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A new deal for air cargo
The existing structure of air freight tariffs is out-dated, in the view of Munir Abu Haidar, president and chairman of Trans Mediterranean Airways (TMA), the Lebanese all-cargo airline. At the recent International Air Transport Association annual general meeting in Honolulu he made some constructive proposals for a radical overhaul of the system. His proposals would, he suggested, suit both the scheduled airlines and their customers, and help to compete with charter cargo carriers. Extracts from his paper are reproduced below.

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HE MOST FUNDAMENTAL PROBLEM which today faces the
scheduled airlines who are members of the Inter-
national Air Transport Association is the fact that
we have allowed ourselves to be overtaken by the changing nature of our markets and the changing needs and expecta-tions of our customers. Perhaps I should add that the lata community has tried, sometimes not unsuccessfully, to follow and catch up with the requirements of our changing markets.
There is hardly anything more important in the inter-action between airline and customers than the price mechanism. The rate structure forms the common denominator between the supply as well as the demand functions. The rate structure is the instrument that pro-motes cargo on regular services, and the rate structure is again the instrument of promoting economic air services to both the public and the airlines, at present and for the future.

The previous criteria, upon which the present cargo rate structure was based, have changed so radically and so quickly that a new rating philosophy is required which is capable of accommodating the new requirements of the markets and the economic viability of the air cargo industry.
What kind of rate structure do we really need in our changing markets? Before I go any further and describe a modern cargo rate structure, I would like to examine briefly the present rate structure and list what, in my opinion, are its main weaknesses.
The original factors behind the present cargo rate structure were: (1) Comparatively slow aircraft, with small belly capacity; (2) High cost of operation of the aircraft then used; (3) Very limited, if any, all-cargo regular flights;
(4) Comparatively limited international trade.
Given these conditions, it was only natural that the industry ended up with, a rate structure that considered 45kg as a large volume of freight; and that silk night-gowns should pay more for their transport than empty cotton bikinis. The industry was promoting air freight for a small cargo capacity that was left unfilled by passenger luggage and express mail.
In time, with the progress of aviation and with aircraft bellies getting bigger, the rate structure was developed to include general cargo rates with weightbreaks in many areas, and without them in other areas; there were thousands of specific commodity rates, pallet rates and rebated rates for cargo in containers.
This rate structure is very complicated to say the least; it is often very difficult for an airline expert, let alone a shipper, to determine the rate applicable to a consignment. The component parts of the rate structure do not supple-ment each other; on the contrary, they compete with each other in many instances, such as the specific commodity rates and the bulk unit load device system.
Specific commodities that were allocated very low rates, to encourage their carriage by air and to supplement the revenue derived from general cargo, have become the main bulk of cargo carried, and have consequently depressed yields to an uneconomic level.
The preparation, accounting and handling of thousands of air waybills under this rate structure has increased the airlines' accounting, administrative .and traffic costs out of proportion to the revenue generated. The non-scheduled operators have taken advantage of this inconsistent and

rigid structure to get away with the lucrative cost-saving large-volume shipments.
The development in international trade, the size of all-cargo aircraft, the increasing number of all-cargo scheduled services and the advent of large below-deck capacities have so radically changed the criteria behind the present rate structure that a new philosophy is required. A new rate structure should emanate from the present state of world commerce and technology and be geared to, and cater for, the future . development and promotion of regular and economic air cargo.

Promoting traffic
The rate structure for the future should be based on, and cater for, the following requirements: (1) To promote carriage by air in the shipping patterns of international trade, for both urgent and not-so-urgent freight; (2) To promote large consignments of freight in order to fill the increasing capacity of all-cargo services, to save on ground handling and compete adequately with charter operators;
(3) To safeguard the interest of under-deck capacity on conventional aircraft; (4) To promote adequately the large under-deck cargo capacity of wide-bodied aircraft; (5) To relate density to weight; (6) To simplify the rate structure in order to save on administrative costs; and (7) To regulate equitably the relationship between the industry and for-warding agents.
The theory that only urgent valuable cargo moves by air should no longer apply, and the industry must make every effort possible to ensure that it does not. The industry-must, as a fundamental basis of its philosophy, cater for and promote both urgent and less-urgent cargo.
The policy makers in the movement of cargo are really interested in two factors in making their decision on the means of transport to be used: the transport cost, and the speed of delivery. Sea transport is invariably used for slow speed and low cost. With varying speeds of delivery and higher costs, a combination of sea, rail, truck or air is used. There is no doubt that the cost of transport should be directly related to the speed of delivery. The most logical rate structure is, therefore, a rate structure in which the speed of delivery is the first element in the cost.
As the airlines are interested in large volumes of freight to fill all their big cargo-jet flights and large under-deck capacity, it is again natural to include quantity as another element in the rate structure.
These two requirements, speed and quantity, must therefore form the focal points of a new rate structure. If this logic is valid, and I am convinced it is, then the procedure to follow is, first, to divide cargo into speed categories, and I suggest three categories: express, regular and stand-by.
The second step, obviously, would be to inject the volume requirement, or weightbreaks, into each of these categories. Two additional factors are of material importance and should be given consideration in rate-making. As long as density of cargo still affects the payload, on present-day aircraft, an appropriate weight/volume ratio should be established. The present ratio of 7m3

to a tonne should
be more reasonable.

The new rate should also recognise the cost-saving to the airline of the "ready-for-carriage" cargo.
Bearing in mind these four criteria—speed, quantity,