

# ON THE RISE

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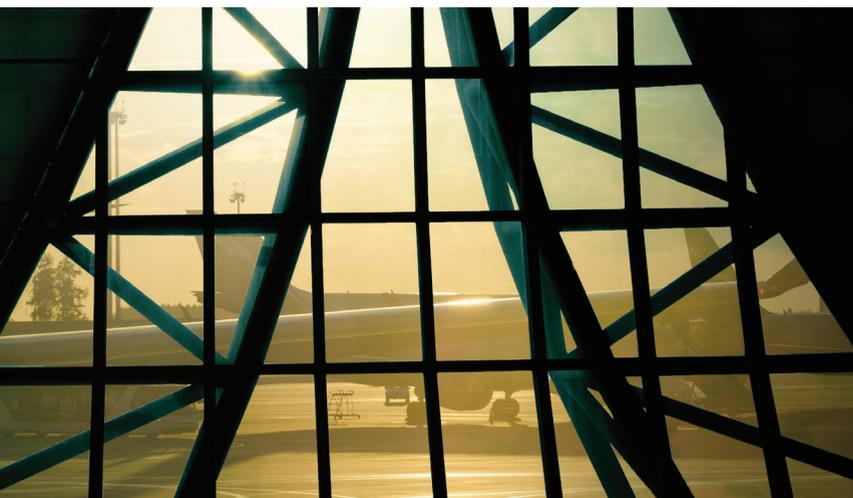
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## Editor's Note

# Long-overdue innovations

It's now been a month since our inaugural **ELEVATE Conference** on air logistics innovation in Miami, and we're still buzzing from the great feedback from attendees and speakers about how much the air cargo industry has been craving a conference focused on not just what is happening now, but on how the industry can evolve and improve in the near future.

One attendee told me, "This is the kind of conference we should have held years ago. It's long overdue." We couldn't agree more.

All told, 20 speakers came together in seven packed sessions on Oct. 10 to discuss such topics as the rise of e-commerce and its effects on air logistics, the threat of disintermediation, new methods of route analysis to increase the efficient use of cargo space, finding the right people for your innovation team and today's cutting-edge last-mile delivery technologies. We also presented *Air Cargo World's* first "DEMOvation session," featuring demos by four promising logistics startups.

For more coverage of ELEVATE 2016 and the DEMOvation session, please see page 6 in this issue, or visit our website, [aircargoworld.com](http://aircargoworld.com), for more in-depth write-ups and videos of the various panel discussions and presentations that took place last month.

Now that the first ELEVATE is in the books, I want to give the equivalent of a "water salute" to thank the people who worked so hard to make it a success, including Royal Media's conference coordination team of Caitie Devine, Alyssa Stebbins and Skylar Taylor, our associate editors Lewis King and Charles Kauffman for taking on some panel moderating duties, and everyone else listed on the left side of this page for their invaluable support. And thanks especially to the roster of talented speakers who took a chance on a new conference and provided and engaging and informative dialogue with the audience.

But just because the conference is over doesn't mean the quest for innovation has ended. In this issue, we review the annual list of top cargo airports around the world, showing the recent rise and fall of cargo tonnage moved (see page 12). While many of the airports on the list did not shift much up or down in the rankings, some of the more forward-thinking facilities were able to make significant infrastructure expansions that led to gains in air cargo traffic.

Also, we continue with our exploration of innovation in the industry with the story of Colombia-based Avianca Cargo and its timely pivot in recent years toward north-south routes via its investments in Mexican carrier Aerounion (page 18). At a time when most of the continent of South America is reeling from a deep recession, Avianca's strategy of seeking new routes for in-demand perishables offers a glimmer of hope for other carriers and forwarders in the region to help reverse their fortunes.

During the final session of ELEVATE 2016, "Pursuing a Culture of Innovation," one panelist, Sara Van Gelder, cargo development manager, sales and marketing, for Brussels Airport, said something that still resonates with me. While giving advice on how to ensure companywide buy-in for new and innovative methods, she said it's not enough to just provide a business case with facts and figures. "You have to be able to translate [the innovation] into user stories," she said.

That's always been the goal here at *Air Cargo World* – to cover the most pertinent airfreight topics through the experiences of the top forwarders, carriers and other logistics professionals in the business. We want to hear *your* stories of innovation, too, so please keep in touch and let us know how you're helping move the industry forward.

Randy Woods,  
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Randy Woods



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## ELEVATE panelists discuss growing need for air logistics innovation



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### Cargo42, CargoSteps tops at DEMOvation

At ELEVATE's DEMOvation session, an audience vote for best presentation chose Miami-based Cargo42, an app-based marketplace for trucking firms to reduce idle time and utilize maximum capacity, narrowly edging out Frankfurt-based CargoSteps, which provides real-time track and trace software. The vote was close enough that CargoSteps' Murat Karakaya (center) and Cargo42's Alfredo Keri (right) agreed to share their bottle of wine prize from *Air Cargo World* publisher JJ Hornblass.

MIAMI – *Air Cargo World* kicked off the inaugural session of its very first ELEVATE Conference last month with a panel discussion titled “The Rise of Air Cargo Innovation.” Panelists agreed that the industry is nearing an inflection point, and the flatness of the air cargo industry is finally starting to gain dimensionality. The emergence of UAVs are likely to be another major characteristic of future air cargo transport as regulations and technology begin to align with commercial applications.

Dirk Schusdziara, senior vice president, cargo, at Fraport AG, said that, as a representative of one of the world's largest cargo airports, “innovation is much more important than it was in the past, it's part of our daily business. It's very important to initiate the change to reach competitive advantage.” As an entity that serves as an ecosystem for a wide variety of supply-chain stakeholders, Schusdziara said Fraport Airports were re-imagining both technical and organizational processes to help make air cargo more competitive with other modes.

Moving forward, Schusdziara and fellow panelist, Joe Napoli, chief of staff for Miami International Airport, agreed that APIs would still take some time to arrive at most airports. But in the meantime, community platforms



Photo Credit: Gort Productions

will continue to play a significant role in facilitating data exchanges and adding efficiencies to the supply-chain. Such platforms, Schusdziara said, are just starting to bring the shipper into the conversation.

Outside the airport, there are a host of other innovations in the works, such as unmanned aerial vehicles. Svilen Rangelov, co-founder and CEO of drone-maker Dronamics, said that, although he has been discouraged that his prototype cannot yet be flown anywhere, even if successfully built, his company is still working to “first win the war with physics, and then launch the war with the legal side.”

—Charles Kauffman

## Wiederhold: Lufthansa Cargo to embrace innovation with API



Monika Wiederhold, Vice President of Product Management and Innovation at Lufthansa Cargo.

MIAMI — Speaking at the “Fireside Chat” session at *Air Cargo World*'s ELEVATE 2016 conference last month, Monika Wiederhold, vice president of product management and innovation at Lufthansa Cargo, told the audience that successful innovators need to ignore the immediate legal and logistical hurdles, and rather concentrate on “securing the future.” During the interview with *Air Cargo World* publisher JJ Hornblass, Wiederhold explained that innovation was an important function that Lufthansa had “neglected for a while.”

To help remedy this situation, she announced that Lufthansa will introduce an application programming interface (API) that would connect all actors along the shipment chain. With the product launching in as little as 12 months, Lufthansa is leading the air cargo industry in implementing technology that has the potential to cut communication costs and pricing inaccuracies dramatically. API technology is already prevalent in most other sectors, and the implementation by Lufthansa is sure to garner attention, and lead other carriers to follow suit, she added.

Another innovation that Wiederhold announced at ELEVATE was the launch of a new product called MyAirCargo, which allows passengers to ship freight. The product did not account for a large percentage of either total loads or revenue, but it met a demand from passengers, although it is not restricted to passengers.

