



Secure Freight



ICAO Regional Facilitation Workshop

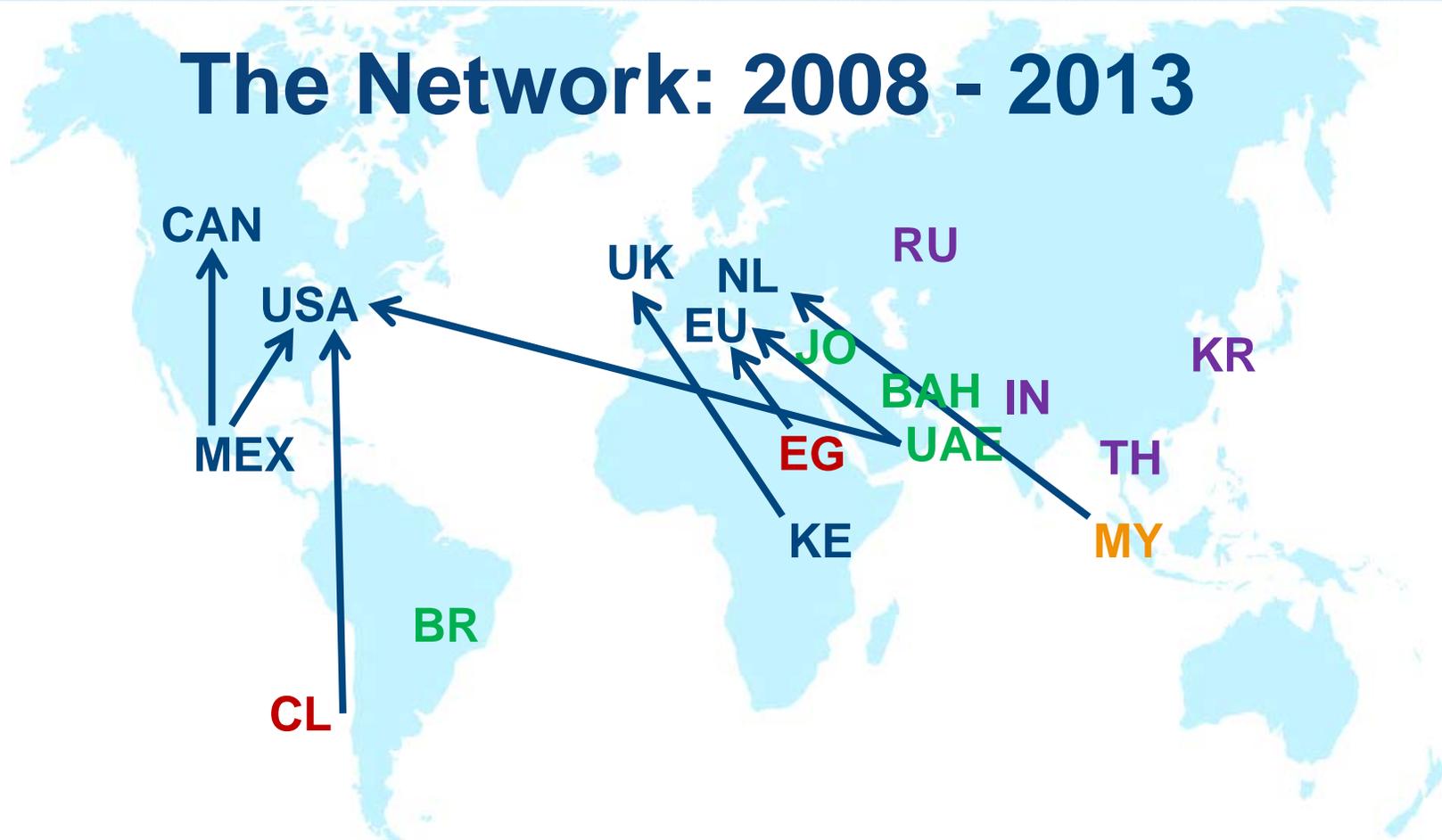
Mexico City, May 14-17th, 2013

SF Background

- **Why** - Inconsistent security regulatory environment with limited international recognition
- **When** – 2008 until today
- **Who** – IATA, CAA's, Gov. Agencies, Intl Org and Supply Chain Industry at every location
- **Mission** - Promote the implementation of global air cargo supply chain security standards and programs with regulatory support around the world in order to **facilitate safe, secure and efficient operations of air cargo**



The Network: 2008 - 2013



MY (done) **KE, MEX (2011)** **CL, EG (2012)**

UAE, JO, BAH, BR (2013) **RU, KR, TH, IN (under discussions)**

Relevance

➤ ICAO HLCAS recommendations:

- Development of an **International Capacity Building Strategy** specific to air cargo and mail security
- ICAO, States and industry should continue to focus on the provision of **coordinated security assistance using appropriate information-sharing mechanisms** for targeted assistance to Capacity Building for Air Cargo Security...

