Air Cargo World
THE SOURCE FOR AIRFREIGHT LOGISTICS
AirCargoWorld.com • April 2016

Land of the Shifting Sun

Japanese forwarders, carriers seek to broaden their horizons

22

Can New Zealand's Pacific dominance ;ast?
11

Amazon's fleet plans come into focus
17

The Iranian Conundrum

How the lifting of trade sanctions changed the rules of Middle East logistics
25

Best & Brightest in Berlin

2016 Air Cargo Excellence Awards
28

RoyalMedia

boeing.com/freighters

STAFF

Air Cargo World

SENIOR EDITOR
David Harris
dharris@royalmedia.com

EDITOR
Randy Woods
rwoods@aircargoworld.com • (206)-801-8478

ASSOCIATE EDITOR
Linda Ball
lball@aircargoworld.com • (206)-237-0799

CONTRIBUTING EDITOR
Ian Putzger

COLUMNISTS
Doug Brittin
Brandon Fried

PUBLISHER
JJ Hornblass
hornblass@royalmedia.com

VP OPERATIONS
Molly Stewart

GRAPHIC DESIGNER
Manuel Sy

PROJECT COORDINATOR
Michael Patten

MARKETING
Breanna Punzone
bpunzone@royalmedia.com

CIRCULATION
circulation@royalmedia.com

AIR CARGO WORLD HEADQUARTERS
80 Broad St., Suite 1701, New York, NY 10004
(646) 837-5945 • Fax: (646) 304-7987

WORLDWIDE SALES
U.S. Sales & Emerging Markets
Sales Director
Tim Lord
tlord@aircargoworld.com • +1 678 775-3565

Europe, United Kingdom, Middle East
David Collison
dci.collison@btinternet.com • +44 192-381-7731

Hong Kong, Singapore, China, Malaysia, Australia, New Zealand, India
Michelle Li
michelle.li@publicitas.com • +852 2516 1510

Japan
Mikio Tsuchiya
mikio.tsuchiya@worldmedia.jp • +81 45-891-1852

Korea
Jung-Won Suh
sinsegi@igroupnet.co.kr • +82 2785-8222

Taiwan
Paula Liu
paulaliu99@gmail.com • +886 2-2523-8268

Thailand
Anchana Nararidh
anchana@worldmedia.co.th • +66 26-412-6938

Marketplace
Alyssa Stebbins
astebbins@royalmedia.com • +1 212 991-6735

Editor's Note

Spring Awakenings


Randy Woods

While the weather outside your window right now might still be cold and dreary, spring has certainly arrived on the air cargo scene. You can always tell by the constant flow of fascinating airfreight conferences that return like perennial blossoms every year, from March through June.

Just last month, *Air Cargo World* took part in IATA's World Cargo Symposium in Berlin, March 14-17, during which we hosted out 11th Annual Air Cargo Excellence (ACE) Awards Gala. Based on our newly expanded annual survey of freight forwarders, cargo agents and third-party logistics providers, the awards ceremony at the InterContinental Berlin Hotel honored the top-performing cargo carriers and airports from around the world.

In this issue (page 28), the 17 award winners are listed, based on regional and size categories, along with the Certificate of Excellence winners who performed above the industry average during the previous year. All airports and carriers that took part in the survey will also be listed with their weighted index scores in each award criteria – customer service, performance and value for carriers; performance, value and facilities for the airports. Find out if your nearby airport or your favorite carrier made the cut – you might be surprised by the results. (For more information on the ACE Awards methodology, please visit *aceawards.aircargoworld.com*.)

One of the best aspects of attending these conferences is to meet new people and view cargo from a perspective you may not have considered before. Such is the case for our cover story on the shifting sands under the Japanese air cargo industry (page 22). While major carriers like Japan Air Lines and All Nippon Airways have struggled lately, they have been finding greater success by moving farther away from the homeland and grabbing a larger share of international cargo lanes. Some have found success by forming joint partnerships with other carriers and building hubs outside Japan, including the growing markets of Southeast Asia.

While Japan may be reinventing its cargo networks, the nation of Iran is now reintroducing itself to the world. For decades, the Islamic Republic of Iran was a pariah on the world stage, facing crippling U.N. trade sanctions. Today, with many restrictions lifted in the wake of the recent nuclear weapons deal, the doors to Iran have opened once again, triggering a rush of logistics firms into this oil-rich nation. *Air Cargo World* goes inside the Middle East freight market (page 25) and finds that doing business in this oil-rich market may not be as easy as some forwarders first thought, especially considering the tough U.S. sanctions that are still in place, causing unexpected complications.

And speaking of travel, cargo conference season is far from over. Later this month, members of the *Air Cargo World* staff will be attending IATA's Cargo Network Services (CNS) Partnership Conference in Nashville, April 10-12. As we did last month, *Air Cargo World* will produce a "Daily Report" covering events at the conference. And during the following week, our sister publication, *Cargo Facts,* and it's parent, Air Cargo Management Group will host their annual **Cargo Facts Asia Conference** in Hong Kong, **April 19-20**. This conference has become the center of Asian airfreight opportunity, bringing together the world's aviation community for meaningful networking and strategy sessions. For more information, visit *cargofactsasia.com*. We're counting on seeing you there at both events for a little spring cleaning and a fresh perspective or two.

Randy Woods,
Editor, *Air Cargo World*
rwoods@aircargoworld.com

Contents

Volume 19 • Number 3 • **April, 2016**

Land of the Shifting Sun

Japanese forwarders, carriers seek to broaden their horizons

22

News Inside:

8 UpFront

Shipping a giant laser, horses get the royal treatment, a fond farewell to the 727, and more.

11 Asia

Air New Zealand is surprisingly dominating the trans-Pacific trade lanes, but competition may soon spoil the party.

14 Europe

European cargo traffic is finally showing some improvement, but Air France-KLM is still falling behind its rivals.

17 Africa & Middle East

With a little help from Cargolux, Oman Air is extending its reach to challenge its larger Gulf competitors.

19 Americas

Amazon finally breaks it silence and admits its airfreight ambitions with ATSG. But what will its future look like?

BEST & BRIGHTEST IN BERLIN
2016 AIR CARGO EXCELLENCE AWARDS
28

Departments

4 Editor's Note
10 Cargo Chat: Jens Bjørn Andersen, CEO of DSV
21 People & Places
33 Marketplace
35 Bottom Line
37 Events/Advertiser's Index
38 Forwarders' Forum

RoyalMedia

Air Cargo World (USPS 364-590) (ISSN 1933-1614) is published monthly (except December and January are combined) and owned by Royal Media. Air Cargo World is located at 1080 Holcomb Bridge Rd., Suite 255, Roswell, GA 30076. Known office of publication is located at 80 Broad Street, Suite 1701, New York, NY 10004; telephone 212-564-8972. Air Cargo World is a registered trademark. Periodicals postage paid at New York, NY and at additional mailing offices. Subscription rates: 1 year, $80; 2 year $128; outside USA surface mail/1 year $120; 2 year $216. Single copies $20. Express Delivery Guide, Carrier Guide, Freight Forwarder Directory and Airport Directory single copies $14.95 domestic; $21.95 overseas. Opinions expressed by authors and contributors are not necessarily those of the editors or publisher. Articles may not be reproduced in whole or part without the express written permission of the publisher. Air Cargo World is not responsible for unsolicited manuscripts, photographs or artwork. Please enclose a self-addressed envelope to guarantee that materials will be returned. Authorization to photocopy items for internal or personal use is granted by Air Cargo World, provided the base fee of $3 per page is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, and provided the number of copies is less than 100. For authorization, contact CCC at (508) 750-8400. The Transactional Reporting Service fee code is: 0745-5100/96/$3.00. For those seeking 100 or more copies, please contact the magazine directly. Member of Audit Bureau of Circulations Ltd.

POSTMASTER: Send address changes to Air Cargo World, 80 Broad Street, Suite 1701, New York, NY 10004.

UpFront

Fit for a Bond villian

Q: How do you move a 10-ton, 63-foot-long laser from Argentina to Mexico that's too big to fit in most planes? **A:** Very carefully. This particular piece of machinery was consigned not by Dr. No but by a Tier One auto supplier that hired ICAT Logistics DTW, which took apart the device in Buenos Aires, crated it, shipped it to San Luis Potosi in an Antonov aircraft, trucked it to the site on time and reassembled it. The clients were left stirred, not shaken.

Ground control to Major Tom

In February, **Volga-Dnepr Airlines** transported a payload module of a spacecraft from Sheremetyevo Airport to London Stansted aboard one of its IL-76TC-90VD freighters. The module was shipped inside a customized container that was able to maintain a specific, precise temperature and barometric pressure throughout the flight. Three representatives of the manufacturer, RSC Energia, accompanied the module, which arrived safely and on time in the U.K. Such specialized flights are becoming commonplace for Volga-Dnepr, which estimates that 30 percent of its business – about 5,250 flights in total – have served aerospace needs.

Giddyup!

Once again, **Emirates Airlines** was the official carrier, and Hactl the cargo handling agent, for the transport and care of 64 of the world's most valuable horses, which competed in the Longines Masters Hong Kong competition Feb. 19-21. After Emirates transported the horses from Liège via Dubai World Central to Hong Kong International, Hactl unloaded the horses in their air stalls and loaded them onto waiting horseboxes using special low-angle ramps to avoid injury. In early March, Emirates rival Qatar Airways Cargo transported 118 show-jumping and dressage horses from Liège to Doha on three chartered 777Fs equipped with air stables, to participate in the CHI Al Shaqab March 2-5. "Horsey, horsey on your way, we've been together for many a day!"

What's in a name?

Rank	Brand	Country	%Change since 2014
1	Emirates	UAE	17%
2	Delta	US	-1%
3	American Airlines	US	69%
4	British Airways	UK	27%
5	United Airlines	US	-8%
6	Air China	China	41%
7	Southwest Airlines	US	6%
8	Qatar Airways	Qatar	26%
9	China Eastern	China	18%
10	Lufthansa	Germany	-27%

Brand Finance recently declared that Emirates Airlines retained its title as the world's most valuable airline brand in 2015, scoring with factors such as familiarity, preference, satisfaction and recommendation. Lufthansa tumbled a bit, while American Airlines grew by 69 percent, partly due to the rebranding of US Airways under the AA brand in 2013.

Last flight for first 727

Fifty-three years ago, an aircraft with the registration N7001U rolled off the assembly line outside Seattle and changed aviation history. While most of the more than 1,800 subsequent Boeing 727s built since 1963 were passenger aircraft, many saw their lifetimes extended by serving as freighters, most notably as sturdy workhorses for express companies like FedEx and UPS. After carrying more than 3 million passengers for United Airlines and racking up 64,495 flight hours, N7001U was retired in 1991. On March 2, the recently restored aircraft made its final hop from the Boeing plant in Everett to Seattle to become an indoor exhibit at the Boeing Museum of Flight. Make that 64,495 hours … and 15 minutes.

Lufthansa Cargo targets new customer: the passenger

As part of an initiative to increase profitability in a challenging market environment, **Lufthansa Cargo** is enhancing its product portfolio. The move will include targeting "a completely new market segment" – the passenger. Lufthansa said that through its new myAirCargo product, "passengers and private individuals will now be able to send any kind of personal item via air freight, quickly, simply and cost-effectively." At the other end of the product spectrum, Lufthansa said it would also revamp its basic offering in the hotly contested standard freight market.


THE BATMOBILE
FLIES ON TURKISH CARGO
TURKISH CARGO OFFICIAL AIR TRANSPORT
OF THE BATMOBILE
TURKISH CARGO
TURKISH CARGO
BATMAN v SUPERMAN
DAWN OF JUSTICE
ONLY IN CINEMAS
BATMAN V SUPERMAN: DAWN OF JUSTICE and all related characters and elements © & ™ DC Comics and Warner Bros. Entertainment Inc.
TURKISH CARGO
Globalize your business

Jens Bjørn Andersen

For DSV's Jens Bjørn Andersen, the Second Time's the Charm

If the dismal second half of 2015 made it seem like a year of missed opportunities for the airfreight world, 2016 may end up being remembered as the year of second chances. Already we have seen the revival of the courtship of TNT by FedEx after the romance with UPS fizzled. Now we have the merger of Danish logistics firm DSV and U.S.-based UTi Worldwide, after a failed attempt in 2014.

DSV is a company that tends to grow through acquisition, and it had long been interested in expanding its footprint into the U.S. market. But many observers in the industry couldn't quite see the attraction, given UTi's long-simmering financial problems. Some balked at the US$1.35 billion price tag, at $7.10 per share.

In the months since the DSV/UTi deal was finalized, *Air Cargo World* reached out to DSV's CEO, Jens Bjørn Andersen, to find out how the deal was progressing and how it has changed the landscape for logistics in both Europe and the U.S., and what he thought of the critics who said he overpaid.

How has the UTi acquisition changed DSV's strategy for handling air cargo?

Mergers and acquisitions [M&A] is an integral part of DSV's growth strategy, and our network has been established through a number of large and small acquisitions over the last 15 years. With this merger we will significantly strengthen our global freight forwarding network, both in terms of volume and geographical footprint. Our strategy in the market does not change – and right now we must do all we can to ensure that we maintain a good service towards the clients in the integration phase. Going forward we will operate in the market under the DSV brand and we wish to continue to serve a good mix of small and mid-sized clients along with larger global accounts. Especially with the large accounts UTi has some strong capabilities which will strengthen us going forward.

What was the main rationale for the merger?

Consolidation in the transport and logistics business is generally a good idea, because of the achieved advantages through economies of scale, stronger network, greater buying power, etc. This merger doubles our size in airfreight, bringing the combined volumes above 600,000 tonnes. Historically, DSV has always had the strongest foothold in Europe, and less exposure to other parts of the world with greater potential for growth. The acquisition and merger with UTi offered a great and complimentary match in terms of business areas and geography. We expect to harvest most of the synergies by merging the two global freight forwarding – or Air & Sea, as we call it in DSV – networks. UTi and DSV have overlaps in a number of cities and we can consolidate offices and IT systems. Furthermore we can benefit from combining administrative and back-office functions.

> "Supply chains are more complex than ever and efficient airfreight solutions are an essential part of this."
>
> –Jens Bjørn Andersen, CEO of DSV

This is the second time DSV had attempted a purchase of UTi. Why was this attempt successful compared to the failed bid a year before?

At the time, the business case, based on asking price, was not attractive to DSV. However UTi remained an attractive match for DSV and during 2015 the valuation of UTi changed and we decided to approach the company again. And this time the process was successful.

Some critics said DSV had paid too much for UTi, which had been struggling for some time. How does DSV justify the final price it paid ?

We believe that we paid a fair price for UTi Worldwide. And we firmly believe that we can integrate UTi's activities and turn the combined business around to the profit margins DSV had before this merger.

What are your future plans in terms of M&A within the 3PL market?

At the moment, and for some time to come, we will be concentrating on the integration with UTi. We expect that the integration will take two to three years. M&A remains an important part of DSV's growth strategy, but it is unlikely that we will be looking for a new M&A opportunity right now.

2015, overall, was a relatively stagnant year for air cargo. Do you expect 2016 to be more of the same, or will better times be coming?