The drive to change today is largely market driven in this commoditized world, she concluded. “Either you play off commodity markets, or you differentiate.”

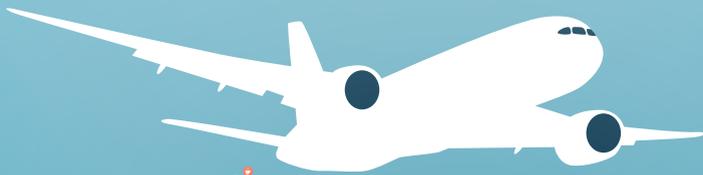
—Lewis King

## The E-Commerce Revolution Report

The **E-commerce Revolution** is a new report that focuses on the dynamic growth of the global e-commerce industry and its impact on air logistics. The report is accompanied by a database of e-commerce players with concise profiles on the major competitors. Explore how e-commerce is reshaping the air logistics landscape by ordering the report at [EcommerceAir.com](http://EcommerceAir.com)

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# AFRICA & MIDDLE EAST

Around the world

## Dubai Air Cargo Handling conference ends with plea for data collaboration

This year's Air Cargo Handling conference ended in late September with stakeholders from across the air cargo sector promising to collaborate to make air cargo a more competitive alternative to land and water modes of transport. The general consensus was that greater sharing of data would be the quickest way to achieve such a goal. "We have to get rid of the protectionism regarding information," Christian Bergfelder of DHL told attendees of the conference in Dubai.

"A collaborative approach to providing solutions to the customer is the way of the future, working as a relay team," added Andrew Lester, global director of healthcare for forwarder Expeditors International.

The rhetoric that was heard throughout the conference, held Sept. 20-22, set the tone for the sort of technological adaptation that many in the industry say is overdue. However, others, such as Tony Sham, the new CEO of Global Logistics System (HK), cautioned that there was still resistance to this kind of data collaboration. "The momentum has been quite slow," Sham said. "It's not just a matter of technology, but also a matter of change management."

Sham also noted that air cargo has lower yields than the passenger side. "When you talk about changes," he said, "you talk about carrots and sticks," noting that regulatory changes are a stick that has already been felt industry-wide. "Some authorities are already asking for advanced information due to security concerns. This will be a driving force for change."

"Data projects are where the future lies," explained LUG air cargo handling's Patrik O. Tschirch. "It's going to give us synergies for the industry as a whole." Matt Woolmer, commercial head, EMEA and CIS, at Champ Cargosystems, blamed the slow adoption of such technology on what he called a "misguided" concern that companies will lose their edge by revealing their data.

"But we have to break down those silos," Tschirch contended. "It's about the survival of the industry as a whole."

"If we're going to handle 12 million tons of cargo in Dubai," concluded Youssef Beydoun of Dubai Airports, "we cannot do business as we are now."

—Lewis King



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## Warehouse building boom chases Chinese consumers

In August – two months before SEKO Logistics would sign onto Alibaba.com’s “OnePartner” program – the U.S.-based forwarder opened a 50,000-square-foot warehouse in Hong Kong, following the establishment of another 50,000-square-foot facility in the territory last November. Both of these facilities are aimed straight at e-commerce. The first one targets the Hong Kong market, chiefly for same-day deliveries. The new building is for e-commerce fulfillment across the Asia-Pacific region.

“It made sense for us to open our own facility and take our destiny in our own hands,” commented Brian Bourke, SEKO’s vice-president of marketing.

E-commerce business in the region has been soaring, from Indonesia to the Philippines and Japan. Still, the biggest prize that SEKO – and many other logistics firms – has in its sights is Chinese consumers. “It’s all about access to the China market – not only to facilitate shipments around the region. It’s retailers looking to access the China market,” Bourke said.

Online shopping in China has gone through the roof. Bourke points to projections that 52 percent of China’s retail market will be online in 2017 and that the country’s e-commerce market will swell to US\$650 billion by 2020. November 11, celebrated in China as “Singles Day,” is an online shopping frenzy, with discounts of up to 70 percent. Sales on online cross-border shopping sites Tmall and Taobao climbed from \$5.8 billion in 2013 to \$9.3 billion the following year and to more than \$14.3 billion in 2015. Last year, logistics firm DB Schenker was bracing itself for an estimated volume of 1.5 million Singles Day orders to be processed in the space of seven days.

As a result, other logistics firms have also moved to bespoke solutions for international e-commerce flows. Last November, Damco, one of the

companies in the Maersk Group, launched an e-commerce service for international shipments to China, which covers the process from inbound goods management and consumer order receipt to final delivery.

The services that international merchants looking to sell in China want from their logistics providers typically go beyond feeding distribution centers and organizing delivery. They want end-to-end solutions as well as a mechanism to handle returns, Bourke remarked.

Delivery pricing has to be integrated into the shopping site. Many merchants are happy to latch on to Chinese online channels, like Tmall, established by Chinese internet giant Alibaba. Others seek to control their brand identity better and look for bespoke solutions. Tigers, Inc., a Hong Kong-based logistics firm, has morphed from a traditional forwarder into an end-to-end provider, with a strong focus on international e-commerce logistics. Tigers launched “eShop” this spring, a cross-border e-commerce platform and distribution channel that gives small- and mid-sized international brands direct access to consumers in China. In addition to the logistics element, the platform is designed to provide foreign merchants with a marketing channel into China as an alternative to established platforms.

“Marketing via Tmall is expensive, and a lot of our small- to medium-size customers prefer Tigers to connect their community via mobile e-commerce,” said Tigers CEO Andrew Jillings.

Tigers’ eShop platform collects consumers’ personal data that are required for processing customs clearance and duty payments, handles payment collection, and oversees delivery of products via Tiger’s distribution facility in Hong Kong. To manage payments, the logistics firm adopted a mobile payment solution to collect money from the buyers and remits the funds on a monthly basis

to the seller, minus the logistics and marketing cost. The company’s offering is built on a cloud-based system and a strong logistics footprint that includes 17 offices across China.

Jillings stressed the importance of a flexible setup that allows Tigers to tailor solutions to the requirements of individual clients rather than a one-size-fits-all approach.

For airlines, the e-commerce bonanza has played out in the form of mail or consolidations from forwarders or integrators. Controlling just the airport-to-airport part makes it difficult for them to assume a more active role, but some are trying. China Southern Airlines, for example, launched a cross-border e-commerce platform targeting goods ordered from overseas by Chinese consumers last year. In Europe, Air France-KLM Cargo is currently examining the viability of taking a stab at door-to-door e-commerce in partnership with express subsidiary Sodexi, said Rahul Pathak, the carrier’s head of cargo for China. Given Chinese consumers’ penchant for international brands, French couture could take the carrier’s e-commerce flows to new heights.

E-commerce lets consumers buy anything from anywhere, but location still matters. SEKO’s latest facility, for instance, is located right on the Hong Kong-China border, within easy reach from Hong Kong’s port and airport. Hong Kong’s free port status and its connectivity are crucial, said Bourke, pointing to Chinese consumers’ expectation of rapid deliveries.

“The key is to get inventory in the region in time and make sure you can fulfill these orders quickly,” he noted. “You have to position your inventory close to market. If you deliver in China in two days they’ll never buy from you again.”

—Ian Putzger

# EUROPE

Around the world

## Parcel traffic ambitions overcome European borders

Britain's vote for the "Brexit" may have dealt a blow to the European Union, but the vision of an integrated European parcel network is very much alive, thanks to the Deutsche Post DHL Group (DP-DHL). The German postal, express and logistics giant is acquiring a strong presence in the British market with the takeover of UK Mail, the second-largest mail provider in the United Kingdom.

