The Blurred Lines of Responsibility in Air Cargo Customer Service
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1. INTRODUCTION

Many transportation service providers have long recognized the importance of customer service. For many others, however, customer service has traditionally been a small concern. The recent trend is a growing emphasis on the competitive advantages that superior customer service can provide. Many shipping networks rely on multiple organizations, each with a different attitude toward customer service and each with a different level of customer service.

What exactly is meant by “the blurred lines of responsibility”? This paper focuses on Manitoba, and shippers that use air cargo to move goods to or from Manitoba. Shippers are concerned with the service level provided by the carrier being used – an airline or courier. However, there is usually some form of truck transportation to and from the airport. What about the trucking company’s customer service level? Sometimes ground handling is done by a separate contracted company. What about their customer service level? If the shipment is passing through Customs, does their level of customer service have an impact? Did the shipper use a freight forwarder? What about the airport as a whole? Do they have a role in the overall customer service picture? Certainly the level of customer service offered by airport service providers (such as airlines and ground handlers) reflects upon the airport. To the shipper, the lines are blurred as to who is ultimately responsible for establishing the customer service level.

2. BACKGROUND

In recent years, Winnipeg International Airport (YWG) has become an increasingly important hub for air cargo activity, particularly for couriers and integrators. In the 1990s, Purolator Courier and Federal Express made multi-million dollar investments in sorting facilities at YWG. More recently, United Parcel Service (UPS) initiated direct cargo service between Winnipeg and Omaha. Winnipeg’s 24-hour operations, excellent flying weather, uncongested conditions and central location are attractive for companies, like the integrators, who specialize in delivering time-sensitive goods.

There have been other global trends, such as the increase in value-added manufacturing and the growth of e-commerce, that have led to greater use of air cargo. In general, the higher the value of a product relative to its weight, and the shorter the lead time between order placement and final delivery, the more likely it is to be shipped via air cargo.

The emphasis of this paper is transborder air cargo service at Winnipeg International Airport, with a secondary analysis of domestic and international service. The concluding section of this paper reviews some of the issues and problems arising from the analysis, but stops short of proposing solutions, a task beyond the scope of the study.

This paper presents the findings of one component of a larger study that analyzed the volume of trade between Manitoba and the United States, and between Manitoba and Mexico. This focus here is on the qualitative results of the study, assessing the findings of a survey of Manitoba shippers.
The survey requested information about air cargo usage, commodities, the service level of air cargo in Winnipeg, international air freight issues, market information, and brand-name opinions regarding freight forwarders and cargo airlines. A total of 24 companies that ship air freight were contacted with 22 taking part in the survey for a relatively high participation rate of 91.7%.

3. SURVEY RESULTS

The companies represented a diverse set of Manitoba industries, representative of the top import and export commodities. The industry breakdown is as follows:

<table>
<thead>
<tr>
<th>Company Type</th>
<th>Responses</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>5</td>
<td>22.7%</td>
</tr>
<tr>
<td>Electronics</td>
<td>5</td>
<td>22.7%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>18.2%</td>
</tr>
<tr>
<td>Paper</td>
<td>3</td>
<td>13.6%</td>
</tr>
<tr>
<td>Steel</td>
<td>2</td>
<td>9.1%</td>
</tr>
<tr>
<td>Plastic</td>
<td>1</td>
<td>4.5%</td>
</tr>
<tr>
<td>Garment</td>
<td>1</td>
<td>4.5%</td>
</tr>
<tr>
<td>Rubber</td>
<td>1</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

The companies indicated that time constraints were the single most important reason that air cargo was the chosen mode of transport. Over two-thirds of the total responses cited time as the main reason air shipping was chosen. Other reasons mentioned included the cost of air transport relative to the service provided, and safety.

Given that time was such an important factor in the decision to ship goods by air, it was not surprising that the top ranked positive feature about air cargo service at Winnipeg International Airport was also speed. Both the first and second most common features for the airport are speed-related. The positive attitude of shippers toward the airport’s speed of service is a good feature for marketing cargo services at Winnipeg International Airport. The remaining features are more representative of the advantages that Winnipeg holds over other centres: location, access to carriers, reliability and good service.

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1 This information was discovered in the first component of the larger study, which identified air cargo flows to and from Manitoba by commodity.

