch a widescale campaign of promoting to the producer/shipping community the benefits of dealing with Iata intermediaries.

A new Iata intermediary agreement, replacing the previous Cargo Agency Agreement has been circulated to all of the former cargo agents and, so far, over 98% have responded positively with signed agreements. Additionally, programme applications

have exceeded all past records.

Iata and its various regional and national dialogue bodies, in countries such as Canada and India, are monitoring the EACP developments to evaluate the potential applicability in those markets.

A further feature of the new European programme is that the traditional bank guarantee structure has been replaced by an industry credit limit and monitoring facility operated through the CASS, which has undergone its own re-engineering process following the launch of the global fully web-based and customer-interactive processing solution, CASSlink.

In 2004, CASS processed 14.8m transactions representing €13.3bn through its 34 CASS operations covering 41 countries. Of this, 7.6m transactions representing €5.9bn was processed through European CASS operations.

forwarding side believe this was the main reason airlines agreed to allow forwarders a joint say in the council.

"There was a potential danger we could lose some of that as we moved into a non-immune environment," says Hurley. "We have a very successful CASS programme and we wanted to keep it. We asked forwarders whether they wanted to go back to pre-CASS days and they did

not want that, but they did not want CASS to be imposed on them.

"But we also wanted a framework where we could have industry standards in place. CASS was a central objective for the airlines, but that was not the reason we brought forwarders in – it was a recognition that we needed to work with them."

Contentious issues since the formation of the joint council have included an

attempt by some airlines to reduce the 30-day CASS payment period, but forwarders, as well as some airlines, decided against changing the current system.

The new system has also resulted in the removal of the need for forwarders to provide bank guarantees, replaced by a system of industry credit monitoring done through the CASS system.

"We are very encouraged by the way it has worked in the

first year," says Hurley. "We have had more applications for Iata registration in the last 12 months than in the previous 12 years."

Hurley estimates there are 50-60 industry standards defined and described by Iata and the EACP. These include the format and contents of air waybills; conditions of contract; preparation of goods for carriage; design and use of bar codes; labelling and tagging; dangerous goods regulations; live animal regulations; and coding systems, such as those for currency.

"These are all included in the EACP handbook and all forwarders work to these standards," says Hurley.

Another example of the way the EACP council has worked involved the weight-volume relationship. Until a year ago, it was only necessary to include the shipment's dimensions for volume shipments.

"There was a proposal that went through conference via council that dimension should be mandatory and eventually we reached agreement, with compromises," says Hurley.

One sensitive issue relating to the weight-volume relationship that has yet to reach the joint council, is the attempt by airlines to alter

resolution 502, the volume-weight conversion standard. Currently set at 1kg: 6,000cc, airlines attempted three years ago to reduce this to 1kg: 5,000cc. Although unsuccessful, airlines are still hoping to "modernise" this conversion factor to take into account the "voluming out" of aircraft due to the growing number of low-density shipments. But some

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– Roy Hurley

forwarder representatives believe this would never be agreed by the EACP joint council.

Hurley says: "502 is probably not the best example because it is a tariff issue and there are different and very strict rules regarding those. But, in theory, if a change to the density standards was approved by governments, it would have to go to the council. The joint council could say no, we don't want

this – that is a reality – I don't know what would have happened."

Hurley says there was a lot of "hot air" associated with that issue, partly because some people fail to understand that, as a tariff issue – under US anti-trust rules – airlines are not allowed to consult with forwarders prior to discussions among themselves on the topic.

"But just about every shipper and forwarder in the world uses that standard," he adds.

One of the issues going forward is whether the European model of joint airline-forwarder involvement will become accepted in other parts of the world, or become the global standard. There has been pressure in Canada and Australia to adopt the same kind of programme. And India is proving an interesting situation. Airlines there have been wanting for some time to look at introducing a CASS system there, but in the past this has been rejected by the country's freight forwarders.

"But the freight forwarders association there has now said they are ready to talk about CASS, on the condition that it has the same governance programme as in the EU," says Hurley.

Hurley says BA would support the adoption of this programme globally, but getting this through the Iata programme globally is almost impossible at the moment, because of the heavily regulated environments in, for example, parts of Asia.

"I think that will change and I think there are a lot of people looking at what has been going on here and it has been very successful," he adds.

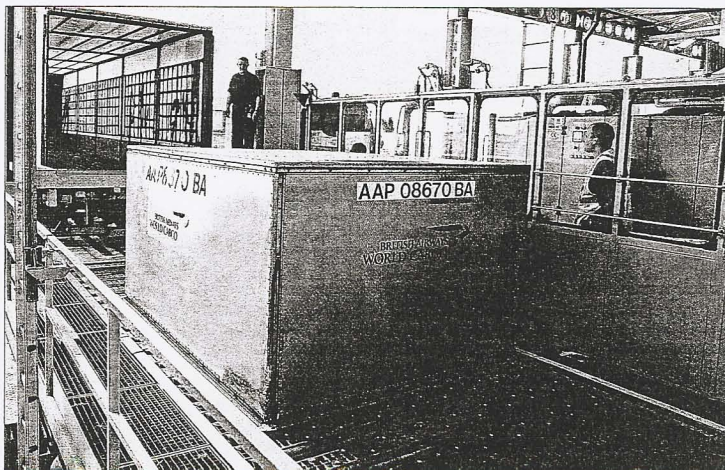
The EACP joint council is currently involved in includes the integration of the 10 new EU members into the programme. As EU members they are automatically included, but most still do not have a CASS system operating. Feasibility studies are under way and Hurley is hopeful the integration process can be completed within the next two years. ■



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EACP managed to reach a compromise on the weight-volume issue so that the dimension of a shipment is now mandatory