We have not given a specific outlook for the air cargo market for 2016, but we expect that global trade will grow in line underlying GDP-growth in the coming years. So we are looking at low single-digit growth rates. Regionally we expect that Europe and US markets will see the lowest growth and emerging markets higher. This means that the days of a "GDP multiplier" in global trade most likely are over. Outsourcing of production to low-cost countries used to drive growth in both air cargo and containerized ocean cargo, but this outsourcing has peaked. Having said this, we believe that the air cargo markets still hold a number of possibilities for the shippers and for freight forwarders. Supply chains are more complex than ever and efficient airfreight solutions are an essential part of this.

Buoyant Kiwis enjoy high yields, but can it last?

Don't look now, but Air New Zealand (ANZ) is in expansion mode. In early March, the airline announced the resumption of flights to Osaka this coming November, ending a three-year hiatus that began when its Japan flights were consolidated in Tokyo during a weak market.

The announcement came not long after the launch of new routes to the Americas. In December the carrier started flights to Houston and to Buenos Aires, following the arrival of three 787-9s that were delivered last year. Management has also announced plans to mount service in June to Ho Chi Minh City, which will be operated on a seasonal basis, flying three times a week with 767-300 aircraft – the same type used on the Osaka route.

So what's gotten into the suddenly active ANZ? For the first half of fiscal year 2016, it reported a net profit of US$225 million, up 154 percent from the same period a year earlier. Lower fuel prices and a weaker currency accounted for a chunk of those gains, but they were mostly driven by a strong rise in operating revenue, according to the airline. Cargo revenue was US$126 million, an increase of 21 percent on the prior period. Excluding the impact of foreign exchange, cargo revenue increased 11 percent, driven by a 9 percent increase in volume and 1.6 percent increase in yield.

At a time when yields are falling nearly everywhere, international routes to and from New Zealand have been exceptionally buoyant in terms of yield. For Hawaiian Airlines, for example, the strongest international sector in cargo last year was the route to Auckland. "It's been a dynamite market for us," said Tim Strauss, Hawaiian's vice president of cargo. The carrier targets traffic to and from the U.S. West Coast and Boston (with a truck link to JFK airport in New York). Hawaiian, however, eschews mail on the sector. "We get better per-unit yield at the container level," Strauss added.

The main reason is that New Zealand has been a fairly balanced market, with a mix of hard goods and perishables going south and perishables dominating northbound loads. A tight supply of U.S. beef has ensured a steady flow of beef being flown in from the South Pacific, Strauss noted.

Peter Lamy, president of Los Angeles-based American Worldwide Agencies, notes that a lot of meat, especially lamb, is carried from New Zealand via the United States to Europe, chiefly the U.K. The routing reflects a key characteristic of New Zealand's cargo market: The lack of lift, which – combined with the long-stage sectors involved – makes for lengthy and sometimes complex routes, such as moving via Asian points like Tokyo or Singapore. From the U.S. West Coast, the closest alternatives to ANZ's direct Auckland service, in terms of transit times, are courtesy of Hawaiian Airlines and Air Tahiti Nui. "Going via Honolulu is a three-to-four-day service, Air Tahiti Nui is an extra 12 hours, and they only have a couple of flights a week," Lamy said.

Being the only show in town with a direct route, ANZ has had no need to negotiate cargo rates for the past 10 years, according to Lamy. Since the airline stopped flying freighters between the U.S. and its home market, yields have held up well, notes Peter Burn, Air New Zealand's former head of cargo for the Americas and Europe.

But this happy state of affairs is about to end, most observers believe. In June, American Airlines is going to launch daily service between Los Angeles and Auckland, using 787 aircraft. The following month will see the start of flights by United Airlines, linking San Francisco with New Zealand's business hub, also with 787 equipment. Initially the service will operate three times a week, but this will be stepped up to daily frequency in October, according to a spokesman for United Cargo. "We do have significant hopes for cargo on this route, though we're not targeting any specific segments yet," he said. "We expect machinery and electrical equipment to be notable commodities southbound and food products to be among the substantial product groups northbound."

The entry of United and American will mark a sea change in the trade lane, Lamy predicted, pointing to the U.S. carriers' size, customer base and historically aggressive pricing tactics. While lift in this market is relatively tight at this stage, it will not take much to tip the balance into overcapacity, he added.

For shippers looking for lower prices, things could get even better, if an unconfirmed rumor of plans at Qantas to mount freighter flights to Auckland were to become reality. "This surprises me," said ANZ's Burn, "but the low fuel prices would help."

In any case, another niche that has so far offered higher yields is about to get hit with a serious infusion of capacity, notwithstanding the toll that the long stage sector takes on the possible payload on the new flights.

—Ian Putzger

Could Quikjet, SpiceJet signal real Indian cargo growth?

The Indian air cargo industry is infamous for its false starts and broken promises, but recent developments with two India-based carriers may start convincing the naysayers that the subcontinent is getting serious about building an air network.

In February, all-cargo carrier Quikjet finally launched its long-awaited service, offering overnight flights connecting Delhi, Chennai, Bengaluru and Hyderabad with a single 737-400 freighter. Quikjet was formed as a start-up in 2007, backed by various Indian investors. It got off the ground briefly in 2013, using an ATR 72F provided by Switzerland-based Farnair, which had taken a 36 percent stake in the Indian carrier. Since then, ASL has acquired Farnair, upped the Quikjet stake to 78 percent, and recently transferred one of its converted 737-400Fs to Quikjet's certificate.

That same month, low-cost carrier SpiceJet touted plans to increase its cargo operations by offering a door-to-door delivery service. The announcement came as SpiceJet reported a record quarterly net profit of US$35 million, boosted, in part, by domestic cargo volumes that were up 15 to 17 percent, year-over-year, in 2015.

In fact, the profitability of SpiceJet's cargo operations may have been too good to be true. On Feb. 9, the Competition Commission of India imposed fines totaling $6.7 million on the carrier for alleged participation in a cartel to fix surcharges for air cargo. Still, SpiceJet's Managing Director Ajay Singh identified air cargo as a "growing business" for the rapidly expanding airline. Details of the proposed operation are lacking, but the company claims to have already finalized logistical arrangements with local couriers to enable door-to-door cargo operations aimed at serving SpiceJet's corporate clients.

Although door-to-door cargo delivery may seem like a strange auxiliary service for a low-cost carrier to offer, SpiceJet would not be a pioneer in the business. In November 2014, Malaysia-based low-cost carrier AirAsia launched its own courier service, called RedBox, which included door-to-door delivery between select destinations in Asia. While little has been reported regarding the profitability and success of Redbox, the service has continued to expand and is now available in 12 countries throughout Asia.

–David Harris

Yusen buys Hitech, opens new Indonesian offices

Japan-based freight forwarder Yusen Logistics has had a busy start to 2016 in the Pacific region, with the purchase of an Australian logistics provider and the opening of two new freight consolidations services in Indonesia.

Last month, Yusen confirmed that it had acquired Australian sensitive-freight specialist Hitech Asia-Pacific for an undisclosed sum. This move will assist Yusen in its quest to diversify into the high-technology industry, where Hitech already has a presence.

Hitech's customers include Canon, Siemens, GE, Philips and Device Technologies, which will now be served by Yusen. Another benefit of the acquisition for Yusen, is the ability to reach into the medical and business equipment sectors. "Hitech's skills in sensitive freight are highly complementary to Yusen's international capabilities," said Ian Pemberton, the managing director of Yusen Logistics.

Yusen said it expects that its total revenue will increase to more than US$150 million and its employee base to climb to approximately 560 people. Yusen Logistics is part of the NYK Group, headquartered in Japan, operating in 38 countries, with a total global warehouse capacity of about 3.5 million square feet.

Also, in a nod to the growing demand for cargo services in Indonesia, Yusen Logistics opened its own import operation at Halim Perdanakusuma International Airport in Jakarta.

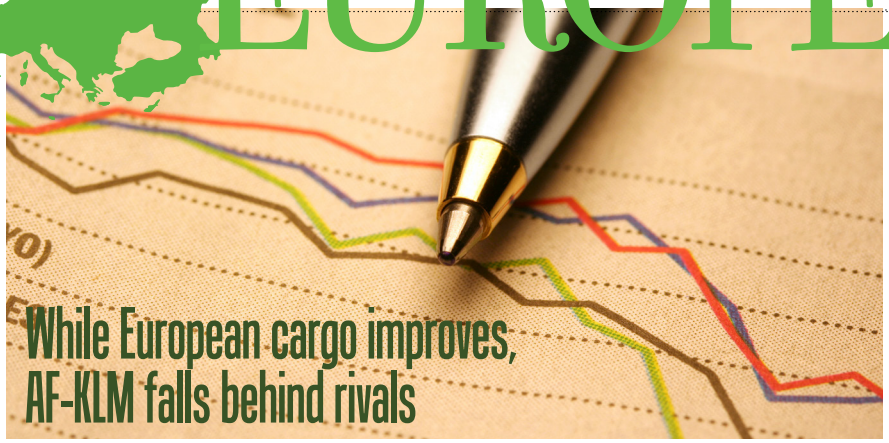
Halim Airport is located close to the East Jakarta Industrial Zone, a base for a large number of Japanese companies, located about nine miles southeast of Central Jakarta. Customers in the industrial zone will now benefit from greatly reduced delivery times, as road transportation from Halim Airport takes between one and a half to four and a half hours less, depending on traffic, than transportation from Jakarta's main airport, Soekarno-Hatta Internatonal Airport.

Earlier, in February, Yusen Logistics launched a new consolidation airfreight forwarding service from Achmad Yani International Airport, in Semarang, Java. Yusen said the forwarding service is needed to improve the local supply chain to support a sharp growth in new businesses moving into the Central Java region. Up until now, the only way to move goods from Semarang's airport to Jakarta's Soekarno-Hatta was by truck along a 310-mile road that is poorly maintained and is subject to repeated flooding. Under the new arrangement, freight arriving at Semarang can be consolidated and flown to Jakarta much more quickly and reliably, Yusen said.

With the new service, Yusen can now provide integrated in-house handling, as well as air waybill and customs clearance, in Semarang, rather than in Jakarta. This convenience not only saves on transportation costs between the two cities, it can also improve transit times by as much as 24 hours, the forwarder said.

From Semarang, freight can now be forwarded by air worldwide via Jakarta, Denpasar, Singapore or other nearby airports.

–Linda Ball



While European cargo improves, AF-KLM falls behind rivals

It's a different year for Air France-KLM Cargo, but the news always seems to be the same – not good.

Despite ongoing efforts to restructure its cargo business, Air-France KLM's cargo unit reported a €245 million operating loss for the full year 2015, a worse result than the €212 million loss in 2014. While this might be expected, given that AF-KLM's restructuring plan included a significant reduction in maindeck capacity, the increased operating loss indicates continuing problems in the division.

The carrier did not provide data on cargo performance by trade lane, but did say that its Air France subsidiary saw cargo traffic fall 6.1 percent, y-o-y, in January to 272 million revenue tonne kilometers (RTKs), while KLM (including Martinair) reported cargo traffic down 6.7 percent, y-o-y, to 395 million RTKs.

Regarding capacity, the carrier retired two 747-400ERFs and three MD-11Fs during 2015, leaving it with nine active freighters. AF-KLM said that this fleet reduction enabled it to cut the loss on freighter operations from €55 million in 2014 to €42 million last year. The maindeck capacity reduction will continue in 2016, and AF-KLM said that by mid-year it will operate only five freighters – two 777Fs based in Paris and three 747-400ERFs based in Amsterdam. This, according to the company, "should enable the full-freighter business to return to operating break-even in 2017."

One recent bright spot for Air France-KLM came in the January 2016 figures. The carrier continued to report declining cargo traffic, but the 6.4 percent y-o-y decline to 667 million RTKs in January was a better result than AF-KLM reported in any month last year.

For a little perspective, the other two of the Big Three European legacy carriers also released their January figures, which were generally better, but nothing to send pulses racing.

The Lufthansa Group reported January traffic down 2 percent, y-o-y, to 699 million RTKs. However, that small decline hides a huge difference in Lufthansa's cargo performance on its major trade lanes. Cargo traffic was up 7.1 percent to 321 million RTKs on the Asia/Pacific trade lane, but this was nowhere near enough to counter an 8.7 percent drop on the trans-Atlantic lane to 293 million RTKs. On the less-busy Middle East/Africa lanes, traffic plunged 11.1 percent to 58 million RTKs. Overall, while a 2 percent y-o-y decline is nothing to be happy about, it is an improvement over the carrier's performance through much of last year.

International Airlines Group (IAG) reported January cargo traffic up 1.2 percent, y-o-y, to 407 million RTKs (adjusted for the recent acquisition of Aer Lingus). Subsidiary carrier Iberia saw cargo traffic up 12.3 percent to 82 million RTKs, while IAG's larger British Airways subsidiary reported traffic down 1.2 percent to 330 million RTKs.

The generally improving trend of the Big Three carriers is echoed by improving volumes at three of the region's biggest airports:

- Frankfurt reported its January handle almost flat (down 0.1 percent) at 160,000 tonnes.
- Amsterdam Schiphol reported its January handle up 4.7 percent to 126,000 tonnes.
- London Heathrow reported its January handle up 2.9 percent to 119,000 tonnes.

Again, not spectacular results, but improved over the 2015 trend of declines.

—David Harris

Swiss forwarders Panalpina, K+N see small net profits in 2015

Although Switzerland-based global freight forwarding and logistics companies Panalpina and Kuehne + Nagel endured revenue drops and a stagnant cargo market in 2015, both managed to stay in the black for the year.

Panalpina's 2015 revenues fell from US$6.73 billion to $5.88 billion, but its EBIT edged up from $117.1 billion to $117.6 billion at the close of last year, while net profit rose slightly to $88.5 billion from $86.79 billion in 2014.

These results are not bad, considering Panalpina relies hard on its business serving the oil industry.

"We have maintained profitability in a year that was characterized by a soft market, the low oil price, negative currency impacts and high IT investments on our end," said Peter Ulber, Panalpina's CEO. "The results prove our resilience in more difficult times. Excluding currency effects, EBIT even increased 15 percent."

The company's airfreight volumes decreased 2.5 percent last year to 836,000 tonnes, slightly less than the 857,000 tonnes transportred in 2014, as a stalled automotive sector held back overall performance. The market is es-

tiimated to have contracted by about 1 percent

Looking ahead, Ulber said he doesn't expect significant growth or momentum coming from the market, especially in the first half of 2016, but added that he expected the global airfreight market would grow 1 to 2 percent this year over 2015.

Ulber said Panalpina's focus this year will be on implementing its new IT system, and that he had no interest in engaging in any acquisitions this year.

"It is true that Panalpina will choose not to participate in consolidation among larger players," he said. "We think it is much more important to get our new technology environment in place rather than getting involved in a complex acquisition."

Switzerland's other big forwarder, forwarder, Kuehne + Nagel, ended up with a tidy profit at the end of 2015, in spite of a stagnant cargo market. But unlike Panalpina, K+N's success came largely from a 4.7 percent increase in airfreight demand to 1.2 million tonnes.

Profitability improved thanks to the "effectiveness of our efficiency program," K+N said, with net earnings rising 5.4 percent over 2014 to $684 million.

The year-end results, the company said, "reaffirmed its position" as the second largest global airfreight forwarder.

"A key factor in the good performance was the focus on industry-specific airfreight solutions, which led to significant business wins in the pharmaceutical, aerospace and perishables sectors," the company said.

Not everything went smoothly for K+N, however, as revenues, hot by a soaring Swiss franc, fell by 4.4 percent in 2015 to US$20.5 billion.

