

AIR CARGO

# FOCUS



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703 Waterford Way, Suite 680  
Miami, Florida 33126  
Telephone (786) 413-1000  
Fax (786) 413-1005  
[www.cnsc.net](http://www.cnsc.net)

**Michael Vorwerk**  
*President*

**Michael Ludovici**  
*Vice President and Secretary*

**Badar Mir**  
*Chief Financial Officer*

**Nicole Remmer**  
*Assistant Manager*  
e-mail : [remmern@cnsc.us](mailto:remmern@cnsc.us)

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*Advertising Sales Representative:*  
Weidner Communications Intl., Inc.  
1468 Alton Way  
Downingtown, PA 19335  
Phone: (610) 486-6525 or (610) 486-6527  
e-mail: [mtw@weidcom.com](mailto:mtw@weidcom.com)

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# AIR CARGO FOCUS



4	Presidents Corner
6	“Quality” – What Does It Really Mean for Air Cargo?
8	The Quality Dilemma in Airfreight
12	Quality and Air Cargo = Oxymoron?
14	The Quality of Life
16	Trucking and Total Quality Management
18	Optimizing Process and Data Quality . . . Step by Step
20	IATA Update
22	Cargo Community Platform at Frankfurt Airport
24	Around the Industry
26	Security and Facilitation through Better Data Quality
27	Quality – A Forwarder Perspective
28	Cargo 2000 Reporting Platform
30	Working the “Q” at CASS-USA



# Summer Thoughts...



**W**elcome to this Summer edition of Focus in which we take a look at the issue of Quality in Air Cargo.

Quality of course is often subjective and frequently anecdotal but our contributors this month share with you their thoughts and deeds on how to make it objective and how to drive improvement through their own organizations as well as through those

of their suppliers. Something to think about as we move through the slower days of July and August leading into what we all hope will be a strong fourth quarter.

This will be my last message to you as President of CNS as August will see me return to Lufthansa Cargo in Frankfurt to take on new challenges in my career. I am most grateful for the opportunity to have spent time here in Miami working with the teams at CNS, C2K and IATA. Their knowledge, dedication and enthusiasm for our business made it a pleasure to be here despite it being a period of significant change both internally and externally. My thanks to all of them.

My thanks also go to the Members of the CNS Advisory Board and the C2K Board who made things easier with their support

and guidance. Your work for the betterment of the community is remarkable given that it comes in addition to demanding full time day jobs.

Looking back over the past three and a half years I am personally satisfied with what we have been able to achieve and I hope that you as industry members feel the same way. Moving on is a bittersweet experience, I am sad to leave colleagues and friends behind but at the same time am thrilled at the prospective of my new job and the fresh challenges it will bring.

One thing that won't change is my personal commitment to the work of IATA / CNS and C2K. I will continue to be an advocate for the work of these groups and continue the push for industry automation, process efficiency and quality improvement.

I wish you all the very best and Auf Wiedersehen!

A handwritten signature in black ink, appearing to read 'Michael Vorwerk', written in a cursive style.

Michael Vorwerk  
President  
CNSC



**As always if you have comments and opinions on this edition of Focus or suggestions for topics to be covered in future editions we are always pleased to hear from you. You can reach us via e-mail at [remmern@cncs.us](mailto:remmern@cncs.us). This publication is also available online at [www.cncs.net](http://www.cncs.net).**

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# What Does It Really Mean for Air Cargo?

By: Peter Weir, Senior VP USA, Air Menzies International (AMI)

In a business that is all about speed, we know that quality matters. Our customers quite reasonably have high expectations of the premium-rated transport mode we provide. And we need to deliver.

But the term “quality” is one of the most over-used (and sometimes mis-used) words in the air-cargo industry. Ask a dozen different people what they mean by “quality,” and you’ll get as many different answers.

“Quality” can be a dangerous word if carelessly used. It can lead to false customer expectations and even drive us to offer more than is necessary or expected. The result can be customer frustration when expectations aren’t met or poor returns on effort and investment. So before we use the word “quality,” we should be clear in our own minds about what we are offering and why. And we should ensure our customer also knows what we mean.

There are some aspects of quality that should always be considered non-negotiable, as accepted norms for the services we provide – irrespective of rates. We should strive for 100% performance, that is, flown-as-booked, with zero damage or pilferage. (Flown-as-booked is, anyway, a meaningless statistic unless accompanied by an equal performance-at-destination – what we at AMI call “arrived as promised,” which is the standard by which we ask our customers to measure us.) I find it disturbing that some carriers believe anything over 90% flown-as-booked is acceptable. That means 10% failure, which is simply not good enough. You wouldn’t be happy if your car worked only 90% of the time or 10% of your mail went missing or the lights went out every 10 days. So why expect customers to tolerate 10% service failure?

The aspect of air-cargo services that can legitimately be varied is, of course, speed. Customers opt for air over ocean because they cannot accept a 28-day transit time. But do they really need the opposite extreme of a 24-hour delivery? Sometimes they do – and then they should pay for it. But other times, a four-day transit will work, in which

case they should expect a lower rate.

This flexibility is admittedly not something most carriers can easily offer these days. Their systems are based on moving cargo as soon as it is received, rather than asking their handler to hold it. Most routes are not short of capacity either, so there’s no need to offer next-flight-out and deferred-service options. This is an area in which we have the advantage. By offering a range of direct and transshipment services, we can introduce greater flexibility and choice to match the needs of an individual shipment.

What’s AMI’s definition of the word “quality”? We use it to mean service that is consistent, provides good value, and is as near error-free as possible. This definition allows us to offer a variety of services, including (for example) a four-day service to Baku. It even allows us to be the slowest on the route, provided our customers know up front that’s what they’re getting. But it also promises the cargo won’t be damaged or pilfered or delayed through errors. We can make these claims with some confidence through heavy use of IT systems to reduce errors and by unitizing over 70% of all cargo to minimize handling-related problems.

Quality is essential and absolute in the services we buy and those we sell. The only variable should be speed.

We believe transparency is essential. We always tell customers exactly what they are getting for their money and what happens if we don’t perform. That way, customers can choose the right service and won’t complain unless we fail to perform to the agreed standard. We are very careful to explain what a given service option really means: we find it saves a lot of issues later.

In airfreight, predictability is actually just as important as speed. A particular carrier on a particular route may be regarded as the “quality” option under normal circumstances, and customer expectations are therefore high. But what happens when that carrier suffers backlogs

for two weeks every year due to a seasonal swell in traffic? Did they warn you when you booked that there would be a delay? Did they book you on a flight and then offload you? Or did they rely on their normally excellent reputation to bluff their way through a period of poor service? It's much easier to find a workaround for problems if you are given advance notice. Too often this industry is about cures rather than prevention.

We are in the firing line when things go wrong even though there's sometimes little we can do if the carrier really has an unforeseen issue. But because we avoid carriers and routes that are potentially problematic and because (as a big customer) we generally get priority treatment when things do go wrong, we are mostly able to insulate our agent customers from the worst of experiences. But what can the industry as a whole do to improve its reliability and consistency?

At the root of most quality issues in airfreight are handling problems and data errors. Since handling was outsourced by most carriers, it was inevitable that the new breed of handling independents would eventually find themselves under pressure to absorb some of the pain of the airlines' falling margins by offering too low rates. Ultimately, you get what you pay for. Handling is a capital-intensive business with high stakes and low rewards. We need to find a way of restoring better rates and margins to our industry as a whole, and the handlers need to get their fair share of revenues so they can invest in better infrastructure and manning levels.

Data errors are also a major issue. This isn't very surprising, though, when you consider the number of legacy systems still in use by major freight agents and airlines. Their inability to inter-connect on anything above rudimentary levels is holding our industry back, creating unnecessary work and scope for errors that all add up to costs the industry has to absorb. The success of the integrators is not just a result of their clever marketing. It's because their data systems have been sophisticated, becoming user-friendly, efficient, and accurate almost from the start.

An airfreight industry that can flow data seamlessly between shippers at one end and consignees at the other is an industry that has an assured place in the supply chain. It will save money on processing, reduce errors and service failures, and improve transit times. And it will be better placed to cope with future security demands that can only become more exacting.

Whatever your view of the much trumpeted e-freight movement, there's a lot of common sense behind the hype. As an industry, we cannot continue to shuffle 30 or more paper documents that can get lost in transit. Nor can we continue re-keying the same data time and time again throughout the logistics chain – increasing costs and errors and reducing speed and efficiency.

Someday soon, agents who are doing things the old way will start to lose business to competitors who embrace the new technology. Airlines, handling agents, and software suppliers are all pushing the cause, handing out the software (and sometimes even hardware) to enable agents to use e-freight. They know that one e-capable agent will make all the others look bad, provide them with more business, and



**Peter Weir is Senior Vice President, USA, of Air Menzies International (AMI), the world's largest trade-only airfreight wholesaler. An Englishman with over 20 years in air cargo, he started as a Cargo Service Agent for TWA at London Heathrow, holding many management positions in several major companies in Europe and Australia, on his way to his current post as the man charged with establishing the AMI trade-only wholesaler concept in the USA. Peter relocated to Dallas in 2010, holds a green card, and has recently bought his first home in the USA.**

make their own operations more efficient and error free.

