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## Editor's Note

# Bright futures

The funny thing about peering into a crystal ball for a future prognosis is how the pundits rarely get it quite right. The dire warnings from the doom-and-gloom crowd are never quite as bleak as they seem, while the wide-eyed optimists are usually taken down a peg or two by some unforeseen event or market correction.

One of the more honest predictions in recent memory came during the CNS Partnership Conference in Nashville last month, when IATA's senior economist George Anjaparidze analyzed the expected anemic growth in the airfreight market for 2016, coupled with the overcapacity of belly space, and described his outlook as "the new mediocre." Not exactly the most inspiring campaign slogan, perhaps, but probably not far off the mark, either.



Randy Woods

In this issue, we peer into the future ourselves, with key features on trends, one currently in full swing and the other not expected for perhaps decades. Both of these trends – the modal shift of perishables and the rise of 3D printing technology – are usually described as existential threats to the viability of air cargo. Upon further review, however, neither of them necessarily seem to be as threatening as they have been described, especially if we, as an industry, prepare to evolve with the changes.

In the edible perishables piece (page 18), we look at the gradual modal shift of cargo from air to ocean and discover that one must look at individual trade lanes to get a better idea of the extent of this trend. In some trade lanes, perishable airfreight is actually gaining market share, compared to seafreight, due to seasonality, demographic trends and changing dietary habits. We even found a few instances in which commodities once shipped on the ocean are now going by air due to quality concerns. The bottom line is that modal shift is a fact of the business and it can be used to create lucrative niches for the limited amount of perishable cargo that has no other option but to be sent by air.

Peering farther into the distance, we discuss what looks like the inevitable rise in 3D printing technology in the manufacturing sector and the likely effects this will have on air logistics. The oft-repeated concern is that if parts can be made in mini-factories around the globe with the push of a button, what will happen to the business of shipping time-critical items around the world in aircraft? *Air Cargo World* spoke with some of the top experts in this nascent technological field to discover that the threat of 3D printing can also be an opportunity for integrators such as DHL and UPS to turn the tables and enter the on-demand manufacturing business.

Speaking of bright futures, I'd like to take this time to welcome another team member aboard the Royal Media family. **Charles Kauffman** joined us in February as the new Associate Editor at our sister publication, *Cargo Facts*. Charles, who can be reached at [ckauffman@royalmedia.com](mailto:ckauffman@royalmedia.com), comes to us with a background in the biotechnology business in Shanghai, where he worked as a business development manager for KDN Biotech and technical sales manager for Shanghai Youtell Biochemical. After spending four years residing in China, Charles is fluent in Mandarin and has already become our go-to expert in Chinese logistics. While he will mainly work with *Cargo Facts*, you will also see his byline frequently in *Air Cargo World*. We're thrilled to have Charles on the Royal Media team and look forward to a long collaboration.

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## Not your grandfather's dirigible

U.S.-based **Aeroscraft** gained lift earlier this month when it received a U.S. patent for its airship's cargo-load-supporting 'Aeroshell' structure. The outer shell of the vehicle "is light, yet counteracts the loads imposed by cargo payloads, aerodynamic lift and pressure, static lift, and shear loading/movement," the company said in a statement. Aeroscraft claims the airship will be able to lift "heavier payloads, reach greater airspeeds and improve maneuverability," compared to traditional airships, opening up the possibility for commercially viable cargo transport with airships.



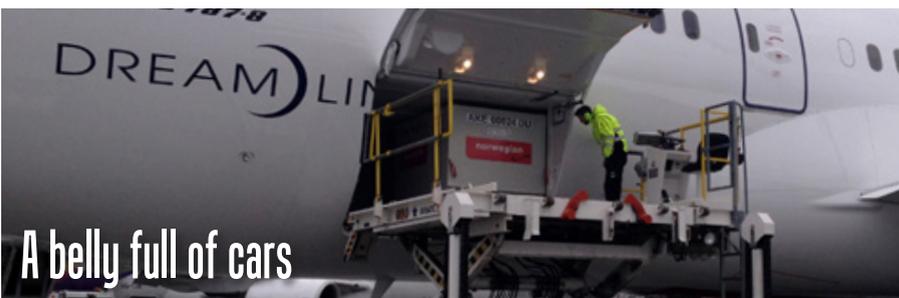
## Delivery flirt

Clamping onto the parcel as if it would never let go, **Flirtey** made it clear it was not just flirting with the concept of package delivery when it completed the country's first legal package delivery with its six-rotor autonomous drone on March 28. The Nevada-based startup, with the help of the University of Nevada's Advanced Autonomous Systems Innovation Center, delivered a package containing bottled water, emergency food and a first-aid kit with a drone that flew along a pre-determined delivery route. This major milestone has great implications for humanitarian, e-commerce and food delivery usage, said Flirtey CEO, Matt Sweeny. The delivery is part of the company's vision to "save lives and change lifestyles," Sweeny added.



## Down Under stop-over

Aviation enthusiasts and fans of superlatives will surely be gathered in Perth, Australia, this month to watch the world's largest and heaviest commercial freighter, the **Antonov An-225 Mriya**, touch down. DB Schenker was tasked with moving a massive, 117-tonne power generator from the Czech Republic to a refinery client in Western Australia, and chose the six-engine, An-225, the only one ever built, to complete the task. A successful delivery will be the result of intense global collaboration involving Schenker's branch offices in Perth and Adelaide, along with the European shipper and Australian receiver. After making multiple refueling stops in Eurasia and Southeast Asia, the beast will land in Perth on May 15, where it will stay for two days.



## A belly full of cars

How many cars would you expect to fit in the bellyhold of a 787-8 passenger plane? Last week **Norwegian Cargo** found out when it transported the stars of an upcoming Hollywood film titled "Downsizing." Norwegian carried 10 electric Buddy cars and six Buddy bikes on a single flight between Oslo and New York, where they were then trucked onward to Toronto. Electric Buddy cars are nearly small enough to fit in a ULD and are said to produce zero emissions. No word on whether or not the other star of the film, Matt Damon, was also on the plane – or in a ULD.



## Rolling Stones gets what

### it wants from Atlas Air

For as much as the Rolling Stones sing about not getting enough satisfaction, the 747-400 freighter the band chartered from **Atlas Air Worldwide Holdings** to carry road-tour equipment to Cuba sure did the trick. The plane carried 97 tonnes of music equipment in a jumpin' jack flash between Mexico City and Havana via a stop in Miami for the band's March 25 open-air concert in Cuba's capital city. The flight marked the first time a U.S. freighter operator was allowed to fly a charter into Cuba. With the recent removal of bilateral trade embargoes, businesses surely joined the Rolling Stones in singing "start me up."