UK Mail started out as a courier and express parcel operator and added letters to its portfolio in 2009 after the British mail market was deregulated. It now operates a network of more than 50 depots and some 2,400 delivery vehicles, and handles about 230,000 parcels and 12 million mail items a day.

Between them, UK Mail and Whistl, a former unit of PostNL NV, account for about 45 percent of letter volumes in the British market. In line with government regulations, they can collect and sort letter mail but must feed this traffic to national postal operator Royal Mail, which still makes almost all final deliveries under a state requirement. UK Mail has roughly a 5 percent share of the British parcel market.

DP-DHL is buying the company for US\$206.3 million – a bargain, according to Horst Manner-Romberg, principal of parcel logistics research and consulting firm M-R-U. For one thing, the drop of the British currency in the wake of the Brexit vote has diminished UK Mail's price tag for the German mail giant. Moreover, UK Mail's share price suffered in the aftermath of the establishment of a new, automated sorting hub last year, resulting in two profit warnings. Those problems have been sorted out, which means DP-DHL will not have to invest in new technology, Manner-Romberg said. He added that UK Mail has successfully managed shifts of focus from letter to parcel and from B2B to B2C flows.

For its fiscal 2016, ended March 31, UK Mail took in \$583.3 million in revenues, down 0.8 percent from the previous year. Parcel revenues advanced 1.4 percent to just over \$300 million, while revenues from the mail business sank 3.1 percent.

Its traffic is overwhelmingly domestic, with little international volume, according to Manner-Romberg. "That does not really matter to Deutsche Post," he said. "For them it is the presence in the market that matters. They are acquiring an established platform in the British market. They can build up international services on it later." DP-DHL has lacked a presence in Britain since DHL sold its domestic express business there in 2010, he added.

Jürgen Gerdes, a board member at DP-DHL, who heads the company's letter and parcel business, said that, "With this acquisition, we will

further extend our network and have a strong foothold in Europe's three largest e-commerce markets – the U.K., Germany and France – which account for more than 60 percent of online retail in the continent."

DP-DHL clearly has international e-commerce flows in its sights. "The ongoing expansion of our parcel network in Europe is driven by increasing demand within our e-commerce customer base for cross-border deliveries," Gerdes commented. The goal for DP-DHL is a pan-European parcel network spanning 20 countries, which he called "the United Parcel States of Europe" in an interview in August. With the acquisition of UK Mail, the footprint will cover 19 of these.

DP-DHL's parcel arm has its own networks in eight European countries and uses partners in most others. Earlier this year it acquired a minority stake in French Relais Colis, which specializes in e-commerce logistics.

It remains to be seen how airborne parcel flows in and out of the U.K. will be connected with UK Mail's network. The push into Britain comes at a time when DP-DHL's rivals are strengthening their positions in Europe. FedEx has commenced the integration process with TNT, and UPS revealed in the spring that it would be investing \$2 billion in its European network and infrastructure through 2019.

Meanwhile, Royal Mail has moved to expand into the United States. The British postal firm, which was privatized in 2013, announced in early October that its General Logistics Systems unit was acquiring Golden State Overnight Delivery Service, based in Pleasanton, Calif., for \$90 million.

From the looks of it, expansion in the parcel and mail sector appears to be going both trans-Atlantic as well as pan-European.

—Ian Putzger

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# On the Rise

## Top 40 cargo airport list reveals glimpses of future cargo growth

By the *Air Cargo World* Staff

Sometimes all it takes is a shift in strategy from a single carrier to make an impact on airport freight traffic. Qatar Airways Cargo, for instance, has been ramping up its airfreight routes for the last couple of years, seeking more high-value cargo, such as pharmaceuticals, and forming joint ventures with other airlines, such as IAG. Qatar achieved such growth via “fleet and network expansion, innovation in our technology, creative interline agreements and by deploying capacity on expanding or untapped markets,” said Ulrich Ogiermann, the carrier’s chief cargo officer.

As a result, Hamad International Airport (DOH) in the capital city of Doha, saw a 46 percent rise in its total airfreight traffic (1.45 million tonnes), compared with the previous year – the sharpest one-year increase in overall cargo volume seen anywhere in the world in 2015.

Other times, it’s an infrastructure upgrade that makes a noticeable difference. Chicago’s O’Hare International (ORD), which has long plagued forwarders with congested access and cramped warehouse space, recently completed a major runway expansion and surface-street overhaul, and reported that its total cargo handle for 2015 was up 15.6 percent. Similarly, Jeddah’s King Abdulaziz International Airport in Saudi Arabia is nearing completion of a major overhaul and expansion of its facilities, and reported a 45 percent boost in its cargo throughput to more than 716,000 tonnes in 2015.

These are just a few of the intriguing results released from the annual World Airport Traffic Report (WATR), compiled by Airports Council International (ACI). Total cargo handled – including loaded and unloaded freight and mail – by airports worldwide in 2015 was up 2.4 percent over 2014, reaching about 105.5 million tonnes. International freight handled was up 2.2 percent to 63 million tonnes, accounting for a little more than 61 percent of the total volume.

Generally, the list of the Top 40 largest cargo airports didn’t change drastically, year-over-year; most of the top hubs

stayed in roughly the same position, with a few swapping one or two positions up or down. “The world’s air cargo market is highly concentrated, with the top 30 air cargo hubs handling 58 percent of global air cargo volumes,” said the ACI report.

However, a few stood out with double-digit growth, such as Doha, which moved up four notches from the No. 24 spot last year to crack the top 20 for the first time ever. It is these climbers – the facilities that are investing in new infrastructure and seeking innovative relationships with forwarders and ground handlers – that are pointing toward a cautiously optimistic future for airfreight.

### Kings of the hill

The top three airports on the total air cargo list remain unchanged from the year before – Hong Kong International Airport (HKG) with 4.46 million tonnes, followed by FedEx hub Memphis International (MEM), with 4.29 million tonnes and Shanghai’s Pudong International (PVG), with 3.26 million tonnes. Trans-shipment specialist Anchorage swapped fourth and fifth places with Korea’s Incheon to complete the top five.

“Our community continues to take cargo seriously,” said Mark Whitehead, CEO of Hong Kong Air Terminals, Ltd. (Hactl), the largest cargo operator at HKG. “As the airport’s largest, independent handler, we continue to innovate and invest in systems and people.” Hactl also welcomed several new carriers in the last couple of years, “mostly startups or expanding young carriers,” Whitehead said. “Small customers today are the big names of tomorrow.”

*(continued on page 14)*

### THE TOP 40

Based on 2015 tonnage data submitted by more than 2,200 commercial airports in 160 countries, **Airports Council International** has ranked the world’s top 40 largest-capacity cargo airports and divided them into three categories (at right): Total airfreight handled, domestic airfreight handled and international airfreight handled.