In 2013...

- IATA delivered the SF Forum, is now a member of the subgroup for Capacity Building Strategy (WGACS) and presented the Working Paper 26 during ICAO's 24th AVSEC Panel meeting



ICAO 24th AVSEC Panel

- Recognition of SF's value by the Panel
- Highlighted the importance, effectiveness and positive impact IATA have had by helping states in securing their cargo supply chain.
- Comments also encouraged other states to use this model as an option when securing their supply chains (Mexico).

Actions for ICAO include among others....

- ICAO's WGACS to design a roadmap for the recognition of cargo security regimes.
 - This could be supported by the best practices from regimes that have already gone through this process of recognition;
 - i.e. the USA and EC, and the USA and Canada
 - IATA to further explain to Secretariat on what we mean by a "roadmap for the recognition of cargo security regimes".
 - SF participant countries want to understand what needs to be done in advance for a State to recognize their cargo security programs, and what are the steps required for this to happen.



ICAO 24th AVSEC Panel

- Secretariat to Identify the similarities between the Regulated Agent and Authorized Economic Operator programs
 - on-going work at the WGACS
- WCO and ICAO to develop globally recognized standards for advance cargo information
 - work has already started and will be continued by both organizations with IATA's support, among other industry reps
- ICAO's Secretariat to develop a pamphlet or an appropriate communication piece to be distributed to states, including the list of programs and capacity building programs available for States
 - this does not imply any particular endorsement, but all assistance available shall be made visible to States.
 - AVSEC Security branch was encouraged to continue their on-going support to all SF Location from its regional offices: Cairo an example



ICAO 24th AVSEC Panel

➤ Actions for IATA include:

- SF value case study and model to be presented and shared in the next
 - Working Group on Air Cargo Security meeting (Australia, June)
 - Facilitation and Security workshops in LATAM (Mexico and Lima)
- Further support the definition of a “roadmap for the recognition of cargo security regimes” requested

What brought us here? Malaysia Case

↗ The Need

- Secure air cargo network
- Regulatory framework
- Simplified business process
- Mutual Recognition







Secure Freight's Value Proposition

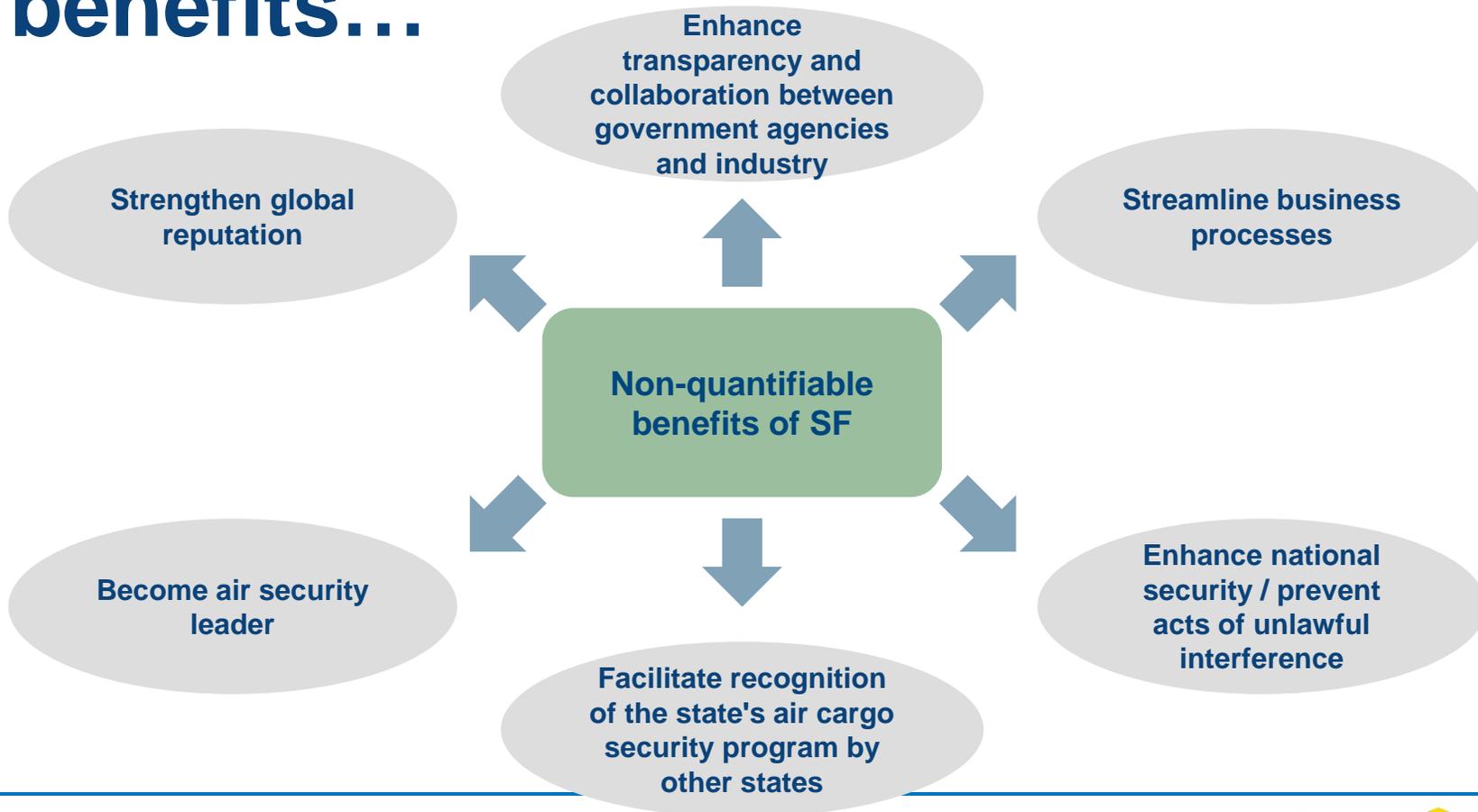
- **Enhanced national security**
 - Prevention of acts of unlawful interference
- **Economic benefits for your country**
 - Direct benefits from cost and time savings
 - More competitive
 - Indirect benefits from job creation and tax revenues