At AMI we discovered the value of IT many years ago. We have invested some \$4 million in IT in recent years, both in internal systems and in customer interfaces like our new web-based Click2Ship product – which is quoted, booked, and tracked online. Back in the UK where our technology drive began, we are now booking around 50% of all our business online. As a result, we have diverted staff from telephone reception to customer care and sales, cut down paper usage, and reduced errors to negligible levels. Customer service is up, and costs are down. Now that's the model and the goal for all our operations across the USA, Australasia, South Africa, and the Far East.

As an industry, we have to be clearer and more defined about the services we offer. We need to make a clear distinction between the non-negotiable elements of service that represent quality and the acceptable variables of price and speed. We then have to deliver what we promise. A key to improving quality in our industry is embracing technology in order to achieve a truly acceptable level of performance. That will also increase our efficiency and profitability.



# The Quality Dilemma in Airfreight

By: Oliver Evans, Chief Cargo Officer, Swiss International Air Lines



In challenging times, which the airfreight sector and much of the wider world have been experiencing in recent months, there is inevitable pressure from customers on their suppliers to cut prices. It is tempting, then, for some to lose sight of the value and importance of quality.

And none of us is entirely immune to these kinds of commercial pressures and realities. So from a business, marketing, and operational perspective, companies need to decide whether to be quality leaders or price leaders.

Swiss WorldCargo, because of its background, has always chosen to focus on quality. The highest quality anyone delivers in air cargo is in the areas of temperature-controlled and valuables services. And we have developed a strong tradition of serving customers from these high-demand sectors, in part because of the large number of them located in Switzerland.

Companies focused on quality need to resist both the temptation to put quality aside, even in challenging times, and the pressure to delay all investments in making their services better and more customer-

responsive. The danger of delaying investments in quality for the sake of short-term improvements to the company's bottom line is that it becomes a bad habit that may be repeated and that erodes quality.

Despite the challenging market conditions, we remain committed to quality. For, as time goes on, quality and the ability to measure quality become ever more important, as we are all required to measure and account for more and more of the things we do.

Take security, for example. Airlines and their customers are required to account for the origins of every piece of cargo and the processes that it goes through. The ability to track and measure is also becoming increasingly important for customers' environmental credentials. And as consumer demand and expectations for information and visibility about the products that they buy continue to increase, customers will require more and more information about where their shipments are in the supply chain.

Indeed, the meaning of quality to a customer has changed. In the past, it was mainly about on-time delivery. Now, it is about so many more things: customer service, service recovery, communication and IT





processes, security, the various steps measured by Cargo 2000 (C2K), and consistent standards all over the world. And in this era of new media and social media, it is also increasingly about having a high-quality online presence and digital interface with customers.

Of course, quality can have a different meaning for different customers. One option, therefore, is to set quality levels to the standards of the most demanding customers. Another option is to go for tailor-made solutions, which also need to be founded on high quality.

In terms of a more high-level, theoretical approach, quality in general has two meanings. On one hand, quality is a perception and may be interpreted very differently by different individuals or groups. This is a notion very much used in marketing and sometimes misused for products and services. Quality can be emotional, and emotions affect the way we do things.

On the other hand, quality is rational. In order to measure quality, companies must be independent of emotions, personal feelings, or any kind of instincts. Any process adds value, and such value can be measured through setting of targets, PIs, KPIs, Service Level Objectives (SLOs), and Service Level Agreements (SLAs). Compared to perceived quality, the rational way of defining quality is less susceptible to individual interpretation and so can be understood in different business environments, independent of cultural background.

Swiss WorldCargo operates globally with numerous partners, and to be able to compare the services provided, a common quality-management information system is essential. In addition, with ever increasing restrictions and regulations, the airline industry faces compliance burdens with respect to the different safety and security processes.

Our focus on quality taps into the three core values of our parent company, Swiss International Air Lines. Although these may sound like mere marketing slogans, beneath them lie important principles that make sense in practice for companies that have chosen to be quality leaders:

1. It's the small things that bring us closer to our customers.
2. We do things properly, or we don't do them at all.

3. We are true to ourselves and don't pretend to be something we aren't.

Our approach, therefore, is to place quality at the heart of everything we do. This includes everything from transport processes to contribution management, IT, sales, marketing, product management,

*continued on page 10*



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service recovery, hub operations, accounting, procurement, environmental issues, security, quality assurance, and training. Likewise, this is what we also expect from our partners and suppliers, and we have quality checks in place to measure their performance.

Quality obviously doesn't just happen overnight and comes as a result of putting in place a number of individual initiatives and processes, each of which requires ownership, identification, coordination, implementation, and control. As a company that takes quality seriously, we have chosen to apply the Kaizen methodology of continuous improvement to our activities and processes. This involves improving established processes, redefining and revising processes, benchmarking, and applying best practice. But a focus on quality also requires a commitment to openness and to seeking feedback from our customers wherever possible – and, obviously, to taking corrective actions where necessary.

Other important tools for our organization include participation in panels and engaging with legislative bodies, as well as participating in industry-improvement initiatives such as IATA's e-freight program. A lot of the failures that still plague our industry today are caused by the use of paper documents and, therefore, multiple entry of data into different incompatible systems.

Cargo 2000 membership has also been an essential and illuminating part of the journey in quality. Indeed, the gradual progress of the Cargo 2000 initiative means that it is becoming possible to quantify airlines' quality and performance levels. Swiss WorldCargo is a Platinum Member of C2K, is one of the highest-performing airlines of the 20 leading carriers participating in the initiative, and the best performing of the belly-hold only airlines. The company has consistently had one of the highest FAP (flown-as-planned) performance ratings in the industry for several years, averaging close to 95%. Although we continue to make good progress with Cargo 2000, there is still a huge amount to

be done in terms of both penetration and performance levels, for the company and the sector as a whole.

C2K was created to help the air-cargo industry compete with the integrators, or at least protect their market share from further erosion, and help integrate the air-cargo logistics chain. But despite many improvements, this chain remains subject to shadowy areas where visibility and communication are incomplete.

In order to improve quality, airlines need to take their share of the responsibility for improving the links and communications between all parts of the chain. While freight forwarders may be responsible for the overall door-to-door element of the chain, airlines must take responsibility for the elements under their control, including the performance of their chosen suppliers, such as cargo-handling agents and road feeder-service providers. Too often, airlines use the absence of a direct relationship between their customers and suppliers to excuse poor-quality handling, blaming one or other of their suppliers.

This is unacceptable, and perpetuating this blame culture is incompatible with the ethos of openness that is an essential part of being a quality service provider. Indeed, in order to improve service quality and customer satisfaction, airlines have a responsibility to facilitate the relationships and communications between their customers and suppliers and, if necessary, even to facilitate the setting up of SLAs between customer and supplier.

The air-cargo sector has come a considerable way toward improving service quality and its ability to measure quality. But it has been a slow process, and there is still a long way to go. While the current market weakness and uncertainty are undoubtedly a major challenge to companies with fixed assets and costs, those that significantly reduce their focus on quality during this time will have a lot of catching up to do.

# I am The Extra Mile

Leonel Alexandre  
Instructor Cargo Training

Quality – to us it is much more than just the final check of a task completed. It is how thoroughly we train our team, how meticulously we plan our processes and how dedicated we are to delivering on what we promised to you: **We care for your cargo.**

# Quality and Air Cargo = Oxymoron?

By: Helmut Berchtold, Managing Partner, ADI Consult

**F**ast, reliable, professional, secure, top quality, on time, efficient, certified, ISO 9001, sustainable, monitored, tracking, planned, controlled, measured – these and many more buzzwords are displayed on the web sites and brochures of various players in the air-cargo industry. It is commendable, then, that SIA Cargo is showing their “Flown as Booked” and “Notified for Delivery as Promised” records on a monthly basis on their website.

## Cargo 2000 Metrics - May 2012

Quality Metrics	Flown as Booked	Notified For Delivery as Promised
SIA Cargo	95%	95%
Industry Avg.	89%	85%

The astonishing part of this matrix, however, is that a 95% success rate seems to be satisfactory, especially since the industry average is listed as only between 85% and 89%. Is this the result of the 15-year efforts of the Cargo 2000 initiative? Or is it the result of individual process-optimization measures by the parties involved?

In an interview in August 2011, LH Cargo Board Member Dr. Karl-Rudolf Rupprecht said: “We have not lived up to the expectations of our forwarding customers.” Is this not equivalent to saying that the expectations of the shipping industry as a whole remain unfulfilled?

The four absolutes of quality, at least according to Philip B. Crosby (author of several books, including *Quality is Free, Quality without Tears*, and *Let's Talk Quality and Leading: The Art of Becoming an Executive*), are clearly defined:

- The definition of quality is conformance to requirements, not goodness.
- The system for causing quality is preventive, not appraisal based.
- The performance standard must be zero defect, not “That's close enough.”
- The measurement of quality is the price of nonconformance, not indices.

It is also important to differentiate between measurable, objective quality and perceived, subjective quality.

The airline industry, at least the air-cargo operators, invests enormous amounts of money, sometimes billions, in equipment such as cargo facilities and planes. But it seems that when it comes to investing directly in quality-improving measures, the shots are called by bean counters. Otherwise, the persistent lack of investments in, for example, RFID tags is hard to explain.