World Airport Ranking: Total Cargo 2015 (Metric Tonnes)					World Airport Ranking: Domestic Freight 2015 (Metric Tonnes)					World Airport Ranking: International Freight 2015 (Metric Tonnes)				
Rank	City, Country	Code	Total Cargo	% change, from 2014	Rank	City, Country	Code	Domestic Freight	% change, from 2014	Rank	City, Country	Code	International Freight	% change, from 2014
1	Hong Kong	HKG	4,460,065	0.4	1	Memphis, U.S.	MEM	4,051,070	1.4	1	Hong Kong	HKG	4,380,139	0.1
2	Memphis, U.S.	MEM	4,290,638	0.8	2	Louisville, U.S.	SDF	1,846,028	3.0	2	Dubai, U.A.E.	DXB	2,506,092	3.4
3	Shanghai, China	PVG	3,275,231	2.9	3	Beijing, China	PEK	1,150,876	3.9	3	Incheon, South Korea	ICN	2,489,539	0.6
4	Anchorage, U.S.	ANC	2,630,701	5.5	4	Indianapolis, U.S.	IND	1,043,937	(2.1)	4	Shanghai, China	PVG	2,395,496	2.6
5	Incheon, South Korea	ICN	2,595,678	1.5	5	Shenzhen, China	SZX	799,630	5.5	5	Tokyo, Japan	NRT	2,035,968	(0.4)
6	Dubai, U.A.E.	DXB	2,506,092	3.4	6	Shanghai, China	PVG	785,000	2.2	6	Taipei, Taiwan	TPE	2,005,277	(3.2)
7	Louisville, U.S.	SDF	2,350,656	2.5	7	Tokyo, Japan	HND	757,484	(1.0)	7	Anchorage, U.S.	ANC	1,956,776	9.5
8	Tokyo, Japan	NRT	2,122,314	(0.6)	8	Los Angeles, U.S.	LAX	710,948	1.5	8	Frankfurt, Germany	FRA	1,950,726	(2.8)
9	Paris, France	CDG	2,090,795	0.2	9	Anchorage, U.S.	ANC	673,661	(4.5)	9	Paris, France	CDG	1,861,311	0.2
10	Frankfurt, Germany	FRA	2,076,734	(2.6)	10	Guangzhou, China	CAN	637,661	(3.0)	10	Singapore	SIN	1,853,100	0.5
11	Taipei, Taiwan	TPE	2,021,865	(3.2)	11	Cincinnati, U.S.	CVG	511,240	19.2	11	Miami, U.S.	MIA	1,737,618	(0.1)
12	Miami, U.S.	MIA	2,005,175	0.3	12	Chengdu, China	CTU	482,251	3.1	12	Amsterdam, Netherlands	AMS	1,620,970	(0.7)
13	Los Angeles, U.S.	LAX	1,938,624	6.5	13	Oakland, U.S.	OAK	480,512	3.2	13	London, U.K.	LHR	1,494,886	(0.2)
14	Beijing, China	PEK	1,899,829	2.2	14	Newark, U.S.	EWK	407,721	8.6	14	Doha, Qatar	DOH	1,443,532	47.3
15	Singapore	SIN	1,887,000	0.4	15	Ontario, U.S.	ONT	397,415	5.8	15	Bangkok, Thailand	BKK	1,189,105	(0.2)
16	Amsterdam, Netherlands	AMS	1,655,354	(0.9)	16	Shanghai, China	SHA	388,656	(1.7)	16	Chicago, U.S.	ORD	1,176,906	21.0
17	Chicago, U.S.	ORD	1,592,826	15.6	17	Hangzhou, China	HGH	385,884	6.3	17	Los Angeles, U.S.	LAX	1,141,981	9.0
18	London, U.K.	LHR	1,591,637	0.2	18	Chicago, USA	ORD	337,628	0.6	18	New York, U.S.	JFK	993,312	(0.5)
19	Guangzhou, China	CAN	1,537,759	5.8	19	Kunming, China	KMG	315,119	10.1	19	Leipzig, Germany	LEJ	915,308	8.8
20	Doha, Qatar	DOH	1,454,952	46.0	20	Dallas/Fort Worth, U.S.	DFW	307,975	2.7	20	Dubai, U.A.E.	DWC	890,912	8.0
21	New York, U.S.	JFK	1,286,484	(0.8)	21	Honolulu, U.S.	HNL	296,689	2.1	21	Abu Dhabi, U.A.E.	AUH	827,459	3.8
22	Bangkok, Thailand	BKK	1,230,563	(0.1)	22	New Delhi, India	DEL	291,079	11.3	22	Guangzhou, China	CAN	752,759	9.4
23	Tokyo, Japan	HND	1,171,311	6.7	23	Jakarta, Indonesia	CGK	288,410	(7.2)	23	Istanbul, Turkey	IST	746,981	9.4
24	Indianapolis, U.S.	IND	1,084,857	(1.6)	24	Philadelphia, U.S.	PHL	270,725	0.9	24	Beijing, China	PEK	738,953	(0.2)
25	Shenzhen, China	SZX	1,013,690	5.2	25	Manila, Philippines	MNL	267,745	62.7	25	Luxembourg, Luxembourg	LUX	736,485	4.2
26	Leipzig, Germany	LEJ	984,389	8.6	26	Phoenix, U.S.	PHX	237,087	0.4	26	Cologne, Germany	CGN	724,155	0.2
27	Dubai, U.A.E.	IST	890,912	8.0	27	Miami, U.S.	MIA	233,000	0.0	27	Osaka, Japan	KIX	697,374	(0.4)
28	Abu Dhabi, U.A.E.	AUH	837,551	3.9	28	Naha, Japan	OKA	222,378	1.5	28	Liège, Belgium	LGG	650,254	10.1
29	Istanbul, Turkey	IST	812,908	7.8	29	Atlanta, U.S.	ATL	221,081	(2.8)	29	Kuala Lumpur, Malaysia	KUL	639,908	(4.8)
30	New Delhi, India	DEL	772,362	11.5	30	Chongqing, China	CKG	218,617	6.3	30	Jeddah, Saudi Arabia	JED	615,160	38.8
31	Kuala Lumpur, Malaysia	KUL	761,498	(3.3)	31	New York, U.S.	JFK	213,195	(3.2)	31	Bogota, Colombia	BOG	521,768	4.1
32	Osaka, Japan	KIX	745,606	0.0	32	Denver, U.S.	DEN	208,202	0.7	32	Milan, Italy	MXM	498,108	8.9
33	Cologne, Germany	CGN	742,625	0.4	33	Mumbai, India	BOM	206,494	1.5	33	Mumbai, India	BOM	491,953	2.0
34	Luxembourg, Luxembourg	LUX	736,996	4.2	34	Sapporo, Japan	CTS	204,770	(3.5)	34	New Delhi, India	DEL	469,346	11.5
35	Cincinnati, U.S.	CVG	729,309	11.5	35	Portland, U.S.	PDX	201,595	4.0	35	Brussels, Belgium	BRU	462,989	8.2
36	Jeddah, Saudi Arabia	JED	716,610	45.2	36	Fukuoka, Japan	FUK	197,560	(0.7)	36	Louisville, U.S.	SDF	416,622	(2.8)
37	Mumbai, India	BOM	712,379	1.6	37	Xiamen, China	XMN	193,595	0.8	37	Mexico City, Mexico	MEX	364,471	10.0
38	Newark, U.S.	EWK	683,760	7.2	38	Minneapolis, U.S.	MSP	182,846	(1.4)	38	Atlanta, U.S.	ATL	353,497	7.6
39	Bogota, Colombia	BOG	670,222	5.3	39	Houston, U.S.	IAH	175,863	(2.7)	39	Madrid, Spain	MAD	343,958	6.0
40	Dallas/Fort Worth, U.S.	DFW	669,232	5.4	40	Boston, U.S.	BOS	171,243	(6.6)	40	Hanoi, Vietnam	HAN	329,358	21.2