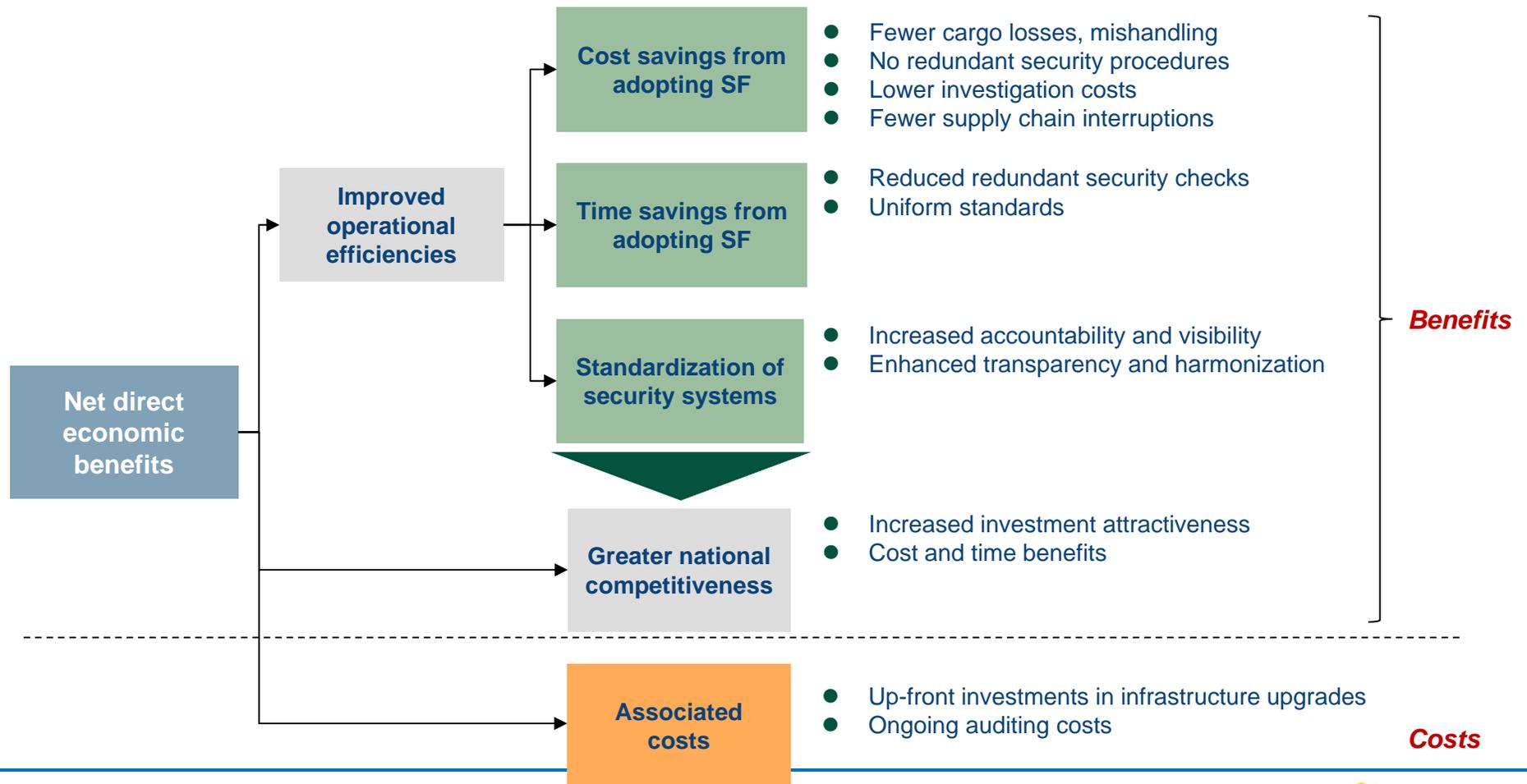
Methodology

- **Potential benefits were based on MY's experience**
 - Gather data on MY air freight market for estimating national-level potential benefits from SF
 - Conduct research on direct sources and interviews (direct pilot participants, industry association and companies in MY logistics market, government agencies)
 - Include main exports and non-high tech/ electronics industry sectors
- **Evaluation of Pilot specific impacts from SF participants**
 - Reduction/ Elimination of Cargo Loss & Mishandling
 - Increase supply chain efficiency
 - Increase collaboration and transparency of supply chain process
 - Increase country trade's competitiveness
 - Facilitation of cargo at international level (eliminate redundant sec check)

Cannot always put a money value to benefits...



Economic benefits can be quantified





Efficiency gains were material for MY...

Key assumptions	Without SF	With SF
Decreased cargo mishandling incidence	1% mishandling incidence	0.1 – 0.4% mishandling incidence
Reduced investigation costs	USD 3,000 – 7,000 per incident	60 – 90% decrease in number of incidents
Other cost savings	c. USD 3 million per ground handler per airport	c. USD 2 million per ground handler per airport
Potential increase in sales – perishable industry	n/a	5 – 10% at operating margin of 15%
Potential increase in sales – non-perishable industries	n/a	1 – 2% at operating margin of 11%



Economic benefit far outweighs cost...

Expected benefits	Units	Value of net benefits (Full implementation)	Value of net benefits (Selective implementation)
Economic benefit (GDP)	Millions of USD	400 - 700	300 – 530
- Direct industry benefit	Millions of USD	350 – 620	270 – 470
- Wages from new jobs	Millions of USD	50 – 80	30 – 60
Cumulative job creation over 5 years	Jobs	4,600 – 8,000	3,400 – 6,000
