WORKING OVERTIME

HOW AIR CARGO IS ADAPTING TO ACAS, ELD RULES

By Nina Chamlou

It's the second day of the two-to-three business days your customer was told to expect to wait for the critical machine parts delivery. You'd promised the factory owner that the parts that would keep the production line running would arrive by Monday, and now you're starting to sweat a little.

You're based in Germany and your American customer is in the New England area. Logging into your business management software, you receive a notification that the customer has messaged you, and is worried about the status of the delivery. You had already tried to placate his fears by linking him to your track-and-trace platform, but the only information it provides is that the machine parts are "in transit." You glance at your calendar and wonder if you should have promised him his cargo would arrive no later than the Monday afternoon shift.

Little do you know that the shipment was flagged in the first leg of its journey before boarding, and missed a Lufthansa flight to New York's JFK Airport out of Frankfurt Airport yesterday. The forwarder was just notified by the airport, and the parts will now have to undergo an inspection to be cleared by security before it can be loaded onto the next flight, which could take hours or days – and that's all before it crosses the pond. Then, it will be transported to a distribution center, wait to be sorted and finally enter the correct truck, which will take it to the factory on Tuesday – meaning the production would have to be idled on Monday.

You may soon have one less customer to worry about.

The shipment being held up in this nightmare scenario came about as a result of an initiative by the U.S. Customs and Border Protection (CBP) and the Transportation Security Administration (TSA), both of which have been working with the logistics industry since 2010 to form stricter regulations for all cargo bound for the United States. After years of slow progress, the Air Cargo Advance Screening (ACAS) pilot launched in June of this year, requiring carriers entering the U.S. to provide a laundry list of information – a description of the cargo, the air waybill number, shipper and consignee names and addresses, and its quantity and weight, in order to more strictly monitor cargo originating outside of U.S. borders.

The formation of these regulations was a response to an incident in October 2010, in which two boxed-up HP laser printers from Yemen were flagged – one in England and one in the United Arab Emirates. Each was found to contain more than 300 grams of plastic explosives hidden inside their respective printer cartridge compartments – more than enough to bring down a jumbo jet.

The array of regulations that logistics players abide by affect every link in the supply chain, from air to land, and the ACAS requirements aren't the only new regulatory standards that logistics players have had to contend with this year. The industry is similarly buzzing about the federally mandated electronic logging device (ELD) now required for commercial trucks traveling for more than 100 miles. These two federal mandates went into effect six months apart – the ELD mandate in December 2017 and the pilot for the ACAS requirements in June 2018.

Such regulations are designed with the goal of ensuring the safe transportation of people and cargo, but can inadvertently make the transportation of goods a more difficult and time-consuming process. In an industry where timeliness is the bare minimum, are regulations in the North American airfreight market making it difficult for forwarders and carriers to do their jobs?

GROWING PAINS

"As an international forwarder, I have counted the number of agencies we must comply with and report to. The overlap and the sheer number of compliance processes that we are supposed to comply with are, to my way of thinking, excessive, and increasingly difficult for anyone to be fully compliant," said Brian Anderson, CEO of Anderson Cargo, a U.S.-based 3PL. Anderson listed the TSA, the U.S. Department of Transportation (DOT), the Department of Homeland Security, the Federal Aviation Administration (FAA) and the International Air Transport Association (IATA) as some examples – and the recital of acronyms didn't stop there.

ACAS is the latest addition to a growing list of regulations that firms like Anderson Cargo must comply with in order to do business. While companies knew about these requirements years in advance, the process of seeking out third parties to help facilitate the changes in companies' foundational operations continues to be a major feat for affected parties.

Carriers have until June 2019 to comply with ACAS before penalties begin to kick in. Avianca Cargo, which operates multiple routes connecting Latin America to the U.S., is gearing up for the changes, telling *Air Cargo World* it is in the final stages of selecting its IT partner and is on schedule to close any gaps before June. Like other airlines, the company is anticipating that the project will be a significant investment of time and resources.

The crux of the ACAS issue is that the air waybill (AWB) information in question must be shared hours earlier in the supply chain process and it must be in digital form. While many larger carriers and forwarders are well-equipped to handle this change, some smaller firms that still rely on paper-based AWBs are balking at the added expense of the necessary upgrades.

"Although ACAS seeks to increase the safety and security of the airfreight supply chain, it's an additional process that will require anticipation, resources, attention and control," said Carlos Arango, commercial director of Avianca Cargo.

ROAD RUCKUS

Similar to the ACAS framework, the ELD mandate sprang from an altruistic objective: to reduce the number of fatalities of truckers who fall asleep behind the wheel and crash. Truck drivers and delivery workers had the highest number of workplace fatalities in 2016 – more than any other occupation – according to data from the Bureau of Labor Statistics. ELDs are thought to address the problem by preventing drivers from falsely reporting their hours, a common practice that allows drivers to work around regulations that aim to ensure they don't drive while sleep-deprived.

The initiative was, unsurprisingly, not received well by many stakeholders in the industry. Trucking companies shuddered at the potential investment associated with contracting suppliers of the hardware and implementing usage policies for drivers.

