IATA
E-FREIGHT

Taking the Paper out of Cargo

Cargo business processes rely extensively on paper.

The typical international air cargo shipment can be accompanied by up to 38 documents, at an estimated cost of US$30 per shipment to process all these documents across the supply chain.
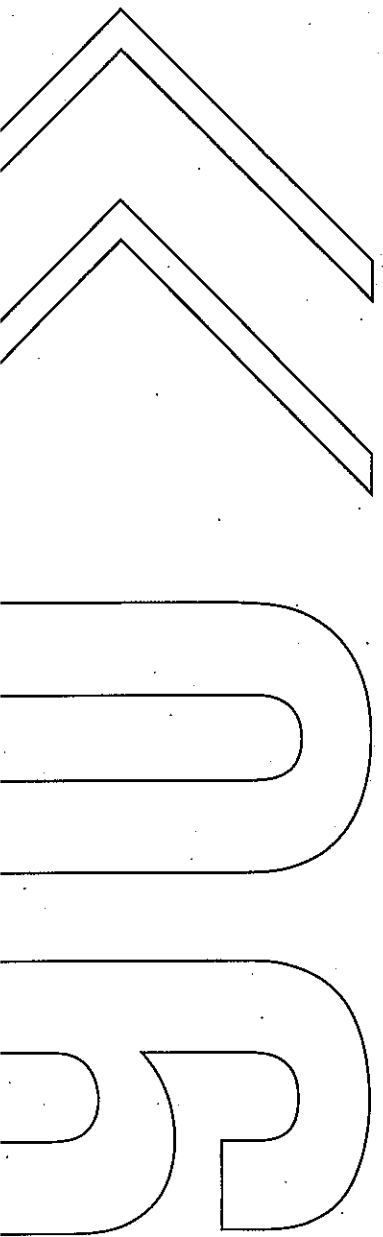
Additionally, the regulatory demands for advanced electronic air cargo information are difficult to meet using today's paper-driven processes.

The goal is to free cargo handling processes of all paper by 2010 and save the industry US$1.2 billion per year.

There is a "fast track" programme to accommodate those stakeholders who wish to go paperless by 2007.

What?

What is IATA e-freight?

IATA e-freight is designed to eliminate the need to produce and transport paper documents for air cargo shipments by moving to a more simple, industry-wide, electronic, paper-free environment. There is a clear momentum in the industry today where both global and regional initiatives are driving paperless e-trading projects.

The process of transporting freight involves different parties raising and amending documents. It involves shippers, freight forwarders, airlines, ground handlers, customs and consignees. Therefore, all these parties are involved and within the scope of IATA e-freight.

What has been done so far?

So far IATA has formed an Industry Action Group (IAG) of early adopters. It comprises FedEx, CargoLux, British Airways World Cargo, Singapore Airlines Cargo, Emirates Cargo, Lufthansa Cargo, World Customs Organization (WCO) and Freight Forward International (FFI).

Together, IATA and the IAG have identified the vision, scope, roadblocks, business processes, documents and data standards. Industry engagement and alignment is also growing and gathering momentum.

In 2006, IATA will be preparing for e-freight pilot projects on key trade routes scheduled for 2007.

Why?

Why should the industry move to a paper free cargo environment?

Air cargo is a more complex, manual and paper-based industry when compared to the passenger side of the business.

Looking to the future, a number of converging demands will make the transition to a paperless environment inevitable. These demands include customs and security requirements, competitive pressures, cost reduction imperatives, evolving business trends and improved customer service.

A paperless cargo environment is essential for the industry to reduce costs, improve efficiency, accelerate delivery of goods and improve the overall value proposition to the end customer.

What are the major benefits?

Airlines:
Reduced costs, improved data accuracy, better productivity and improved competitiveness with other modes of transport.

Shipper/Consignee:
Improved customer service and a more efficient and reliable supply chain that will enable companies to reduce standard inventory levels and significantly benefit the global economy.

Forwarders:
Reduced costs, improved productivity, improved revenue retention.

Customs:
Reduced costs, improved productivity, improved national e-commerce and enhanced security due to the ability to view electronic data in advance of shipment arrival.

Why involve international regulatory bodies?