Source: ACI World Airport Traffic Report (WATR), 2016

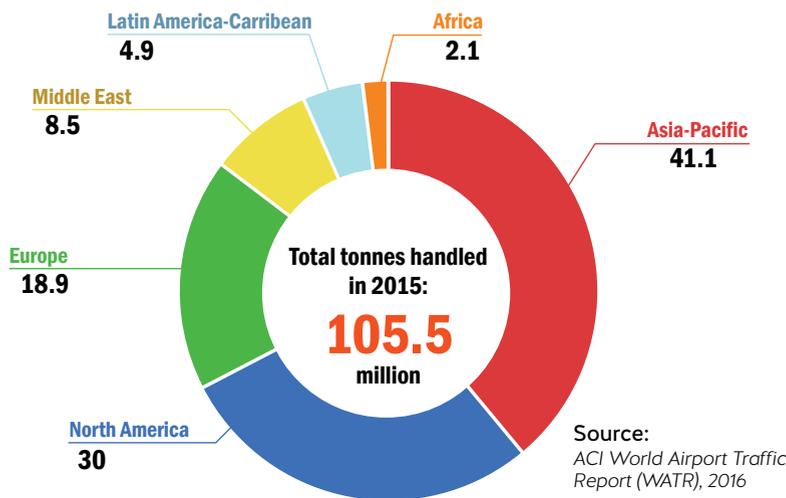
Source: ACI World Airport Traffic Report (WATR), 2016

Source: ACI World Airport Traffic Report (WATR), 2016

Until Hong Kong gets its planned third runway, Hactl has cooperated with the airport authority to release parking areas to cope with added demand for passenger aircraft use, Whitehead said. "This meant restructuring our freighter handling operations, but our major investment in mobile computing has mitigated the impact on our ramp operations."

HKG also leads the pack in international freight traffic, holding steady at 4.38 million tonnes. No. 2 on the international list is Dubai International (DXB), which is still an airfreight powerhouse, handling 2.51 million tonnes last year – a 3.4 percent rise over 2014 – even after its freighter traffic was siphoned off to nearby Dubai World Central (DWC), which stands at No. 27, internationally (891,000 tonnes). Incheon is a close No. 3, with 2.49 million metric tonnes in 2015.

For domestic traffic, there is still no one who can beat two of the top integrators, with Memphis dominating at No. 1, handling 4.1 million tonnes of mostly FedEx parcels, followed by UPS' hub in Louisville at No. 2, which grew 3 percent in 2015 to 1.8 million tonnes. Beijing was, once again, No. 3, domestically, at 1.2 million tonnes – a 3.9 percent increase over 2014.



## 2015 Global Airfreight Totals, By Region (in millions of tonnes)

On a regional level, airports in the Asia-Pacific sector handled the lion's share of the world's air cargo in 2015, growing by 2.3 percent over 2014 to reach 41.1 million tonnes, followed by North American airports, which saw traffic rise by 3.1 percent to about 30 million tonnes, ACI found (see chart, above). The fastest growth, however, was found in the Middle Eastern hubs, which expanded their handle by just under 10 percent last year, compared to 2014, with 8.5 million tonnes moved. The Latin America-Caribbean region was the only one to show an annual decline, by 1.3 percent to 4.9 million tonnes due to several extended economic crises in the region.

### Seeking new opportunities

Even for those air hubs that saw a dip in air cargo traffic last year, there is reason for hope. Tokyo's Narita Airport (NRT) – No. 8 on the overall list – saw its volume remain above 2 million tonnes of airfreight for the second straight year, despite the 0.6 percent dip in its 2015 figures, said Masashi Yokozuka, supervisor of cargo sales and marketing for the airport, which handles 60 percent of Japan's airfreight.

The most important factor in NRT's 2015 performance was the "special demand" caused by the labor slowdown at ports in the U.S. West Coast, Yokozuka said. The crisis led to 92 charter flights in February 2015 to transport automobile-related export cargo, as well as imported frozen pork from the northern United States, he said. Later in the year, though, the "backlash" against the special port-crisis demand added pressure on logistics costs. Still, NRT sought innovative ways to attract new traffic. Through its "Narita Promotional Incentive," the airport offered discounted landing fees for carriers for up to one year, which helped drive Cargolux Italia to commit to its Milan-to-NRT (via HKG) route.

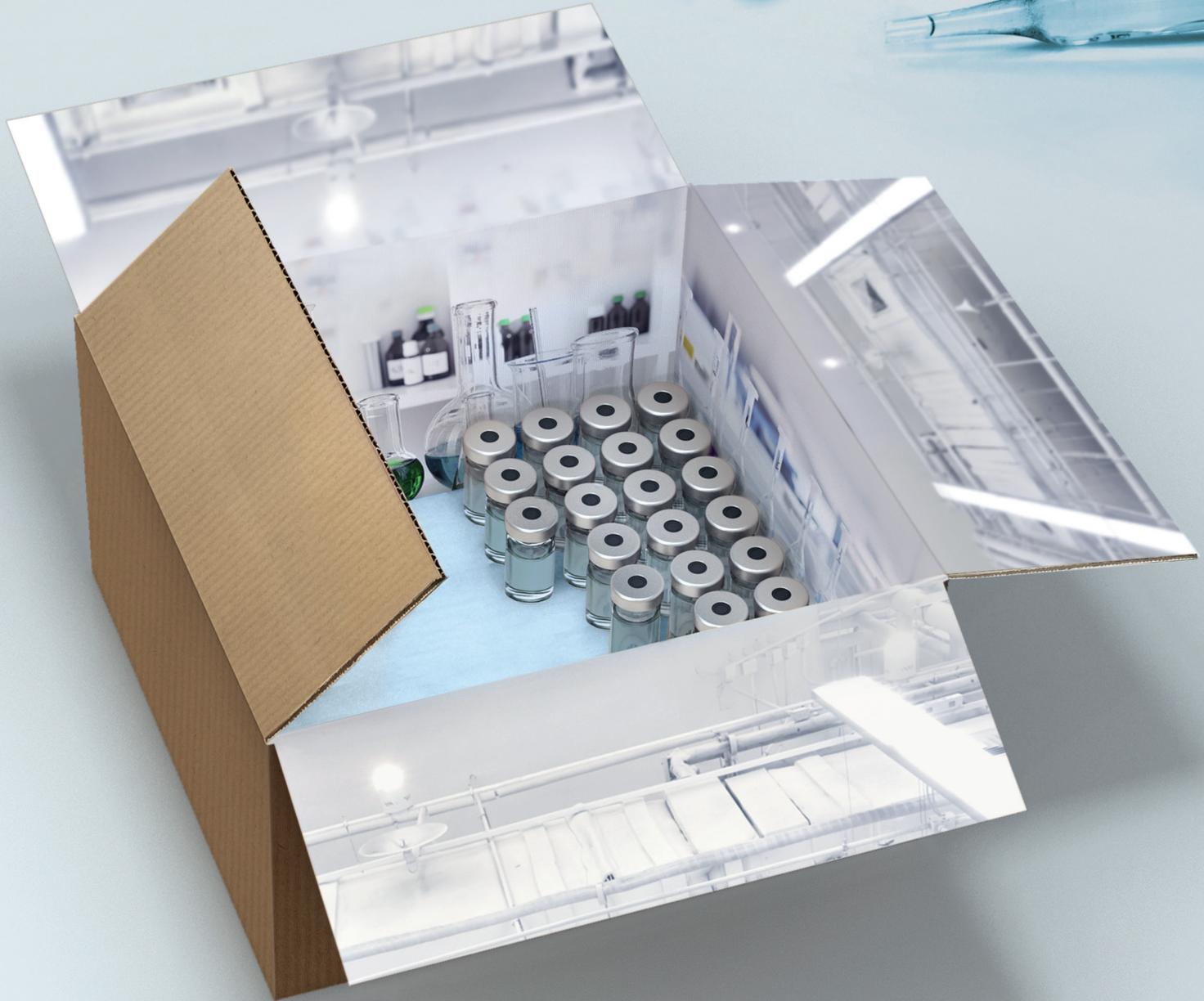
Singapore's Changi Airport (No. 15, 1.89 million tonnes), enjoyed a modest 0.4 percent rise in cargo tonnage in 2015, thanks to the perishables, express and e-commerce segments.