## Looking spiffy

A popular adage goes, "it's not the outside that matters, but what's on the inside that counts." However, when it comes to the new livery for **Asia Cargo Express (ACE)**, it's all about what's on the outside. The Kuala-Lumpur based all-cargo carrier was acquired by KL Airport Services Sdn Bhd (KLAS) from Gading Sari Aviation Services in February 2015 and is ready to show off its new look to the world. The newly re-branded livery was unveiled to an audience of government officials and potential customers at ACE's base in Kuala Lumpur, on March 24. The carrier's two 18.5-tonne capacity 737-400Fs can be seen flying intra-Asian routes around Malaysia.



J. Scott Nelson

# Trax's J. Scott Nelson on Amazon and 'big data' accuracy

This year will be the scene of a major showdown over the issue of "big data," as companies such as Amazon make their moves into the logistics sector. To keep up, integrators, shippers and carriers are seeking a deeper understanding of the enormous amounts of information they collect – UPS currently stores about 16 petabytes of data on its shipments – so that they can make their operations more efficient. But how do they know how accurate these data are? If parts of the data are bad, what can be done about it?

Enter Trax Technologies, a U.S.-based logistics analysis firm, based in Scottsdale, Ariz., that is focused on not only identifying but fixing bad data in a typical supply chain. Working with some of the world's largest life-science and technology companies, Trax uses complex algorithms to seek out missing or inconsistent data in a company's supply chain and converts it into a coherent database. To prepare for expected demand for their services, Trax recently hired a new CEO, John Baptiste, formerly with the digital workspace for government workers, called Bloomberg Government, and with consulting firm McKinsey & Co.

*Air Cargo World* spoke with J. Scott Nelson, founder, chief architect and vice chairman of Trax Technologies, to glean some insight from him about how big data will transform all modes within the freight industry. As a freight automation pioneer, Nelson also provided a frank assessment about Amazon's entry into the aircraft leasing business and how it compares with its diametrically opposed counterpart, Alibaba, in China.

## Please tell me a little about what Trax does and how it works.

We've been in the space for about 20 years and have developed an algorithm that will analyze large amounts of data and can identify places where crucial data is missing, is inconsistent with the rest of the data, is incomplete or is simply inaccurate. Then we analyze these bad spots and use the algorithm to fix the gaps and correct the data. After that process, we can help decide what businesses our clients actually want to be in and how their assets can best be utilized.

## How big a problem is bad data in today's supply chains?

In my nearly 30 years in the 3PL business, I can say I've never seen accuracy of data reach anything higher than 80 percent; sometimes it's as low as 40 percent. That means even for the best companies, about a fifth of the data is incompatible. There's so much data coming from other sources that it's easy to let in a lot of errors. That's a really big problem for people. When only 40 to 80 percent of your data is accurate, and you *don't know* whether it's accurate, then your results can come up way off. It distorts your averages and statistics. People haven't directly connected it in their minds, but they have to come to the realization that if they don't have good information, they won't make good decisions.

## How does Amazon's strategy compare with Alibaba's model?

Since Amazon made its big announcement earlier this year, there's been a big increase in demand for what we do. They've really become a supply chain company now, with a new business model of integration, and they provide a storefront on the web. It's fascinating to see two entirely different visions of logistics play out like this. Amazon wants to do it all itself, while Alibaba doesn't want to control anything. Amazon's model will work with some things, but Alibaba is much more community oriented, so you participate more in the process.

## How wise was the decision to lease a fleet of planes?

I have a feeling this Amazon plan may not be sustainable. The primary reason is to have centralized service levels and greater control of your delivery, which is a problem they had before with FedEx and UPS over the holidays. So, if you're flying a full load each way, it's great to have your own planes. But if you have any unutilized capacity, it can be a real danger. Costs are driven by asset utilization. But I think they want to be an integrator and offer their capacity to others. To do this, people will have to have better and better information. Amazon seems cutting-edge but think how fast technology is changing these

days. They have some huge assets they're stuck with, such as owning their own brick-and-mortar warehouses and leasing planes – those are some huge costs hanging over you. That could be a death knell for them. If it wasn't for controlling the customer experience, they wouldn't have done it.

## What can companies do to prevent entering more bad data into their supply chains?

Everyone wants good data, but they're not willing to pay for it. We enable information to be shared in a collaborative environment. What we do enables companies to get the same Amazon services without giving up control. Through our predictive analysis, we can show you what your prices would be should you make a change in your supply chain, track what will happen and assure that you get service levels you want. This can lead to higher profit margins and can move people away from a crisis mentality. In this business, a two to three percent change is a big deal. That's pretty much most people's profit margins right there, so it's a very significant cost to avoid.

**Everyone wants good data, but they're not willing to pay for it.**

–J. Scott Nelson, founder of Trax Technologies

# EUROPE

Around the world



Picture Viktor László

## Cargolux's dual-hub strategy pays off

If Cargolux's 2015 full-year results are a reliable indicator, the carrier's much-debated dual-hub strategy has paid off handsomely. In a year in which the cargo arms of many airlines struggled, Cargolux posted record volume and sharply increased profit, and continued to add freighters to its fleet.

Cargolux is not publicly traded and does not publish the detailed financial and operational data required of listed companies, but the Luxembourg-based all-cargo carrier did release enough information to show a very strong performance in 2015.

As might be expected in a year that saw fuel surcharges plummet due to falling oil prices, Cargolux's revenue decreased – down almost 14 percent, to US\$1.86 billion. However, as we have long said, a loss of surcharge revenue does not automatically fall through to the bottom line, and Cargolux's operating profit (EBITDAR) and net profit both increased substantially. Operating profit was up 33.6 percent to \$334 million, and net-profit increased thirteen-fold to \$49 million.

On the operational side, Cargolux carried 890,000 tonnes in 2015, up 7.4 percent over 2014, and a new record. The carrier said cargo traffic, in freight tonne kilometers, was up 8.7 percent, but did not provide the number. Given that IATA reported worldwide cargo traffic up just 2.2 percent in 2015, Cargolux's performance is all the more remarkable.

Also worth noting, is that despite increasing its freighter fleet to a total of twenty-five 747-400Fs and 747-8Fs, Cargolux was able to achieve a load factor of 65.9 percent, down just 1 percent from 2014. If there is any downside to the increases in volume and profit, it is that the one-time boost provided by the U.S. West Coast port slowdown in early 2015 will not be repeated.

The last two years have been anything but easy for Cargolux. The sale of a 35 percent share to China's Henan Civil Aviation & Investment Co. (HNCA, a financial vehicle of the Henan provincial government) caused serious internal dissension. Several senior executives jumped ship, and many in the airfreight industry publicly voiced the

opinion that adding Zhengzhou as a second hub – as the stake sale required – would have dire financial consequences. And as if that were not enough, the company's relationship with the unions representing its labor force has been difficult (to say the least).