"We are proud that in a challenging environment we were able to further increase profitability and once again achieve a new record result," said K+N CEO Detlef Trefzger.

K+N added that its FreightNet online booking portal, which provides cargo tracking and instant quotes for airfreight services, also proved to be "an effective new sales channel."

—Linda Ball & Randy Woods

Recent graduates of the GDP Training Academy's two-day cool-chain course pose outside one of IAG Cargo's Constant Climate Centers.

IAG provides GDP training for cool chain logistics

The latest batch of trainees from the GDP Training Academy, sponsored by IAG Cargo and Exelsius, have emerged following a two-day International Training Course held last month in London. The program was the fifth training session held so far, involving students from Singapore, India and the U.K.

Those attending the intensive session included representatives from forwarders, airlines and ground handling companies, seeking to improve industry compliance to GDP standards for temperature-sensitive healthcare and life science products. The course offered a combination of interactive classroom sessions and hands-on instruction during an airside visit to the IAG Cargo Constant Climate Center.

The 18 people who successfully completed the training this month were awarded a Certificate of Achievement following a comprehensive written examination. The certification will be valid for two years. Some of the students are forwarders and ground handlers, who are also in the process of obtaining local GDP certification or applying for a WDA approval from the U.K.'s Medicines and Health Regulatory Agency.

James Wells, an international freight manager for Aramex UK Ltd, who completed the GDP Academy course, called it a "thoroughly enjoyable course that I would recommend to anyone involved in the transportation of time- and temperature-sensitive life science products."

Tony Wright, CEO of Exelsius, said the program is designed to provide students with thorough GDP knowledge "from a truly end-to-end perspective, and uses a number of interactive teaching methods."

IAG Cargo and Exelsius are planning at least three more GDP Academy training courses this year in Dublin, Atlanta and a location to be named later in the Asia-Pacific Region.

–Randy Woods

Oman Air extends reach with Cargolux, SmartKargo

Located at the crossroads of the world, Oman Air made some important moves last month to expand and enhance its cargo network to better compete with the nearby Big Three Gulf carriers.

Nearly a year after forming a cooperation agreement to launch freighter service between Luxembourg and Chennai, India, Oman Air and all-cargo carrier Cargolux are expanding their partnership with twice-weekly service to Mumbai, beginning March 8. Soon afterwards, the Muscat-based carrier said it had chosen SmartKargo as the cloud-based IT software provider for its sales and operations.

Under the new agreement with Cargolux, the first weekly 747 service, operated by Cargolux, will use a Luxembourg-Bahrain-Mumbai-Muscat-Luxembourg route, leaving on Tuesdays. For the second weekly service, beginning on Fridays, the route will be Luxembourg-Kuwait-Mumbai-Muscat-Luxembourg.

While Oman Air will be able to receive a consolidated cargo feed from Cargolux's extensive long-haul network, Cargolux will be able to use Oman's well-positioned hub in the Middle East and have greater access to the belly capacity of Oman Air's passenger fleet, which currently serves 11 destinations in India and more in East Africa.

Abdulrahman Al Busaidy, COO of Oman Air, said some of the airfreight carried by the airline will include project cargo, livestock, aircraft-only freight, odd-sized cargo, vehicles and aircraft engines.

"With India's growing importance as a manufacturing nation, we see a lot of future potential and possibilities for both our companies," added Niek van der Weide, Cargolux's executive vice president, sales and marketing.

As for Oman Air's IT capabilities, the carrier's contract with SmartKargo is scheduled to begin in June. Mahfood Al Harthy, chief officer of sales for Oman Air, said the carrier's objective with the new cloud-based platform is "to have a rapid deployment of an industry-standard solution without having to spend on infrastructure." He added that SmartKargo's services will help Oman Air "leverage our joint-venture agreement with Cargolux to develop Muscat as a logistics hub."

SmartKargo, which claims to be the only such cargo platform that is entirely cloud-based, is equipped to handle electronic air waybills; manage warehouse and ramp operations; determine flexible pricing and ratemaking; and provide round-the-clock support via its three global call centers.

"In my experience as a recently re-

-tired head of cargo at IATA, it used to take many years and millions of dollars to implement a cargo IT solution," said Des Vertannes, now a strategic advisor for the IT provider. "SmartKargo's approach, to create an industry-standard cloud solution, is a game changer."

SmartKargo has already been adopted by Hawaiian Airlines, Norwegian, and eight other cargo carriers, according to Jay Shelat, executive vice president, sales and marketing, for SmartKargo.

Oman Air operates a fleet of 40 aircraft, including new widebody 787s, and serves 50 destinations throughout the Gulf and Middle East, and beyond to Europe, Africa, South Asia and Southeast Asia.

—Randy Woods

Qatar Airways' cargo growth defies 2015's average

Despite the fact that worldwide air cargo traffic only grew 2.5 percent in 2015, Qatar Airways Cargo managed to increase its tonnage by 37.5 percent last year. The carrier reported increasing its tonnage from 1.1 million tonnes in 2014 to 1.5 million tonnes in 2015.

Import cargo to Doha increased by 29 percent, while ex-Doha traffic rose by 10 percent. Transit cargo at the Doha hub also ballooned by 39 percent in 2015.

To assist in this growth, Qatar recently took delivery of two A330Fs and a 747F nose-loader. Three more 777F's are scheduled to arrive by the end of the year. With these deliveries, Qatar Cargo's lift is now split nearly evenly between main-deck and bellyhold, with 51 percent carried on freighters and 49 percent in pax bellies.

Later this month, Qatar Airways Cargo is planning to launch three freighter routes to Budapest, Prague and Ho Chi Minh City, raising the carrier's number of freighter destinations to 14 in Europe and six in the Asia-Pacific region.

In addition to new freighter routes, new belly capacity will be available in the coming months via the new destinations of Boston, Birmingham, Adelaide and Atlanta.

—Linda Ball

For Emirates, routing is an everyday job

While Emirates' cargo business is heavily dependent on belly space in its widebody passenger fleet – the company has called its 777-300ERs "invisible freighters" – it also operates a significant freighter fleet, with thirteen 777 freighters, plus two 747Fs that it leases. But Duncan Watson, vice president of Emirates Cargo Commercial Operations, said in an exclusive interview that the world's third-largest cargo carrier by tonnage will not expand its main-deck capacity. "On the freighter side, we are not planning to add anything in the foreseeable future," Watson said. "We are happy with the assets we have."

Instead, Emirates has grown passionate about route management. Where do you deploy aircraft? How do you route aircraft? These have become critical factors for Emirates. Routing has become a "daily activity" at Emirates Cargo, Watson said. "We spend more time on the routings – how to tweak routings – to use those assets. This is a daily activity, because the markets are so dynamic now," he said. "It always was a dynamic market, but what you saw in 2015 – you thought things changed fast then? Boy, they are changing fast now."

He added that these daily changes can boost Emirates cargo yield by 4 to 5 percent, "and in the airfreight world that is a big number."

Emirates SkyCargo also has undergone a restructuring in its United States operations. Ed Chism, Emirates' former cargo manager for North America, initiated the changes with his retirement. In Chism's place, Emirates will have a team of three executives managing the U.S. market. Duncan Watson, vice president of Emirates' cargo commercial operations, will manage the new tripartite leadership team. In addition, Watson manages SkyCargo's Middle East operations.

Specifically, the three departments into which the U.S. market has been split are: Los Angeles, which encompasses the West Coast and its GSSA in Mexico; Chicago, from which the Midwest will be covered; and New York. Emirates said it would announce the head of the Chicago office within the next two weeks.

Watson, who is based out of Dubai, told Air Cargo World that he thought the structural changes to Emirates SkyCargo's Americas operation will sustain its U.S. expansion plans "through the next three years of growth." The challenge for Emirates SkyCargo, which has enjoyed great growth of more than 6 percent per annum in recent years, is, "How do we keep this growing?" he added. "How do we get to the next step? How do we keep this leadership perspective? How do we keep the momentum?"

Geographically, in the U.S. market, Emirates has seen tremendous expansion in Chicago, Atlanta, and particularly in Los Angeles and San Francisco. "There is good growth everywhere," Watson said, "but if you ask me, where are the standouts? It would be in those four locations."

In ATL and ORD, for example, he credited the cargo traffic growth to an increase in frequency of flights – passenger flights, that is. Emirates, which operates more than 200 passenger aircraft, has enough belly capacity to be the third largest cargo carrier in the world.

—JJ Hornblass

Amazon's long-awaited fleet plans begin to soar

One day after reporting excellent fourth-quarter results, Air Transport Services Group (ATSG) finally broke the news the industry has been expecting – some might say fearing – for some time: It has signed a deal with e-commerce giant Amazon to operate an express air network based on twenty ATSG-owned 767 freighters.

This was no huge surprise, as it has been an open secret for some time that ATSG has been operating five 767 freighters in a trial network for Amazon, and Amazon itself recently hinted that it wanted to be able to count on some amount of own-controlled capacity to supplement the lift it buys from other providers (particularly UPS and FedEx).

In September 2015, ATSG launched what was known as "Project Aerosmith," a trial express network from

DHL's former U.S. base in Wilmington, Ohio, for an unspecified customer that was long-suspected to be Amazon, but never confirmed until now. Amazon is also building a one-million square-foot fulfillment center at Rickenbacker Global Logistics Park, near Columbus, Ohio, and an 800,000 square-foot fulfillment center in Etna, Ohio, along with three new data centers in the Columbus region.

What was surprising, though, was that, as part of the deal, "ATSG also has agreed to grant Amazon warrants to acquire over a five-year period up to 19.9 percent of ATSG's common shares at $9.73 per share, based on the closing price of ATSG common shares on Feb. 9, 2016."

If our back-of-the-envelope math is correct, this will allow Amazon to buy a 19.9 percent stake in ATSG for about $124 million. But not only has ATSG's share price appreciated since the Feb. 9 cut-off, the news of the freighter deal bumped it another 19 percent. At the current share price of $13.96, Amazon's 19.9 percent would be worth $178 million – already up $54 million.

Of course, Amazon has not yet acquired the stake, and ATSG's share price will undoubtedly change over the five-year period of the purchase agreement, but it seems safe to say that both companies will come out of this deal rather well. Better than FedEx and UPS, which will lose some business (and which have seen their share prices fall 1.4 percent and 1.2 percent, respectively, since the news broke).

Turning from financial speculation to the operational aspects of the agreement, ATSG said the deal "will include the leasing of twenty 767 freighter aircraft to Amazon Fulfillment Services, Inc. by ATSG's Cargo Aircraft Management (CAM), the operation of the aircraft by ATSG's airlines, ABX Air and Air Transport International." In addition, ATSG's logistics subsidiary LGSTX Services will provide "gateway and logistics services" – presumably the operation of a sortation facility at ATSG's Wilmington hub (ILN). The duration of the aircraft leases will be "five-to-seven years," whereas the operating agreement will be for five years.

This raises the interesting question of where the twenty 767 freighters will come from. At the end of 2015, ATSG had eleven 767-300s and thirty-six 767-200s in freighter configuration. Five of these are already in operation for Amazon (in the trial network), but most of the rest are in service to other customers, many on long-term leases. ATSG also has four 767-300ERs in passenger configuration, and plans to acquire one more, with all five converted to BDSF freighter configuration and in service (presumably to Amazon) by the end of this year. However, that is well short of twenty, and details of where the remainder will come from have not been released. Since some of ATSG's 767-200Fs are in charter service, they can obviously be used to support the Amazon network in the short term, to be replaced as -300Fs become available.

–David Harris

Dachser USA Air & Sea Logistics stretches its legs in U.S.

Early this year Dachser Logistics began operating under its new trade name in the United States. Frank Guenzerodt, president and CEO of the Americas division, said Dachser USA Air & Sea Logistics more accurately describes the company's services in the U.S.

Guenzerodt joined Dachser in 2004, tasked with expanding the U.S. logistics network of offices and services, and it would appear that Guenzerodt is on task, opening the newest office in Minneapolis in March, the company's fourth office in the Midwest. The U.S. subsidiary of this German company was founded in 1972, but since the time that Guenzerodt joined the organization as president and CEO in 2004, it has expanded from four locations and 28 employees, to 14 locations, including this latest one – all of them located close to airports – and there may be more to come.

"Our plan of growing to 25 locations in the U.S. by 2020 was created to support the overall growth of our organization," Guenzerodt said. "Since the U.S. is the number-one trading partner for most countries in the world, we need a substantial Dachser network in the U.S. to support our overall growth plan." He said the company plans to expand further in the Midwest, West Coast and Northeast. Revenue for the U.S. operations was US$192 million in 2014, up 16 percent from 2013. At press time, 2015 revenue hadn't been reported for the privately owned company. Revenue for the entire Americas region, which includes not only the U.S., but Brazil, Argentina, Mexico, Chile and Peru, was US$272 million in 2014, up 9.3 percent from 2013.

"On the product side, we're focusing on expanding contract logistics and domestic airfreight. Globally we expanded our Asia network by opening offices in Malaysia and Vietnam and acquiring 100 percent of the shares in South Korea, India and Thailand," Guenzerodt said.

Guenzerodt said that the company's main verticals in the U.S. are support for the automotive and industrial sectors, but that there is also a strong focus on life sciences, including e-pharmaceuticals. "We handle some retail, which we call internally the fashion and sports vertical, and we also handle some niche business that is mainly airfreight-related, such as perishables."

Keeping with the times, Dascher has developed its own IT applications for managing air shipments as well as shipments by land and sea. Additionally, the company has software for warehouse management and electronic data interchange, as well as e-logistics tools for accepting, tracing and tracking orders. All are developed and streamlined for the specific branches, and are updated weekly. Currently, 80 percent of all orders at Dachser are processed electronically, and more than 13,000 customers have linked their systems to Dachser's EDI center with more than 16,000 customers using its e-logistics tools.

Dachser is still family-owned, founded by Thomas Dachser in 1930, in Kempten in the Bavarian area of Germany. Now, his grandson, Bernhard Simon is the global CEO, still in Kempten. Guenzerodt said that Dachser is still the leading logistics provider in Europe. Globally Dachser employs close to 25,000 and handles almost 74 million shipments annually at its 437 locations worldwide. The company advocates social responsibility in the areas of the economy, ecology and social issues.

–Linda Ball

Alaska Airlines simplifies cargo surcharges

Alaska Air Cargo recently joined the growing list of carriers that are simplifying their airfreight pricing models. Alaska rolled two existing surcharges into its base rates, and customers will be charged only by freight weight and a single screening fee. The new, simplified pricing structure went into effect March 1.

"As the only major U.S. carrier to operate freighters, Alaska Air Cargo plays a critical role in moving freight throughout the country," said Jason Berry, managing director of Alaska Airlines' cargo arm. "Simplifying the rate structure has been a top request of our customers and is the next step in the transformation of our cargo business."

Alaska said it hopes the move toward simplified pricing will eliminate the swings created by changing fuel prices and other factors. The carrier also plans to automate several processes later this year, which should reduce the time it takes to process a shipment.

Alaska joins a list of carriers, including Emirates SkyCargo, Qatar Airways Cargo, American Airlines, Virgin Atlantic Cargo, AirBridgeCargo and others that have scrapped their complex systems of surcharges and switched to either an "all-in" single rate or a simplified single surcharge on top of the base rate.