Annual incremental tax revenue for Government	Millions of USD	100 – 180	75 – 130
Estimated investment required	Millions of USD	300 – 600	c.10

Potential Benefits: Malaysia 2008-2011

“... For us the greatest challenge and also the greatest benefit of SF is that we had to sit down and write our procedures...”

Manager AVSEC, Malaysia Airports Holdings Berhad (MAHB)

“...SF helps harmonize procedures and improve supply chain efficiency. With SF, everything is smooth sailing...”

Operations & Freight Specialist, Intel, Malaysia

Potential Benefits: Malaysia 2008-2011

“... The improvement in air cargo will definitely help make Malaysia’s exporters become more competitive...”

Head of Airport Development Unit,
Ministry of Transport

“...With the better freight program and efficiency, shippers will benefit most. Shippers are facing competition from outside the country, and if they can do well in shipping, they will be able to compete better...”

Operations & Freight Specialist,
Intel, Malaysia

“... If there is greater air freight security in Malaysia, we can potentially increase export volumes by 10%. It would be like a feather in our cap if we can implement SF nationally...”

Manager (Cargo Operations Security),
MASkargo

Potential Benefits: Malaysia 2008-2011

“...Companies making for investment decisions will consider the logistics chain, and countries that have SF will stand out. For developing countries, logistics is an important factor to evaluate...”

Senior Director, The International Air Cargo Association

“...We neither bought any additional equipment, nor hire more guards. For us, SF is more about changes in procedures, and we did not see any noticeable increase in our ongoing operating costs...”

Head of Security, DHL, Malaysia

Questions & Answers