As early as the first half of the 1990s, the introduction and adoption of the EAN barcode standard for airfreight was discussed. At that time, it was mainly rejected by the PAX-centric airlines. The RFID issue has also

been heavily discussed in Cargo 2000 since 1996. Yet where are we now in 2012?

Many believe the RFID technology is the best way to advance and benefit the air-cargo industry – and it is affordable. Again, not enough is invested in improving quality while at the same time the air-cargo industry deals with an enormous price tag for nonconformance. (See above.) In principle, this is rather similar to stopping the clock in order to save time.

Air Canada Cargo had a pilot project in Toronto and Miami with a 100% success rate. The majority of RFID applications in the airline industry can be found in the passenger segment. There, the read rates are better than 99% while barcode read rates are considerably lower and have a higher error rate.

No one wants to diminish the successes of Cargo 2000, but aren't some of the airlines using Cargo 2000 (in part) as a fig leaf so they can claim that they are “actively working on improving the quality overall”? The performance data of only 2%-22% of the shipments are measured and only at some of the airlines (although the important ones). Is this enough?

This is similar to the implementation of e-freight. Former IATA Director General, Bisignani, said at the IATA World Cargo Symposium in Vancouver that e-freight has the potential to reduce costs along the air-cargo supply chain by US\$4.9 billion. Already in 1996 at the Cargo Partnership Symposium in Paris, the then head of global air cargo at Schenker, Klaus D. Geissler (now partner in ADI Consult), spoke of a savings potential of more than US\$2 billion.

In view of the current dire earnings situation at most airlines, it is incomprehensible that there isn't a much greater push by the airlines to implement e-freight and RFID. Even if one assumes that the price of nonconformance along the air-cargo supply chain is “only” around US\$2 billion, an all-out push for e-freight and RFID technology should be a no brainer.

The cost and investments for the implementation of RFID are, at least at the ULD level, very simple to work out. Calculating the cost of quality failures is certainly much more difficult, but it can be done. Presented with the facts, no (airline) supervisory board would reject a proposed investment with such massive savings as a result.

Additionally, a most pleasant side effect of these much reduced costs would be a much more satisfied group of people and companies who ultimately pay for all of this – the shipper community. They might also be willing to pay if the most basic quality principle were to become reality: “Quality is the conformance to requirements, that is, plan = actuality.”

Based on the progress made to date I will place this article in my calendar/tickler file for 2022 as a reminder to check the status.



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# The Quality of Life

By: Nina Heinz, Head of Quality, LifeConEx

**W**hat makes quality different when it comes to healthcare products? The primary differentiator is the end consumer – a patient waiting for safe and effective medicines. This patient could be your child waiting for his vaccine, your mother waiting for her insulin, or your best friend waiting for his cancer-treatment drug.

Strict good-manufacturing practices (GMPs) regulate this industry, ensuring that the products meet highest standards. But what would happen if those standards are not ensured during distribution?

The complexity of global supply chains for life sciences companies is mirrored in the challenges faced when transporting these products around the world. Raw materials manufactured in Switzerland, APIs produced in China, products finished in Italy, packaging and labeling performed in Puerto Rico, all while the patient waits for the medicine in Canada – this is only one example of how the supply chain can cover the globe.

What makes this logistics puzzle, by far, one of the most challenging is that these products not only are of very high value, but also need to be transported at a regulated temperature and under other controlled conditions. The many years invested in research and development, the limited patent licenses controlling the exclusive sales of the product, and the multi-million-dollar contracts/licenses for government programs are some of the contributing factors to the high cost of these products. In addition to this, the temperature-sensitive nature of these products requires extra care during transportation.

Packaging and transportation companies have made amazing progress when it comes to offering solutions to this industry. Ocean carriers are also increasingly interested in this niche market, albeit somewhat

scared off by the high cost of the product transported on their vessels. Many of these shipments, however, continue to be transported by air because of the growing demand for special services to ensure control of temperatures and other conditions during transportation.

Quality in the life sciences industry thus takes on a much larger meaning since the safe manufacturing and distribution of these products may have vast implications beyond pure economic factors, ultimately affecting human lives. It is critical to ensure that parties are kept up to date on regulatory compliance to ensure quality and safety of the process and products. Although the legal responsibilities of ensuring that the product is safe and effective lies with the life sciences manufacturing companies, subcontractors are also being held accountable – not only in the manufacturing process, but also in the distribution process up to the end user.

The implications for airfreight are increasingly becoming a hot topic, as companies continue to seek growing and profitable niche markets to fill their capacity. But is also concerns the life sciences. For life sciences companies are faced with increasingly strict regulations governing the distribution of their products worldwide.

What are life sciences companies looking for when selecting suppliers in the airfreight industry to provide global transportation solutions for their products? Below are the cornerstones of any effective quality system to ensure integrity of the product:

## **P for Partnership**

In the complex world of supply-chain management, the chain is only as strong as its weakest link. Therefore, it is critical to create solid partnerships among all parties involved in order to strengthen the supply chain. Partnerships should go beyond pure subcontractor management and should include written agreements (SLAs, SOPs, QA, and others) to clearly define the roles and responsibilities. Also, KPIs and quality targets should be incorporated into agreements to achieve a high performance level and a joint approach to continuous improvement.



## P for People

Within the air-transportation sector, the most important asset for time-and-temperature-specific logistics is the aircraft because it represents the largest investment of capital. Nonetheless, a critical investment should also be allocated to the people handling the shipment. Staff training includes not only the basics of handling such high-value temperature-sensitive shipments, but also creating awareness of the “human factor” involved in sharing the responsibility in delivering these products to the final patient. Awareness is key not only at the operational level, but also within senior management in order to ensure full support and commitment where required. A detailed training program with regular training at all levels is a key requirement for suppliers proposing services for the life sciences industry.

## P for Premises

Airlines are faced with the many challenges around the world when it comes to providing reliable infrastructure. In dealing with government-owned warehouses, outdated facilities, and limited resources, it is critical for airlines to coordinate with all involved parties, including the airport authorities, local industry associations, and national health authorities, to ensure that these shipments are stored under proper conditions. This includes temperature-controlled facilities suitable for healthcare products. Although airfreight storage can be considered transit storage, elements such as temperature mapping and monitoring, security, cleanliness, and pest control are all very important.

## P for Processes

Written Standard Operating Procedures (SOPs) provide standard ways of working for staff and are the basis for training to ensure that all undertake operations in an approved manner. These SOPs and instructions must be adhered to and must be controlled documents, reviewed and validated on a regular basis by authorized personnel.

All this means, then, that service quality is initiated at the time the shipments are initially booked with the carrier, ideally even prior to this where roles and responsibilities along the supply chain are defined and agreed upon in a written agreement (SOP, SLA, QA, etc.). Ensuring that a carrier is selected based on the services proposed and that the



product is prepared with adequate packaging for protection throughout are both essential steps in ensuring that the shipment is handled and transported appropriately.

Chapter 17 of the IATA PCR has been a major asset in defining common standards for the airfreight industry. Albeit widely debated and even criticized, the implementation of the time-and-temperature label for July 2012 was a major step forward in ensuring that instructions are adhered to by the multiple parties involved in the supply chain when handling and transporting these temperature-sensitive shipments. It is also crucial to consistently measure and assess all partners in the handling and transportation of temperature-sensitive biopharmaceutical products (written processes, reliable infrastructure, warehouses, and trained staff).

In addition, proper quality management will ensure a systematic and structured analysis of the irregularities during transportation. Issues must be communicated to the involved parties on a regular basis for performing a root-cause analysis and defining and implementing an action plan for corrective measures. The action plan must be followed up on and results checked to ensure full and proper implementation.

The road of continuous improvement in temperature-controlled transportation is a long one, but one that many have embarked on and made considerable progress along.

Quality is everyone's business! And when it comes to life sciences products, it becomes everyone's responsibility to ensure quality of life.

# Trucking and Total Quality Management – Hopeful Signs in a Struggling Sector

By Andy Ahem, Chief Executive Officer, Ahem & Associates

When it comes to the trucking industry in general, many experts have indicated that this segment of the transportation industry is lagging in comparison to manufacturing and other service industries with respect to adopting Total Quality Management. My perspective, however, is just the opposite. And here's why.

Trucking is one of the most highly regulated industries in the country. And, as a result, it is one of the safest industries in the country. Trucking may not be the "darling" of the American public or Wall Street, but with CSA compliance, countless hours of service, and shippers continuing to mandate technology, quality management is indeed part of the trucking industry's overall business model.

Many of trucking's major carriers are expanding into third-world countries. And if you want to be competitive in these countries, you have no choice but to adapt. In a recent article, Dr. Deming outlined a 14-point model for Top Quality Transportation. He indicated that this process has been in practice successfully in Japan and has recently migrated to the transportation industry in the US.

According to Dr. Deming, Total Quality Transportation users have subscribed to a customer-oriented transport-service philosophy of continuous improvement that involves:

1. Commitment to meet or exceed customer requirements
2. Participation by critical mass of employees type size
3. Utilization of statistical tools for analysis
4. Continuous review of processes
5. Strong quality leadership
6. Training and re-training programs
7. Safety improvement
8. Analysis of current performance
9. Green transport systems
10. Attention to local needs and regulations

In essence, what Dr. Deming is saying is that if you want to practice Total Quality Transportation, you need to create a strong management commitment to quality, process design, and control through statistical tools. You also need to encourage as much employee participation and teamwork as possible.