The new pricing program is one of a series of changes Alaska Air Cargo has made in the past year, including expanding service to 10 new markets. And, in early 2017, the carrier expects to take redelivery of the first of three freighter-converted 737-700Fs it has on order with conversion specialist Bedek Aviation Group. The 737-700Fs will replace Alaska's single 737-400F and five 737-400 combi aircraft, increasing the carrier's main-deck capacity by 15 percent.

Alaska Air Cargo transports more than 85,000 tonnes of cargo annually – including seafood, mail and freight to more than 85 destinations in North America.

–Linda Ball

LATAM Cargo continues to struggle

As the LATAM Airlines Group labors under the poor economy in Brazil, the company reported a 26.8 percent year-over-year drop in cargo revenue for the fourth quarter of 2015, the result of a 13.4 percent decline in cargo yields (revenue per RTK). Additionally, a strike by customs personnel at São Paulo Guarulhos airport had a negative effect on connecting cargo traffic.

Pressure on cargo yield continued in the quarter, due to the depreciation of local currencies, particularly the Brazilian real and the euro, and lower fuel surcharges due to the drop in oil prices. This, combined with the fact that capacity barely decreased, resulted in a 24.9 percent slide in cargo revenue per available tonne kilometers.

Regarding capacity, LATAM said it will continue to reduce freighter capacity, while focusing on maximizing utilization of the belly capacity in its passenger fleet. Total cargo capacity declined 2.4 percent in the fourth quarter, which includes a 13.3 percent reduction in freighter operation. For the full year 2015, LATAM's cargo revenue was down 22.4 percent, from US$1.7 billion in 2014 to $1.3 billion in 2014.

–Linda Ball


Lionel van der Walt

CNS Preview: President van der Walt seeks to make change palatable at CNS

After Warren Jones stepped down as Cargo Network Services (CNS) president last year to take on the lead role at TIACA, longtime IATA veteran Lionel van der Walt was appointed to the role. Previously in charge of IATA's Caribbean sector, van der Walt has held a wide variety of aviation-related positions, including a stint at South African Airlines and as an air traffic controller. As we prepare for the upcoming CNS Partnership Conference in Nashville, April 10-12, *Air Cargo World* caught up with van der Walt to discuss his vision for CNS this year and beyond.

What is CNS' role, and how does it relate to the Advisory Board?

Wherever I go, people ask about what CNS is and what makes it different from IATA. CNS is an IATA-owned subsidiary dedicated to strengthening the air cargo industry in the United States. CNS' objectives are absolutely aligned with IATA and indeed the wider cargo industry agenda. I would say the key issues facing use at the moment are safety and industry transformation, helping air cargo deliver a high-quality service for our customers. Better collaboration between partners in the air cargo chain is essential if we are going to achieve this. It is important to note that IATA, as shareholder, is committed to a strong and independent CNS that represents the entire U.S. cargo community. Furthermore, I consider the CNS Advisory Board to be a key success factor and driver of our work. Going forward, we intend to actively involve our Advisory Board Members in the development and delivery of our strategy and related objectives in the U.S. Their leadership, expertise and market influence is critical to our success.

The theme of next month's CNS Partnership Conference is "Change. Challenge. Opportunity." What does that mean to you in 2016 as the new head of CNS?

Well, regarding change, I can very personally relate to that, since I have recently changed jobs. But I believe we cannot continue doing things the same way and expect different outcomes. It is important that the CNS team is always looking for opportunities to change and improve what we are doing and how we are doing it. However, with all the many challenges that are out there, we need to avoid the noise and ensure that whatever we are doing is based on the real needs of our stakeholders. As a first step, I am spending a lot of time interacting with and listening to my new team, the IATA cargo subject matter experts, and our industry stakeholders, especially the senior executives that are represented on our Advisory Board. They have a wealth of knowledge that I intend to tap into as much as is possible. I intend to present a strategy document to the Advisory Board at our next board meeting, which is scheduled to take place in April at the CNS Partnership Conference in Nashville.

What issue do you personally consider your greatest priority for your first year as head of CNS?

I would like to take the time to create a robust and meaningful strategy for solving problems. It could be e-AWB, it could be lithium batteries, e-cargo, pharma, but you have to take the time to listen to people before you create an action plan. I'd like to develop a three-year rolling strategy that will help focus the CNS team on those issues and opportunities that will bring the biggest value to the industry, especially in terms of cost efficiency, sustainable profitability and competitive advantages.

What are some of the strategies the CNS Team plans to focus on to improve cost-efficiency and profitability in the air cargo sector?

I believe that we can make progress on efficiency through stronger collaboration. To that end, we are strengthening opportunities for the cargo value chain to exchange ideas and best practices with two new events planned for 2016. The first will be in June in Dallas, focused on e-commerce, future technologies and innovative ways of doing business. This will include latest developments in terms of standards, business processes and IT tools related to the air cargo industry. The second new opportunity will be a collaborative industry affairs event in October, to be hosted in the Washington, D.C., area. We have already secured agreement with a number of the key industry association to work collaboratively on the agenda of the event, with the purpose being to focus on those key items where we can collectively drive change across the industry, especially in terms of those projects that have a strong government component.

You have spent much of your career on the passenger side of the commercial aviation industry. What have you learned in that segment of the business that can be applied to airfreight?

I did spend some time in the passenger side, and there were a lot of parallels between the business segments. But the main thing we learned is that change is not easy. It's very difficult to get people to welcome it instantly. It requires tremendous focus and collaboration to drive industry-wide change, even if it adds significant future value. Electronic Ticketing [ET] is a good example. It took more than 10 years to achieve 100 percent ET, and during the project there were many, what seemed to be sound arguments at the time, as to why it would never work. Now fast forward to 2016. ET is taken for granted in a world where mobile and online checking and boarding processes have become the norm. We need this same vision, focus and tenacity to drive projects such as eAWB, eCSD and others that will bring much needed cost and competitive advantages to the broader air cargo industry. Being from South Africa, I always like to quote the most famous South African, Nelson Mandela, who said, "Thing always seem impossible until it is done." But you need vision and strong committed leadership to get there.

NOTE: As a media sponsor, Air Cargo World will produce a "Daily Report" publication during each day of the April 10-12 CNS Partnership Conference in Nashville. For more information about registration and the session agenda, please see cnsc.net/events/Pages/cns-partnership-conference.aspx.

Third Parties


Peter Ulber

Peter Ulber has been nominated as the new chairman for **Panalpina**. He succeeds Dr. Rudolf W. Hug, who has served as chairman since 2007. Ulber joined Panalpina in June 2013 as president and CEO. Previously he held a variety of management positions at Kuehne + Nagle. **Stefan Karlen**, currently Panalpina's regional CEO for Asia Pacific, has been designated to succeed Ulber as the next CEO. Karlen joined Panalpina in 1997 and has held various positions spanning the globe as well as playing a key role in Panalpina's international expansion.


Stefan Karlen

Ditlev Ingemann Blicher has been appointed CEO of Asia Pacific for **DB Schenker**, effective May 9. He will be based at the regional head office in Singapore. Blicher joins Schenker from UTi Worldwide, where he was most recently president of Asia Pacific and Europe, co-president of global freight forwarding. Blicher takes over from Jochen Thewes, who is now the global CEO for Schenker.

Airlines

Janet Jiang has been appointed regional manager for China at **Cargolux Airlines International**. Jiang took over the responsibilities of her new position in January. She joined Cargolux in Shanghai in 2000 as sales and reservations officer and was later appointed district manager in Shanghai in May 2008 and regional manager, central and eastern China, in December 2014. In her new role, Jiang is responsible for the stations in Beijing and Xiamen, as well as all new developments in China.

David Abney, the CEO of **UPS**, has been elected chairman of the board. Abney succeeds **Scott Davis** as chairman, who is retiring from the board this year. UPS' **William Johnson** has been appointed to a new lead independent director position. Johnson will continue to serve as chair of the nominating and corporate governance committee. Davis was elected chairman and CEO of UPS in 2008 and retired as CEO in 2014.

Bram Gräber, an executive vice president at **Air France-KLM Cargo**, has decided to leaving the industry to take up a position at a marine services company as of June 1, 2016, when he moves to Netherlands-based Royal Boskalis Westminster. Gräber spent 20 years in the airline business, not only in air cargo but also serving in the low-cost-carrier business, as head of Transavia. His successor has yet to be named.


Bram Gräber

Alexander Arafa, currently head of cabin crew at SWISS, has been appointed head of global area management at **Swiss WorldCargo**. He will begin June 1, succeeding **Ashwin Bhat,** who became head of cargo in October 2015. In his new capacity, Arafa will be in charge of worldwide sales of Swiss WorldCargo products and services. Arafa began his airline career in Hamburg as an accounting analyst with Northwest Airlines some 33 years ago.


Alexander Arafa

Organizations

Frank Newman, the managing director for FedEx Services, has been appointed to the **TIACA** board of directors. Newman has more than 35 years' experience in the aviation industry, including senior roles with McDonnell Douglas and FedEx. He currently manages sales activities for FedEx's airline and aerospace customers.

Enno Osinga has been awarded the **World Customs Organization**'s certificate of merit. The award is normally reserved for customs' staff, but is occasionally presented to those who have provided special support to the WCO. Osinga retired as head of cargo at Amsterdam-Schiphol Airport in 2015.

Manufacturing

Dennis A. Muilenburg was elected to serve as the next chairman of **Boeing**, beginning March 1. He succeeds Jim McNerney Jr., who is stepping down from the board, while Boeing independent lead director **Kenneth M. Duberstein** continues in that role. Muilenberg is Boeing's tenth CEO, joining the board in July 2015. McNerney joined the Boeing board in 2001 and was elected chairman in 2005. From 2013 to 2015 Muilenburg served as Boeing's president and COO, sharing oversight of day-to-day business operations and stakeholder engagement with McNerney. He initially joined the company in 1985 as an engineering intern in Seattle.

In Memoriam

Chris Buckerfield, a well-known figure in the airfreight industry, died after a long illness. In his career he held senior roles with Seaboard, Emery Worldwide and Air Express International.

He started his professional journey working for LEP at Heathrow, leaving school at 16 in the mid-1950s. After his service in the Royal Air Force, where he became the force's lightweight boxing champ, he returned to Heathrow. Buckerfield worked his way up to station manager at Heathrow, joined Concord Express in the early 1980s and was instrumental in setting up its ramp operations at Heathrow. He joined Air Express International (AEI) in 1993 and served as vice president Europe and UK until his retirement in 1999.

The family has set up a Just Giving page in Chris Buckerfields's memory, with all proceeds going to the Stroke Association at *justgiving/chrisbuckerfield*.

Land of the

Japanese forwarders, carriers

After U.S. and Japanese officials agreed in mid-February to add new landing and take-off slots at Tokyo Haneda Airport that will allow daytime flights to the United States for the first time, passenger carriers were practically licking their lips. Because of this agreement, Japanese and U.S. airlines will soon get five new slots each at the chronically congested airport. Being much closer to downtown Tokyo than Narita Airport, Haneda is favored by travelers but has only limited international routes, so the extra trans-Pacific capacity will be much appreciated.

Meanwhile, Tim Strauss, vice president of cargo for Hawaiian Airlines, which already serves Haneda (as well as Osaka and Sapporo), is much more interested in starting flights to Narita in July. The new slots at Haneda will offer more flexibility, he said, but they are of less relevance for cargo. "From the airline side it's good news, for cargo it's indifferent," Strauss added. He likens the situation to New York. "If you're in JFK, you're in the industry; if you're in LaGuardia, you're not."

Despite the opening of Haneda to international (mostly intra-Asian) flights a few years back, Narita has remained Tokyo's gateway for international cargo, as forwarders have retained their warehouses there. With the exception of Nippon Express, no forwarder has facilities at Haneda, noted Steve Sato, regional manager, cargo sales, North Pacific at United Airlines.

The daytime departure slots at Haneda may be popular, Sato said, but operating at two airports is a costly proposition for airlines. Moreover, handling charges at Haneda are exorbitant, he added, suggesting that the airport authority is not too anxious to boost cargo throughput.

If Haneda is the wrong place for airfreight in Japan, cargo executives may be forgiven if they are beginning to feel that Japan is the wrong country for them as well. Sato said he is spending more and more time outside the country. "The Japan market is shrinking," he said. "A company that focuses on Japan is in trouble. That's why Japanese forwarders look to other markets."

Tough times

To understand the need for Japanese carriers and forwarders to look beyond their home islands, it's important to note the current sluggish state of Japan's cross-border trade. According to Nittsu Research Institute and Consulting, a subsidiary of logistics giant Nippon Express, Japan's international air cargo volume slipped 4.5 percent in fiscal 2015 (ended March 31). For fiscal 2016 it predicts just 1.3 percent growth.

This lackluster performance is reflected on the balance sheets of carriers. All Nippon Airways (ANA) Cargo registered a 3.1 percent decline in revenue to US$207 million in the quarter that ended Dec. 31, 2015, with international revenue falling 5.8 percent. Japan Airlines (JAL) Cargo reported just 0.7 percent growth in freight tonnage in the April-December 2015 period, while mail dropped 2.9 percentage points. JAL's revenue from international freight traffic was $372.7 million during that time, down 4.1 percent.

Sato said that the average yield out of Japan is the lowest in the Asia-Pacific region. Because of this, airlines are going after higher-yielding traffic from different stations to feed their international departures. In some cases, this has led to creative thinking about reinventing the traditional hub-and-spoke air network – including moving the hub to a place that better suits global trade than the local population.

Expanding horizons

A geographical and operational manifestation of this innovative way of thinking is ANA Cargo's hub in Naha, on the island of Okinawa, in the far-southwestern outreaches of the Japanese archipelago. By opening the Naha hub in 2009, the carrier effectively shifted its focus away from its home market to become a regional and global business.

Okinawa was chosen not for its negligible local cargo business but for its relative proximity to major Asian markets. According to ANA, 2 billion people live within a four-hour flying radius of Naha, as well as other major hubs such as Singapore,

Shifting Sun

seek to broaden their horizons

By Ian Putzger

Bangkok, Hong Kong, Guangzhou, Shanghai and Seoul – and of course Tokyo.

Pushing further afield, the carrier is planning to continue this strategy with a regional hub for Southeast Asia, ANA Holdings president Shinya Katanozaka revealed last year. The parent airline further underscored its international ambitions in January with the announcement of plans to acquire an 8.8 percent stake in Vietnam Airlines. According to a company spokesman, however, there are no plans to develop cooperation with Vietnam Airlines on the cargo side at this point.

Tomoyasu Fukuyama, president of forwarder Logi-Rex, said he agrees with ANA's basic philosophy, pointing to the fact that many manufacturers have shifted their production from Japan to other locations in Asia. His parent company, logistics firm Hamakyu-Rex, is also looking to expand overseas, he said.

The company has trained its sights on China, but Vietnam has also gained prominence, mostly on the back of consulting work for Japanese clients. If this momentum continues, the company may set up a logistics center in Vietnam, Fukuyama says.

The success of the Okinawa move has led to an overhaul of ANA Cargo's fleet, which grew by two 767-300Fs to stand at 12 freighters today. In November 2015, ANA CEO Osamu Shinobe indicated that the carrier could convert more of its 767 passenger planes into all-cargo configuration, adding that management prefers to convert existing aircraft to freighters, rather than buy new models like the 777F, to keep costs down.

A fleet expansion would be in line with ANA Cargo's stated goal (outlined in a five-year forecast published in February) to boost its airfreight capacity by the end of fiscal year 2020 to 138 percent of the current period's level and climb in the global cargo carrier rankings from number eight last year into the top five. By fiscal 2017, management aims to achieve profitability in the freighter business, the forecast indicated.