There is a strong affiliation between IATA e-freight and initiatives being driven by different regulatory bodies (World Trade Organisation (WTO), World Customs Organisation (WCO), UN-CEFACT) that promote e-commerce and other regional initiatives such as the EU Commission's e-Customs project.

IATA and the industry can take advantage of this momentum to build a global solution that complements these undertakings.

How?

The Cargo Supply Chain has a lot of documents and no standard message available. How will IATA e-freight handle this issue?

The WCO has defined a standard data set and a message format that is needed to enable e-freight transactions.

In an e-freight environment, each stakeholder will need to supply data according to WCO principles. This can be provided directly or indirectly through a solution provider's format translator.

The IATA e-freight team is working closely with UN/CEFACT and may recommend a future industry standard data format that supports or complies with the WCO data model principles.

Do forwarding agents, shippers or carriers have to implement the WCO data model?

No, however they will have to conform to the WCO data model requirements. There is always the option to provide individual customs authorities with the data in the required format directly.

However, this is time consuming and prone to mistakes. Stakeholders can also send data via a technical solution provider where it can be reformatted to align with WCO requirements and enable full translation and transmittal in the proper format to any customs authority.

Is imaging (using scanned documents) a part of e-freight?

In the longer term, no. The WCO Single Window Concept does not provide for data transmission in an image format. The technical solution(s) being developed will cover this as the e-freight record will be based on the WCO data model.

In the short term the answer may be yes for some stakeholders and customs authorities. IATA is currently evaluating this. The key would be to reference the imaged document to a unique transport identification number. Again, this would be a temporary solution only.

Do customs authorities accept electronic customs "documentation" and, if so, what are the requirements for acceptance?

In practice, we are learning that many customs authorities already accept electronic customs data. However, there is no international standard currently in force and the nature and extent of the requirements for the acceptance of the data vary from country to country.

IATA is in the process of surveying 16 pilot countries for their status regarding acceptance and requirements and will eventually assess all countries and develop best practice guidelines.

Further, IATA will promote the WCO Single Window as a standard for the acceptance of electronic data.

Is there any opportunity to fill in the requested data for Customs authorities on-line?

Yes. It's anticipated that any/all technical solution(s) will include this option.

Is data ownership covered by IATA e-freight?

Yes. From a legal point of view - the rights to modify and/or update data are limited to the originator. IATA is investigating a legal business solution to handle special circumstances (i.e. the weight on the AWB which is entered and updated by several stakeholders).

Does e-freight have to be 100% adopted to be successful?

While achieving a 100% paper free environment is an ambitious and challenging target, it is not a prerequisite to begin reaping the benefits of e-freight. Creating a paper free infrastructure in the major markets in Asia, Europe and North America alone will provide significant value in itself.

There are also a number of smaller steps that individual stakeholders may take to take advantage of early benefits. For instance in the airline world the air waybill may be removed, and in the forwarder world scanned images may bring early benefits.

When?

When will IATA e-freight be implemented?

IATA's mandate is to deliver IATA e-freight on key trade routes with early adopters by the end of 2007 and roll it out across the industry by the end of 2010.

What is IATA's role?

IATA has taken the leading role to make e-freight a reality. IATA is driving this effort by taking the following steps:

- Mobilising the industry by setting up an Industry Action Group with a strong governance structure. It includes airlines, customs authorities, freight forwarders and international regulatory bodies

- Identifying solutions

- Piloting solutions with early adopters

- Driving full implementation by leveraging the global networks of IAG representatives

Can air carriers still enjoy the liability limits of the Warsaw Convention in a paper-free environment?

Yes, providing that the country of origin and country of destination have ratified one or both of two key treaties: Montreal Protocol No. 4 (MP4) and the Montreal Convention 1999 (MC99).

The significance of these treaties is that each includes a provision that allows air carriers to use electronic air waybills and still avail themselves of the liability limits provided under the Warsaw Convention (in the case of MP4) and the Montreal Convention.

Without the ratification of either MP4 or MC99, a written notification from air carriers, which is incorporated in the paper air waybill, is necessary in order for them to rely on the liability limits in the Warsaw Convention.

However, the country of origin and country of destination must have ratified the same treaty for the limits to apply.

IATA has surveyed the status of countries with respect to these treaties.

IATA will promote ratification of the treaties and explore, in conjunction with stake-holders, possible alternative solutions in countries where they have not been ratified.