(continued on page 20)

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## THIRD PARTIES

**Alexander Tonn** will become the new managing director of **Dachser's** European Logistics Germany unit on Jan. 1, 2017. He will oversee the business development of the 38 German branch offices in the European Logistics business line. Tonn has been with Dachser since 1999.

**SEKO Logistics** has appointed **Jim Mikrut** as vice president of its U.S. home delivery vertical business. Mikrut

has more than 18 years of experience in the home delivery business, most recently as vice president of network carrier and customer experience at MXD Group.

**Crane Worldwide Logistics** has appointed **Nancy Matthews** as senior director and vertical lead of life sciences. Matthews will lead the company's global strategy for the life sciences market, developing logistics solutions for customers. Matthews has more than 35 years of experience in logistics.



Jim Mikrut

**Röhlig** has named **Jens Haas** as national airfreight manager for its business in Germany. Haas was previously head of airfreight for Schenker Deutschland.

## AIRLINES

**David J. Bronczek**, currently CEO of FedEx Express, will become the president and chief operating officer of **FedEx Corporation** on Jan. 1, 2018, possibly setting him up as a successor to FedEx founder, president and CEO **Fred Smith** when he decides to retire. Bronczek, who has headed FedEx Express since 2000, began working at FedEx in 1976 as a courier, and held top jobs in Canada and Europe before becoming executive vice president in 1998.

**Cargolux Airlines International** has appointed **Claude Zehren** as executive vice president and "Nominated Person, Flight Operations." Zehren had already taken over from his predecessor, Jason Holt, on an interim basis on Sept. 1. Zehren has been with Cargolux for 18 years, both as a pilot and in a managerial role.

Jacqueline Casini is the new head of corporate communications at **Lufthansa Cargo**. She has a background in economics and previously worked in corporate communications at the Erwin Hymer Group. Casini succeeds **Michael Göntgens**, who is leaving Lufthansa Cargo after more than six years to work at Adam Opel AG.

## CONSULTING

Former Cargolux Airlines International CEO **Dirk Reich** has launched an aviation consultancy, which will open offices in Zhengzhou and Luxembourg early 2017. The company, **R+R International Aviation**, will provide advice on investments in the fields of aviation, logistics, e-commerce and China.

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Stavros Evangelakakis

# Stavros Evangelakakis: Cargolux makes Puerto Rico pharma service 'official'

Early last month, Cargolux launched a new weekly route from its home base in Luxembourg directly to Rafael Hernández Airport (BQN) in Aguadilla, Puerto Rico. That may not seem like a logical cargo route, considering that the American commonwealth in the Caribbean has been enduring a crippling recession for the last two years and is now US\$72 billion in debt. But there is one industry on the island that has proven to be nearly “recession-proof” and irresistible to air cargo forwarders and carriers: pharmaceuticals.

With manufacturing facilities from near 50 Big Pharma firms – such as Astra Zeneca, Abbott-Abbvie, Bristol-Meyers Squibb, Merck, Pfizer, Eli Lilly and others – Puerto Rico has become a cool-chain air cargo mecca, linking North and South America with Europe. With the new route, Cargolux flies directly to Puerto Rico and then on to North America and back. And Cargolux is not alone in its interest in the island. Earlier this summer, IAG Cargo began offering belly capacity on flights between the capital, San Juan, and Madrid, Spain.

Soon after the first Cargolux flight from Europe to Puerto Rico began, *Air Cargo World* spoke with Stavros Evangelakakis, global product manager for Cargolux, about the state of the pharma market, the reason BQN was chosen as the main hub and any future pharma plans for the all-cargo carriers.

## Q: How did the relationship between Cargolux and Puerto Rico begin?

Puerto Rico is not new for us. The way we started it a couple of years ago was to support the high demand of flowers going from South America to Europe, landing in BQN to take on fuel. And then, of course, we realized that Puerto Rico is a leading producer of pharmaceuticals. So I think it was a natural move, not only flying out of BQN but also into BQN to support both sides.

## Q: Were there any system or cool-chain equipment upgrades needed to handle the extra pharmaceutical traffic with the new frequency?

Everything on the planes is the same, we've just expanded our network. We went [to Puerto Rico], we analyzed the market, we visited customers and declared there was a need for us to be there. It confirms our commitment to pharmaceuticals. Since 2014 we have been GDP-certified. We have now a larger community in pharmaceuticals, and we know exactly what it takes to handle them. And if there's other general cargo that fits, we would be more than happy to take it.

## Q: Why was Aguadilla chosen over the more popular San Juan?

Since we had operated out of Aguadilla before, we decided to go also into Aguadilla. It's only about 135 kilometers away from San Juan, and the pharma industry is distributed all

over Puerto Rico, so it was not really a big problem. If you ask the forwarding and airline communities, there are many more people flying into San Juan, but the facilities are congested. At BQN, the facilities are very nice, it's not congested and the ground handling there already has a very good setup. And if people would like to book with us through San Juan, we have no problem doing it, and then trucking it to San Juan. If it's pharmaceuticals, of course, we would do it with a temperature-controlled truck to avoid any type of temperature disruption.

## Q: Which type of freighters will be used on these routes?

We will use all the freighters – the 747-8s or the -400s. You try to use the dash-8s because there is more capacity, but if I have to use the -400, I will use the -400. We're using all our aircraft to fly into Puerto Rico.

## Q: What types of cargo are shipped weekly to Puerto Rico from Europe?

Puerto Rico is not a big market, but you do have general cargo flow. You do also have pharmaceuticals, but there are a lot of unfinished products going into Puerto Rico. From Europe, it's one frequency, on Sunday. And out of Puerto Rico, we used to have three – now coming back it's going to be four. The rest is coming back via South America on the backside, carrying mostly fresh products, including flowers.

## Q: Does Cargolux plan to expand this service any further?

For the time being, we would like to learn from it and see how the communities accept it, unless there is a need for us to add more frequencies and it fits well in our schedule and makes commercial sense. There is a strategy behind continuing growing pharmaceuticals and – in general – special products, but right now, the plan is to stay with one frequency and we'll take it from there.





# El Norte

## Avianca's northern strategy offers hope for Latin American carriers

By Lewis King

**M**onkfish was originally known as goosefish, sea urchins were called “whore’s eggs” and orange roughly was once known as slimehead. That US\$30 serving of Chilean sea bass was once known as Patagonian toothfish and unceremoniously tossed back into the ocean by fishermen looking for catch they could actually sell. As air cargo connections between Latin America and the United States improved, these seemingly worthless fish were rebranded to sound more palatable and started arriving on plates in North America, underscoring the importance that value-added products play in sustaining carriers and forwarders in Latin America and their potential to create new products for the continent’s main export market.

Ecological implications aside, this lesson in branding is especially cogent in light of today’s flat air cargo market. “South American countries have to develop more value-added products,” explained Sebastien Aponte, marketing manager for freighters at Airbus. Sometimes the value-add involves looking for new trade partners.

It wasn’t long ago, about three or four years back, that South American carriers were riding high – when larger volumes of high-value goods moving south correlated pretty closely to upswings in local currency valuations and strong regional economies.

Back then, Brazil, the continent’s largest economy, was attracting investment. “Major automotive companies were going into the market to invest,” said Eric Hartmann, vice president at SkyTeam Cargo. Investors saw Brazil as an affordable source for auto parts and other value-added exports to Mexico, which, in turn, meant free trade access to the U.S. and Canada – Mexico’s partners in the North American Free Trade Agreement (NAFTA).

That’s all changed. When Brazil’s economy began to implode, carriers started looking elsewhere for volume. One such airline was Avianca Cargo, which made a strategic pivot towards the north, with an eye to Mexico, where the automotive industry was booming, as well as to the U.S. and

beyond, where demand for perishables was on the rise.