The trucking industry faces substantial evolutionary challenges that must be met and dealt with. First of all, the business is constantly evolving. This means that the way we do business today is totally different from the way we did business five years ago. And the way we will do business tomorrow is going to be totally different from the way we do business today.

Unfortunately, in our industry, consolidation is a way of life. As I am sure you are aware, the last three and a half years have not been kind to the trucking industry. For example, 10,000 trucking companies went

out of business, and 260,000 trucks were taken out of our system. Although trucking is seeing a resurgence today, it is only because there is more demand than supply.

There have been some noticeable trends in trucking's response to current challenges. More and more trucking companies are focusing on intellectual capital. They are beginning to recognize that intellectual capital, in many instances, is more valuable than "hard assets." Companies are also focusing on ways to improve their overall operating efficiencies.

However, there are costs associated with compliance, changeover, implementation, training and re-training, and safety. These costs are ultimately passed on to the consumer.

As you know, the trucking industry is a "pennies" business. The sad reality of transportation is that the larger carriers are getting larger, and they are becoming more technologically advanced. The smaller companies are finding it very difficult to survive because they can't obtain the capital to expand and improve their technology. Therefore, they have only a few choices: sell their business, liquidate their business, or go out of business.

Ryder Fleet Management, a provider of leading-edge transportation, logistics, and supply-chain solutions, actually began utilizing software for internal quality reviews in their transportation processes. Ryder reports that they have saved over 3,900 working hours annually since automating their internal quality-review processes. With the software system that they purchased, after performing in excess of 1,100 audits, they were able to locate 55,000 corrective actions as a result of those audits.

Ryder seems to point the way ahead for trucking, but we need to remain aware that there is a cost associated with anything we do in the trucking industry. Every time we are forced to improve technology or quality or compliance, it has an economic impact to the bottom line. Ultimately, the consumer pays for that.

Currently, we in trucking are facing a very interesting dilemma. Trucking has every possible advocacy group watching over the industry on a daily basis. This is due in large part to the false impression that we are a bunch of "cowboys" who go to the bar every night and drink tequila. Still, though, trucking is as Middle America as you can get.

So, while trucking is making strides in Total Quality Management, chiefly by means of focusing on intellectual capital and investing in technology, we need to keep the following facts in mind and remember the smaller companies. Trucking moves in excess of 70% of all the products in the US. There are many husband-and-wife driver teams today. There are many drivers who have operated over four million miles without an accident. Unfortunately, the demands of watch-dog groups are forcing many of the smaller carriers out of business.





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# Optimizing Process and Data Quality . . .

By: Felix Keck, Managing Director, CHAMP Cargosystems GmbH (former TRAXON Europe) & Vice President Corporate Relations, CHAMP Group

The glamour seems to have disappeared from the air-cargo industry. Airfreight has become a commodity with only minor differences between products, services, and prices. In this environment, service quality and reputation are increasing in importance as differentiating factors in the cargo-carrier world.

Most airlines have quality-management systems in place although they vary widely in their effectiveness. And airline customers expect cargo to be flown as booked and delivered on time after they have handed over the consignment (cargo or mail) and the airline has agreed to transport it. In addition, customers expect to know the whereabouts of the consignment at any point in time – not only at pallet, but also at piece level. Such piece-level tracking is already in place for mail and express consignments.

All major airlines have invested heavily in their IT in recent years to facilitate airline- customer relations, with respect to both bookings and track and trace. Furthermore, IT solutions are used to monitor and improve airlines', customers', and service providers' performance.

In an effort to drive continuous improvement, the IATA Cargo 2000 initiative has developed a process quality-management system with defined points (milestones) at which performance is measured along the airfreight transport chain. Beginning this year, Cargo 2000 offers open access to a new master operation plan (MOP) that facilitates the sharing of the information about proven processes implemented by Cargo 2000 members.

## Real-time Visibility

Several software houses have created Internet-portal solutions to collate and evaluate the performance data collected along the airfreight transport chain as specified by the IATA Cargo 2000 initiative. This performance data is presented in easily understandable graphics and made available in real time to all authorized partners along the transport chain. Thus airlines and their partners have simultaneous access to the same information. In addition, a complete data history by shipment (after an air-waybill number has been entered) or by station can be produced.

The key to the IATA Cargo 2000 quality-management system is the creation of a route map for individual shipments. The applications

compare the planned with the actual route (Freight Status Update Message) and identify variances (discrepancies), that is, events that conflict with the planned business process. In addition, applications record reasons for these discrepancies or exceptions. These can be, for example, wrong or incomplete documents or a shortage of ULD, pallets, or staff or planning mistakes.

## Process-quality Improvements

Knowing about problems enables an airline to initiate process improvements in cooperation with partners along the process chain. Quality optimization requires a collaborative approach. The aim must be, of course, to reduce the error rate to zero and shorten dwell times on the ground. Progress made toward these improvements can be recorded in periodic reports, for example, on the Cargo 2000 data-management portal. An efficient portal also allows airlines to compare the performance data generated by their own quality-management system with those generated in accordance with the official IATA Cargo 2000 regulations.

A big advantage of a Cargo 2000 data-management portal and the unified Cargo 2000 measuring system is the verifiability and reliability of the measured data as well as the easy access to the information. Thus real process improvements become possible and traceable. With the help of the Cargo 2000 Data Management Platform, an airline can easily assess how well its service providers and the forwarders have actually processed each shipment and the accompanying documents. This is particularly important in the case of time-sensitive shipments.

## Tangible Results

Management by crisis is not a sustainable option for the air-cargo industry. Process-quality improvements leading to operational excellence are not only good for an airline's image and customer retention, but also for the bottom line. Although process-quality improvements do reduce operating costs, it is difficult to quantify this and compare it to the investment costs (in IT, training, etc.). They certainly can lower the time spent on manual tracking and tracing of shipments that have been lost or delayed.

Process-quality improvements also reduce time spent on managing

# Step by Step

irregularities and claims. They raise supply-chain visibility and improve planning and executions processes. These improvements allow time-definite services to be delivered reliably. Automating the analysis of performance indicators enables a carrier to concentrate on developing and strengthening core competencies that provide differentiated value to customers.

A tool to support process optimization in the airfreight industry is the TRAXON Cargo Data Management Portal (CDMP). It is used by major quality airlines such as Lufthansa Cargo and Air France-KLM Cargo, but also by specialized all-cargo carriers such as AirBridgeCargo (ABC). Approximately 40% of all Cargo 2000 shipments worldwide are being monitored by TRAXON CDMP.

This application collates and evaluates performance data collected along the airfreight transport chain as specified by the IATA Cargo 2000 initiative. In addition to the six Cargo 2000 milestones, the arrival of a shipment (ARR), the arrival of transport documents at the airport of destination (AWR), and the handover of these documents to the forwarder (AWD) are recorded. Further, an exception code-handling module has been developed. The TRAXON CDMP pinpoints the widest variety of shipping and messaging failures in the industry. It enables real-time recovery to meet service commitments and measures KPI required by shippers.

## Data-quality Optimization

The IATA e-freight initiative aims for paperless airfreight transportation on all major routes by 2015. A prerequisite is electronic transmission of the necessary data and documents between all players along the

**CHAMP Cargosystems offers solutions that support data- and process-quality optimization to ensure the seamless transmission of accurate shipment information and to facilitate e-freight.**

transport chain – from shipper to forwarder to handling agent to airline and customs office. The information should be 100% correct, and the transmission process reliable. But, so far, this has proven to be a major challenge for airlines in daily operations – just one incorrect piece of information can spoil the whole bunch.

To monitor and improve data quality along the airfreight transport chain, software houses have developed, based on IATA specifications, various reporting tools for airlines. On the basis of these reports and analyses of their results, customers can initiate process improvements to reduce or eliminate errors and ensure timeliness and accuracy of data.

Besides deploying IT tools, airlines should also engage with their employees to achieve improved levels of customer service. This two-pronged approach is essential for real impact on performance and results.





# Update

## IATA Time and Temperature Sensitive Label Becomes Mandatory

The air cargo industry relies on the IATA Perishable Cargo Regulations (PCR) as the essential reference guide for all parties involved in the packaging and handling of perishables for air transportation. Chapter 17 "Air Transport Logistics for Time and Temperature Sensitive Healthcare Products" in the PCR specifically addresses the temperature control management issues identified by the industry. IATA's aim is to ensure the integrity of the time and temperature sensitive healthcare cargo shipments and that the air cargo supply chain is prepared to handle the increasing demands for these healthcare shipments.

Effective July 1st, 2012 the IATA Time and Temperature Sensitive label became mandatory for the transportation of healthcare cargo shipments. This shipment label, specific to the healthcare industry, must be affixed to shipments booked as time and temperature sensitive cargo and must indicate the external transportation temperature range of the shipment.

