

Industry co-operation reaches new heights

Just over a year ago Iata's Cargo Agency Programme was replaced in the EU by the European Air Cargo Programme. Will Waters examines the new relationship between airlines and forwarders one year on

EUROPE

One of the cornerstones of the new air cargo regime in the EU from 1 May 2004 was the creation of a joint council, made up of freight forwarder as well as airline representatives, overseeing and reviewing the European Air Cargo Programme (EACP).

The mechanism that dictates the way forwarders and airlines conduct business with each other, the EACP was forced into being by the impending loss of Iata's EU exemption from competition law from that date. Iata's Cargo Agency Programme is

still effective globally – it is only the EU that has changed.

Prior to this, there was a joint council of sorts, although it did not have the kinds of powers vested in the EACP joint council. Its powers were restricted to the registration criteria for agents and only covered exports.

Roy Hurley, chairman of the EACP's joint council and head of industry affairs at British Airways World Cargo, describes the council as having "overarching powers" over the EACP.

"Everything that happens within that programme has to have the approval of the council," he says. "The significant difference is that it is now jointly governed, with equal numbers of

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representatives from airlines and freight forwarders, so nothing happens unless it is jointly agreed by both sides."

Forwarders tend to be represented by their country's respective association, although individual companies can be nominated to represent their country. When it comes to new issues, a two-thirds majority is needed from both sides, airlines and forwarders.

"In practice it has been very much a consultative and co-operative experience," says Hurley. "We have not really

had any major issues from that group. The co-operation has been exceptional."

The old Iata agency programme was created decades ago, under which, if you were an Iata registered agent and had met all the criteria, you received 5% commission.

"Those days are long gone and everyone works on a commercial and partnership basis," says Hurley.

"The relationship between the forwarder and the agent had changed. For the most part, they are not agents



Hurley: the old order was untenable

any more, they are customers. They ship in their own right and consolidate and in many cases it is not clear to the airline who the shipper is. So they have become true partners in the chain, not really agents of airlines."

As well as being outdated, the old system was very draconian in its approach.

"Freight forwarders could sign up to be an Iata agent and airlines could then come back and change the arrangement," says Hurley. "That side was something the freight forwarders had long argued against, and rightly so."

But also the regulatory environment was changing, particularly in the EU. The Iata programme had operated under anti-trust immunity, meaning airlines could meet and form agreements, exempt from the competition element of the Treaty of Rome.

"There had been a number

of representations from various forwarders to Brussels about things airlines were doing that were not perceived as being in the interests of forwarders. It became obvious the old way was no longer tenable."

Hurley said a number of airlines, including BA, believed there was a value in having shared standards and decided to look at how to do that in a free market.

"We concluded that forwarders were vital to us and it was in our joint best interest to work together."

There were attempts to introduce joint councils on a global basis, but that was found to be impossible, mainly because of the heavily regulated environment that still exists in many parts of the world, especially parts of Asia. So it was decided to set up a separate model for the EU.

Iata airline conferences still take place, although now forwarders get to see the agenda in advance (unless it is a tariff issue) and anything approved by conference has to go to the joint council for approval. If proposed changes are not thought to be in the best interests of forwarders, it is not implemented.

One of the key issues in the formation of the EACP was the payment settlement system CASS (Cargo Accounts Settlement System), and some from the