In or out? The cost of messaging

WHILE airline executives routinely wince at their messaging costs, this aspect of the business usually does not figure in outsourcing plans. After all, the action is already in the hands of a third party, in most cases SITA, whose type B network has been the default platform for most airlines.

A fledgling IT outfit based in Luxembourg is now trying to convince carriers and other air cargo operators that it may be cheaper to take the messaging element in house. Launched last autumn, Innovative Software is marketing a proprietary package called EDIfly for messaging over the internet using IATA's type B standard.

Smell the Java

Unlike SITA's set up, which is far and away the largest type B network, the new contender, which is written in Java, is a decentralised, software-based solution. It's stored on users' computers and uses internet standard HTTP as its transport protocol. Once a connection between sending and receiving units is established, EDIfly encrypts the message — using secure RSA cryptography — and transmits it to the other side, where it is decrypted and a receipt message sent.

In addition to type B, the new software also allows messages in type X, EDIFACT (the international EDI standard developed under the auspices of the United Nations) and XML (the standard for encoding messages in machine-readable form)

formats to be sent directly over the internet, said Ingo Roessler, director business development of Innovative Software.

Ready to jump

At this point in time, IATA's XML-based X format has only a small user base, and it will take some time before it is widely adopted, Roessler conceded. "It is a complete system shift to implement," he said. "Since we have both (X and B type), customers can readily use it when they and their partners move to type X."

Instead of the transaction-based billing model favoured by SITA, Innovative Software charges a flat fee. As a shipment usually generates multiple messages, pay-per-use can increase costs significantly. However, cargo messaging is usually part of a broader service deal between carriers and SITA. Nevertheless, KLM Cargo turned its back on the service a few years ago, which saved the carrier an estimated US$700,000 a year.

Another approach has been the establishment of direct links to an airline's top customers to save the messaging costs for the largest chunks of traffic. However, this is cumbersome. A few years ago, with the four-hour rule for US-bound cargo about to be introduced, it took Northwest Airlines six months to move its house air waybill reception to an electronic platform. For the forwarders, this was just one link to an individual airline.

According to Roessler,

EDIfly has moved to the pilot phase with several users. Cargolux has been the first carrier to start tests, which started in April. Several other operators, including LUG Aircargo Handling in Frankfurt and Hong Kong Air Cargo Terminals, have also started tests, he added. By his estimate, individual tests will run for about three months with a growing number of partners in the running.

A penny saved

"The cost savings can be significant," he remarked, adding that this depends on how many partners a client can communicate with using EDIfly. One airline he has been talking to estimates that just by getting its top five business partners on board, it could achieve savings in the neighbourhood of 30 per cent.

Another party that has shown interest in the concept is IATA. "People agree that messaging cost is an obstacle to e-freight," Roessler remarked.

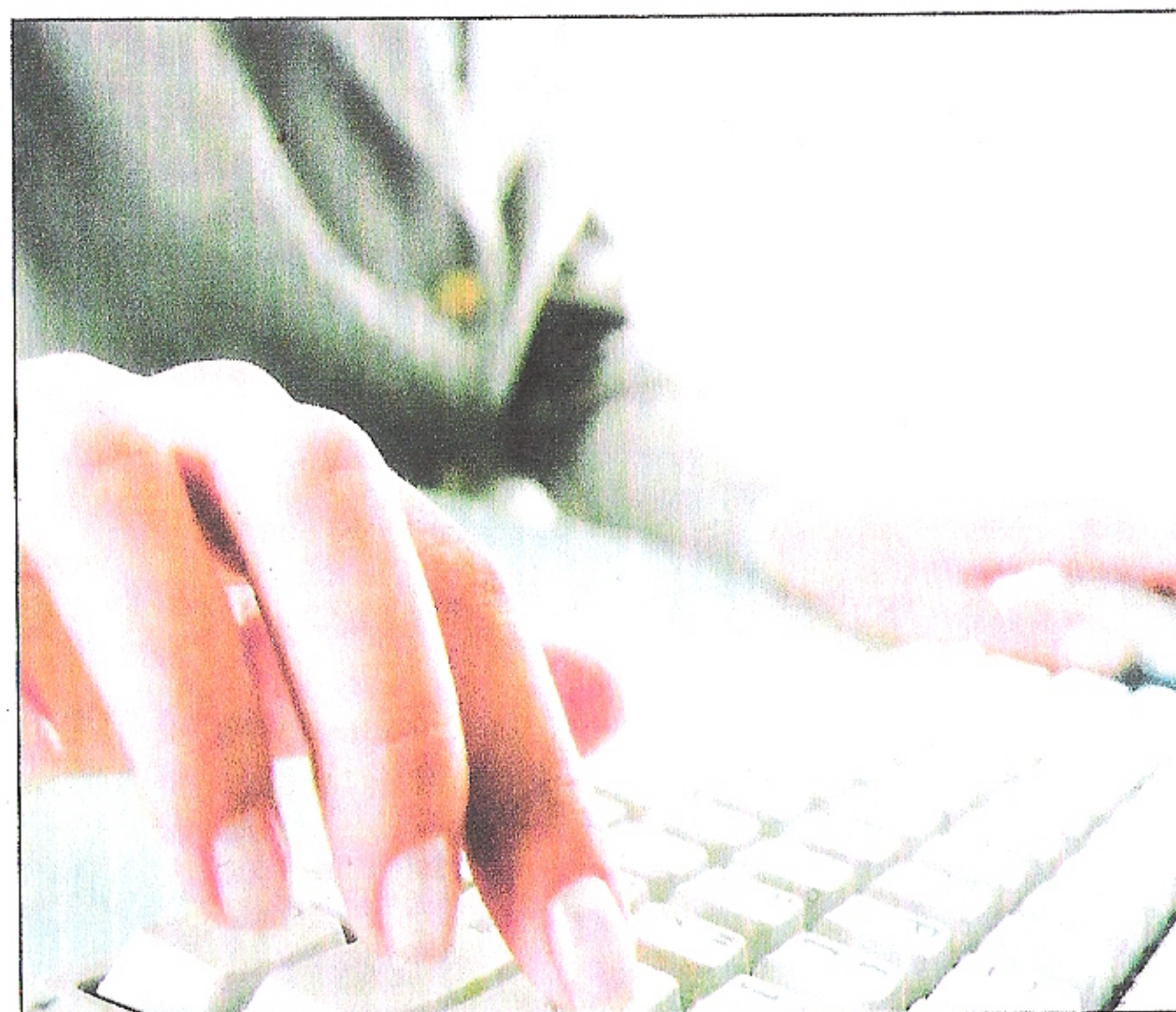EDIfly's launch suggests that there may be cases, after all, where insourcing (or installing software in a company's IT infrastructure) can bring savings instead of farming out activities, even messaging.

ROESSLER: The cost savings can be remarkable

TRIAL: LUG Aircargo Handling has started tests of EDIfly at Frankfurt Airport (below)

NETWORK: Innovative Software is marketing a proprietary package called EDIfly for messaging over the internet

AIR CARGO NEWS
MAY 30, 2011