At the end of 2015, however, the dual-hub strategy appears to have been a success. Cargolux is now operating thirteen weekly frequencies from the new hub, and has also launched trans-Pacific service between Zhengzhou and Chicago. Regarding the unions, with a new collective work agreement in place, it appears that Cargolux can look forward to three years of labor peace.

Further, Cargolux and its Chinese partners have now committed to launch a joint-venture cargo airline based in Zhengzhou. Cargolux China, as it will be called, is expected to begin service next year and grow to a fleet of five freighters within its first three years of operation.

All in all, a good year for Cargolux.

—David Harris

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## DHL considers expanding Paris-CDG, Lyon sorting centers

To keep pace with the growing demand in Europe for parcel deliveries, DHL Express France said it will quadruple the size of its current sorting facility at Paris-Charles de Gaulle airport over the next three years, and is in talks with Lyon Airport about building another sorting center there, according to a report from *Agence France-Presse*.

The €100 million project at Paris-CDG will increase the size of DHL's current sorting facility to 20,000 square

meters and will include a series of conveyors that will transfer packages directly from aircraft to waiting delivery trucks. Plans for the project, however, have not yet been submitted for approval to Aéroports de Paris, the operator of Paris-CDG.

"We have recorded growth of 14 to 15 percent per year for incoming and outgoing parcels for the past three years," said Michel Akavi, managing director of DHL France, in the AFP

report. "We don't have enough space when we have to deliver more and more quickly, so there is more and more congestion."

In Lyon, DHL said it is also in initial discussions with airport officials about building a 15,000- to 17,000-square-meter sorting center that is expected to cost around €40 million.

—Randy Woods



## AirBridgeCargo adds third weekly flight to Singapore

Russia-based AirBridgeCargo increased the frequency of its scheduled 747 freighter service to Singapore to three times weekly, as of April 1.

Citing strong demand for the added weekly departure, ABC's new Friday service to Singapore from its Moscow hub will complement its existing Sunday and Thursday flights. Robert van de Weg, ABC's senior vice president, sales and marketing, said: "Since the very start of our services, we have witnessed strong demand from our customers on

routes to and from Singapore, more than 1,200 tonnes of cargo monthly."

The airline launched flights to Singapore in September 2015 as part of a broader strategy to connect cargo from Asia, to markets in Europe and North America via its Moscow hub.

"This growth in capacity will provide more cargo options between Singapore and Russia, as well as beyond to Europe and the United States," said Lim Ching Kiat, senior vice-president for market

development at Singapore's Changi Airport Group.

ABC began service to Asia in 2004 and has, in recent years, doubled-down on its focus in the region. In 2015, the airline boosted cargo volumes it carried into and out of Asia by 25 percent, which it credited to the discovery and development of "niche markets with growing cargo flows."

—Charles Kauffman



## Frankfurt Airport builds on momentum

The introduction of a curfew that banned freighter flights during the night could not knock Frankfurt airport off its perch as Europe's top gateway for air cargo, despite dire warnings that this would cripple the airport and send cargo to other European hubs. Nor can a decline in in cargo traffic, it seems.

Frankfurt's throughput dropped 2.3 percent to 2.1 million tonnes last year. The situation has not improved since. Numbers for February show a 1.4 percent decline in tonnage. Nevertheless, Fraport, the operator of Frankfurt Airport, said it is in expansion mode, looking to develop new cargo facilities.

The curfew did not help Lufthansa, the most affected carrier, and the slowdown in cargo is having an impact on its momentum. Last April the airline's top management announced that it had decided to postpone plans for a new cargo center to replace its current hub, which has been in place since 1982, by at least two years. Originally, Lufthansa had targeted the opening of the new hub in 2018, but softer demand prompted management last year to decide that the existing setup would do for a while yet.

LH Cargo has declared that the new facility, which represents an outlay of a "mid-triple-digit-million euro sum," remains a key part of its "2020 strategy," but the design is not cast in concrete. While no decision on the go-ahead is expected before spring of 2017, a company spokesman comments that, in a parallel move, the company is developing alternative concepts to the proposed "LCCneo" center.

Fraport, on the other hand, is moving to expand its cargo area. It has put an area of 27 hectares up for tender to enlarge its "cargo city." A decision is expected by the fall at the latest, according to Dirk Schusdziara, Fraport's senior vice president of cargo.

Work has commenced on the airport's third passenger terminal. This will bring more bellyhold capacity to the airport and increase Frankfurt's network, he said. Given the importance of connectivity for the growth of cargo, the freight business will benefit from this, he added. The increased belly capacity is not likely to impact freighter activities, though, as Schusdziara said, he expects freighters to continue to haul the lion's share of the flows on Frankfurt's trunk routes, especially from Asia. Freighters carry about 60 percent of the airport's tonnage.

Besides its connectivity, Fraport stresses its capability to handle freight that requires special processes, from live animals and hazardous materials to perishables and pharmaceuticals. Schusdziara said he also expects to benefit from the rise in e-commerce but noted that since Frankfurt is not an integrator hub, most of its B2C e-commerce will likely be moved by the postal service.

Higher on his radar than the movement of cargo is the electronic flow of data, as Fraport's efforts to develop and improve its capabilities are going to focus largely on digitalization. "There is much room for improvement of efficiencies," he said.

A central plank in this endeavor was the introduction of FAIR@Link, Fraport's community system, in the spring of 2015. It was developed by IT provider Dakosy, which had pioneered a similar concept at the port of Hamburg. By enabling the electronic flow of data between participating companies, the system has helped users to speed up processing times both at delivery and pick-up of cargo at the airport.

Last year, the new system processed more than 40,000 air waybills, and Schusdziara said he expects to see

considerable growth again this year, as a number of forwarders have come on board in recent months.

According to one mid-sized German forwarder, the participants, so far, have all been larger players. For smaller companies the cost is rather high to justify participation, he argued, calling for a solution that can reduce the cost.