Strength in numbers

ANA's strategy doesn't end with the formation of a new hub. It's also expanding its global footprint buy building relationships with its competitors. Today, the carrier is pursuing Asian cargo outside its home market largely through its cargo alliances with Lufthansa and United Airlines, a strategy that also helped expand its reach to Europe and the Americas. The joint venture with Lufthansa is now well established, according to the two carriers, while the ANA-United JV is expected to take off this summer, ANA has signaled.

The tie-in marks a strategic shift for its U.S. partner as well. United has been one of the U.S.-based carriers with grandfathered fifth freedom traffic rights in Japan. What used to be a highly coveted asset has lost much of its appeal in recent years, which is reflected in the dismantling of United's intra-Asian network. In June, United will terminate its Narita-Singapore flight and start a direct Singapore-San Francisco route instead. "We need to compete with the local flag carriers," said United's Sato. "The value of our intra-Asia network is getting less and less."

> "A company that focuses on Japan is in trouble. That's why Japanese forwarders look to other markets."
>
> *Steve Sato, Regional Manager, United Airlines*

To compensate for the loss of cargo flows from the region feeding into United's trans-Pacific departures from Narita the airline is looking to its planned joint venture with ANA. The Japanese carrier can connect intra-Asian flows with United's flights across the Pacific, Sato said. "ANA are a good match with the network. They have a great network intra-Asia, United has a good network in the Pacific," he added.

European overtures

Japan Airlines Cargo (JAL) has gone for a different kind of interline cooperation with an international partner.

Last September it signed an agreement with LOT Cargo to market space on the Polish airline's three weekly 787 flights between Tokyo and Warsaw. The agreement, which kicked off in January, gives JAL 15 tons per flight to sell. In addition, the Japanese carrier handles the incoming cargo on the LOT flights.

"As JAL does not have its own network from Japan to Poland, nor Central and Eastern Europe, it is also our pleasure that we can offer LOT's high quality nonstop service from Narita to Warsaw, along with LOT's massive network to central and Eastern Europe," said Tsuyoshi Yamamura, JAL's executive officer, cargo and mail, at the signing ceremony last September.

JAL said it is open to discussing cooperation with other airlines for the purpose of "giving our customers a good solution in the market," said Kensuke Tsuchida, assistant manager, administration, cargo and mail, for JAL.

Partially as a result of this strategy, JAL's own capacity is now on the rise. In fiscal 2015, it took delivery of six cargo-friendly 787s, including its first 787-9 variant. Seven more 787s are due for delivery in the new fiscal year, starting on April 1, which will bring the airline's tally of Dreamliners to 33 at the end of fiscal 2016.

As much as JAL is thinking on a global scale these days, it is also trying to make its operations work cost-effectively back home in Tokyo. While its hub for Asia-North America flows remains at cargo-friendly Narita Airport, JAL said it wants to develop the trans-Pacific market "with the best combination of the capability of both Haneda and Narita airports," Tsuchida said. In November, JAL started flights between Narita and Dallas/Fort Worth, operating four times per week with 787-8 equipment. In the main, however, its capacity is set to expand on routes to China and other Asian markets.

"We will increase volumes and maximize revenues by enhancing revenue management," Tsuchida said. "We will capture mail and express shipments, whose growth is expected to continue, by optimizing the advantages of Haneda Airport and JAL Cargo's high quality."

Without signs of an imminent recovery of Japan's exports and imports, the emphasis on expanding to higher-yielding segments and shifting its focus beyond its borders shows no sign of stopping for carriers and forwarders from the land of the rising sun.

Ecommerce alone might not be enough

For many regions enduring stagnant air cargo growth, the cure-all has often come in the form of e-commerce – the rising tide of international e-commerce that tends to lift all boats and inject life into moribund trade lanes. Japan's proximity to China, one of the fastest-growing online retail markets in the world, may make e-commerce seem like a natural fit for the island nations. But the jury is still out about whether Japanese forwarders and carriers will truly benefit.

For one, the bulk of this traffic goes by ocean vessel. Transit times from Tokyo to Shanghai by ship are one or two days, so airfreight does not offer a significant advantage, said Tomoyasu Fukuyama, president of Japan-based forwarder Logi-Rex. Volumes have been growing fast, he said, but from a small base.

To date, e-commerce flows have not been substantial enough to reverse Japan's shrinking foreign trade. "Export and import are both still very weak," Fukuyama said. They are down about 6 to 8 percent from a year earlier, he added.

Still, past performance has not stopped Logi-Rex from trying. The main e-commerce focus for the forwarder is in flows to and from China. Since November, Logi-Rex has been working with Japan Post, which has been selling directly to consumers in China via its Chinese home page. Logi-Rex consolidates shipments and moves them to China.

E-commerce with China is also expected to play a crucial role in ANA Cargo's strategy. Rather than just look to postal agencies, courier firms and forwarder consolidations to capture this traffic, ANA management said it intends to utilize the company's Overseas Courier Service subsidiary to attract e-commerce flows and feed them to its flights.

THE IRANIAN CONUNDRUM

By Randy Woods

The Parisian Azadi Hotel was recently the voted the most popular hotel in Iran. The award, which the hotel touts, was based on an "extensive poll" by the Islamic Parliament of Iran, which the hotel calls "one of the most authoritative institutions in Iran." The hotel boasts views of the mountains ringing Tehran.

It is at this hotel that last January the CAPA - Centre for Aviation, a global information company, held a conference on the Iranian aviation market. The event turned out to be something of a landmark for Iranian aviation, because not only did Iran announce during the summit that it plans to buy up to 90 Airbus passenger aircraft, air cargo was on the agenda. It turns out the hotel offered views of that market, in addition to the mountains.

Iran is a country with more than 78 million people and a GDP of nearly US$370 billion. The population is mostly well-educated and has developed a modern infrastructure for global trade. Plus they have vast natural resources and a culture that extends back for more than 3,000 years, with a rich tradition of art, commerce, architecture and scientific achievement. However, this enormously influential country has been practically off limits to the rest of the planet, economically, despite its location at the crossroads of the world, between Europe and Asia. What kind of repercussions would it have on world trade if it suddenly appeared again?

That's one of the main questions freight forwarders, cargo carriers and shippers have been asking since January of this year, when the International Atomic Energy Agency (IAEA) announced that the Islamic Republic of Iran had passed inspections required as a result of the nuclear energy deal struck between the the United Nations, the European Union, the United States and others. Because Iran had demonstrated to the IAEA that it had curtailed its nuclear enrichment program, crippling trade sanctions that had been in place for the previous decade have now been eased or lifted, opening up the country to more foreign trade.

The announcement was electric throughout the logistics community. Thomas Cullen, practice leader with market analysis firm Transport Intelligence, said the removal of even a few Iranian sanctions "triggered a flood of business, much of it requiring logistics infrastructure," as the Middle Eastern country sought to "replace its worn-out fleet" or aircraft and to modernize its aging infrastructure. Almost immediately, the Iranian government inked a $25 billion deal with Airbus to purchase 118 desperately needed new aircraft – 73 widebodies and 45 narrowbodies – over the next several years, including provisions for the training of new pilots, airport operators and air traffic managers.

Several airlines, forwarders and shippers also pledged to re-establish ties with one of the world's most powerful, oil-rich economies. Thorsten Braun, Lufthansa Cargo's general manager for the Middle East, Iran and Pakistan, said

Lufthansa plans to increase capacity by more than 20 percent on its daily Frankfurt-Tehran flight, using a 747-400, and this month will also launch a second route to Iran with three weekly A330 flights from Munich to Tehran. As one of the first freight consolidation services in Iran, going as far back as the 1950s, DB Schenker also planned on resuming its work with automotive companies and large-scale projects in Iran, said Hans-Michael Dietmar, vice president of network partner development, in the forwarder's Essen, Germany, office.

But as the news sank in, logistics companies began to realize that resuming trade with Iran is not as simple as picking up the phone. While many sanctions have been lifted for European nations, relations with the United States remain icy at best, with the U.S. government still banning trade of virtually any kind with Iran, especially any items that could be converted for indirect use in a nuclear weapons program. In today's globalized world, change comes fast, and sanctions for even a few years can quickly allow a country's logistics sector to be eclipsed by competitors.

"We have a very visible footprint in Iran – or rather we had a very visible footprint," Dietmar said of Schenker's history. "Before the sanctions were imposed, Iran had a purchasing power rated globally as No. 18 in the world in terms GDP," placing them just below Australia and just above Turkey. Today, he said, as the effects of the sanctions are slowly being revealed to the world, a humbled, yet still defiant Iran is learning how to rejoin the world of international air cargo trade.

Iran re-emerges to changed world

For many American businesses, 1979 was the cutoff point regarding trade with Iran. After the 444-day hostage crisis and Iran's later involvement in state-sponsored terrorist activities, Iran has been considered a pariah by the U.S. government for more than 35 years. But Europe and many other regions of the world have continued trading with Iran. It was not until 2006, when the U.N. Security Council broadened the trade sanctions over Iran's continuing uranium enrichment program, that the sanctions began to truly bite. The U.N. sanctions targeted not only exports and investments in oil, gas and petrochemicals, but also banking and insurance transactions, shipping and web-hosting services.

Since then, Iran has had to scrape together scant resources to keep its industrial capabilities intact, including its vitally important oil and gas infrastructure, as well as the aging fleet of planes owned by Iranian airlines. Currently, the country's carriers operate about 140 aircraft that are an average of 20 years old. While the Airbus deal made headlines, the country will eventually need a total of 400 long-range aircraft and 100 short-haul jets to keep up with demand.

"Iran's national carriers have been hampered by the sanctions, one of the results being that they lack the financial strength today," said Peter Triebel, CEO of the Middle East, Africa and CIS region for forwarding giant Panalpina. "They will need some time to beef up their fleets. With the lifting of the sanctions, foreign carriers are going to start operating to and from Iran as demand grows."

Investment in the oil and gas sector will be one way of boosting Iran's economy, Triebel said, but the historically low cost of oil – which fell as low as $27 per barrel before rebounding over $40 by the early spring – has slowed Iran's rate of recovery. "Iran's cost of production is rather low, but the facilities are outdated and in need of modernization," he said. "The pace will depend on how much foreign investment will flow into the country."

For the last five years, Iran has oriented itself toward the East, doing more business with China, Korea and the United Arab Emirates. Germany's involvement in Iran has been "negligible in the last five years, but not zero," Dietmar said. In 2015, Lufthansa Cargo handled just 633 tons of exports and 1,575 tons of imports, Braun said. "Compared to 2014, the export volume dropped by almost a quarter while the imports grew by 24 percent," he said. "Import and export volumes have been rather volatile through the last five years."

During this time, the sanctions have eroded Iran's productivity, Dietmar continued. "Look at any average Iranian factory and you'll see their efficiency rated at about 20 percent," he said. "The world is moving much faster than it did in 1979." At the same time, the quality of products in the U.S. and elsewhere has improved dramatically.

Citing the World Bank's Logistics Performance Index (LPI), Dietmar said Germany leads the pack at No. 1 in terms of trade logistics capability, while the U.S. is on the list of top 10 countries. Iran, in comparison, is ranked No. 114 out of 166 countries in the LPI. "They're broke, and they've had to fix everything based on their own creativity," he added. "Tehran reminds you of what can happen if you just leave a country alone for 30 years."

Finding a partner in Iran

Far from being left alone, however, Iran is hearing from many forwarders that want to provide a piece of the country's logistics. But even for those companies that have had long-established trade ties with Iran, using an intermediary is still the preferred method of doing business.

For instance, since 2008, DB Schenker has been an exclusive partner of Tehran-based agent Meshkin Co., Ltd., one of its 65 "network partner"affiliates. By working with Meshkin, Schenker has been able to maneuver around bureaucratic and cultural obstacles surrounding Iran's automotive industry, which is one of Schenker's specialties. "This is a transactional business," he said. "It would be much, much more difficult to deal with a huge, new set of regulations in each different country. But for the last five years there has been a gap," in dealing with the agency during the sanctions period, Dietmar added. "They will have to catch up."

Similarly, Panalpina has worked for several years inside Iran via agent Chain International Transport, which has offices in all of the country's strategic locations. "Today, we clearly benefit from the long-standing business relationship with our Iranian agent Chain," Triebel said. "We've maintained and continued this relationship over two decades, knowing that the situation will change at some point. Chain itself was not affected by the sanctions or political situation in the country."

While the relationship with Chain has been good, the cargo volumes have been down in recent years, Triebel said. "They will recover gradually," now that the sanctions have lifted, he said. "In regards to the domestic logistics offering, Chain has always maintained and invested in developing capable staff and is very much ready to cope with increased demand."

Untangling American ties

Demand for logistics services is certainly high, but the complexity of the "U.S. problem," has kept many forwarders away. Although CEVA Logistics is technically a Netherlands-based forwarder, it's long history with American logistics has forced it to remain uninvolved with Iranian freight. "CEVA in

all locations, including its non US entities, are treated as U.S. persons because of CEVA's ownership structure," read a company statement. "As a result, there is no change in CEVA's policy concerning Iran. Our policy remains that there is no company activity concerning Iran."

The key to many of these trade restrictions is "dual-use commodities" – the trade goods that could conceivably be used for both civil and military purposes, which are determined by the U.S. Office of Foreign Asset Control (OFAC). "For instance, anything that uses a laser – that would fall under a potential dual use," said Schenker's Dietmar. "People assume it's harmless, but there is a potential for using it for other purposes."

Violations for trading dual-use products under OFAC are no trivial matter, either, with many stiff penalties levied against banks that fund the transactions. Deutsche Bank was hit for a $2.35 billion violation – a record penalty, Dietmar said. "This activity has intimidated banks and made it harder to fund some of this trade," he said. "You have to find small, local banks, like a savings and loan, that will not be as exposed to the high penalties, but the smaller banks that are willing to fund these transactions have almost vanished from the planet."

The question is, how far back in the design phase is OFAC willing to go to determine U.S. involvement? Opel is a German auto manufacturer, but it is a subsidiary of GM. Also, there is hardly a web-related business that is not related, in some way, to Sysco Systems, from the U.S. If a forwarder wants to ship cell phones, tablets or laptops to Iran, it has to find those that only use technology developed outside the U.S., an increasingly difficult standard to meet.

"You might have a case of flower pots from Germany that have been made by a German company for 200 years. But the moment you have an American person on your board, or use any kind of technology based on ideas developed in the U.S., the trade will fall under those trade restrictions," Dietmar said. "There are no easy answers."

Other ripples from the remaining Iran sanctions are more subtly felt, especially for companies undergoing mergers and acquisitions activity. In a recent statement from Danish forwarder DSV's legal and security department, the company was "all systems go" for establishing trade with Iran now that sanctions have been lifted, but the purchase of U.S.-based UTi Worldwide has thrown a wrench in those plans.

"We had a green light to go ahead with transports to, from and via Iran – except for the U.S.," said CEO Jens Bjørn Andersen. "A number of restrictions remain in place for transports of weapons, aerospace products, dual-use products and the entire nuclear industry. We will have high focus on complying with these restrictions when we now are reestablishing contacts to partners and agents in the Iran." However, he added that any plans of establishing an office inside Iran have been put on hold as DSV concentrates its resources on integration with UTi – a company that will only make it more difficult to work within Iran.