## Qatar Airways to Host 2013 World Cargo Symposium

IATA announced that the seventh World Cargo Symposium (WCS) will be held in Doha, Qatar, from 12-14 March 2013. The event, which will explore the theme of 'Action for Sustainability', will be hosted by Qatar Airways, a leading carrier in the Gulf region.

Around 1,000 air cargo decision-makers are expected to converge on Doha for the WCS. It is a unique event that brings together the entire air cargo value chain into one venue to foster cooperation and build consensus. Key decisions on global cargo issues are made at the IATA cargo committee, in the plenary sessions and workshops, through the Global Air Cargo Advisory Group (GACAG) and the Cargo Executive Summit.

Among the major issues expected to top the agenda are:

- **Increased efficiency.** With the potential to cut transportation times by up to 24 hours, the advantages of moving to a paperless cargo system are significant. IATA is progressing towards its target of 100% e-Air Waybill utilization by the end

of 2014. The industry vision for 100% implementation of the complete e-freight suite will require close cooperation and the spread of best practice across the entire cargo supply chain. Many governments around the world also need to pass the necessary legislation to allow e-freight to proceed.

- **Security.** Security issues for cargo are high on the agenda following the printer cartridge bomb plot in October 2010. The provision of Advanced Electronic Information to customs agencies requires close coordination and global harmonization. And the roll-out of Secure Freight continues. Secure Freight is a program which ensures cargo is protected from the start of the shipping chain, raising security levels and preventing bottlenecks at airports.

## Qantas' Joyce is the new IATA Chairman

IATA announced that Qantas Airways CEO and Managing Director Alan Joyce has assumed his duties as Chairman of the IATA Board of Governors. Joyce succeeds KLM President and CEO Peter Hartman, whose one-year term expired at the conclusion of the Association's 68th Annual General Meeting (AGM) and World Air Transport Summit in Beijing. Joyce's appointment is effective immediately and is for one year, ending with the conclusion of IATA's 69th AGM, to be held in Cape Town, South Africa.

A 24-year veteran of the airline industry, Joyce has led Qantas since November 2008. He was CEO of Jetstar from 2003 to 2008. Prior to that, he spent over 15 years in leadership positions at Qantas, Ansett, and Aer Lingus. Joyce is the third Qantas CEO to serve as Chairman of IATA's Board of Governors, following most recently James Strong (1999-2000).

## IATA Welcomes AirBridgeCargo Airlines

AirBridgeCargo Airlines, part of Volga-Dnepr Group and Russia's largest all-cargo carrier, has become an active member of the International Air Transport Association.

The airline was formally welcomed to the association in a letter from director general and CEO, Tony Tyler, to Tatyana Arslanova,

executive president of ABC.

AirBridgeCargo is already actively participating in IATA programs designed to improve safety, quality and efficiency in the air cargo supply chain. It has recently completed the audit to be listed in the IATA Operational Safety Audit register, an internationally accepted evaluation system designed to assess the operational management and control systems of airlines.

It is also an Associate member of Cargo 2000; IATA's interest group working to improve the quality of air cargo, as well as working to adopt the Association's e-freight program, which aims to take the paper out of the air cargo supply chain and replace it with cheaper, more accurate and more reliable electronic messaging.

## CNS/IATA Awarded State Grant to Provide Air Cargo Training

An investment in your employees generates immediate returns, by empowering them to expand their knowledge of the air cargo industry. CNS, in partnership with Broward College, has recently been approved by Workforce Florida to provide cargo training under a state funded grant, entitled QRT (Quick Response Training). The grant is designed to help subsidize air cargo training in the State of Florida, with the intent to help bolster international trade and export opportunities. The criteria for the grant funding is as follows:

- Training will be classroom format, "customized" and focused at the company level or open, mixed classroom courses with other companies present.
- Participants must be full-time, permanent employees, as well as Florida residents.
- The training can take place either on-site at the company's location or at the IATA/ITDI Miami Regional Training Center at 703 Waterford Way, Miami, Florida.
- Qualified businesses include: freight forwarders, airlines, airports, ground service providers and other for profit businesses that support cargo logistics in the state of Florida.

A full list of course offerings and further information can be found at the CNS website [www.cnsc.net](http://www.cnsc.net).



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# Cargo Community Platform at Frankfurt Airport – Challenges and Opportunities for the Air-Cargo Logistics Industry

By: Bernhard Lessmann, Senior Manager CargoCity Development, Frankfurt Airport Services Worldwide



CargoCity Frankfurt is the most important airport for the European and German export-and-import industry. Many traffic and information lines run through FRA every day. Shippers and consignees expect millions of packages to be transferred via FRA quickly, safely, and on time.

## **Cargo Community System (CCS) for Excellent Information Flow**

The air-cargo industry organizes the global exchange of a huge variety of commodities on behalf of an incredible number of shippers. Thus a huge amount of data packages must be exchanged along the transportation chain from shipper to consignee day by day. So, the need for a joint information platform for all partners with the possibility of bilateral or multilateral electronic data interchanges – a Cargo Community System – should be self-evident.

In June 2011, the Cargo Community System (CCS) for FRA was initiated by 10 business partners (forwarders, cargo-handling agents, and Fraport, as well as other indirectly involved partners such as trucking companies) representing the air-cargo industry. The platform will enable users to exchange important data much more quickly than is possible today. The exchange will be based on standardized messages especially for the landside logistics industry.

The CCS will be developed and run by DAKOSY Datenkommunikationssystem AG, an IT company based in Hamburg. DAKOSY is the owner and operator of the CCS for the Port of Hamburg. And, assuming a successful pilot phase, the platform will be open to all interested parties.

The Sustainability Challenge – Hot Topic for Airport Air-Cargo Community

High expectations are connected with this project. Clearly, this

development comes at the right time as there are new targets for the logistics industry. Traditional objectives – for example, improving quality in processing and reducing costs – are complemented by targets within the context of sustainability.

Observers of the logistics industry, whether public or private investors, evaluate parameters such as intermodal split, customer satisfaction or safety, and security, as well as climate protection, noise abatement, and conservation of natural resources. Everyone, especially the public, views these parameters more critically today. So, stakeholders within the air-cargo business are obliged to manage sustainably.

## **Situation at Present**

Logistics companies organize the transportation chain autonomously always with the goal of optimizing their own processes and network. At the airport, however, these companies must transfer shipments physically from its own network to the consecutive logistics network (e.g., from forwarder network 1 to airline network 1). And information must flow as well. At the same time other, competing networks (forwarder 2, 3, 4 ...) transfer shipments to the same network (airline 1) even for the same departure.

They all use trucks. These trucks are heading for the same cargo terminal (of airline 1). Especially during peak times, trucks get stuck in traffic jams in front of the cargo-handling terminals. The attempt to ensure seamless transportation chains is foiled by similar and simultaneous behavior of competing logistics networks. In many cases, the handling agents do not even know in advance where a truck with what load is currently located. Consequently, they are unable to manage the situation.

## **Results**

Many big logistics hubs do not function smoothly anymore. Expensive and rare resources are spoiled, and processes are not reliable. High, but

avoidable, costs and emissions are produced. Punctuality is going down, as well as customer satisfaction.

All parties involved will have to accept the limits of individuality. Only by cooperation will these situations be avoided. Modern and intelligent management tools must be implemented. The implementation of a central traffic management with a traffic-control center could be such a tool.

**Cargo City Traffic Control Center?**

The early transfer of information by means of the CCS before the actual arrival of the shipments will help to achieve many sustainability targets. Tools such as fleet-management systems, smart phones, and telematics services could be used to organize and improve the landside traffic..

**Opportunity 1 – Central Check-In System for Truck Drivers**

Drivers of long-distance trucks are normally approaching airports without informing the designated terminal about the expected time of arrival. During peak times they simply line up in front of these terminals.

**New progress**

Drivers of long-distance trucks will be obliged to use a Central Check-In System located at the airport entrance gates or, even more innovative, at motorway service areas off airport. The CargoCity Traffic Control Center will guide the drivers on time by order of the handling agent to the designated terminal. Drivers will then be able to plan their waiting periods much better than is possible today.

**Opportunity 2 – The Pull Principle Supplants the Push Principle**

A very recent analysis showed that many trucks have to distribute shipments to several consignees during one trip. Delays during the early stages of the trip will be multiplied at the end.

One reason for this phenomenon is the shippers' tendency to send the truck without informing the receiving cargo-handling agent and forwarder respectively (the push principle). No check is done to find out the handling agent's operational readiness and the availability of the truck's designated platform before departure.

**New progress**

All trips, especially intra-airport traffic, will be coordinated by the CargoCity Traffic Control Center. Each trip will be announced at the designated terminal and actively called up by the respective handling agent for the designated ramp at the right minute (the pull principle). A truck-appointment system will be the logical result. The trucks will approach

non-stop. It may even help to utilize the capacity per truck better than today, and productivity per terminal will be improved as well. The impact on the emissions produced by trucks is very obvious.

**Conclusion**

Establishing a CargoCity Traffic Control Center presents a challenge for members of the air cargo-community at the airport. The individual companies will have to give up some degree of operational freedom in favor of the community. But the concepts of a community and a Cargo Community System will be successfully realized. Fraport is favoring such developments and is willing to support the stakeholders within the air-cargo industry.