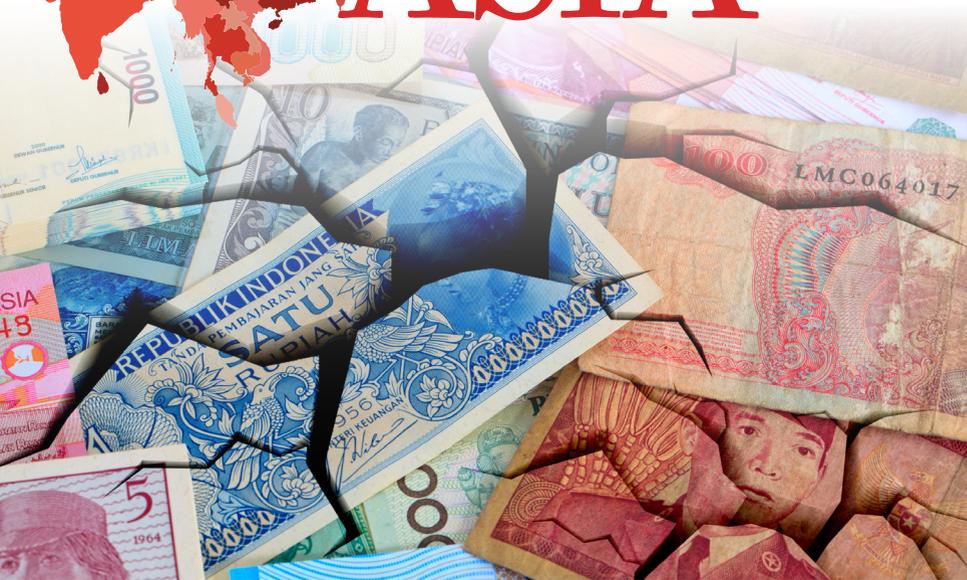
Schusdziara emphasized the importance of reaching along the supply chain, beyond the confines of the cargo city, citing the example of a trucking firm based in another German city that is hooked up to the system. Its forwarder clients see over the system when a truck is due to arrive at the airport and can obtain a slot for loading or unloading it. The truck's arrival automatically triggers the customs clearance process.

The notion of achieving better efficiency by involving companies along the supply chain was a major factor in the formation of the Air Cargo Community Frankfurt two years ago. It currently comprises 38 members and runs working groups that cover temperature-controlled transport, processes, infrastructure, location marketing and community building.

For Schusdziara, another step to reach beyond the airport perimeter was a joint venture agreement with Worldwide Freight Services last year, under which the handler took a 51 percent stake in the airport operator's freight handling subsidiary, Fraport Cargo Services.

"If you cooperate with others, you have a stronger network," Schusdziara said, adding that the alignment with Worldwide Freight opens up new possibilities for Fraport.

—Ian Putzger



## Flaws appear in Indonesia's 'big bang' foreign investment promise

Earlier this year Yusen Logistics unveiled a consolidation service for air cargo out of Java. According to the Japanese firm, this has brought a marked improvement in transit times to international destinations. Yusen followed up on this move in March with the start of import operations at Jakarta's Halim Perdanakusuma International Airport.

The Indonesian government said it is hoping to see a lot more activity by international logistics firms across the sprawling archipelago. To encourage an inflow of investment and operators, it loosened investment restrictions in almost 50 sectors, including the logistics field. In many cases, the threshold for foreign ownership was lifted from 49 percent to 67 percent. In some segments, such as cold storage facilities, the limit went from 33 percent to 100 percent.

This planned "big bang" opening of Indonesia, announced in early February, is meant to stimulate economic expansion and push GDP growth to an annual rate of 7 percent by 2019. The transportation sector is a major target, with the foreign ownership limits for transport supporting services and warehouse distribution to be raised from the current 49 and 33 percent, respectively, to 67 percent for both.

Indonesian freight forwarders, however, said they are unfazed by the prospect of more competition from international operators. Verdi Madison, managing director of Trans Pacific International Logistics, does not regard them as competitors, arguing that they have a different clientele, which con-

sists of foreign-based companies. He said these outside firms have failed to make inroads with Indonesian shippers, lacking the domestic expertise and the flexibility of local forwarders, which the domestic clientele expects.

According to Madison, Indonesian cargo agents are more concerned about new regulations on freight forwarding issued last year, which have met with stiff opposition from the national forwarder organization. The main bone of contention is a massive increase of the minimum required authorized capital of a firm engaged in freight forwarding. This went up from 200 million Rupiah (US\$15,250) to Rp. 25 billion (US\$1.9 million), of which at least 25 percent must be fully issued and paid-up. However, the amount can be lower if the company can obtain a recommendation from related associations.

The new requirements are not limited to new entrants but include incumbent operators, forcing them to tie up a large amount of capital, Madison said. The changes are currently in limbo, however, as the forwarder association has rejected the rules, arguing that many agents cannot afford the required capitalization.

On a more conciliatory note, the Indonesian Logistics Association has welcomed the big-bang plan to open up the logistics sector to foreign investment, stating that this should help to reduce logistics costs, making Indonesia more competitive – something necessary in light of ASEAN integration.

According to the government, the

planned liberalization should go some way toward preparing the country for free-trade agreements, including the ASEAN Economic Community and, eventually, the Trans-Pacific Partnership.

There is a feeling within the country that Indonesia's economy could do with a shot in the arm, after GDP growth slowed to 4.8 percent last year, its lowest increase since 2009. In the long term, though, the outlook remains promising, thanks to rising regional trade, high domestic consumption and an increase in exports fueled by several sectors, such as manufacturing, which is projected to show 6.4 percent growth this year.

Madison said he expects 10 to 15 percent growth for his company this year, adding that he sees pharmaceuticals as an up-and-coming commodity, alongside established export engines like garments and seafood. Overall, the Indonesian logistics industry is expected to grow 15.4 percent by 2020, according to figures from research consultancy Frost & Sullivan.

However, the potential growth faces serious constraints, Madison notes. He points to a lack of direct lift to many markets. To North America, for example, the main routing is on Middle Eastern carriers across the Atlantic, which is significantly cheaper than moving on Asian airlines across the Pacific. A lack of maindeck lift is another constraint. Even Surabaya, Indonesia's second-largest city, has no international freighter service, so maindeck freight has to be funneled through Jakarta. But the capital's Soekarno-Hatta International Airport is chronically congested, a situation that has worsened after the authorities scaled back the maximum number of aircraft movements last year. The rise of low-cost airline activity has further compounded the problem, Madison says.

National carrier Garuda Indonesia is expanding. Last year, it ordered thirty 787-9 aircraft. While this is welcome, Madison comments that the resulting belly space represents relatively limited cargo capacity. Garuda management appears to have quietly shelved plans for freighter activities that it had indicated a few years ago.

The capacity constraints are one area where a large influx of multinational forwarders could impact local cargo agents, Madison reckoned. Given their clout with airlines, they may take up a large share of the available lift, he said, leaving local forwarders to scramble.

—Ian Putzger

## Virgin Australia finalizes TNT contract, will add freighters

There has been yet another shuffle in Australia's highly consolidated air-freight industry. TNT Express awarded what is expected to be a US\$575 million, five-year contract to Virgin Australia for domestic cargo transport, a move that has prompted Virgin Australia to ACMI-lease three freighters, according to The Australian.

Beginning in July of this year, Virgin Australia will carry TNT's freight on its domestic passenger network, and on newly-leased freighters. Virgin Australia's network currently extends to 47 destinations within Australia and offers connectivity to 17 international destinations within the Virgin Group's network. In addition to this belly capacity, the airline said it plans to ACMI-lease two BAe 146 freighters, and an additional 737-300F, which will be operated on Virgin Australia's behalf.

