

# Ching Kiat LIM - Managing Director, Airhub

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19.04.2021

Tags: [Singapore](#), [Changi Airport](#), [Logistics](#), [Distribution](#)

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*Changi Airport Group's Ching Kiat LIM reflects on a challenging 2020 for the airline industry, Changi's longstanding excellence in pharmaceutical distribution, and how COVID-19 has pushed a greater embrace of cutting-edge digital tools.*

**2020 has been a challenging year for us all, especially for the airline industry with plunging passenger numbers, border closures, supply chain issues, and remote working. What were some of the key issues that Changi Airport faced in 2020 and how did you overcome them?**

On the passenger side, in February 2020, borders began closing and flights started getting disrupted; by March most passenger flights had been suspended. Singapore went into a circuit breaker lockdown in April.

This also caused disruption on the cargo side, as pre-COVID most cargo was carried in the belly space of passenger aircraft. The suspension of passenger flights, therefore, created a severe supply crunch for cargo where, compared to the passenger side, demand was still strong. There was still demand for goods to move from one place to another and, in fact, we saw even more urgency than before.

At different times during the crisis, there was a surge in demand for different products, from foodstuffs to PPE and ventilators.

From the beginning, my team was busy making sure that there was continuity of capacity. We worked very closely with the regulators to ensure that, regardless of the border closures that were implemented, the interests of the freight crews, pilots, and aircrew were being taken care of and that these essential staff could still layover in Singapore. Later, the trend of passenger aircraft carrying cargo only emerged, which would require different SOPs and different permits.

As the months evolved, we managed to also attract several additional freighter operators to fly to Changi which helped offset some of the shortfall in belly-hold capacity. Since the start of 2020, we attracted six new scheduled freighter operators: Spicejet, SF Airlines, YTO Cargo Airlines, Kalitta, Sichuan Air Cargo, and Turkish Cargo.

**Presumably, these new freight operations do not completely make up for the huge drop in passenger numbers. What has been the impact on your bottom line?**

From the P&L point of view, the passenger suspension has hurt the airport quite a lot. Passenger traffic is still just a fraction of what it was before. However, the good thing is that cargo throughput in terms of tonnage is back to about 85 percent of the pre-COVID level in recent months. We are still working hard to make sure that there is enough supply to make up for the shortfall.

The composition of sectors that we serve has changed somewhat. Some of the historical flows at Changi including aerospace cargo and oil and gas have slowed down but are being made up for by growing sectors like e-commerce and pharmaceuticals.

**Even when we talked to Changi Airport back in 2017, pharmaceuticals was a strategic area for the group. Now, with everything that has happened in the past year, this has presumably grown even more. Where do pharmaceuticals sit within your strategy today?**

The pharmaceutical sector has been a key contributor to Singapore's economy. Over the years, pharma has been growing strongly, with its contribution growing to around four percent of Singapore's GDP in 2019. Singapore is a leading location for best-in-class manufacturing plants, with eight of the top ten global pharmaceutical companies having facilities here.

Changi has also been supporting the growth of the pharmaceutical segment by ensuring the reliable handling of delicate pharmaceutical shipments. Since 2017, a number of initiatives have been developed. We set up the Pharma@Changi community, which comprises CEIV Pharma certified companies from the local air cargo community, to enhance Changi's pharma handling capabilities through pursuing industry best practices and community collaboration.

Pharma@Changi was also an effective platform in engaging pharmaceutical shippers to ensure that the community was able to cater to their requirements. The shippers have unique and specialised logistical needs in terms of temperature-controlled environment, humidity levels, and transparency of data and are very particular about the integrity of the whole process.

The second step was ensuring that the air cargo community in Changi was certified to common quality standards. This would provide pharmaceuticals manufacturers greater assurance of the handling processes through the Changi community. We were prompt to work with the relevant government agencies to establish the first & largest IATA's Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) community in Asia Pacific.

The third step was to foster and deepen our collaboration efforts with like-minded airport communities on the global front. Together with Brussels Airport and Miami International Airport, we co-founded the Pharma.Aero organisation, a cross-industry collaboration for Pharma Shippers, CEIV certified cargo communities, Airport Operators and other air cargo industry stakeholders with the aim to achieve excellence in reliable end-to-end air transportation. This has developed our thought leadership in pharma logistics at a global level.

### **How has this footprint helped in your response to the COVID-19 crisis?**

Because of all the steps that have already been taken, we have been able to react more quickly and efficiently. For example, we were prompt to recognise that vaccine distribution – especially for products like the Pfizer/BioNTech COVID-19 vaccine which was developed on a new platform and requires ultra-low product temperatures – was going to be a challenge. The distribution of these products requires high levels of complexity and collaboration between various stakeholders. There was much uncertainty on whether the air cargo supply chain had the necessary infrastructure and resources to handle these ultra-low temperature shipments.

In the above regard, we have established the Changi Ready taskforce, a local public-private partnership taskforce comprising both local logistical companies and government agencies like customs and border control, and airport security. Together, these stakeholders have identified the

major risks and exchanged information on the requirements for the safe and reliable handling of these vaccines. Through open information sharing on transportation requirements and each other's cold chain capabilities and capacity, the taskforce proved to be an effective platform for the community to better understand the adequacy of the resources required, such as dry ice and trained personnel requirements, as well as to address any concerns the community may have regarding vaccine distribution. This has prepared the community to safely and efficiently handle the first COVID-19 vaccine shipment, which arrived in Singapore in December 2020, as well as subsequent shipments. Since then, Changi has also imported more batches of the COVID-19 vaccines and even supported the first tranche of vaccine shipments into the region, including Malaysia, Australia, and New Zealand.