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## Hashimoto Replaces Brooks at AA Cargo

On July 1, Kenji Hashimoto, a 14-year AA veteran, replaced Dave Brooks as president of American Airlines Cargo. Brooks, who had been with AA for 30 years and had served as president of the cargo division for 16 years, was responsible for gaining the company loyal customers through attention to customer service and relationship building. The appointment of Hashimoto, a capable leader with international expertise, signals AA's commitment to the importance of cargo.

## Chicago O'Hare to Build \$200 Million Freight Hub

In a move expected to greatly increase cargo capacity and create many jobs, Chicago O'Hare is moving ahead with the construction of a \$200 million, 78,038 sq. m freight hub. With Aeroterm contributing \$130 million, the first phase of construction is scheduled to begin in 2013, and completion is expected by 2020. Anticipating \$600 million in economic benefits for the airport (according to Chicago Mayor Rahm Emanuel) and the creation of 12,000+ temporary and permanent jobs, O'Hare has already laid the groundwork for this project with larger runways and taxiways to accommodate 747-8 cargo planes.

## TSA Announces New December 3 Deadline for 100% Cargo Screening

The deadline for the 100% screening mandate, formerly 31 December 2011, has now been set by TSA for December 3 of this year, which comes months two after TSA's and the U.S. Customs and Border Patrol's announcement of intent to move forward with their joint Air Cargo Screening pilot program. This revised deadline for 100% screening of all cargo on US-bound passenger flights includes enhanced screening for high-risk shipments as part of the risk-based, intelligence-driven approach that is integral to the Global Supply-Chain initiative recently announced by TSA. By enlisting the aid of other governments, related organizations, and industry partners, TSA aims to ensure that meeting these post-9/11 screening regulations does not hamper trade while still improving airfreight security.

## March 2013 New Opening Date for Berlin Brandenburg Airport

Formerly scheduled to begin operations June 3 of this year, the new Berlin Brandenburg Airport is now set to open 17 March 2013, according to a May 8 announcement. The supervisory board made this decision because certain safety systems remain incomplete, structural approval is still wanting, and, as a result, some trial runs and safety scenarios could not be carried out. The new airport is intended to replace and consolidate the operations of Berlin-Schönefeld Airport and Berlin Tegel Airport, with Lufthansa originally planning flights to 30 new destinations and Air France, Condor, and EasyJet planning increased flights and new routes to and from Berlin Brandenburg.

## DB Schenker Already Providing Labeling Solution for Health Care Industry

The only airfreight provider that already meets all future IATA

shipping-time requirements for temperature-sensitive medical products, DB Schenker Logistics offers a labeling procedure that integrates within their barcode the IATA Chapter 17 label. This label, which became mandatory worldwide on July 1, ensures that time-and-temperature-sensitive consignments will be accepted by airlines and will be transported in compliance with IATA regulations.

## Chapman Freeborn Again Voted Air Cargo Charter Broker of the Year

At the ACW World Air Cargo Awards 2012, Chapman Freeborn was voted, for the sixth consecutive year, Air Cargo Charter Broker of the Year in recognition of excellence and achievement in the global air-cargo industry. Noted primarily for urgent and heavy-lift cargo charter operations for freight forwarders and shippers and for responding to humanitarian crises, Chapman Freeborn continued to break new ground during the past year by opening offices in Moscow and Shanghai.

## TSA and EC Reach Historic Security Agreement

In their efforts to avoid redundancies and allocate screening resources effectively, the U.S. Transportation Security Administration and the European Commission have reached an agreement to recognize each other's cargo-security programs. This agreement aligns the organizations' cargo-security measures and helps ensure that the 35% of internationally traded goods transported by air will be shipped both securely and efficiently – without the need for additional cumbersome security measures for air carriers flying between the EU and Switzerland and the US.

## LAN and TAM Merge to Become LATAM

LAN Airlines S.A. and TAM Airlines S.A. report a successful merger agreement that combines the two businesses and creates LATAM Airlines Group S.A. With the most comprehensive network of connections and destinations in South America, the newly created LATAM Airlines Group will offer 150 passenger destinations in 22 countries and 169 cargo destinations in 27 countries.





## Keep your employees in-the-know through Workforce Florida Subsidized training.

An investment in your employees generates immediate returns, by empowering them to expand their knowledge of the air cargo industry. Take advantage of Florida State Grants through the recognized cargo training expertise of CNS.

CNS, an IATA company, in partnership with Broward College, has recently been approved by Workforce Florida to provide cargo training under a state funded grant, entitled QRT (Quick Response Training). The grant is designed to help subsidize air cargo training in the State of Florida, with the intent to help bolster international trade and export opportunities. The criteria for the grant funding is as follows:

- ✈ Training will be classroom format, “customized” and focused at the company level or open, mixed classroom courses with other companies present.
- ✈ Participants must be full-time, permanent employees, as well as Florida residents.
- ✈ The training can take place either on-site at the company’s location or at the IATA/ITDI Miami Regional Training Center at 703 Waterford Way, Miami, Florida.
- ✈ Qualified businesses include: freight forwarders, airlines, airports, ground service providers and other for profit businesses that support cargo logistics in the state of Florida.

Companies interested in participating will need to identify the specific course(s), desired training dates, location, and employees who will attend. An employee will only be eligible for one course (a maximum of \$1,000 total in subsidized funding) under the grant, as the intent is to provide training to as many individuals as possible in the next 12 months. Courses must be completed by August 2013.

Course schedules will be filling up fast. To take advantage of the training and to register your company and employees to receive the grant funding, please contact:

**Rocio Vegas at CNS: 786.413.1022 or Theresa Light at IATA: 305.779.9861.**

A full list of course offerings and further information can be found at the CNS website:  
**Cargo Network Services Corp / 703 Waterford Way, Suite 680, Miami, FL 33126  
786.413.1000 / www.cnsc.net**

Quick Response Training  
**QRT**

TSA inspectors work alongside A CBP officer inspects a cargo pallet. ACAS does not replace the usual inspection process for incoming cargo, but adds another layer of security.

Photo credit: U.S. Customs and Border Protection

# Security and Facilitation through Better Data Quality

By: Chris Kennally, Deputy Executive Director of Cargo and Conveyance Security, U.S. Customs and Border Protection Office of Field Operations

By working toward a common, mutually beneficial goal of facilitating secure and legitimate trade, U.S. Customs and Border Protection (CBP), the Transportation Security Administration (TSA), and the air-cargo industry have established a new norm in public-private partnerships. The successes of the Air Cargo Advance Screening (ACAS) initiative over the last year and half are entirely due to the cooperation and collaboration between our agencies and the various companies participating in the pilot.

The advance data required by ACAS are strengthening the security of international air-cargo shipping and helping us move from document- and inspection-based systems to a system driven by intelligence and data. However, the success of any data-based methodology relies entirely on the quality of the data being provided.

Both CBP and TSA recognize that in order to satisfy the advance-data requirements of ACAS, business processes along the supply chain will need to be changed and that those changes are not as easy as flipping a switch. But we are committed to working with you, our industry partners, to improve your data systems and the quality of your data transmissions.

Providing CBP with the best data possible is essential to effectively and efficiently increase the security of the international air-cargo supply chain. CBP has seen across-the-board data-quality improvements among the current ACAS participants. It has become clear that improved data quality earlier in the process results in better decision making by CBP and TSA and faster facilitation with fewer delays.

Working with CBP to refine your data systems is a process that takes some time, but it pays off. For example, CBP recently found that data coming from one shipping site of an ACAS partner company suddenly began containing consistent errors. CBP alerted the company about the error trends, and the company's internal review discovered that some of its employees had created a workaround to reduce their data-entry time, which had harmed the data quality. The quick heads-up from CBP enabled the company to correct the problem right away and continue to realize secure and expedited clearance.

Under the Trade Act of 2002, carriers are generally required to provide



TSA inspectors work alongside CBP officers in the National Targeting Center-Cargo as part of the ACAS program.

Photo credit: James Tourtellotte, U.S. Customs and Border Protection

data on incoming shipments no later than four hours prior to their arrival in the United States. Under the ACAS pilot, carriers voluntarily provide data to CBP prior to loading. When we receive pre-loading cargo data, we use that additional time to run the information through our targeting database, analyzing which shipments pose the highest security risks. Because the overwhelming majority of shipments represent little or no risk, getting the best data so early in the process streamlines the CBP targeting process and allows shipments to move faster to clearance.

Rapid processing is critical to business success in air-cargo shipping, and the effectiveness of ACAS depends on the quality of the data feeding the system. Work with CBP to upgrade your data systems, and you can pick up the pace of business and likely increase your profits.

Reducing delays is a common goal for all of us, and improving the quality of data transmission goes a long way toward making that happen. Getting the best quality data through ACAS means CBP and TSA can dramatically improve air-cargo security while maintaining speed and predictability for the carriers. We all benefit.

# Quality – A Forwarder Perspective

By: Laura Sanders, Vice President Operations, Lynden International

## What does quality actually mean in a forwarder (transportation) business model?

To many, quality means doing it right the first time, understanding customer requirements, maintaining accuracy, and providing a high level of consistent service. And these are performed for only one reason: quality service leads to business growth. When a forwarder consistently delivers quality service, they not only benefit from loyal customers who trust them with a high percentage of their freight business, but they also gain referrals to new customers – all of which helps the forwarder maintain consistent profitability.