This comes as welcome news for the airline, which, in June 2015, lost its lucrative contract with Toll to Qantas – a deal that was the bread-and-butter of its cargo unit. The long-standing contract with Toll, which Virgin Australia had held since 2007, allowed the airline to take a hands-off approach to its freight business. Under the agreement, Toll handled its own cargo and utilized the belly space on Virgin Aus-

tralia's domestic narrowbody aircraft for any freight that did not fit on Toll's own dedicated freighters. Given that Australia Post, Toll and TNT together command an 80 percent share of the freight delivery business in Australia, Virgin Australia relied heavily on Toll and previously saw no need for a stand-alone cargo business.

Following the loss of the Toll contract, Virgin Australia cited the need to work directly with customers and made the decision to create a true cargo division with the launch of Virgin Cargo. In a statement given to the *AFR Weekend*, Merren McArthur, Virgin Australia's head of freight and regional operations, said, "A lot of customers prefer to deal directly with the airlines. We will obviously do what we always do, which is have competitive pricing."

McArthur's division took further steps to ink new deals with ground-handling providers, such as Menzies Aviation and Aerocare, to replace services that were, in the past, performed directly by Toll.

Virgin expects its cargo unit to bring in between US\$150 million and \$200 million annually by the end of 2017.

—Charles Kauffman



## Korean Air Cargo, Uzbekistan Airways expand in Tehran

Following the removal of sanctions, cargo is once again flowing through Tehran; Korean Air Cargo and Uzbekistan Airways are reported to have launched a new cargo partnership which will enable cargo moving within Korean Air Cargo's network to reach Tehran's Imam Khomeini International Airport via Uzbekistan Air's Navoi hub.

Korean Air Cargo already partners with Uzbekistan Air to feed cargo into Frankfurt, and by the end of April will be able to make use of the Uzbek airline's twice weekly 767 freighter service to Tehran.

Given the deal with Uzbekistan Airways, Korean Air stands to gain a sizeable foothold in Iran's cargo market. In addition, last month it was announced that Iran's Ministry of Land, Infrastructure and Transport had granted Korean Air the rights to operate passenger flights capable of carrying belly cargo, four times weekly between Incheon and Tehran.

This move by Korean Air/Uzbekistan Airways is just one of many similar moves made by airlines, forwarders and other aviation companies following the removal of trade sanctions against Iran earlier this year.

—Charles Kauffman





## Yamato, JD.com to form cross-border partnership

A new partnership between China-based e-tailer, JD.com, and Japan-based package delivery company, Yamato Holdings, will soon enable cheaper and faster delivery of Japanese goods to Chinese consumers, according to a report from Nikkei.

As the number-two player behind Alibaba, with an estimated 23.3 percent Chinese e-commerce market share, JD.com is racing to enhance its cross-border services to match those offered by Alibaba's logistics affiliate, Cainiao,

which already works with 49 cross-border delivery partners.

The JD/Yamato partnership, set to launch next month, has two major aims: first, to expedite cheaper, cross-border delivery, and second, to grow the business by on-boarding Japanese companies onto JD.com. JD and Yamato will hold joint seminars in Japan to recruit small- to medium-size companies to join the platform, while informing companies of the promotional, marketing and cross-border logistics tools available.

Currently it takes about eight days for a product ordered from Japan to reach Chinese consumers; JD said it hopes to cut this time in half by exploiting the benefits of the Chinese State Council's new, "E-Commerce Comprehensive Pilot Zones," and by enlisting the delivery support of Yamato subsidiary, Yamato Global Logistics, and China Post.

According to Asian business consultancy Dezan Shira & Associates, these January "pilot zones," which exclusively target cross-border e-commerce-related businesses, were launched in 12 Chinese cities "featuring a slew of preferential tax policies and streamlined customs clearance procedures." Yamato will make use of the policy's warehouse model by consolidating and shipping products to a bonded warehouse in Shanghai, where they will then be cleared by customs within 24 hours as part of the "all-year-round, 24-hours customs clearance scheme."

Once goods are cleared, China Post will take over for last-mile delivery. From click to delivery, the overall process will be reduced to four days from the time a product is ordered on JD.com, or about half the current average.

—Charles Kauffman






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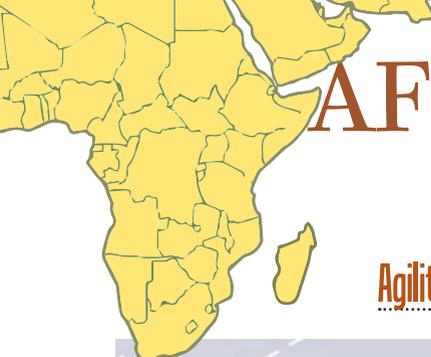
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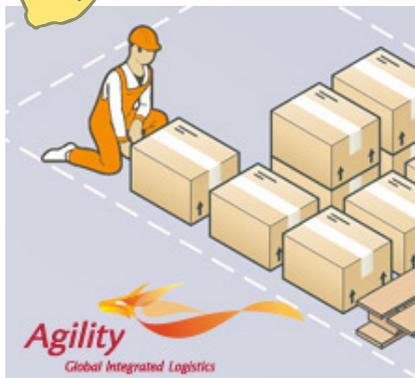
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## Agility reports jump in net profit, despite falling revenues



Lower gross revenues for Agility, the Kuwait-based integrated logistics provider, did not put a damper on the company's 5 percent increase in 2015 net profit, which grew to US\$175 million.

The group blamed "challenging market conditions and exposure to currency fluctuations" for the drop in gross

revenues, which, along with earnings before interest, tax, depreciation and amortization (EBITDA), were less-than-stellar in 2015. Gross revenue dropped 4 percent to \$4.3 billion, while EBITDA remained unchanged from 2014, at \$331 million.

Agility's Infrastructure unit, which represents only a quarter of the group's business, outperformed the much larger Integrated Logistics unit in terms of growth in revenue. On a constant currency basis, Infrastructure revenue rose 4 percent to \$1.04 billion, while Logistics revenue reported a 2 percent drop to \$3.30 billion.

Net revenue for the year rose 4 percent, to \$1.34 billion. According to a company statement, "the improvement resulted from continued growth in contract logistics and better performance within the freight forwarding business,

particularly oceanfreight. Airfreight volumes softened towards the end of 2015, but oceanfreight volumes and yields improved, driven by better commercial discipline."

While admitting the 2015 trend of slower growth in emerging markets will continue into 2016, due to Eurozone sluggishness, low oil prices and political instability, Agility's CEO, Tarek Sultan, was still bullish on future growth prospects.

"In the medium- to longer term, we believe in our ability to grow our market share and footprint in emerging markets to serve growing consumer demand," he said. "I am confident in our strategy and our ability to meet our 2020 EBITDA target of \$800 million."