**Even with a lot of preparation and years of building up to this point, the COVID-19 vaccine push must still have come as a shock and a strain on your resources and capabilities, correct?**

Absolutely. With the high logistical requirements by pharma manufacturers, we have had to work tirelessly and stay humble in this process and continually enhance our pharmaceutical handling capabilities to cater to manufacturers' requirements.

However, the real test will come with the mass global distribution of vaccines. Currently, our focus is on domestic Singaporean consumption, but we will have a role to play as a network hub within Southeast Asia as the region's best connector to Europe and the US, where the bulk of vaccines are now being manufactured.

**To what extent do you feel, as a flagship airport in the region, a social responsibility for this vaccine distribution effort in Southeast Asia?**

We do recognise the social responsibility involved in the regional distribution of COVID-19 vaccine. Vaccines play a key role in the global fight against the virus and the more effectively COVID-19 vaccines are distributed and inoculated, the closer we are towards the recovery of air travel demand. Therefore, we are very invested in making sure we play our part in ensuring the timely and reliable distribution of vaccines into the region.

## **How does Changi Airport interact with China, the region's largest market?**

We work very closely with Chinese partners, including the shipment of its vaccines into Singapore and the region. As part of Singapore's vaccination drive, the Singaporean government has inked Advance Purchase Agreements for COVID-19 vaccines with Chinese vaccine manufacturer Sinovac.

## **Can you talk us through how things have changed digitally for Changi Airport in the past year and how the 2020 experience might shape your digital footprint moving forward?**

Digitalisation plans and initiatives have been in place for a long time, but the COVID-19 environment gave us even more urgency to push them through.

On the passenger side, at the outset of the pandemic we realised how sensitive people were about cleanliness and touching equipment. Therefore, we quickly converted all the passenger-facing technology to minimise this. We converted our check-in kiosks from a button-based system to a contactless one and switched the thumbprint-based border control measures for facial recognition. Today, the entire check-in and boarding process at Changi Airport can be done without any contact.

On the cargo side, things are a little more complicated with a network of third-party providers in charge of different parts of the process, some of which are more mature in their digital journey and some not. This has been an area in which we have long been aware of a need for improvement, even pre-COVID.

With our community, we have embarked on a digitalisation effort in cargo, for example rolling out a truck dock slot booking platform. This is a digital portal for slots booking and management, to even out cargo lodgement and collection at our cargo handler's airfreight terminals. We believe it will reduce the waiting time and smoothen the facilitation for cargo pick-up and delivery, providing greater insights into booking and freight details. It will also improve resource optimisation for both the truckers and cargo handlers and at the same time, reduce CO2 emissions, which promotes environmental sustainability with less truck waiting.

## **To what extent do you see Changi Airport as a leading stakeholder in Singapore helping shape the overall environment, rather than just a passive service provider?**

Beyond a passive service provider, Changi Airport Group proactively works with the relevant industry stakeholders to support the growth of our air cargo industry. An example would be Pharma@Changi, where we proactively engage key pharma supply chain players and promote collaboration in enhancing Changi's pharma handling capabilities.

**Changi was recently crowned the world's best airport for the eighth year in a row. How have you managed to attain and maintain this positioning and where can you take the group from here?**

The key element is customer service excellence, this means that partnerships are vital. When a passenger comes into the airport, they come into contact with a multitude of staff from different organisations, from ground handlers to airline staff, immigration officers, and security personnel. If the customer service of any of these organisations falls through the cracks, passengers may not be forgiving and might say that they had a bad experience at the airport. We have always held the philosophy that we should work together as a community.

We see ourselves as the conductor of an orchestra, where all the instruments must play in harmony. For example, when we set customer service standards and conduct customer service training, we involve the whole community. You are only as strong as your weakest link.

These are challenging times. Jobs are being lost and we are fully aware that all our partners are looking at cost cutting. Therefore, we need to plan ahead and share our planning with our partners so that when traffic recovers, we are ready. Changi is also looking at how to preserve the critical skills and talent needed so that, after this period of suspension, we are ready to bounce back very quickly. Communication, including with governmental bodies, will be key to these efforts and we have been heartened by how inclusive the Singaporean government has been with us in their planning and policymaking.

**What are your plans for the next three to five years?**

On the passenger side, the first priority is to get traffic back. Traffic recovery is important not just for the airport itself, but for our partners, the airlines, and then further downstream to the travel agents, the hotels, and the tourism sector in general.

Singapore is unique in being both a key tourism destination, in the world's top 10 cities in terms of visitor numbers, but also a major business hub. Many companies base their regional headquarters here and so rely heavily on our connectivity.

We also have to pay a lot of attention to retaining the talent that we have and motivating them to get through this period.

Looking further ahead, two themes are very important for us. One is digitalisation, as I have touched on already, and the other is sustainability. Although this theme is more at the forefront in Europe than in Asia and is slightly deprioritised at the moment, we are putting increasing emphasis on it and will continue to do so post-pandemic.

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