The transportation industry truly has taken quality to heart over the last 10 years. Some of this is due to heavy regulatory requirements, but many companies have adopted quality measures to increase efficiency, lower costs, and improve accuracy in response to customer requests. Many forwarders have invested heavily in technology, equipment, operations, customer service, and environmental programs. Forwarders have also developed systems and metrics that show how well a company is performing.

Customers want to know that they have selected a quality company even in these challenging times. Quality companies invest in their personnel training, systems, and processes to deliver a service that is best in class. And their customers reward them with loyalty and expanded business relationships.

## How does quality transcend our day-to-day business?

A customer working with a forwarder counts on services that are structured for efficiency yet flexible enough to meet their service requirements. As forwarders, we have to be able to demonstrate that we do this every day.

At Lynden, our quality program includes regular customer surveys, as well as carrier and service partner reviews. The true test of our quality program is how well we respond to feedback and take corrective action. We expect our carriers and service partners to provide similar quality processes that meet our customer requirements.

Many products shipped by forwarders are either time sensitive, high value, or perishable. All of these require flawless execution on service, especially on-time service, and loss prevention. Over the years, forwarders have pushed carriers (air, surface, and ocean) to provide electronic freight status, freight waybills, PODs, and other information to help make the shipping process as transparent and clear as possible.

**Many products shipped by forwarders are either time sensitive, high value, or perishable. All of these require flawless execution on service, especially on-time service, and loss prevention.**

Driving excellence through quality processes and systems on a consistent basis is what customers are looking for from a forwarder.

The greatest challenge in the last 10 years has been the ongoing process changes required by forwarders through increased security measures and heightened customer demands. Government and customs regulations have required information to be electronically gathered, and customers increasingly want to track freight at the carton level to prevent shortages and, in some cases, identify damage. Increasing service levels to meet customer and government requirements, while maintaining costs, has required investment and the streamlining of processes. As a result, many of the industries that forwarders serve have come to rely on our ability to be agile with data and processes. They also rely on our knowledgeable customer-service personnel and sales personnel who are advocates and are knowledgeable in our freight and regulatory processes.

Our industry today spends increasingly more time learning customer requirements and investing in systems and processes to meet those requirements. By consistently communicating with customers to establish and measure performance and service goals, we can identify areas of nonconformance, prioritize solutions, and permanently fix problems. Customers are always looking for what differentiates one company from another. A solid quality process will make your company stand out while simultaneously providing value to your customers, thus engendering long-term customer loyalty.

But “quality” is just a word. It’s your actions that matter. Delivering quality, continuous improvement, and a great experience for your customers is the critical foundation for success.



# CARGO 2000 REPORTING PLATFORM – The Right Place, Time, and Information . . . Surely Not!

By Steve Adams, Managing Director, Linalis

Right from the start of joining the transportation sector in 1994, I realized that performance and quality management were paramount to the success of the industry, especially with respect to on-time delivery. The sector is strongly focused on process and continuous improvement in both efficiency and customer value. This starting point led me down the analytics road. For a deep understanding of the key processes is necessary to effect needed change.

Cargo 2000 (C2K), the IATA interest group, brings together major airlines, freight forwarders, ground-handling agents, trucking companies, and IT providers with the unique goal of implementing a new quality-management system for the worldwide air-cargo industry. The objective is simple: to implement processes, backed by quality standards, that are measurable and supported by data, thereby improving the efficiency of air cargo, enhancing customer-service levels, and reducing operational costs. In summary, C2K is seen as the industry reference for performance standards.

With ever growing data and new members being added to the reporting group, C2K realized that its old suite of tools for analysis and reporting had reached its limits and needed to be replaced. Eventually, C2K selected a proposal from Linalis to build a new reporting system based on Pentaho Business Analytics. This was the proposal that best met the brief for ease-of-use, self-service reporting, output in various formats, visualization of different data sources, and true scalability.

“At C2K, we are seeking to drive continuous improvement through the entire air-cargo supply chain,” says, Phillip Sims of C2K. “The powerful data analytics and self-service reporting helps us to provide better services such as the ability to offer benchmark data for members to evaluate their performance against their peers and continuously improve quality.”

The platform is now live and will shortly be available to the reporting members of C2K. Figure 1 shows an example of a dashboard from the new reporting platform that provides a snapshot of a member’s performance on airport-to-airport shipments. Similar dashboards will become available to cover all of the reported metrics.

The platform currently includes eight “private cubes,” available only to the data providers, plus eight “public cubes.” This allows the members to compare their results at a high level to all other reporting entities. These analytic cubes include all the key performance metrics currently reported to C2K. An example output of a simple drag-and-drop exercise that displays the total number of C2K shipments for a 12-month period for four airlines is shown in Figure 2. A table of figures, with end-user-calculated measures, can also be shown just as easily.

There are currently 57 companies reporting data in the C2K Reporting Platform. The growth of the number of C2K shipments reported in the platform was 8% in May 2012 over May 2011, with several members already in trial to join the reported data.

With the addition of new members, not only do the benchmarks become more valuable, but the insightful analytical reports will also be able to extend. That way, members are driven toward understanding where and how they can improve in order to be competitive with their peers in both



Figure 1 : AZA Air Waybill

quality and efficiency.

A common finding for new joiners to C2K is that, actually, they are not doing as well as they thought they were. This may lead to reluctance to join the common reporting platform, but, in itself, that is a recipe for disaster. The old adage “You improve only what you measure” becomes a false economy if what you measure isn’t accurate.

Performance management requires constant improvement. Joining the industry-standard benchmark truly allows organizations to identify what improvements need to be made and to measure their progress toward their targets. Your customers know the service quality they receive, so it’s important to know accurately yourself what you deliver to them.

Members of groups and alliances, such as Sky Team, that join are benefiting from being able to benchmark across their organization without the need for costly IT-application integration. Integrating the data through the C2K platform allows them to identify best practices and devise improvements plans.

Companies are also seeing the benefits. On joining, one member stated that it was the first time they had a reliable, global view of station performance of their operations.

Having information from both parties coming into the platform enables customers and suppliers to engage in meaningful dialogue. One member stated that their meetings with suppliers used to involve hours of data reconciliation. Now, they are able to create pin-point accurate, targeted improvement plans to jointly improve end-customer delivery.

This is all possible because C2K has been accepted as providing “the right” information. For example, in May 2012, C2K achieved its target of 99% data congruence for FWB, the electronic transfer of airway-bill data from agent to carrier. This means that the suppliers and the customers sent

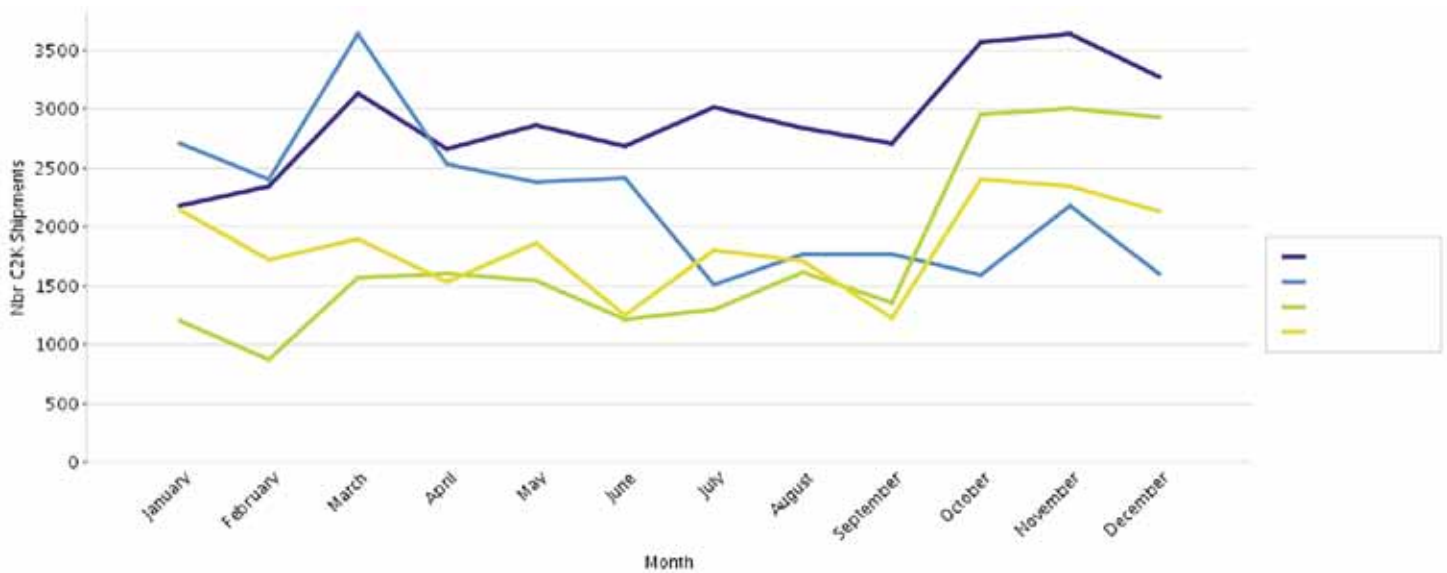


Figure 2 : C2K shipment-time series for four (unnamed) airlines

the same data to the platform, which means no need for long, drawn-out analysis in order to come to a common understanding of what the data really is. The time can be spent on analysis and planning instead.