—Charles Kauffman

## Ethiopian returns cargo service to recovering Brussels Airport

As Brussels Airport continues to recover from the March 22 terrorist bombings that killed 17 people in the passenger terminal, one bit of good news was largely overshadowed by the tragedy – Ethiopian Airlines Cargo has returned to the airport after a five-month hiatus caused by a dispute over bilateral air rights agreements.

Last November, Ethiopian moved its cargo operations from BRU to Maastricht-Aachen in the Netherlands because of the Belgian government's delay in responding to the carrier's request for an extension of fifth-freedom traffic rights. Ethiopian wanted the option to fly onward to Dubai World Central, Hong Kong and Shanghai. But in March, Ethiopian said it would resume operations by the end of that month, with 12 cargo flights a week.

The decision came following intensive talks between Belgium and Ethiopia about a new bilateral aviation agreement. Once that agreement was inked, Ethiopian Airlines gained the right to operate direct flights from Belgium to Dubai, Shanghai and Hong Kong, and the airline moved its freighter operations back to Brussels. The amendment also leaves room for Ethiopian to operate even more cargo flights from Brus-

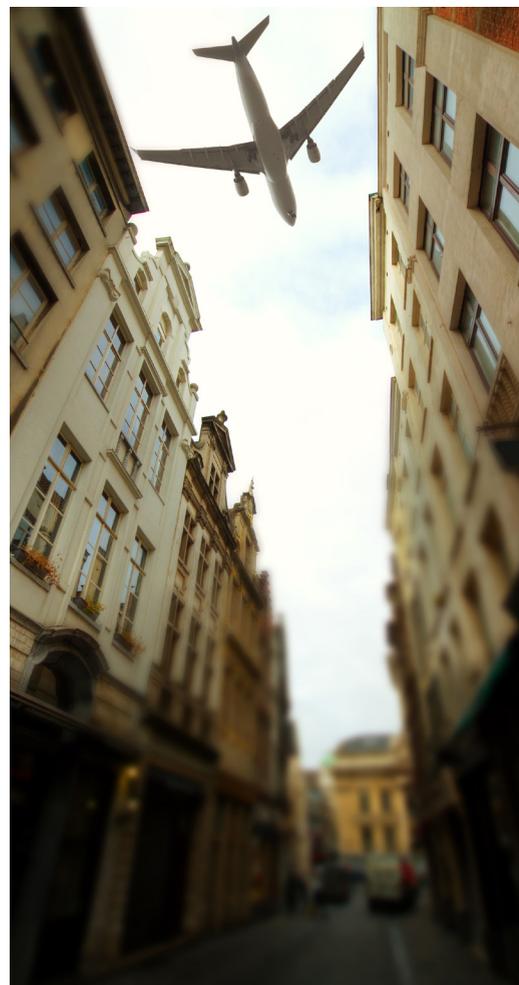
sels in the future.

After Ethiopian's withdrawal last year, BRU stayed in touch with the carrier and the Belgian government, in the interest of the hundreds of employees who depended on Ethiopian Airlines Cargo for their jobs.

"The carrier's return is a highly positive development, not just for Brussels Airport but also for the Belgian economy," said Arnaud Feist, CEO of Brussels Airport. "This move will not only see the reinstatement of the jobs that were lost with the air carrier's withdrawal in November, it will also create many new jobs as Ethiopian Airlines Cargo is planning to more than double the number of flights a week out of Brussels Airport compared against last year." Feist added that all of the flights – including to Guangzhou, which was covered under the previous bilateral agreement – are daytime flights.

Regarding the effects of the terrorist attack, cargo operations take place in a separate terminal, located four kilometers away from the damaged passenger terminal, so limited flights had begun a few days after the bombing. Passenger service was restored in early April.

—Randy Woods





## Mexpress feeder service hungry for expansion

With cross-border e-commerce, it's easy to think at 35,000 feet above sea-level – about the planes that carry the cargo and the airlines that operate them. But when it comes to e-commerce's thirst for expedited delivery, new opportunities for logistics optimization are carved out at other links along the air cargo supply chain as well. It's important to think about operations on the ground first, where national borders and customs regulations can complicate the situation.

Take road feeder trucking services, for example. They have always been a vital link in the airfreight supply chain, but one that is often invisible, as cargo is transported from one air hub to a regional airport, or to the point of delivery. Along the U.S.-Mexico border, one Santa Clarita, Calif.-based company has built its entire business around making the border irrelevant.

The cornerstone of Mexpress International's business has been its cross-border, airport-to-airport road feeder service, which utilizes bonded less-than-truckload (LTL) and full-truckload (FTL) trucking operations to offer "virtual next day air" and "second day air" solutions. Both services link bonded Exclusive Use Vehicles (EUV) on each side of the border with a transfer company that is tasked with moving the trailer across the border from one truck to another without breaking down the load. "Since we handle air cargo originating in Europe/Asia, we have to present the USA inbound documents to Customs and Border Patrol," to make the transfer, says company president Carlos Duron, a process which he says usually takes just "1-2 hours." Recently, e-commerce-fueled market demands prompted the company to add last-mile and parcel delivery services, effective May 2.

Mexpress' bonded services have expanded rapidly in Mexico because many airports in second- and third-tier Mexican cities lack the infrastructure to handle air cargo shipments, and, given

their distance from the country's main international airport in Mexico City, lack direct connectivity with cargo airports in Asia and Europe.

Therefore, much of the international freight destined for smaller cities in Mexico first touches the ground in Los Angeles (LAX) or Dallas (DFW) and then moves onward to Mexico by air or road. According to Duron, "often-times, freight on pallets arriving from international destinations, in the bellies of widebody aircraft, simply does not fit on the smaller interline planes traveling to smaller airports," meaning the freight must be consolidated and flown to Mexico City or Guadalajara, and then trucked to its final destination – or simply carried to the final destination by Mexpress. Mike Gamel, chairman and head of sales, claims that Mexpress' FTL service from LAX or DFW to smaller Mexican cities "beats the airfreight process to these locations by at least one day."

At first, Mexpress' clients, which include airlines, global freight forwarders and integrators, feared the transfer operation was illegal. Duron recounts quelling customer fears by explaining the lengthy pre-approval program required for bonded trucks, and Mexpress' persistence to run scheduled service between LAX and DFW, "regardless of whether we were carrying one pallet, or a full truck."

As a pioneer in the business, Mexpress developed its bonded trucking operations as a solution to clearing customs at the border. Initial approval of the program required collaboration with Hacienda, Mexico's internal revenue service, and the Mexican customs authority, Servicio de Administración Tributaria (SAT) to obtain the bonded Mexican trucking authority.