To South American exporters and forwarders, Mexico’s membership in NAFTA makes it practically indistinguishable from other North American markets in terms of access and value. Eighteen years after NAFTA was ratified, Colombia, Avianca’s home country and the third-largest economy in Central and South America, entered into its own free-trade agreement – the United States-Colombia Trade Promotion Agreement (CTPA). Since going into effect in 2012, CTPA eliminated tariffs and other barriers to U.S. exports, setting the stage for increased trade between the two countries.

A third trade bloc, Mercosur, enables free trade between Bolivia, Chile, Peru, Colombia, Ecuador and Suriname. The deal integrates the aforementioned markets into the majority of the Western Hemisphere, with Colombia representing a critical node in the larger trade network.

A modern day, airborne “silk road” running north and south seemed to be emerging, and over the subsequent four years, Avianca has taken steps to realize this.

### Finding a foothold

With the help of CTPA, Avianca moved aggressively on North American air cargo markets. And while the carrier isn’t making profits hand-over-fist these days in this tough market, its relative success seems to be the product of a number of strategic decisions taken over the last few years.

In its 2015 20F SEC filing, Avianca noted that it had expanded its footprint in the cargo business in Latin America by optimizing freighter schedules “in spite of market imbalances” and by maximizing belly utilization. A year



earlier, in 2014, the carrier acquired an ownership interest of 25 percent voting rights and 92.7 percent economic rights in the Mexican all-cargo airline Aero Transporte de Carga Unión, S.A. de C.V., known as Aerounion.

The acquisition of Aerounion, as well as a 6.6 percent increase in freight through Miami International Airport, represented a concerted pivot by the Colombian carrier towards U.S.-South America traffic, giving forwarders more route choices for perishables destined for North America, Asia and Europe.

Commenting on the ability of the Aerounion acquisition to drive north-south traffic, Carlos Andrés Arango, Avianca's commercial director, said, "West Coast customers now have the ability to get into Central and South American markets via Mexico. Through our network in Asia we have been able to do the same via LAX and daily service to MEX and beyond."

Avianca Cargo has also entered into partnerships with larger carriers such as Etihad, connecting to the latter's massive Middle East hub, which Aponte regards as crucial. "Either you make alliances or you disappear," he said. This strategy of diversifying risk has played out across the aviation sector, and in Avianca's case it complements moves like the Aerounion deal – engaging a variety of carriers through partnerships and acquisitions.

For the past five years, Avianca Cargo began north-south operations to Viracopos International Airport, Eduardo Gomes International Airport, Montevideo, Silvio Pettirossi International Airport and Central America, Arango said. The new routes allowed the carrier to diversify its operations to reduce its reliance on specific markets. He added that "Avianca Cargo also has more than 100 interline agreements that allow us to connect cargo around the world." One successful example is the carrier's partnership with Etihad Cargo on a freighter service connecting Bogota with Milan and Amsterdam.

Between 2014 and 2015, Avianca saw its cargo traffic to the U.S. rise more than 21 percent to 41.4 million freight tonne kilometers during a period when carriers with a strong north-south presence saw their volumes decrease by 12 percent, on average. For comparison, South America's other big airline, LATAM, saw its U.S.-bound cargo fall by 12.14 percent over the same time period.

## The answer for Latin American airfreight?

Avianca's strategy appears to be paying off, but is it repeatable for the rest of the Latin American market? For a start, increased interconnection is yielding positive results for Aerounion, which registered a 14.5 percent FTK growth into the U.S. between 2014 and 2015. "Aerounion can satisfy our customer base by

offering them another gateway to Latin America through our hub in Mexico City. Asian and West Coast customers through this partnership now have the ability to tap into Central and South American markets [including Argentina, Chile and Brazil] connecting to Avianca Cargo network in Mexico," said Aerounion's commercial director, Jaime Melara.

From a fleet perspective, Avianca Cargo underscored the importance of maintaining a modern and standardized fleet that is suited to the market, according to Aponte, whose employer supplied Avianca's fleet of five A330-200Fs. Doing so helps capture volume, especially during peak season, he added. "They reach 100 percent dispatch reliability, which you can only do with a new aircraft."

Melara noted that, in the face of market volatility, currency devaluation and complex political situations, it was crucial to "tailor your network and operation around such complex challenges." He added that offering "value-added service is key for a freighter airline to be able to succeed or fail." For instance, guaranteed flight-specific services have immense potential for high-value, perishable exports, but involve a large investment in IT that can calculate and anticipate load weights and sizes. End-to-end products are also popular and allow carriers to offer their services to smaller shippers.

But the advice to develop new routes and value-added products is easier to give, than to follow. The transformation of the unwanted Patagonian toothfish into today's Chilean sea bass took place decades ago, and, as SkyTeam's Hartman explained, "markets are mature now, and very defined."

So what is an airline to do in this era of mature and defined markets? Avianca Cargo's Arango stressed that South American carriers should not overemphasize point-to-point markets. "Constant creativity to solve this issue must be put in place by the different carriers. The operation must be seen as a whole picture, not only a matter of seasonality, load factor or destination."

And as to new routes, Avianca's development of the Colombian market shows how an airline can take advantage of underdeveloped infrastructure and extreme geography. As Airbus' Aponte points out, in areas that are remote or hard to reach due to mountains, jungles and rivers, "You can't rely on trucks. The best way to reach remote areas south of Bogota is with airfreight."

"We are already seeing signs of recovery in some very depressed Latin American markets, which have already started to slowly recover air cargo business," said Melara of Aerounion. "Which, in turn, gives us good expectations for 2017."

South America has been a difficult place for the airfreight business in the past few years, but through partnerships and new routes, some carriers and forwarders are weathering the storm, and looking at better days ahead – and hoping the world's appetite for orange roughy and Chilean sea bass continues to grow, regardless of what they are named.

ACW

(continued from page 14)

“Pharmaceuticals grew an outstanding 45 percent compared to the year before,” said Phau Hui Hoon, assistant vice president of the cargo and logistics development division at Singapore’s Changi Airport Group.

In 2015 and 2016, Changi Airport welcomed six new airfreight carriers – Polar Air Cargo, My Indo Airlines, Neptune Air, K-Mile, AirBridgeCargo Airlines and Silk Way West Airlines. Still, Hui Hoon is realistic about the economic situation. “The airfreight industry environment continues to remain weak, due to the global economic uncertainty and slowing world trade,” she said. In light of this, Changi is extending its program to offer cargo partners a 30 percent landing fee rebate for scheduled freighter operations until March 2017.

Like many other airports, as well as forwarders and shippers, Changi is looking toward the growth of cross-border e-commerce to drive more cargo business – especially in Asian hubs that do a lot of business with China. Changi’s Airfreight Centre is designed to move cargo within a free-trade zone to enable trans-shipments and cross-border e-commerce to be handled with minimal customs hassles, Hui Hoon said. Other supply chain members are also making investments in Changi’s e-commerce

capabilities. DHL Express’ new South Asia Hub at Changi Airport, scheduled to open in Q4 2016, is expected to triple the carrier’s capacity and boost processing speed six-fold. Ground-handler SATS Ltd. is investing in an e-commerce hub at Changi, as well, with Singapore Post (SingPost) as its anchor customer, Hui Hoon added. “The expected completion date is the end of the year,” she said.

In Hong Kong, Hactl has similar cross-border ambitions, being on the border of mainland China. Its logistics subsidiary, Haxis, operates scheduled, expedited road feeder services from Hong Kong into mainland China, serving eight inland depots, Whitehead said.