As you may have imagined, the platform has been built with change in mind. The structure is scalable to allow new members to join and looks to the future for the addition of new analytics, dashboards, and reports. As

members familiarize themselves with the platform, we anticipate requests for deeper analytics to meet the needs of all departments interested in the depth and breadth of available key performance indicators. C2K has long been the benchmark for performance in the industry. Through its new reporting platform, it can now deliver reliable results, at the speed of the internet, to its growing membership base.

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# Working the “Q” at CASS-USA

By Michael Ludovici, Vice President, CNSC

In today's business environment it is important to focus on customer needs, provide an efficient operation and make sure all services are delivered effectively and in a timely manner. Quality plays an important role in every business process and also serves as a catalyst to effectively set organizational targets and KPIs. At CNS, the CASS-USA team takes great pride in making sure all processes come together seamlessly in terms of payment collections, accurate disbursement to carriers and providing prompt resolution to customer inquiries. Coordinating all these activities is an ongoing process and relies heavily on constant teamwork.

CASS-USA collects customer payments on a daily basis and it is everyone's responsibility to make sure each check, ACH / Fed Wire transfer received properly corresponds to the exact invoice amount in the system in order to properly apply the payment. As payments are sometimes received without proper documentation the team must intervene to correct the issue and make sure it is posted in a timely manner in order get the money deposited. All efforts are placed to make sure a payment is processed the day it arrives in order to get the funds back to the carriers as fast as possible. Failure is not an option, so if there are any items that cannot be reconciled directly with the customer, all funds are returned back to the agent for further investigation.

“Protecting the cash,” is a very familiar phrase throughout the IATA world as standard operating procedures are constantly being reviewed and updated on a regular basis in order to best strengthen controls related to settling funds. Last year CNS was responsible for clearing over \$5 Billion worth of air cargo invoices. Our 95 member carriers rely on CASS-USA to keep things running smoothly and be able to properly monitor their cash flow. There are numerous checks and balances performed on a daily basis to ensure each amount collected from an agent exactly matches what will be disbursed to the carrier.

An important value that is embraced in our organization is speed... not just getting things done fast, but providing a prompt response and resolution to a particular issue. At the end of the day, it all comes down to good old fashioned customer service, which is too often taken for granted. It can be as simple as replying to an e-mail saying, “I'm working on it,” to give assurance that the message was received and being attended. In today's world of vast technology it is sometimes more comforting to receive an actual voice on the other end of the

line instead of an automated message that only addresses a handful of questions. The CASS-USA team is available to attend to customer needs and help offer solutions. Whether assisting a customer with a billing inquiry or planning a training session, each member is well versed with the situation.

Teamwork is a critical element to delivering quality throughout any organization. Following up with customers involves gathering information, coordination with co-workers and properly communicating what needs to be done. Getting everyone onboard and up to speed with what is going on paves the way for open communication and also helps improve work performance by fostering a positive experience. Everyone's opinion and contribution to the team is welcomed as often forces one to look at things from a different angle by recommending a fresh approach. Some of the best ideas surface when someone takes a chance to ask what is on their mind at the time, and as the saying goes, the only stupid question is the one that has not been asked.

Many years ago there was an ad campaign for the Ford Motor Company that became popular among all by simply saying, “At Ford, Quality is Job #1.” The message is applicable to every industry and workplace across the globe and truly points out the importance of using every resource possible with a goal of delivering the best product or service to each customer. Without including quality as part of the whole equation, everything else just becomes another item left on the queue.



*“Protecting the cash,” is a very familiar phrase throughout the IATA world as standard operating procedures are constantly being reviewed and updated on a regular basis in order to best strengthen controls related to settling funds.*

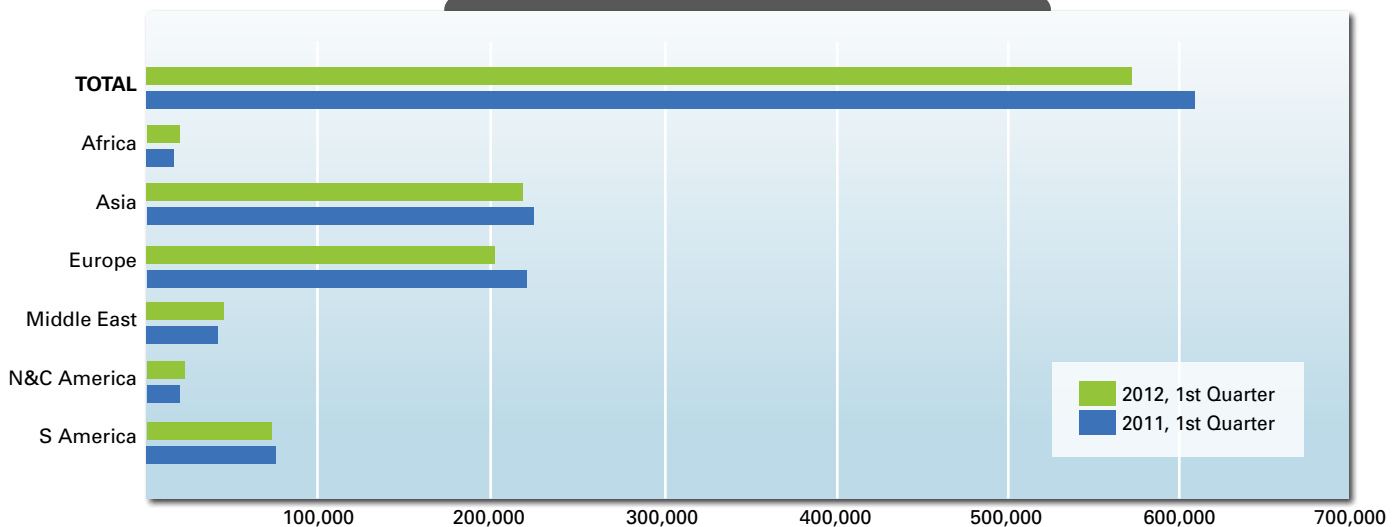
# CASS-USA Market Monitor

CASS-USA Market Monitor appears in every issue of CNS Air Cargo FOCUS. It is designed to provide an overview of the results of the most recent quarter and highlights both the year-to-date activity and monthly review of traffic originating from the USA as processed by CASS-USA. More detailed reports are available to CASS-USA Participating Carriers and CNS Endorsed Agents. Contact Michael Ludovici at Cargo Network Services at (786) 413-1000 or mludovici@cncs.us for more information.

2012 Weight in Tons		2011 Weight in Tons		2012/2011	
Region	1st Quarter	Region	1st Quarter	Region	1st Quarter
Africa	13,799	Africa	13,119	Africa	5.2%
Asia	220,810	Asia	233,646	Asia	-5.5%
Europe	202,582	Europe	222,524	Europe	-9.0%
Middle East	42,579	Middle East	40,892	Middle East	4.1%
N & C America	20,174	N & C America	17,547	N & C America	15.0%
S America	72,495	S America	78,068	S America	-7.1%
<b>Total</b>	<b>572,439</b>	<b>Total</b>	<b>605,796</b>	<b>Total</b>	<b>-5.5%</b>

2012 Shipment Count		2011 Shipment Count		2012/2011	
Region	1st Quarter	Region	1st Quarter	Region	1st Quarter
Africa	26,919	Africa	26,710	Africa	0.8%
Asia	263,621	Asia	261,647	Asia	0.8%
Europe	231,140	Europe	239,302	Europe	-3.4%
Middle East	54,083	Middle East	53,838	Middle East	0.5%
N & C America	28,035	N & C America	28,010	N & C America	0.1%
S America	72,553	S America	70,858	S America	2.4%
<b>Total</b>	<b>676,351</b>	<b>Total</b>	<b>680,365</b>	<b>Total</b>	<b>-0.6%</b>

## WEIGHT IN TONS



## March

During March, total U.S. export revenue decreased 5.1% y/y, worse than -1.3% in February, but up from -6.2% in January, versus easing but still difficult year-ago comparisons. U.S. export tonnage also decreased 5.1% y/y, worse than -2.4% in February, but up from -8.8% in January, despite a much easier +3.0% comparison. Yields were flat in March, decelerated from +1.1% and +2.8 the prior 2 months. Tonnage to Asia (representing

38.7% of tonnage) fell 4.0% y/y, down from +3.6% in February but improved from -16.1% in January. Export tonnage to Europe (representing 35.5% of tonnage) decreased 10.1% y/y in March, further decelerating from -9.8% and -6.6% the prior 2 months. Sequentially, revenue and tonnage grew fairly strongly in March (+12.3% and 11.5%, respectively), while yields grew modestly on a sequential basis (less than 1%). Overall, March

improved sequentially from February as it is generally the strongest month of the quarter seasonally, but on a consolidated basis, the first quarter still showed y/y declines in the mid-single digits for revenue and tonnage, with slightly improved yields y/y. Looking forward, we expect muted results in April, still up against difficult year-ago comparisons, and improving results throughout 2Q into improving demand and easing comps.

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