Once seen as an obstacle to the customs-free border crossing, Mexican customs and local *maquiladora* associations, are now some of the greatest proponents of Mexpress service expan-

sions. Duron describes receiving invitations from Index (Consejo Nacional de la Industria Maquiladora y Manufactura de Exportación) and Mexican Customs to present their road feeder services at jointly held regional meetings. "Especially in smaller airports without the means to handle large passenger planes," he added, "This service imparts to regions, a virtual air cargo handling business. When we clear customs at the airport instead of at the border, the process is identical, except our trucks arrive at the front entrance, while planes arrive out back, on the tarmac."

After clearing customs at the destination airport, Mexpress cargo traditionally changed hands for last-mile delivery. Now, however, the company is offering customers the option of having Mexpress handle the entire process, including last-mile and a parcel delivery service. "The program has been in the works for about a year now," according to Gamel. "It is the result of growing cross-border e-commerce demand," he added. "Our customers kept asking for this service, because their clients – e-commerce e-tailers, manufacturers, as well as freight forwarders – kept pushing for it."

The new service, which will launch May 2, will greatly simplify cross-border shipping for Mexpress customers – at a significant cost savings compared to direct courier service. Mexpress will stick to the system it has perfected over the years, trucking freight in bond from airport to airport, without customs clearance until arrival at the destination airport where it will work with local partners to carry out the final delivery.

Selecting the most appropriate local partners was critical to the service. According to Gamel, it was about finding "the best coverage, service and software" and ability to "provide our clients with visibility from origin to destination." Given this focus, Mexpress has been able to integrate its own tracking system with those of its partners to provide point-to-point delivery information for its customers.

In the beginning, service areas will be limited to the Mexico City area. Within 60 days of launching operations, however, Gamel is optimistic that Mexpress can add Monterrey and Guadalajara, an expansion that will reduce both costs and delivery times for cross-border parcels.

—Charles Kauffman

## Third Parties

**Cindy Miller** was promoted to president of global freight forwarding at UPS. Miller launched her career with the company 28 years ago as a UPS driver, and has since



Cindy Miller

held positions at various UPS units and divisions around the world. Most recently, Miller served as the president of UPS Europe. Under Cindy's leadership, UPS Europe achieved record growth and service levels. She is the first woman to head UPS' global freight forwarding operations. Also, **Juan Perez** was appointed UPS' chief information officer, replacing **Dave Barns**, who, in addition to being CIO, had held the post of global business services officer until electing to retire this year. Barns will stay on until June 30 to ensure a smooth transition. Perez has held a variety of posts across industrial engineering, quality, and information systems organizations since launching his career with UPS as an intern 26 years ago.



Bob Mihok

**Bob Mihok** was named **Kuehne + Nagel Group's** North American regional president. From the company's regional headquarters in Jersey City, N.J., Mihok will be responsible

for K+N's seafreight, airfreight, overland, contract and integrated logistics operations in the North American region. Mihok has held various titles at K+N outposts around the world since starting with the company in 1982, and most recently led the company's Eastern Europe organization.

**Don Baptiste** has been appointed CEO for U.S.-based **Trax Technologies** and will be based at the company's Scottsdale, Ariz., headquarters. As CEO, Baptiste will utilize his more than 20 years of experience as a leader, with a deep background in data analytics, product development, growth strategy and organizational improvement, to push forward the company's next stage of growth. Baptiste joins Trax from the unit he helped launch, Bloomberg Government, and will succeed Trax's

current CEO, the company's founder, **Scott Nelson**, who will assume the role of vice chairman.

**Timothy Dooner** has been appointed director of business development, to serve the Massachusetts area for New England freight forwarder and independent service provider, **Oceanair, Inc.** Dooner will identify and expand opportunities for international freight services and compliance for New England businesses through social selling and the application of services, products and customer-facing technology offerings and solutions. He has more than 10 years of experience in trade and logistics.



Timothy Dooner

**CEVA Logistics** has appointed **Steve Dean** as senior vice president of business development for contract logistics in North America. Dean will be based at CEVA's Port of Jacksonville office in Florida. With 30 years of experience in the logistics industry – including 25 in contract logistics – Dean has been involved in developing marketing, engineering and solutions teams for various companies, including Menlo Worldwide, Ryder Systems and Con-way.

## Airlines



Alexandre de Juniac

**Air France-KLM CEO Alexandre de Juniac** announced that he will step down from his post in July to become the new head of the International Air Transport Association, replacing the current president, **Tony Tyler**. De Juniac will be based in IATA's Montreal office. He became CEO of Air France in 2011 and, after two years, chairman and CEO of the combined AF-KLM. From 1995 to 2009, he held various positions in French aerospace and defense firm Thales, where he led the company's operations and sales in Asia, Africa, the

Middle East and Latin America. De Juniac also served in the French government, most recently on the staff of Christine Lagarde in the Ministry of the Economy. AF-KLM said it is planning to appoint a successor by Aug. 1 and is seeking guidance from an international recruitment consultancy.

**Peter Penseel** was made senior vice president of cargo sales and network planning at Qatar Airways. He joins Qatar Airways from DHL Global Forwarding, where he previously served as senior vice president of network carrier management. Previously, Penseel held posts at UTi and MASKargo. This is a newly created position at the carrier. Also, **Steve Manser**, the airline's head of charters, announced that he plans to resign this month. Manser will return to the U.K. and relaunch his consulting practice. A replacement has not yet been named.

**John Giannitelli** was appointed regional sales manager, USA, for **Virgin Atlantic Cargo**. He joins the division after years of experience interfacing the U.S. market from abroad. Giannitelli's last post was at Aer Lingus, where he was in charge of the airline's sales and reservations for the United States. Prior to Aer Lingus, he managed U.S. East Coast markets with Qantas.



John Giannitelli

## Organizations

**Lars Droog** of Tosoh Corporation has been appointed to chair **The International Air Cargo Association's** new Shippers' Advisory Committee. Droog brings to the council nearly two decades of experience in the aviation sector, including senior management roles with Polar Air Cargo, Schreiner Aviation Group and Asiana Airlines. He also serves as vice chairman of EVO's Airfreight and Express Council, a committee of the Dutch Shippers' Council. **Nabil Sultan**, Emirates' divisional senior vice president, cargo, will join Droog on TIACA's board of directors. Sultan has more than 20 years' experience in senior management roles at Emirates, and was promoted to his current role in 2013.



Nabil Sultan



# Perishable Airfreight Bears Fruit

## Why air cargo shouldn't fear modal shift

By Randy Woods

The flat peach – also called a Saturn peach or a doughnut peach for its toroid shape – is high in potassium, vitamin A and vitamin C, and has become a popular health snack in many parts of the world. In 2015, flat peach production spiked, reaching more than 200 percent of the average volume for 2009-2013. The compact, flat shape of the fruit also happens to be ideal for shippers who want to pack it in bulk.