European express delivery firm TNT has said that, once the deal with U.S.-based FedEx is finalized, it would have to pull out of the Iran market, as a result of the ownership change. According to a TNT spokesman, the divestiture from Iran would not involve road or air assets within the country, as it currently works through an Iran-based agent. "We have analyzed the compliance requirements that would apply to TNT after completion of the FedEx offer, including the restrictions arising from U.S. economic and trade sanctions," TNT said. "This means that we will no longer be able to offer a delivery service to/from Iran after completion."

Even the blockbuster aircraft deal with Airbus may be in jeopardy. Because about 10 percent of the parts used in Airbus planes are made in the U.S., the order from Iran may need to secure a special export licence to comply with U.S. sanctions. U.S.-based Boeing has been prevented from doing business with Iran since 1979, but in February this year, the aircraft manufacturer received a license from the U.S. government to meet with Iranian carriers "to determine their actual fleet requirements." This license will enable Boeing to analyze market needs in Iran, but it falls short of allowing Iran to place jet orders.

The deluge continues

With each passing month the interest in Iranian trade appears to grow stronger. As this issue went to press in late March, London-based freight forwarder Eurogate Logistics announced that it also will begin providing logistics services, including airfreight, with the Islamic Republic. The company is establishing a local network in Iran to take part in project and heavy-lift shipping, warehousing, and customs clearance.

"As an oil-rich nation... Iran offers huge potential for U.K. businesses," said Eurogate managing director Adam Nagy. "Much of the country's infrastructure needs renewing and industries such as automotive and aerospace also have significant requirements." He added that the retail sector looked promising as "strong consumer demand for western goods" increases.

Lufthansa Cargo's Braun said he has high hopes for Iranian trade. "We actually do expect a significant increase on the import side," he said, adding that "the export side is also likely to perform better than in the two years ago." Export commodities that should do well and not violate remaining restrictions include dry fruits, carpets and personal effects.

Later this summer, Braun said Lufthansa subsidiary Austrian Airlines is going to open a new route to the city of Isfahan, bringing more bellyhold capacity to the central Iranian market, while frequencies are expected to increase along the Munich-Tehran route in July.

Panalpina's Triebel predicted that air cargo volumes will increase gradually in 2016, leading to "higher volumes only for 2017," but that is only on condition that "the banking system will have to be re-established." Growth of this "returning market" will be driven, he said, by the high-tech, telecom, automotive and aerospace industries.

Schenker's Dietmar said he sees a bright future for machined parts in the near future, as well as "everything related to oil and gas projects" as the most important levers. Though it might seem counter-intuitive, solar power is also a rising market in Iran. "When you have 340 sunny days during a typical year, you become a haven for solar technology," he added.

In spite of Iran's ruling theocracy, the government is demonstrating "a high degree of stability and modernism," Dietmar said. But because of the remaining restrictions, "the more interconnected we've become, the more complicated it has become to do business."

So, has the complexity and pressure been worth it? "I say it's the same as if you asked a watch-maker whether he gets tired of the complexity," Dietmar said. "Of course not. He loves the job because of the complexity."

But, likely speaking for many forwarders, the difficulty of trading with Iran is half the fun, Dietmar explained. "The more complicated it is," he said, "the more joy I get out of developing it."

The Best & Brightest

Introducing the Air Cargo Excellence Award winners for 2016

By Linda Ball & Randy Woods

The stars of the air cargo world shined brightly in Berlin last month, as the Air Cargo Excellence (ACE) Awards Gala was held at the InterContinental Berlin Hotel, in conjunction with IATA's World Cargo Symposium. Sponsored by *Air Cargo World* magazine, the ACE Awards recognize outstanding achievement among the world's top cargo carriers and airports.

Created in 2005, the awards are determined from the results of the exclusive, anonymous Air Cargo Excellence Survey, which evaluates airlines and airports and ranks each with indexed scores, based on several performance factors.

This year, a total of 17 awards, divided by region and tonnage handled, were handed out to exemplary air carriers and airports. The top three performers in the air carriers division were awarded Diamond, Platinum and Gold status, while top airports in each category were awarded Diamond status.

JJ Hornblass, publisher of Air Cargo World, said "I couldn't be prouder to stand before you as the presenter. The ACE Awards are no less than the industry's definitive mark of distinction. We are thrilled to honor hard work here this evening."

The Air Cargo Excellence Awards are based on a survey that is carried out and published annually by *Air Cargo World*. The survey measures airlines and airports on specific criteria and subsequently ranks them to identify above or below average performance, with an index score of 100 being the baseline. There are two surveys – one for airlines, and one for airports -- based on their performance during the previous 12 months.

For 2016, the survey was enhanced and the categories streamlined to provide a more accurate picture of each finalist's performance. This year, airlines were scored by freight forwarders on customer service, performance and value. Airports, meanwhile, were judged by forwarders, cargo agents and third-party logistics providers on performance, value and facilities (See more about the survey methodology at aceawards.aircargoworld.com).

Congratulations were also given to all carriers and airports that received an above-average ACE index score. Those air carriers (four) and airports (30) that scored above 100 points but less than the Diamond, Platinum or Gold winners, each received an ACE Certificate of Excellence.

While many familiar faces were present on March 14 at the Berlin awards gala, there were also several new names who took the stage for the first time at the ACE Awards.

Carry that weight

For large carriers, handling 1 million-plus annual tonnes, the names this year were all familiar, as the winners from 2015 all returned to the stage to collect the same accolades. The winner in the category was, again, Emirates SkyCargo, and Michael Laschet, the cargo manager for SkyCargo's German operations, was on hand to accept the Diamond Award. The Platinum Award in the category went to Lufthansa Cargo AG. The third-place Gold Award in the jumbo carrier category was Korean Air.

For the mid-range carriers, handling between 400,000 and 999,999 tonnes per year, Asiana Airlines took the top Diamond Award, while Etihad Airways secured the Platinum Award. Etihad had strong cargo volume in 2015, with 592,090 tonnes of freight and mail flown, a 4 percent increase year-over-year. "It's a growth performance that is continuing to outperform the wider cargo industry," said John Greenway, corporate communications manager. "The Etihad Cargo division is now generating over US$1 billion in revenue

annually while the airline accounted for 88 percent of cargo imports, exports and transfers at Abu Dhabi International Airport last year."

IAG Group, which won a Platinum award the previous year for the medium-sized carrier category just missed the cut this year, but that may be because it handled more than 1 million tonnes of cargo in 2015, placing it in the larger, perhaps more competitive 1 million-plus club. "While 2015 was a challenging year for all cargo operators, exercising strict capacity management where needed and growing our premium products through investing in infrastructure, network and expertise has enabled us to deliver in a tough market," said Drew Crawley, CEO of IAG Cargo. Last year, he added, was "particularly successful for the performance of IAG Cargo's premium products," such as Constant Climate, which grew 37 percent, in revenue terms.

Rounding out the carrier awards section of the awards event, one of the biggest surprises of the evening came when Air Canada Cargo won the Diamond Award for the small carrier category (handling up to 399,999 tonnes per year). For several consecutive years, Southwest Airlines had taken the Diamond Award, but this year Air Canada took home the trophy while Virgin Atlantic Airways was named as a Platinum Award winner.

Southwest was not left out, however, winning the Gold Award. "2015 was a great year for Southwest Airlines Cargo," said Matt Buckley, vice president of cargo and charters for Southwest. "We're focused on growing our existing business while looking toward the future which includes looking at potential opportunities to take Southwest Cargo to our international destinations."

A-list airports

The top airport ACE Awards were broken into both size and regional categories. For the largest category of airports – those that handled 1 million tonnes or more last year – a total of three Diamond Awards were distributed among three separate regions.

For the Asia region, Incheon International Airport edged out perennial favorite Hong Kong International Airport (HKIA) to take the Diamond Award. HKIA, which earned a Certificate of Excellence, has also been the world's busiest cargo airport since 2010, handling 4.38 million tonnes of cargo in 2015.

To meet long-term air traffic demand, Airport Authority Hong Kong (AA) has been planning to expand HKIA into a three-runway system, which is expected to be completed in eight years.

The top large European airport was Amsterdam Airport Schiphol for the third straight year. For North America, the winner was multiple Diamond Award winner and FedEx hub Memphis International Airport.

ACE SURVEY METHODOLOGY

CARRIER SURVEY

Air carriers are rated by freight forwarders on:

- **CUSTOMER SERVICE:** Quality of customer service; tracking and tracing of shipments; electronic air waybill (e-AWB) capabilities
- **PERFORMANCE:** Timeliness of delivery; space availability; availability of main-deck capacity
- **VALUE:** Competitiveness of rates; availability and quality of special services; route network

AIRPORT SURVEY

Airports are rated by freight forwarders, cargo agents, and third-party logistics providers on:

- **PERFORMANCE:** Quality of customer service; handling of exceptions
- **VALUE:** Competitiveness of rates and charges; customs clearance efficiency
- **FACILITIES:** Airside capacity; apron capacity and aircraft parking; warehousing; operational restrictions; ground connectivity

In addition to highlighting winners, the survey data indicates airline or airport performance against an industry average.

THE AIRPORTS

Latin America					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Campinas, VCP	108	93	105	**103**	Diamond
Santiago, SCL	100	106	99	**101**	Certificate
Mexico City, MEX	89	91	80	**85**	
Buenos Aires, EZE	92	88	80	**85**	
Sao Paolo, GRU	72	69	76	**73**	
Lima, LIM	74	65	65	**67**	
Rio de Janeiro, GIG	70	52	70	**65**	

Africa, India & Middle East					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Dubai, DXB	114	107	112	**112**	Diamond
Islamabad, ISB	115	117	107	**111**	Certificate
Johannesburg, JNB	100	115	111	**109**	Certificate
New Delhi, DEL	109	104	105	**106**	Certificate
Lahore, LHE	95	100	107	**102**	Certificate
Mumbai, BOM	104	93	91	**95**	
Karachi, KHI	86	91	98	**93**	
Abu Dhabi, AUH	74	97	85	**85**	
Jeddah, JED	71	89	73	**75**	

Asia - 1,000,000+ Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Incheon, ICN	116	103	111	**110**	Diamond
Hong Kong, HKG	111	108	105	**107**	Certificate
Singapore, SIN	112	100	102	**104**	Certificate
Shanghai-Pudong, PVG	103	106	103	**104**	Certificate
Taipei, TPA	98	104	91	**96**	
Tokyo-Narita, NRT	101	91	91	**94**	
Bangkok, BKK	88	85	84	**85**	
Beijing, FEK	76	80	79	**78**	
Guangzhou, CAN	74	63	76	**73**	

North America - 1,000,000+ Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Memphis, MBM	116	124	125	**122**	Diamond
Louisville, SDF	124	120	120	**121**	Certificate
Miami, MIA	107	109	108	**108**	Certificate
Anchorage, ANC	108	108	106	**107**	Certificate
Los Angeles, LAX	90	100	98	**96**	
Chicago, ORD	95	96	97	**96**	
New York, JFK	92	98	98	**96**	

North America - 400,000 to 999,999 Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Indianapolis, IND	116	127	120	**121**	Diamond
Houston, IAH	105	109	113	**110**	Certificate
Dallas/Fort Worth, DFW	102	106	106	**105**	Certificate
Cincinnati/N. Kentucky, CVG	104	102	103	**103**	Certificate
Toronto, YYZ	107	100	102	**103**	Certificate
Newark, EWR	97	100	104	**101**	Certificate
Atlanta, ATL	97	103	103	**101**	Certificate

North America - Up to 399,999 Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Orlando, MCO	126	111	118	**119**	Diamond
Salt Lake City, SLC	119	112	120	**118**	Certificate
Charlotte, CLT	122	112	115	**116**	Certificate
Minneapolis-St. Paul, MSP	107	113	120	**115**	Certificate
Washington Dulles, IAD	104	116	107	**108**	Certificate
Detroit, DTW	105	110	104	**106**	Certificate
San Francisco, SFO	102	101	104	**103**	Certificate
Portland, PDX	96	106	96	**98**	
Philadelphia, PHL	92	104	99	**98**	
Boston, BOS	90	100	97	**96**	
Seattle-Tacoma, SEA	89	94	93	**93**	
Denver, DEN	92	91	90	**91**	
San Diego, SAN	87	91	89	**89**	

Europe - 1,000,000+ Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Amsterdam, AMS	113	112	110	**111**	Diamond
Frankfurt, FRA	106	104	103	**104**	Certificate
London-Heathrow, LHR	105	106	102	**104**	Certificate
Paris De Gaulle, CDG	94	100	107	**102**	Certificate

Europe - 400,000 to 999,999 Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Liege, LGG	124	122	124	**123**	Diamond
Brussels, BRU	116	100	113	**111**	Certificate
Luxembourg, LUX	100	97	104	**102**	Certificate
Milan, MXP	104	96	99	**99**	

Europe - Up to 399,999 Tonnes					
Airport	Performance	Value	Facilities	**Overall**	**Award**
Zurich, ZRH	119	116	114	**115**	Diamond
Madrid, MAD	116	103	111	**110**	Certificate
Munich, MUC	104	98	104	**102**	Certificate
Rome, FCO	86	91	93	**91**	

In the medium-size category – airports that handled 400,000 to 999,999 tonnes last year – the up-an-coming Liège Airport took the Diamond Award by scoring the highest overall index of 123. The top North American counterpart in the category was Indianapolis International Airport, also with an impressive score of 121 points.

Brussels Airport, already well-known for its pioneering CEIV program, earned a Certificate of Excellence for mid-range European hubs, with close to 8 percent growth in cargo volumes, thanks to increased integrator traffic, belly freight and full-freighter traffic from four new freighter destinations added last year. Luxembourg also managed to impress with a mid-size airport Certificate win despite not appearing in last year's ACE Awards. In 2015, the airport's cargo facility, LuxairCargo, handled 759,000 tons of airfreight, a 5 percent increase over 2014, and made substantial investments in its temperature-controlled pharma and healthcare center infrastructure.

For the smaller airports, which handle up to 399,999 tonnes annually, Zurich Airport won the Diamond Award for the second year in a row in the Europe category. Markus Heinelt, director of traffic development, cargo, at Munich Airport, said he was pleased to see the facility earn a Certificate of Excellence in the category, as 2015 was "a record year for Munich Airport's cargo sector due to increased belly capacities and overall capacity growth from new freighter services," which led to 8.7 percent growth in cargo volume.

The North American winner of the small airport Diamond Award was a mild surprise: Florida's Orlando International Airport, which didn't appear on our survey last year. Total cargo throughput at MCO in 2015 was more than 188,000 tonnes, which was up from nearly 172,900 tonnes in 2014. "Our nearly 9 percent growth in total cargo movement is reflective of the overall growth in the economy," said Phil Brown, executive director of the greater Orlando Aviation Authority. "The most significant increase at Orlando International Airport was seen in mail volume which was up almost five times over the previous year."

In the remaining regional categories, which are not tied to a specific tonnage range, Dubai International Airport won again, not surprisingly, for the Middle East/India/Africa region. Also, the Latin American region saw Viracopos International Airport (near São Paulo, Brazil), take the Diamond Award.

