

ICAO Meeting on Air Cargo Development in Africa

August 5, 2014 Session 1 2:00 pm

The relationship between Air Cargo and International Trade

FIATA Presentation – William Gottlieb

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Today's global buyers and sellers must be able to depend on a dynamic air cargo industry to provide logistics options, in order to truly partner within global markets.

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Those traders rely on International Freight Forwarders to navigate the many complexities, including; routing, carriers, documentation, security, customs and tracking.

I particularly like the way the ICAO Secretary General expressed the importance of our industry. "Freight Forwarders account for a large segment of all shipments transported by air, and constitute a critical element for strengthening the air cargo supply chain around the world."

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And FIATA is the international body representing this vital component of international trade. Founded almost 90 years ago, we have members from over 160 countries, and is the largest international non-governmental organization, representing service providers in international trade logistics and supply chain management in ALL modes of transport.

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FIATA represents the companies that book and make ready for carriage more than 85% of all international air cargo.

Our membership encompasses over 40,000 logistics companies, employing in excess of 40 million personnel.

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Forwarders are Logistics Professionals, as has been our calling for hundreds of years, we are engaged to plan, organize and structure the movement of goods, from point A to point B

The past sixty years have brought remarkable growth and diversity to international transport, wide-bodied jet aircraft truly revolutionized transportation, and provided the air freight forwarder, the ability to devise more and more complex supply chains, in order to meet the

demands of traders seeking improved efficiencies and lower costs ... so to enhance their competitive edge.

Traditionally, Forwarders are non-asset based, a significant benefit, as it frees the forwarder to tailor to his client's requirements the ideal mix of; trucker, warehouse and air carrier, to deliver goods as promised, and allows the industry to remain agile, and better able to withstand the inevitable swings in the global economy.

Air cargo and international trade have flourished with the proliferation of free trade agreements.

Air freight forwarders have witnessed the historical *raison d'être* of customs organizations, to protect revenue diminish, while their role in protecting society has grown, and with it, the complexities of compliance.

Clearance at first airport of entry, single window concept, electronic clearance, all provide for a smooth flow of goods, but only if the trader has engaged someone with the expertise, to ensure the required information is submitted within the prescribed timeframes, otherwise delays and non-compliance penalties result.

Transporting goods by air, requires traders to be fully compliant, with ever evolving safety and security requirements, and forwarders who opt for accreditation within our industry, must meet stringent standards of training, to insure competency.

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Today, air cargo is integral to the economic life of global trade, highlighted by the occasional disruption to the air cargo supply chain, caused by strike, conflict or weather, and the inevitable and immediate shock to supplies of fresh produce, medications, electronics and spare parts.

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Yet a recent World Bank report mentioned that Africa is home to 12% of the world's population, but it accounts for less than 1% of the global air service market. And we need to consider how the lack of sustainable air cargo services, is impacting the economic potential of the continent. What are the challenges, the issues and solutions, to make those first, and last miles of the air cargo journey, more efficient and more supportive of economic growth through international trade.

We sampled our African membership, for whom air cargo is their daily livelihood, seeking their thoughts on why the air cargo market in Africa is lagging behind, how this effects international trade, and what could be done.

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It was quickly apparent that Africa's massive cultural, economic and geographic diversity plays a significant role in the challenges facing air cargo, which are equally complex and plentiful.

The reality;

- African air cargo growth is expected to exceed the global average of 5.8%
- The continent is composed of 54 countries, that is 54 frontiers and 54 customs authorities.
- There is a low level of connectivity between each other which amplifies the administration and processes to move goods
- The trade links between countries is poor, and this is reflective in the inter-African trade volumes which are a fraction of the level of intra-regional trade enjoyed in Asia, and on other continents.
- 16 African countries are landlocked, and their transportation costs are at least 100-150% higher than those countries which have access to ocean ports

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- There is a proliferation of Non-Tariff Barriers, requiring licenses, application of quotas and other protectionist restrictions
- Hard infrastructure - roads, airports are lacking and it is difficult to estimate when anticipated upgrades will come on stream, so there is little expectation for improved facilities to yield the immediate and urgent benefits needed.
- Policy infrastructure – aviation policy related to Open Skies and 5th freedom rights, has faltered, despite the feeling that it can be accomplished at very little cost, and provide greater mobility and almost immediately yield tangible benefits.
- Language barriers
- And a chronic shortage of skilled workers

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Solutions

- The anticipated growth in air cargo volumes requires proactive public – private dialogue, and partnership, with a long term vision on infrastructure requirements, and their funding.
- With the multitude of borders, there is a need to develop regional standardization of systems and process for air cargo handling and customs formalities.
- Government and industry need to foster the growth of air cargo hub and spoke networks, as secure, efficient and competitive means to move airfreight in both intra-African trade and to international destinations
- Authorities must fight against protectionism and remove Non-Tariff Barriers to trade.

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- It is important to open up business opportunities and encourage competition and professionalism in cargo ground handling services, through privatization of services.
- Government policy must shift to the promotion of aviation service options and greater competition, by allowing fifth freedom operations.
- Human capital is key to growing the economic activity of any country, and enhancing competency through government support of public and private sector training initiatives is paramount. These include vocational training in air cargo procedures, the safe handling of dangerous goods, and ensuring the security of air cargo.

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FIATA encourages dialogue with its members on a regional basis, for Africa that is our Region Africa Middle East (RAME),

RAME holds three meetings per year and in June a field meeting was held in Victoria Falls, Zimbabwe, with attendance exceeding 200 delegates.

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Our commitment to logistics education in Africa has been ongoing since the inception of the FIATA Foundation Vocational Training in 2001. The Foundation has provided, "Train-the-Trainer" courses, without cost in Kenya, Ghana, Ethiopia and Tanzania. Over 70 trainers have been educated by the Foundation's a team of professional trainers in those countries, which lacked resources to implement a qualified training structure, on their own. The two week intensive course provided local trainers with knowledge of the profession, based on the "FIATA Minimum Standards" and teaching instruction. The Foundation working closely with the FIATA Advisory Body Vocational Training has been successful in setting up sustainable training programs offering courses leading to the FIATA Diploma in Freight Forwarding, in over a dozen African countries.

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In 2011 FIATA signed an MOU with ICAO, creating the ICAO FIATA Dangerous Goods By Air Training Program. The program is operated globally through approved training facilities, and ensures that both logistics providers and shippers, receive quality training in the safe handling of dangerous goods by air.

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I hope the discussions of today and those of this week will chart a course for sustainable air cargo development in Africa, allowing logistics providers the ability to offer a product which harnesses the speed inherent to air transport, while providing consistency, quality and reliability to exporters at competitive costs.

Infrastructure, regulation and high costs are the biggest impediments and challenges to the growth of the air freight industry in Africa

Expanding air cargo opportunities, expands the global reach of African products, and fosters economic growth to the betterment of all.

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