2 It is important to note the difference between total responses and total respondents. While there were 22 respondents, they were encouraged to give multiple responses where applicable. Therefore, the total number of responses – used throughout the study – is not always equal to the number of respondents, nor is it the same value from question to question.
The companies also identified some negative features for Winnipeg’s air cargo service. Issues related to cargo space and flight frequency were the most often mentioned negative features, followed by customs issues and the high cost of air cargo shipping in Winnipeg. High cost and customs delays are not unique to Winnipeg but are common to the nature of air cargo.³

Overall, cargo service at Winnipeg International Airport received an average rating of 3.27 out of 5.00. While 3.0 was the most frequent response, more respondents gave service at YWG a rating of 4.0 or 5.0 than gave it a 0.0 or 1.0 or 2.0.

The company respondents were also asked about barriers to shipping by air between Manitoba and the US, Manitoba and Mexico, and Manitoba and overseas. The most frequent response in each case, again, related to customs issues.

³ One company also identified fast customs service as a positive quality of Winnipeg’s airport. This company works in the global market and many of their shipments pass through customs in Toronto or Vancouver, where customs clearance can take longer than in Winnipeg. Therefore, Winnipeg seems fast in comparison. This company also put slow customs service on their negatives list because of customs delays at airports in general.
Problems with customs accounted for nearly half of all responses regarding barriers to shipping by air to the US. Respondents also indicated that if expedited customs service or cargo pre-clearance were implemented, more cargo would be shipped by air given that it would then be both easier and faster than surface transport. Presently, due to customs delays associated with air cargo transportation, it can be as efficient to truck goods to Denver, Minneapolis, or Chicago, despite direct air access to these markets from Winnipeg. Some companies indicated that they could increase their own competitiveness with a better ability to ship quickly and easily to the US.

The other top barriers to shipping to the US by air included a lack of local air cargo competition, a lack of desired flights, and excessive documentation (each with 12.1%). Some of these barriers would be positively affected if significant changes to customs clearance were to take place as well. Only 6.1% of responses indicated that there were no discernible barriers to shipping by air to the US.

Because fewer companies ship to Mexico, fewer companies responded regarding barriers to shipping by air to Mexico. Half of the responses named customs issues as a barrier. The Mexican customs bureau was criticized by one respondent as being archaic and overloaded. Respondents indicated their desire for a new customs agreement between Canada and Mexico to improve the flow of goods between the two nations. The companies that claimed to have no problems shipping to Mexico are, in general, rare cases with special customs agreements because of the comparatively large size of the companies and their shipments.

For overseas shipping by air, customs issues were still the most frequently mentioned barrier, but were less significant than it was for shipping within North America, accounting for 30.0% of responses.

The next most significant barrier to shipping by air overseas was the limited cargo space out of Winnipeg (20.0%). Also mentioned were the lack of desired flights, excessive documentation and poor infrastructure, all at 10.0%.

In total, almost 40% of responses regarding barriers to international shipping were customs-related (incorporating responses for the US, Mexico and overseas). Other frequently cited barriers were limited cargo space, the lack of desired flights and excessive documentation.

<table>
<thead>
<tr>
<th>Barriers to International Shipping</th>
<th>Responses</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>23</td>
<td>39.0%</td>
</tr>
<tr>
<td>Limited Space</td>
<td>7</td>
<td>11.9%</td>
</tr>
<tr>
<td>Few Desired Flights</td>
<td>7</td>
<td>11.9%</td>
</tr>
<tr>
<td>Documentation</td>
<td>6</td>
<td>10.2%</td>
</tr>
<tr>
<td>None</td>
<td>5</td>
<td>8.5%</td>
</tr>
<tr>
<td>No Competition</td>
<td>4</td>
<td>6.8%</td>
</tr>
<tr>
<td>Poor Infrastructure</td>
<td>3</td>
<td>5.1%</td>
</tr>
<tr>
<td>No Heavy Lift</td>
<td>2</td>
<td>3.4%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Most interesting to note at this juncture, is the fact that the survey has only asked for opinions on air cargo service at Winnipeg International Airport. To this point, no mention has been made about airlines or freight forwarders. The

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4 However, more than half—in fact almost two-thirds at 14 out of 22 respondents—identified customs as a barrier. Again, the figures in the text refer to the proportion of total responses given. There were 33 total responses for this question.