Certificate surge in North America

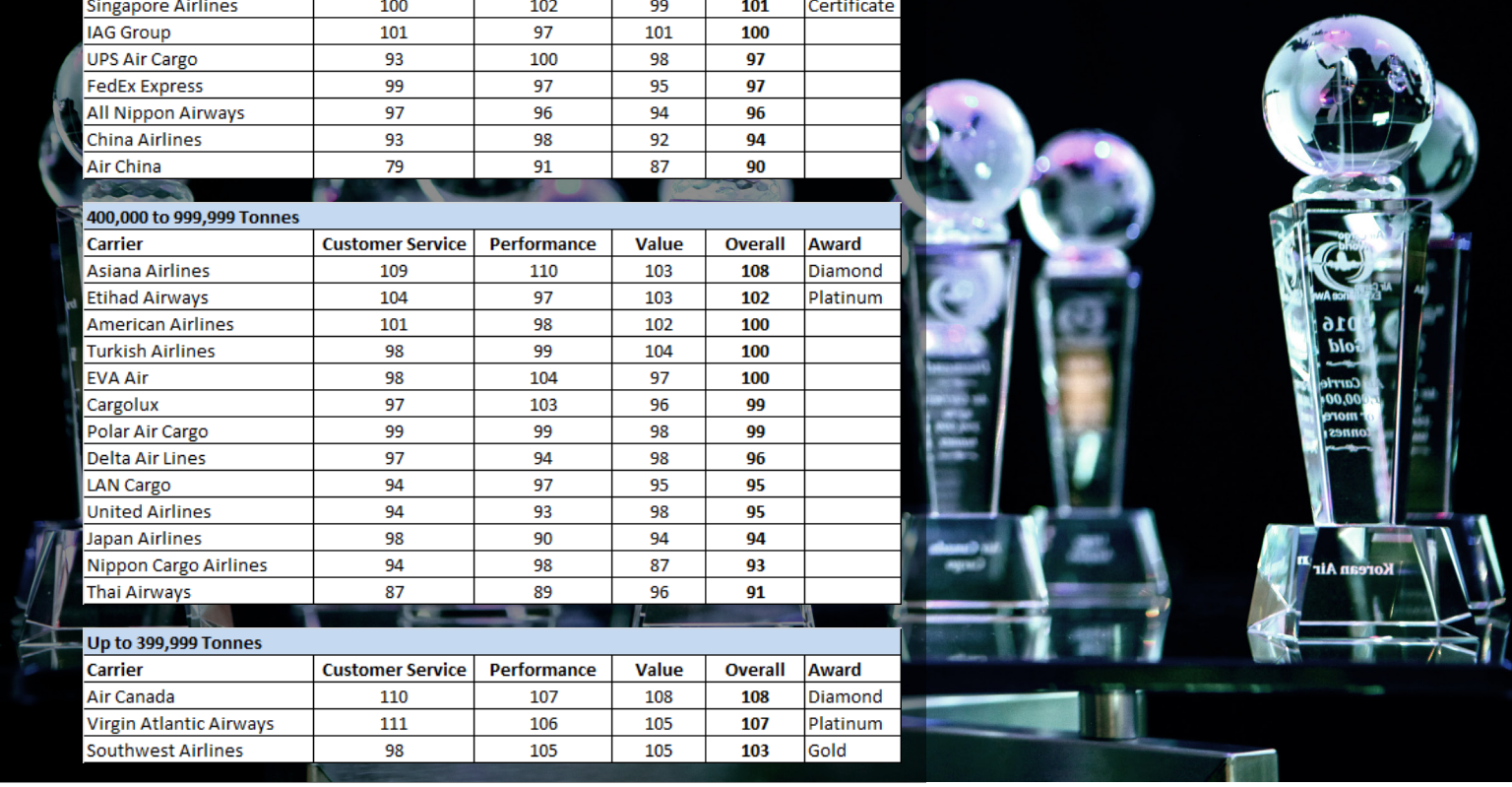
Once the precious metals and stones were handed out to the ACE Award winners, it's worth noting the interesting grouping of the Certificate of Excellence winners, especially in the North American categories. Of the 30 Certificates earned in the airport

THE CARRIERS

1,000,000+ Tonnes					
Carrier	**Customer Service**	**Performance**	**Value**	**Overall**	**Award**
Emirates Sky Cargo	110	108	109	**109**	Diamond
Lufthansa	110	105	104	**106**	Platinum
Korean Air	105	106	105	**105**	Gold
Air France-KLM	103	101	105	**103**	Certificate
Qatar Airways	100	102	105	**102**	Certificate
Cathay Pacific	104	102	99	**102**	Certificate
Singapore Airlines	100	102	99	**101**	Certificate
IAG Group	101	97	101	**100**	
UPS Air Cargo	93	100	98	**97**	
FedEx Express	99	97	95	**97**	
All Nippon Airways	97	96	94	**96**	
China Airlines	93	98	92	**94**	
Air China	79	91	87	**90**	

400,000 to 999,999 Tonnes					
Carrier	**Customer Service**	**Performance**	**Value**	**Overall**	**Award**
Asiana Airlines	109	110	103	**108**	Diamond
Etihad Airways	104	97	103	**102**	Platinum
American Airlines	101	98	102	**100**	
Turkish Airlines	98	99	104	**100**	
EVA Air	98	104	97	**100**	
Cargolux	97	103	96	**99**	
Polar Air Cargo	99	99	98	**99**	
Delta Air Lines	97	94	98	**96**	
LAN Cargo	94	97	95	**95**	
United Airlines	94	93	98	**95**	
Japan Airlines	98	90	94	**94**	
Nippon Cargo Airlines	94	98	87	**93**	
Thai Airways	87	89	96	**91**	

Up to 399,999 Tonnes					
Carrier	**Customer Service**	**Performance**	**Value**	**Overall**	**Award**
Air Canada	110	107	108	**108**	Diamond
Virgin Atlantic Airways	111	106	105	**107**	Platinum
Southwest Airlines	98	105	105	**103**	Gold



category, exactly half (15) were awarded to North American airports, mostly on the small- to medium-size categories. Could this signal a rise in cargo quality across the continent?

Greg Chin, communications director for Certificate Winner Miami International in the 1 million-plus category, may think so. MIA in 2015 matched its all-time tonnage record from the previous year and earned its designation as the first pharma freight hub in the United States to earn IATA's Center of Excellence for Independent Validators for Pharmaceutical Handling (CEIV) certification, moving nearly $3.3 billion in pharma cargo between 2010 and 2014.

Last year's winner in this category, Ted Stevens Anchorage International Airport, nonetheless earned a Certificate of Excellence. Anchorage is a nine-and-a-half-hour flight from 90 percent of the industrialized world and a popular refueling-stop, offering reliable service. Division operations manager Trudy Wassel said, "It's an honor to even be considered for an Air Cargo Excellence Award."

Two of the mid-sized North American hub Certificate winners this year are fellow Texans – George Bush Intercontinental Airport (IAH) in Houston and Dallas-Ft. Worth International Airport (DFW).

IAH, said Luis Avilés, senior executive for air service development at the airport, is the only North American airport with non-stop flights to all six inhabited continental regions. For 2016, IAH will continue pursuing new all-cargo service, to connect currently underserved markets in Europe, Asia and Latin America, Avilés said. John Ackerman, executive vice president for global strategy and development at DFW, said that the airport's growth was driven by continued expansion of international wide-body belly capacity on trans-oceanic passenger services at the airport, particularly to Asia, Latin America and the Gulf region.

For the smaller North American airports, Charlotte Douglas International Airport (CLT), was another facility that did not appear last year, yet still managed to stand out with a Certificate and a noteworthy 116-point ACE score. Erika Helm, CLT spokeswoman, said that being the second-largest hub for American Airlines and being a member of Foreign Trade Zone (FTZ) #57 has helped attract "more than 60 freight forwarders, custom house brokers and professional international service providers" to the airport, with 20 percent of CLT cargo flying to international destinations.

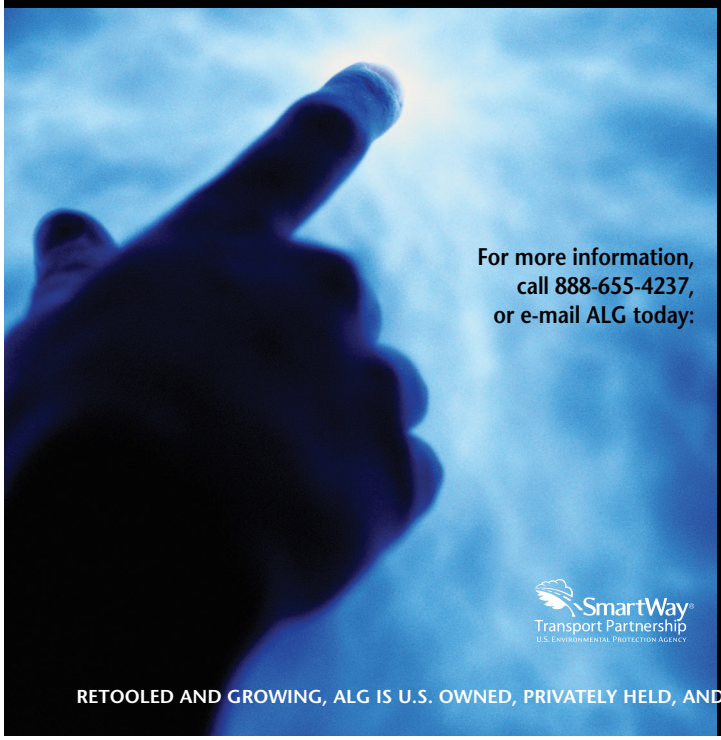
Finally, Washington Dulles Airport (IAD) made a huge leap up the rankings in 2015, earning a Certificate and a 108-point ACE score in a highly competitive field. Spokesman Rob Yingling, said IAD provides safe handling of high-tech goods, pharma, live animals, perishables, high-value and military support shipments 24 hours a day, with no night-time flight restrictions, and plenty of land available for air cargo expansion with direct airside access.

Thanks again to all the carriers and airports that participates, and to all the survey responders from throughout the industry.

LOGISTICS OPPORTUNITIES

ELECTRIFY YOUR CAREER HERE.

Independent sales agency and station ownership opportunities now available.



For more information, call 888-655-4237, or e-mail ALG today:

SmartWay Transport Partnership
U.S. Environmental Protection Agency

ALG Worldwide Logistics is a full-service domestic and international freight forwarder offering a complete menu of logistics services. Our network of independently owned offices provide clients with supply chain solutions backed by leading-edge technologies and a solid corporate infrastructure.

John Rafferty jrafferty@algworldwide.com
Eric Hezinger ehezinger@algworldwide.com

ALG WORLDWIDE LOGISTICS

DELIVERING INNOVATIVE LOGISTICS SOLUTIONS

RETOOLED AND GROWING, ALG IS U.S. OWNED, PRIVATELY HELD, AND HAS BEEN SUCCESSFULLY SERVING CUSTOMERS SINCE 1982

PET SHIPPER/PET MOVERS

Air Animal®

Pet Movers Since 1977

An IATA air cargo agency, providing pet moving solutions to relocating families, nationwide & worldwide, since 1977.

www.airanimal.com
drwalter.woolf@airanimal.com

Telephone:	U.S. Toll Free
1-813-879-3210	1-800-635-3448
Fax: 1-813-874-6722	Fax: 1-877-874-6799

CARGO RESTRAINTS

CARGO NETS & STRAPS

- Tie-Down Straps & Nets
- Baggage, Floor, Barrier & Pallet Nets
- FAA/EASA Accepted Designs
- Custom Engineering - Prompt Delivery
- Cargo Rings / Seat Track / Hardware

www.cargosystems.com
RESTRAINT SYSTEMS FOR EVERY NEED
P.O. Box 81098, Austin, TX 78708-1098
info@cargosystems.com
Tel: (512) 837-1300 • Fax: (512) 837-5320
FAA/EASA Certified Rep Station

ASSOCIATIONS

The AIR & EXPEDITED MOTOR CARRIERS ASSOCIATION
AEMCA 50 Years of support and service! 1965 – 2015

The Best Resource on the Road!

The AEMCA is a synergistic group, meaning that the effect of a collection of like minds is greater than just one person. We can make a difference as we unite for the good of the trucking and cartage industries.

WHY JOIN?

- Stay up on all the latest regulatory and legislative changes
- Receive discounts on many services for your company through the Affinity Program
- Be a part of the industry's premier trade show and conference, *AirCargo*
- Great network opportunities

The Air and Expedited Motor Carrier Association (AEMCA) a national trade organization that has represented the interests of the Air and Expedited Freight Trucking Community for 50 years.

To learn more or join the AEMCA visit our website at acw.aemca.org.
Have questions?
email acw@aemca.org
or
call 703.361.5208

Subscribe Today to

Air Cargo World

www.AirCargoWorld/Subscribe

IATA: Total Freight Growth by Region

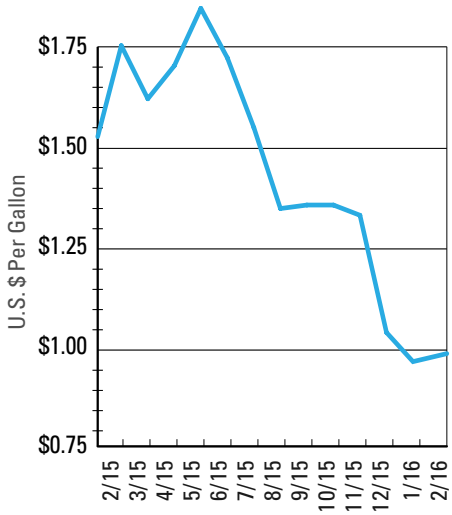
Region	% Growth YoY in FTK Jan - 16	2015 y-o-y
Africa	-1.4%	1.8%
Asia/Pacific	1.3%	2.4%
Europe	2.5%	-0.2%
Latin America	-3.6%	-5.9%
Middle East	8.8%	11.6%
North America	2.5%	0.1%
Industry	2.7%	2.2%

Source: IATA

Although January figures are the most difficult to analyze year-over-year (y-o-y), due to the influence of the Chinese New Year, the first measure of 2016, based on freight tonne kilometers (FTK), was "reasonably solid," according to IATA's outlook. Global volumes rose 2.7 percent, the fastest pace seen since April 2015. The Middle East region led the pack with 8.8 percent growth, while Latin America continued to languish at -3.6 percent.

USEIA: Jet Fuel - Spot Price, YTD

U.S. Gulf Coast, kerosene-type (wholesale price) over the last 12 months



Source: U.S. Energy Information Administration

After falling for three straight months, from US$1.40 in September 2015 to just 93 cents in January 2016, the average jet fuel spot price ticked up to $0.97 per gallon, as the world's oversupply of oil continued.

AAPA: Asia-Pacific Carrier Traffic December 2015 & YTD

Source: Association of Asia Pacific Airlines

Monthly	FTK (mil.)	FATK (mil.)	Freight Load Factor
Jan. 2015	5,158	8,372	61.6%
Jan. 2016	5,122	8,586	59.6%
YoY % Change	-0.3%	2.6%	-2.0 points

While passenger figures continued to show robust growth in January 2016, soft conditions persisted for air cargo demand among the Asia-Pacific carriers. Airfreight demand in FTKs fell by 0.7 percent, while capacity rose by 2.6 percent, driving the freight load factors down below 60 percent. Andrew Herdman, AAPA's director general, said, "The usual lift in air cargo shipments seen ahead of the holiday season had been somewhat muted, as seen in the continued weakness in air cargo volumes."

Change. Challenge. Opportunity.