### Outlook remains hazy

Not all outlooks are as rosy. Airfreight growth has been so sluggish over the last few years, most airports are skeptical that the industry will see much more than the expected worldwide 2.5 to 3 percent growth rate for air cargo next year. But there are some telltale indications that business may begin picking up on some routes.

In the first eight months of this year, for example, Changi’s air cargo volume grew 5.2 percent, year-over-year, to 1.27 million tonnes, said Changi’s Hui Hoon.

The airport has seen pharmaceutical volume during that same period rise by 22 percent, y-o-y, and other perishables grow by 13 percent, y-o-y, “and we expect these niche segments to continue,” she added. The airport is moving forward on its “Changi East” development, which will extend its third runway to accommodate more aircraft and make related infrastructure improvements by the late-2020s, she said.

In Tokyo, as well, signs look positive as the year comes to an end. “Cargo volume in 2016 has increased for six consecutive months, owing to active transit cargo, while OD cargo has grown at a sluggish pace,” said Narita’s Yokozuka. “In the meantime, we target 2.1 million tons as our annual cargo volume in 2018.”

With an eye toward the coming new year, the largest operator at the busiest hub had this to say: “It would be naïve to suggest the air cargo industry is set to return to historic rates of growth, so our predictions are modest,” said Hactl’s Whitehead. “Our main focus is on helping our airline customers to attract new and higher-yielding revenue streams, such as pharma and e-commerce. We have invested heavily in both areas, and the results are now showing.”

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## Events

### NOVEMBER 16-18

**Logitrans – Istanbul, Turkey:** The 10th edition of Logitrans will take place at the IFM Istanbul Expo Center. The international trade show features solutions in the field of transportation, logistics and telematics, all located in Istanbul – the ideal bridge between the markets of Europe, Asia and Russia. In 2015, the event attracted more than 15,000 participants and 220 exhibitors. For more information, please check [logitrans.com.tr](http://logitrans.com.tr).

### NOVEMBER 22-23

**Asian Logistics and Maritime Conference – Hong-Kong:** This sixth edition of ALMC will bring together logistics and maritime services providers and users, including manufacturers, traders and distributors to exchange market intelligence and explore business opportunities in the region. For more information, visit [almc.hk/en/index.html](http://almc.hk/en/index.html).

### DECEMBER 8-9

**Cold Chain Distribution Conference & Exhibition – London, U.K.:** This 11th annual conference will include lively debates, market updates and a platform for delegates to stay ahead of the lucrative temperature-sensitive cargo market. For more information, visit [smi-online.co.uk/pharmaceuticals/uk/coldchain-distribution](http://smi-online.co.uk/pharmaceuticals/uk/coldchain-distribution).

### 2017

#### JANUARY 16-19, 2017

**Middle Cargo Meet – Dubai, United Arab Emirates:** This first international meeting, open to all forwarders worldwide, is a chance for those in the industry to interact and develop business ties. Meetings are optimized to provide a great business development platform via the Face2face scheduler. For more information, visit [middlecargomeet.com](http://middlecargomeet.com).

#### JANUARY 25-27, 2017

**15th Annual Cool Chain Temperature Controlled Logistics Europe – Frankfurt, Germany:** Europe's largest and longest-running gathering of life sciences logistics professionals is expected to attract 500+ attendees and 60+ exhibitors. The whole program focuses on actions to implement when attendees get back to their offices. For more information, visit [coolchaineurope.com](http://coolchaineurope.com).

#### FEBRUARY 8-9, 2017

**Cargo Logistics Canada – Vancouver, Canada:** This conference helps connect freight owners with freight movers, fostering multimodal synergy between diverse stakeholders in import, export and domestic supply chains. For more information, visit [cargologisticscanada.com](http://cargologisticscanada.com).

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**Brandon Fried** is the executive director of the U.S. Airforwarders Association

## ACAS: Running out of time to reach the finish line

by Brandon Fried

Franklin D. Roosevelt was elected to four terms as President of the United States, but he never got the chance to see the finish line of his last administration – or glimpse his true legacy. While his untimely death a month before the fall of Nazi Germany precluded witnessing it, the United States and its Allied Forces, led by his committed coalition, prevailed in World War II by the summer of 1945. His agenda for peace promised Americans an economic bill of rights, including a job, education and healthcare that ultimately resulted in one of the biggest economic expansions ever, not to mention a still-unsurpassed popularity rating at the time of his passing.

As President Obama leaves office, only history will tell if his tenure will result in the type of popularity achieved by FDR. From an air cargo security standpoint, many of his security policies have kept flights and passengers safe. But, regrettably, one initiative, the Air Cargo Advanced Screening (ACAS) program, is unlikely to see its completion as this President leaves office come January. But there is still time to make significant progress for smooth implementation in the administration to be decided this month.

ACAS is an initiative allowing the Transportation Security Administration (TSA) and U.S. Customs and Border Protection (CBP) to receive advanced security filing cargo data as a means to target cargo shipments inbound to the United States that may be high-risk and require additional screening. The program was conceived in October 2010, when authorities discovered two U.S.-bound packages from Yemen containing bombs, designed to detonate in mid-air over Chicago, and attributed the plot to terrorists in the Arabian Peninsula. Since then, the ACAS project has been in a pilot stage that has, by industry calculation, screened more than 300 million shipments without detecting any threats to aviation. This amount is good progress, but we still have a way to go before reaching the finish line.

Recently, industry stakeholders, including the Airforwarders Association, were called to a meeting at the U.S. Department of Homeland Security's headquarters in Washington, D.C., to provide ideas on how the program could be fully implemented by the start of the new administration or shortly after that. Apparently, the U.S.

Administrative Procedures Act requires that regulations of this magnitude go through a "notice of proposed rulemaking" that includes an exhaustive financial impact and cost/benefit review. This process has created challenges for the government in bringing the rule to fruition.

The voluntary pilot ACAS program has been long in duration, allowing the government to achieve an immediate security benefit while working many of the operational issues out with industry, but now is the time to codify lessons learned as soon as possible. It's also time to resolve industry issues that should be addressed before the regulation takes effect.

The primary forwarder concern is the bonding requirement and potentially costly penalty scheme they may face for data accuracy errors when accessing CBP's communication channel. While larger forwarders may not see this as a challenge, smaller ones may choose not to file their ACAS data, relying on carriers to perform the task. Later data submission at the airport offsets the goal of attracting significant amounts of shipment information early in the shipping process for effective targeting, and thereby poses a risk of operational delays and, potentially, the establishment of earlier cargo tender times. Instead of an unnecessary and costly bonding requirement, perhaps leveraging trusted entity status – such as "authorized economic operator" (AEO) or regulated agent – in the origin country could be a solution.

Other forwarding- and carrier-related operational issues include the challenging need for a contact, available 24/7, especially in cities where the forwarder does not have an actual presence and, most important, how screening referrals will work in conjunction with TSA's mutual recognition regime. These and other operational issues must be tested and resolved through the pilot program before moving forward. Unless these questions are thoroughly vetted and resolved in an operationally feasible manner, the result will likely involve skyrocketing costs and significant operational disruption – not only for forwarders but airline partners as well.

Although we have serious reservations about the need for additional security layers, given those already in place, ACAS is a result of a Presidential mandate and will soon be the law of the land.

As the industry works with the government in a co-creative fashion to solve the operational questions, the administration must step in by expediting the rulemaking process to the maximum extent before leaving office. The required financial impact study by the Office of Management and Budget should consider that the cost of ACAS, unlike most proposed regulations, is not about quantifying dollars but the qualitative benefit of keeping cargo, our skies and passengers safe. Making this consideration the foundation of the ACAS regulation will implement the program faster and surely enhance the legacy of this President for years to come... but the clock is ticking.



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