Logistics company Hassett Express was directly affected by the mandate, having implemented the digital logging devices into its fleet of trucks prior to the deadline. CEO Michelle Halkertson said that while they are happy with their ELD hardware and service provider, the implementation process came with inevitable hiccups, like software glitches. "If it happens when they're back in the office, that's one thing,

but if they're out on the road, they need to switch to a paper log," she said, which means extra time if the company were to transpose the log electronically later.

As a result, the mandate has forced truck driving companies to extend the time they allocate for certain trips. "Because of the mandate, some of the runs that might have gotten done in a day – 500- to 600-mile [trips] – are now taking two days," said Brian Hodgson, senior vice president of product strategy at Descartes. This extra time raises the cost per trip significantly, he added.

DIGITAL ANSWERS

Companies like Descartes offer software solutions for regulations like ACAS and the ELD-mandate.

Scott Sangster, vice president of Descartes' global logistics network, weighed in on the biggest hurdles stakeholders have faced on the ACAS side. "Really, most of the challenges have been around the cooperation of the collection of data," he said. "For some of the airlines, [it] was gathering the information in a complete enough format to meet the requirements of the ACAS program in advance of physically handling that cargo or loading it onto the plane."

Descartes' platform for clients subject to ACAS rules allows them to record and send data electronically to the U.S. government for review, and receive status notifications in return like hold for inspection notices.

Roger Libby, executive vice president of corporate public policy at DHL, spoke to *Air Cargo World* about the logistics giant's role in the development of the ACAS program, which began the week after the October 2010 Yemen incident.

Libby said that the process of forming the standards was a "co-creation" between the government and DHL, among other forwarders. "Companies that did not get engaged – and this is both express and freight forwarders who did not participate in the pilot – run the risk of having to catch up quickly. It could affect some companies out there," he said, but emphasized that unlike other regulatory mandates, which are often viewed as unnecessary impositions, many industry players see these requirements as good standard practice.

In essence, gathering the data for the U.S. government means an extra step that falls in the lap of the carrier, sometimes in the lap of the forwarder, that was not required previously. And if the data is not complete or in the correct format, or indicates a high-risk item, then the cargo could be flagged for additional screening – which could be the make or break of whether your customer's machine parts will arrive on time.

THE PUSH TOWARD DIGITALIZATION

The push toward digitalization in the logistics industry has emerged as a theme in the media. But taking the knotted nature of the supply chain into account, it has prompted many to wonder how the industry as a whole should approach implementing digital processes that promote cross-supply chain communication, with so many different SaaS firms competing for companies' business.

A digital reality may be coming to fruition by necessity, rather than by volition. While both the ACAS requirements and the ELD mandate were born in the name of safety and security enhancement, both of them, by proxy, require stakeholders to comply with digital processes, which strongly encourages them to embrace digitalized processes internally, as well.

While those affected by both the ELD mandate and the ACAS requirements have experienced and continue to experience growing pains associated with adapting to digital processes, and are likely reeling from the cost of initial investments in hardware and software, in the long run, the software could significantly optimize operations. Digitalization makes data exchange faster, lowers costs and, ultimately, gets cargo where it needs to go faster than was possible with traditional paper-based processes.

Beyond logging hours, many ELD devices are able to collect data like a truck's GPS-location, temperature and current traffic. "Collecting data lets them know where [a shipment] is at a certain time," Hodgson said, giving companies more accurate ETAs, which is useful, especially if it's projected to be late. In that case, companies are enabled to react to these factors. "Getting that visibility certainly helps plan better."

Halkertson's ELD provider allows Hassett Express to collect data like Hodgson describes above. "I firmly believe that if you're going to invest in these devices… leverage their uses," she said, naming GPS-tracking, communication features and accident-data as some of the elements they looked at when selecting their ELD vendor.

Regarding ACAS, requiring carriers to submit data electronically about their shipments to the U.S. government forces companies to embrace digital processes, which are less time-consuming and eliminate paper-based issues, like duplication.

While companies configure new hardware and software to meet these new regulations, there may be some delays and extra costs to grapple with in the meantime. "Really, the impacts are the changes to the business process," Sangster said. "There is a collaboration factor that has to happen between the forwarders and the airlines if they're going to file jointly and there is obviously a potential impact on the business for cargo not flying as planned or booked because there's a hold for inspection or other requirements."

After a period of adjustment, however, such mandates could help finally kick the digitalization of the industry into action. Perhaps the mandate of digital submissions of data to the government is a blessing in disguise.

Once data are being managed digitally, it is able to be utilized to promote better communication and supply chain visibility internally, as well as with customers and business partners. It also opens up a world of more accurate data forecasting and risk management, which means companies will be able to make better-informed decisions.

Perhaps next year, when you receive a desperate message from a customer, you'll be able to guarantee with more certainty that they will receive those critical machine parts before the production line most be shut down.

Now all that's left for the industry to do is figure out how to digitalize operations while keeping the supply chain engine running smoothly.

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