5 For example, a particular shipment would only be allowed to enter the country if it were carefully boxed with high quality wood. At the customs station, the packing wood was then incinerated because foreign lumber was not allowed to enter the country. Non-tariff barriers are significant problems in some countries and discourage international trade.
perceived impediments are noted as pertaining to the airport, regardless of which company or organization is responsible for setting policies and ensuring customer service.

The survey next asked companies about their own use of freight forwarding services. The vast majority of the companies, 86.4%, used a freight forwarder. When asked why the company chose to use the services of a freight forwarder, a wide variety of responses were elicited. The top reasons for using freight forwarders were because of convenience (26.1% of responses) and because forwarders could negotiate better rates from carriers than the shipper could on their own (21.7% of responses). Other significant responses were that forwarders can expedite paperwork (17.4% of responses) and ensure delivery to the final destination (13.0% of responses), a task that airlines carrying air cargo do not perform (with the notable exception of the integrators who do offer door-to-door service). In some cases, the shippers’ customers—the end recipients—were responsible for selecting the freight forwarder. In essence, freight forwarders helped some companies to alleviate perceived customer service problems associated with other organizations.

The companies surveyed used an extremely wide selection of freight forwarders. Of those forwarders used by more than one participating company, the most frequently utilized were GeoLogistics (16.1% of respondents) and Kuehne and Nagel International (9.7% of respondents). Other forwarders used by more than one respondent were Emery, Schenker, Cole and BAX Global.

Companies also named their most frequently used cargo airlines. Air Canada was the most widely used airline, followed closely by Federal Express. A number of other carriers were named as well, but in smaller proportions, including Purolator Courier, United Parcel Service, Canadian Airlines and Fast Air Cargo.\(^6\)

\[\text{Preferred Airlines}\]

- Air Canada: 28.6%
- FedEx: 21.4%
- Purolator: 9.5%
- UPS: 11.9%
- Other: 14.3%
- Canadian: 9.5%
- Northwest: 2.4%
- Fast Air: 2.4%

Although Air Canada is the most preferred carrier in terms of usage, Federal Express and Purolator Courier received better ratings by the companies. Even among those that preferred Air Canada as a carrier did not rate it very well (compared with FedEx and Purolator) because of bumped shipments, a lack of guaranteed cargo space, and a “non-courier frame of mind”, meaning that although they do move cargo from city to city, they do not offer door to door service or verification of delivery. FedEx, on the other hand, was commended for delivering quickly, offering

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\(^6\) Companies were asked to name their overall first choice airline as well as others that the company prefers to deal with. Air Canada was the first choice of 45% of respondents.
guaranteed service, and enabling shippers to track packages throughout the process. FedEx was rated the highest among the cargo carriers (although carriers receiving fewer than three responses were omitted from this analysis).7

4. THE BLURRED LINES OF CUSTOMER SERVICE

Perhaps the most telling part of this study is when respondents were asked to identify the positive and negative features of air cargo service at Winnipeg International Airport. These are the views of airport users on the customer service level they receive, regardless of who is actually providing the service.

To recall, the positive features were speed, quality of service, location, reliability, and competition, while the negative features were the high cost, limits on flights and space, lack of heavy lift, bumped shipments, customs problems, lack of international service and few carrier choices. Examining these elements of customer service individually reveals that many parties play a part in the overall customer satisfaction equation, and that it is difficult in many cases to assign customer service responsibility to any one participant in the transportation chain.

For example, time and speed are factors that are spread among several parties. Airlines, of course, play an important role in covering the most distance for air cargo movements, but that speed is meaningless if the cargo is forced to spend too many hours – or even days – delayed on the ground. Responsibility there could lie with the airline, but could also lie with a ground handling company, trucking company, local courier, or even customs offices. In any event, for air cargo service at Winnipeg International, the parties are fulfilling their customers’ expectations, as survey respondents praised speed as one of the positive features and did not name delays at the airport as a negative feature.

Cost of air cargo service is another example illustrating the blurred lines of responsibility. Exacerbating the situation in this case is the added influence in recent months of escalating fuel prices. This impacts both air carriers and trucking firms. However, airport fees and charges may also play a role, in addition to duties, taxes and freight forwarder fees. Shippers in this study found the cost of shipping by air to be high, but also expressed the sentiment that good value was generally received for that expense.

Rather than blurred lines of responsibility, all participants should share accountability with respect to safety. However, when multiple parties are involved, it can be difficult to separate out responsibility. Safety and security of a piece of cargo is perhaps most closely tied to the legal responsibilities mentioned later in this section.

