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Cargo Network Services Corp.
703 Waterford Way, Suite 680
Miami, FL 33126

Quality and Air Cargo = Oxymoron?

By: Helmut Berchtold, Managing Partner, ADI Consult

Fast, 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.