The CNS Partnership Conference is renowned for its endless networking and prospective client opportunities. CNS continues to provide excellent forums for addressing relevant issues faced in the air cargo industry. Our Conference program will offer solutions, new insights and perspectives. Agenda topics include customer expectations, freight forwarder issues, e-commerce opportunities, modal shifts, perishable trends, air cargo security, optimization capabilities, new technologies, supply chain structures, and more.

Over 600 air cargo decision-makers are expected to attend the 2016 CNS Partnership Conference. This event will bring the entire air cargo supply chain together with the goals of fostering cooperation and building consensus. Today's CNS members represent the best and most innovative people in the industry.

This year's CNS Partnership Conference will be held at the Gaylord Opryland Resort & Convention Center in Nashville, Tennessee. Our delegates will be minutes away from the Grand Ole Opry and Downtown Nashville. This 4-star resort offers premium amenities including an 18-hole golf course designed by Larry Nelson.

Join us for the top must-attend event in the industry.
Visit www.cnsc.net for further details.

APRIL 10-12

Gaylord Opryland Resort
Nashville, Tennessee

REGISTRATION NOW OPEN!

WWW.CNSC.NET

CNS
PARTNERSHIP
CONFERENCE
2016
Gaylord Opryland Resort
Nashville, Tennessee, April 10-12

Events

APRIL 5-7

Intermodal South America – São Paulo, Brazil: This three-day conference will include presentations from the main suppliers in all transport modals. The event promotes businesses and partnerships, and works as a platform for sales and networking. For more information, visit *intermodal.com.br/en*.

APRIL 10-12

26th CNS Partnership Conference – Nashville, U.S.: Each year IATA subsidiary Cargo Network Services Corp. brings together close to 600 air cargo professionals from the U.S. and around the world. *Air Cargo World* will also publish on-site "Daily Reports" during the conference. For more information, visit *cnsc.net/events/Pages/cns-partnership-conference.aspx*.

APRIL 19-20

Cargo Facts Asia – Hong Kong: Produced by *Air Cargo World*'s sister publication, Cargo Facts, and the Air Cargo Management Group, this conference has become the center of Asian airfreight opportunity, bringing together the world's aviation community for meaningful networking and strategy sessions. For more information, visit *cargofactsasia.com*.

MAY 10-12

Multimodal 2016 – Birmingham, U.K: The U.K. and Ireland's premiere freight transport, logistics and supply chain management event. Every logistics sector is represented under one roof. For more information and to register, visit *multimodal.org.uk*.

MAY 15-18

29th IGHC Ground Handling Conference – Toronto, Canada: Calin Rovinescu, Air Canada CEO, invites the ground operations industry to converge on Toronto for this conference, to be held at the Westin Harbor Castle. For questions, e-mail: *ighc@iata.org*.

MAY 18-19

3PL Value Creation Summit – Hong Kong: Armstrong & Associates, in partnership with the Global Supply Chain Council, will bring together senior executives from third-party logistics providers and industry investors to network, learn, discuss trends and share ideas at the KPMG Conference Center. For further details and to register, visit *3plsummit.asia*.

MAY 24-26

TIACA Executive Summit – Hollywood Beach, U.S.: Cybersecurity, e-commerce, e-freight, supply chain security and many other valuable topics will be discussed. The event will be held at the Margaritaville Resort in Florida. For more information, visit *tiaca.org/?page=ExecutiveSummit*.

JUNE 8-10

Air Cargo 2016 – Phoenix, U.S.: This will be the 12th annual conference and exhibition presented by the Airports Council International and the U.S. Airforwarders Association, to be held at the JW Marriott Phoenix Desert Ridge Resort and Spa. For more information, visit *aircargoconference.com/aircargo2016.*

JUNE 12-15

Air Cargo Summit – Shanghai, China: This new event is jointly organized by the The Freight Summit and AirCargoPlus. Enjoy three days of networking with freight forwarders, carriers, GSAs, consolidators and more. The event will be held at the Hyatt on Bund. For more information, visit *aircargo-summit.com*.

JUNE 14-16

Air Cargo China – Shanghai, China: Build closer contacts, pave the way for new business and find out about all the latest trends in the air cargo sector at this Transport Logistic China event in one of Asia's largest cargo hubs. For more information, visit *aircargo-china.com*.

JUNE 20-22

3PL Summit and Chief Supply Chain Officer Forum – Chicago, U.S: This event will be held at the Radisson Blu Aqua and will feature topics such as the data-driven supply chain, 3D printing, drones and gaining market share in an e-tail environment. For more information, visit *events.eft.com/3pl/conference-agenda.php*.

OCTOBER 3-8

FIATA World Congress – Dublin, Ireland: The event, to be held at the Convention Centre Dublin, will help celebrate FIATA's 50th anniversary by providing networking opportunities among top freight forwarders in the welcoming atmosphere of the Emerald Isle, considered the birthplace of the forwarding business. For more information, or to register, visit *fiata2016.org*.

OCTOBER 10-12

Cargo Facts Symposium – Miami, U.S.: The Cargo Facts Symposium is where the air cargo aviation community gathers to network and shape the future of the industry. Presented by Air Cargo Management Group, *Air Cargo World*'s sister company, the symposium promises the latest industry information and thought-provoking interactive discussions. For more information, visit *cargofactssymposium.com*.

OCTOBER 26-28

TIACA's Air Cargo Forum and Exposition 2016 – Paris, France: TIACA's biennial event brings together thousands of air cargo industry leaders, customers and more than 200 exhibitors from approximately 100 countries. For more information, visit tiaca.org or send an email to *kgibson@tiaca.org*.

NOVEMBER 22-23

Asian Logistics and Maritime Conference – Hong-Kong: This sixth edition of ALMC will bring together air logistics and maritime service providers and users, including manufacturers, traders and distributors. The conference will also feature an air cargo track developed by *Air Cargo World* magazine. For more information, visit *almc.hk/en/index.html*.

Advertiser's Index

AEMCA 34
Air Animal Pet Movers 34
AirBridgeCargo 17
Air Cargo China 15
ALG Worldwide 34
American Airlines Cargo 7
Boeing Commercial 2
Cargo Facts Asia 2016 29
Cargo Systems Inc. 34
CNSC 36
IATA CNSC 36
Macau International 39
Precision Aircraft Solutions 35
Silkway West Airlines 33
Team Worldwide 33
Turkish Cargo 9
Virgin Airlines 5

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

Instead of banning batteries, let's first enforce our laws

by Brandon Fried

About midnight on Feb. 7, 2006, the crew of UPS flight 1307 was alerted to a smoke indication in the cockpit as their DC-8 freighter was on its final approach to Philadelphia International Airport. The pilots immediately evacuated the airplane after landing, escaping with minor injuries as fire destroyed the plane and its cargo on the ground. A little over four years later, UPS Flight 6, a 747-400F flying from Dubai to Cologne also developed an in-flight fire, this time resulting in a devastating crash and the death of two crew members.

Subsequent investigations of both mishaps initially focused on an examination of safety procedures protecting airliners from cockpit smoke. Cargo carried on the flights consisted of the usual mix of commodities found on freight planes flying the late-night skies on their way to make early-morning deliveries. Another similarity between the two is that both contained shipments of lithium batteries. While not definitively determined as the cause of the Philadelphia incident, the report on the Dubai crash indicated that the spontaneous ignition of the contents of a cargo pallet, which contained a significant number of lithium batteries caused the fire.

These and other flights on which lithium batteries were suspected of causing fires may have, to varying degrees, shared the consequences of any growing industry, where there will always be a few manufacturers that make low-quality counterfeits and use inappropriate packaging. But overall, the incidents shared the effects of insufficient government supervision over poor manufacturing standards and illegal declarations of battery shipments as regular cargo.

This lack of government enforcement is why a total ban on bulk shipments of lithium-ion batteries in passenger aircraft bellies, which was announced recently, is a disappointment. The International Civil Aviation Organization (ICAO) imposition takes effect in April and will remain in force until its work groups decide on a new packaging standard, now expected sometime in 2018. The regulation is binding on all 191 ICAO member states and for the airlines that serve those countries, but is not required of those not participating in ICAO. However, as with many impractical directives, barring these shipments across the board punishes those who abide by the rules, essentially eliminating a significant shipping option, while enabling governments to shirk essential enforcement obligations.

While initial guidance from ICAO and subsequent media reports describing the ruling seemed vague, further clarifications now indicate that the ban does not apply to lithium-ion batteries packed with, or contained within, equipment. Fortunately, this means that computers and phones can still ship in bulk configurations with the batteries included.

We all know the use of lithium-ion batteries has become common in electronics, auto, aircraft and many other industries worldwide. As lithium-ion cell uses increase, their swift and expedited delivery provided by airfreight is forecasted to rise as these industries mature and resulting demand grows.

There is no doubt that lithium-ion batteries, when packed together without the proper packaging and handling precautions, can certainly be dangerous. In 2014, the Federal Aviation Administration applied heat to a container packed with 5,000 lithium-ion batteries that resulted in a thermal runaway and subsequent explosion of flammable gases emitted within the container. Even a favorite fire suppressant, when used, was ineffective in extinguishing the fire. The danger appears to be inherent in all aircraft configurations, passenger or all-cargo. Responding to this evidence, many airlines, including U.S. carriers, voluntarily stopped shipping lithium-ion batteries on their passenger planes.

The FAA's testing has shown that the risk of lithium-ion battery fires can diminish if the devices are charged only up to 30 percent of their maximum. Perhaps with this in mind, the solution lies in going a step further and shipping the batteries with an even lower charge using existing packaging and packing methods. But it should not stop there.

The private sector, including lithium battery manufacturers working with ICAO and governments, must develop strict certification programs for those making, shipping and handling these cells. Once in effect, vigorous worldwide government oversight of the supply chain must enforce these mutually agreed upon standards. Countries must fulfill a vital role by investing in research and development of lithium battery detection technology and even employing canine screening to find undeclared batteries before they reach the plane.

It is important that governments increase efforts to crack down on battery counterfeiters and those who fail to comply with these enhanced shipping regulations. Others around the world should sanction authorities that fail to enforce global standards through the imposition of trade restrictions designed to correct such negligent behavior. An industry-initiated ban is no substitute for effective government oversight and vigorous enforcement allowing people and batteries to fly safely together.

ACW

YOUR CARGO DESERVES EXTRA CARE

macau international airport 澳門國際機場

NEW FACILITIES; EXTRA CARE

Let us handle your cargo with extra care and benefit from the 'one belt, one road' initiative proposed by Mainland China for closer trade ties between Eurasia. Since opening in 1996, Macau International Airport has increased the number of parking stands and added new service facilities including live animal room, high value room, cool room, cold room and a dedicated DG storage room*. Our efficiency and ability to handle all types of cargo from vintage wines to formula one racing cars led us to win the 'Best Emerging Airport - Asia' Award six times and AirCargo Excellence Award' four times.

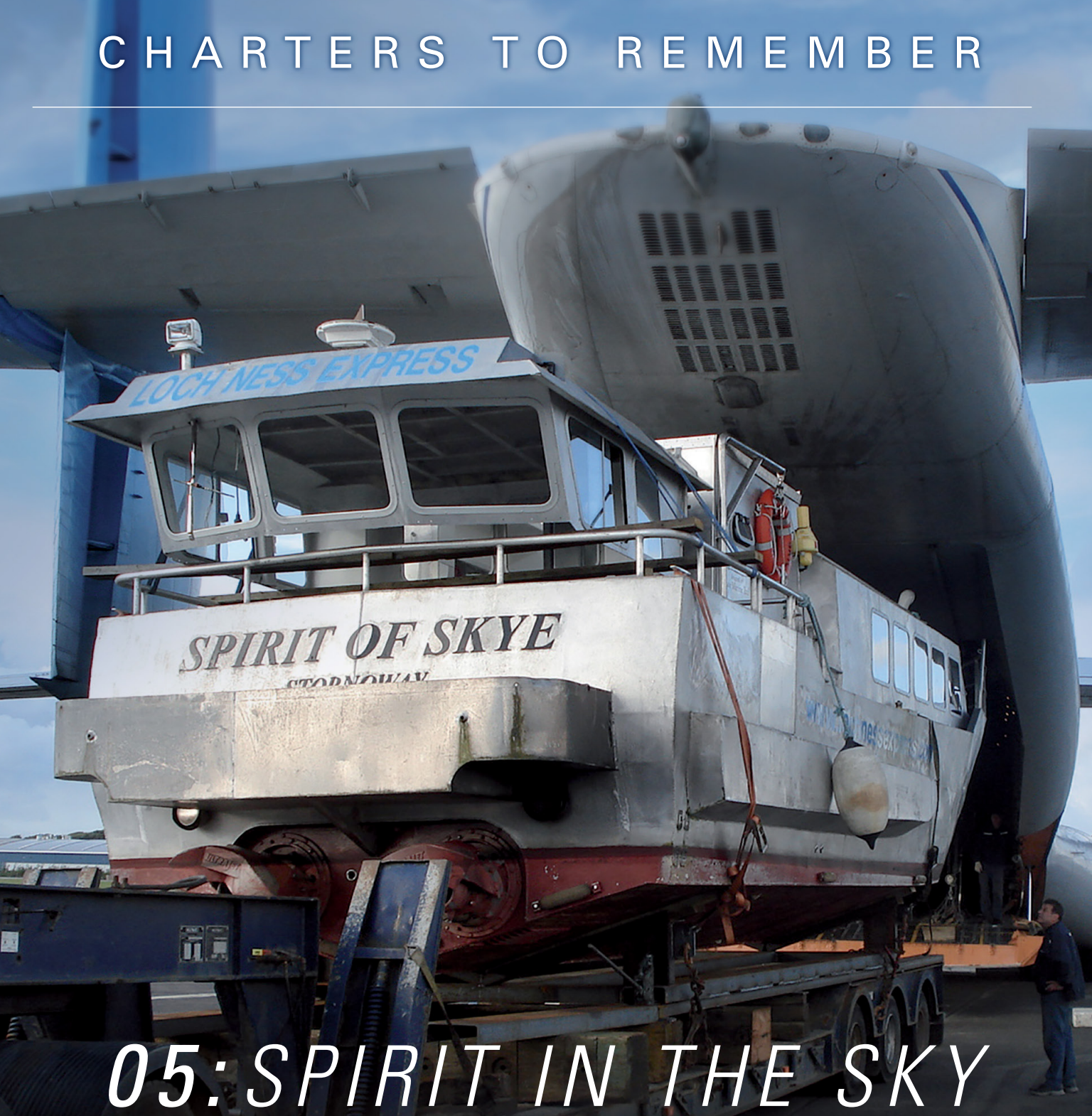
No tariffs, a free port, very competitive rates and close economic partnership between Macau and China make us the preferred airport for cargo. Take off today!

Subject to Macau government's approval

澳門國際機場專營股份有限公司
CAM -Soc.do Aeroporto Internacional de Macau S.A.R.L.
Macau International Airport Co. Ltd.

Green the Life Blue the Sky

CAM Office Building, 4° Andar,
Av. Wai Long, Taipa, Macau
Tel: (853) 8598 8888 Fax: (853) 2878 5465
Website: www.macau-airport.com
E-mail: camlgd@macau-airport.com



05: SPIRIT IN THE SKY

In August of 2007 we transported the Scottish sightseeing boat 'Spirit Of Skye' to Kazakhstan – find out why at www.acs25years.com

SERVICE BEYOND EXPECTATIONS