Respondents also discussed the location of Winnipeg International Airport. This is certain not something that can be altered in terms of achieving customer satisfaction. However, the location is clearly one of the airport’s strategic advantages in terms of cargo operations, as it is only minutes from Winnipeg’s central business district.

It is difficult to assign responsibility with respect to the perception that Winnipeg offers too few carriers and suffers from a lack of competition. These problems are largely due to the nature of Winnipeg’s air cargo market. It is limited in size and there may not be room in the market for more carriers to enter and operate at a profit. Blame cannot be laid on carriers who choose not to serve a market for business reasons, nor can it be laid upon existing carriers. The airport itself has to balance the needs of the shippers, who, according to this study, desire more choice among carriers, with the desires of its existing base of carriers, who may not want to see competition that will affect their own profitability in Winnipeg.

7 A parallel study of freight forwarders – essentially targeting the same information – found that the top rated airlines serving Winnipeg were Royal Air Cargo and Federal Express. However, the preferred airline of the freight forwarders, by a wide margin, was KLM.
To a certain extent, the same comments apply to the issues of a lack of cargo space, too few cargo flights, inadequate flight frequency, and lack of heavy lift capability. These are also partly a function of the Winnipeg air cargo market. Again, it is difficult to blame the existing carriers for taking advantage, where possible, of economies of vehicle size and density. It makes economic sense to deploy larger aircraft in larger markets, particularly for combination carriers such as Air Canada. No airline will increase aircraft gauge or flight frequency unless it is financially viable. Customer service, while important, is not enough to justify such changes. However, there are opportunities for parties to work together to resolve issues such as these, provided that all are willing to reach a compromise.

Of course, it can also be difficult to assign responsibility for positive service features. For example, respondents discussed the reliability and “good service” offered by the Winnipeg air cargo industry. This is certainly a collaboration of all the players in the industry.

Another matter is regulatory issues, primarily made up of concerns relating to customs and documentation, but also including issues such as cargo pre-clearance and bilateral rights. It is somewhat easier to assign responsibility for customer service here, as these regulations are usually the domain of federal governments. However, it may be unfair to assume that these problems – as perceived by shippers – are unnecessary. For example, customs regulations exist for a variety of reasons, ranging from protecting domestic manufacturers to restricting the entry of dangerous or illegal goods. The industry is pressing for changes, but often in different directions.

For the shipper, the question remains: who is ultimately responsible? In some cases the answer may be easier than in others. For example, if a shipper is using a courier or integrator, that company generally takes responsibility for the shipment from pick-up to delivery. If the shipper has a customer service issue, it can be taken up with the courier. Similarly, if a shipper uses the services of a freight forwarder, that forwarder may accept responsibility for ensuring customer service from pick-up to delivery. This is made more difficult for forwarders than for courier-express companies because freight forwarders rarely use their own equipment or personnel to move goods. Forwarders rely on the customer service level of contracted carriers. So even if a forwarder assures the shipper of adequate customer service, who is responsible for customer service in the forwarder’s eye? The forwarder can use companies that have a good record, but this may not always be possible, nor is the customer service level entirely within the forwarder’s control. If the contracted company makes an error, should the forwarder take responsibility in the eyes of their customer? Or should the forwarder claim innocence, passing on responsibility to the contracted carrier? Which scenario has the least negative impact on the existing relationship with the shipper?

There are, of course, points where legal responsibility and liability change hands. However, this does not always correspond with the shipper’s perspective of who is responsible. It is that perception – accurate or not – that can have an impact on how shippers, and even the public, view some service providers. For example, a forwarder may contract a shipment with both an airline and a trucking company to move a piece of cargo. The trucking company may damage the cargo, and is legally liable for the damages. However, the shipper knows that the cargo was sent via air freight through a freight forwarder, and is more likely – instinctively at least – to blame the forwarder or an airline. This is unfair to both, but they cannot ignore a customer service complaint. Alternatively, consider an airline damaging a piece of cargo in transit, or bumping it to a later flight. If a shipper is picking it up at the airport, there can be the perception that the airport is somehow responsible for the damage or untimeliness.

Companies and freight forwarders want improved service. So what does improved service mean? The survey results point to a few key factors. First, in the opinions of the respondents, there are simply not enough flights with enough air cargo space serving Winnipeg International Airport at present. Also important is the lack of ability of the current service providers in Winnipeg to handle heavy-lift cargo or oversized cargo. Of course, it is difficult to balance both of these problems. Increased frequency is usually a trade-off for decreased aircraft size and vice versa. However, shippers and forwarders have indicated the desire for increased frequency of flights to key Canadian and US
markets\textsuperscript{8} and the addition of wide body aircraft to Winnipeg’s air cargo community. Some respondents also indicated a desire for greater competition among carriers in Winnipeg, ideally leading to lower rates. This is an issue that is constantly being addressed, as evidenced by the recent entry of UPS to Winnipeg’s transborder service. Survey respondents also identified customs clearance issues and the high cost of shipping by air as problems. Governments continue to address and refine international transportation regulations. Holding fuel prices constant, the cost of shipping by air is decreasing, making more goods eligible for air freight.

5. CONCLUSIONS

This paper finds that there is overall satisfaction with air cargo service at Winnipeg International Airport. However, there is clearly room for improvement with a rating of 3.27 out of 5.00. There is also a corresponding desire for better service among the users of air freight services.

As mentioned, this paper suggests no solutions to the issue of air cargo responsibility, and indeed, there may not be any simple solutions. However, there are certainly trends in the air cargo industry that may lessen the importance of this issue altogether. Continued growth and expansion of the integrators/couriers, including the takeover of trucking companies and freight forwarders, ensures that these firms will have a greater degree of control over the pieces of cargo entrusted to them. Increasing consolidation in the freight forwarding industry means that there will be fewer forwarders, but that they will be larger, have greater reach and should be able to exert more control over shipments. New players, such as privatized national post offices are also changing the air cargo landscape. Even strategic partnerships between rivals are not uncommon anymore. As much as the lines of responsibility are blurred, the lines separating airlines from integrators, forwarders and post offices are becoming just as blurred. However, the latter blurring may have a positive impact on the former.

It is important to monitor trends, to revisit the data regularly and to maintain contact with shippers and forwarders, as the results of this study are dynamic. Both the actual cargo volumes and the issues raised by shippers will change over time and should be monitored to ensure that positive changes are being made.

\textsuperscript{8} These findings are detailed in the full study. Specific domestic markets identified in the study as showing promise for new and/or improved air cargo service are (in order of importance) Toronto, Montreal, Vancouver and Calgary. US markets identified by both the data and the survey analysis included (in order of importance) Los Angeles, Dallas - Fort Worth, Minneapolis - St. Paul and Chicago.
Interesting article from today's Journal of Commerce, right along the lines of what we're saying. Maybe we should state (in the presentation) that although we don't suggest any solutions, this group does.

Euro shipper group, Cargo 2000 move toward quality pact
Updated 10:29 a.m. ET, Mon Feb 26, 2001
BY WILLIAM ARBRUSTER JoC ONLINE
The European Shippers Council and Cargo 2000, a group of airlines and airfreight forwarders, are taking the first steps towards creating new global standard for customers to measure the performance of their air cargo suppliers.
"For the first time, we have an opportunity for customers and suppliers to not only sit down and discuss their requirements but to work towards producing a single industry standard that could ultimately be adopted globally," said Chris Welsh, secretary general of the shippers' council. "This is a significant step towards helping create a quality benchmark for the airfreight industry based around what shippers want from their suppliers," he added. The shippers' council has been using a set of "key performance indicators" and best practices for the airfreight industry for the past two years. The plan is to combine these with the master operating plan developed by Cargo 2000. "Our goal is the same and we can move this process forward at a much faster rate by working together," said Ron Cesana, project director of Cargo 2000. "Ultimately, we hope to develop a new single standard that will be applied by the global air cargo industry and other international shippers councils.
Peter Gatti, vice president-international of the National Industrial Transportation League, the largest U.S. shipper organization, said it has supported the key performance indicators. "From every standpoint it makes sense," he said. As for future involvement, he said, "We'd like to get a better understanding of what's involved."
Gatti said Cargo 2000 began in part because shippers were concerned about the lack of interaction with carriers. The group, now consisting of 30 airlines and forwarders, sputtered a couple years ago, but has become far more active since the appointment of Cesana last year.
Cargo 2000 and ESC will continue their discussions during the council's next membership meeting Apr. 3. Cargo 2000 members will review the project at their next board meeting Apr. 19-20.