At Spanish fruit trading cooperative, Fruits de Ponent, located about 150 kilometers west of Barcelona, the easy-to-eat, fuzz-free flat peach has been one of the emerging stars in its repertoire of stone fruit, including several varieties of peaches, nectarines, apricots, plums and cherries. “It’s an always sweet peach,” said Robert Perucho Coma, head of sales for Fruits de Ponent, which produces 10,000 tonnes of the juicy orbs every year.

A few years ago, interest in flat peaches began to grow in Dubai and Saudi Arabia. At first, Fruits de Ponent tried to meet this demand by trucking the flat peaches to Barcelona, then sending them via the Mediterranean. “We tried with seafreight, but finally we realized that it was better for all – the shippers, the retailer and the final customer – to send the flat peaches by air cargo. Flat nectarines and white-flesh varieties of peach and nectarine are other commodities that we ship via airfreight.” Most of these air shipments are now made via Emirates, using various 3PL companies in Barcelona.

The reason for switching to air? “The quality was better,” Coma said. The sea voyage to the Middle East tended to be too hard on the soft flesh of the peaches. “All products with more than 15 days of transit time are suffering quality problems,” he said.

Today, the 65,000-tonne-per-year cooperative is increasing its use of airfreight to Asia, Coma said, mainly in the ASEAN region and Hong Kong. “It happens due to demographic and economic potential of the area, and especially because our products need a short transit time,” he said. “Other fruit companies use airfreight to reach far markets. This is the only way to do it.”

But wait – isn’t this a rising commodity that has switched from seafreight to airfreight? Isn’t modal shift toward the ocean, using “hibernation technology” inside sea containers, supposed to be the scourge of the perishable air cargo industry? “Modal shift is a very sexy topic,” said Natasha Solano, global business development manager of perishables logistics for Kuehne + Nagel. “But the press has taken the modal shift idea and blown it all out of proportion.” Shifts between air, ocean, road and rail modes is not something new and has happened many times over the years, “but it affects only certain commodities on certain lanes,” she said. Some commodities, she said, will always move by air, such as certain kinds of fresh fish, flowers and berries at varying times of year.

Recent increases in demand for

edible commodities appear to show that the expected death of perishable (non-pharma) airfreight at the hands of ocean-based modal shift has been greatly exaggerated. Cheap, reliable seafreight will always hold a vastly larger market share on global cargo volumes. As Solano pointed out, 70 percent of fruit sent by K+N is via ocean, 23 percent is by road and just 3 percent is via air. Yet a deeper analysis suggests that the numbers are on the side of airfreight taking a larger bite out of ocean traffic, based on demographic, economic and marketing trends.

“By 2050, there will be 9 billion people on earth and demand for fresh food will be 60 percent more than it is today,” Solano said. “This is good news for both ocean and airfreight.”

### Modal shift by the numbers

Around the world, there are many examples of a rise in perishable commodities being sent by air. Christopher Dehio, head of product and solutions management, temperature-sensitive logistics, for Lufthansa Cargo, said other shifts being reported from sea to air, such as peppers from the Netherlands to the U.S., since the transit time by ocean was too long.

Also, he said, perishable exports from Egypt, Brazil and Chile are still growing, while China is an “increasing import market due to increasing demand for ‘luxury’ perishable goods,” due to growing consumer incomes. “Many customers are looking for



freighter service which we can offer from main perishable regions to Europe and further onto other destinations, such as China,” he said.

Kerry Galegher, president of AirLogistix USA in Houston, said he is seeing more salmon coming to the U.S. from Norway, as well as higher volumes and more varieties of perishables, such as asparagus, mangoes and cherries, from South America.

During IATA’s World Cargo Symposium, held last March in Berlin, Gerard de Wit, managing director of market analysis firm WorldACD made the case that the airfreight market for perishables has not only gained ground on several trade lanes, in relation to oceanfreight, it will most likely accelerate over the next few decades.

After monitoring millions of air waybills and comparing them to economic predictions over the next 30 years, de Wit said he sees a strong correlation between income growth and consumption of perishables. “Eighty percent of perishable food is imported by developed countries,” he said. “But that is going to change dramatically,” as the world’s middle class population grows larger in places such as China and India.

While the United States and Europe accounted for 60 percent of total perishables consumption in 2000, that amount will dwindle to 15 percent by 2050, de Wit said, quoting from the Organization for Economic Cooperation and Development. India and China,

alone, will represent more than 50 percent of middle-class consumption. Even though perishable food commodities have a much lower yield per kilogram than general cargo, the decrease in U.S.-dollar yields over the last two years has been less significant for perishables than it has been for general cargo, de Wit said.

“You have to analyze the shift per market and per commodity,” he said. The air mode is rising, in relation to ocean, in Hong Kong, Qatar, Singapore, the UAE and Saudi Arabia, according to WorldACD data. Looking at specific lanes, the air transport share of vegetables moving from Europe to Japan rose 4 percent from 2014 to 2015. The same was true for vegetables moving from Peru to Europe (3 percent rise, year-over-year), and India to Europe (2 percent). From Australia to Japan, there was also a huge volume of meat and cheese.

“Perishables is where the growth is,” de Wit predicted. “And most of it will be in developing countries.”

### Not so fast

Before forwarders who specialize in perishables start abandoning their ocean contacts in droves, Chris Connell, president of Commodity Forwarders Inc. (CFI) and also chairman of the Airforwarders Association board of directors, said any enthusiasm for an airfreight renaissance for edible perishables should be taken with a large grain of sea salt.

“There will always be a market [for air transport] for soft berries, like raspberries and strawberries,” Connell said. But there is little evidence, he added, that any perishable food currently being shipped on the ocean will move to airfreight. “Our company started in 1974 and we used to send blueberries by air. But not in the last eight years have we sent a single blueberry by air.” he said. “For the vast majority of edible perishables, when it goes by sea, it’s not coming back.”

Part of the reason, Connell said, is that some commodities are now being grown in more far-flung locations. “Washington state [in the U.S.] has a good, solid crop of cherries,” he said. “But there are Spanish and Turkish varieties, too.”

The rising global middle class has been much discussed as a driver of perishables growth, but Connell argued that it may be years until a noticeable change would be made. “Long-term, it certainly has momentum,” he said. “But when you’re talking about the middle class, all that wealth has to trickle down, and that takes a lot of time to work its way through.”

In addition, he said, there’s no guarantee that these new markets are going to want to eat new foods. “Air cargo doesn’t help at all if no one buys it,” he added.

The trick to make sure consumers stay interested in these foreign or exotic foods is to emphasize their newness and exclusivity, said Rogier

Spoel, policy manager for airfreight at the European Shippers Council. “Air cargo is best if it’s carrying a new product, if there’s a constant flow and if it is competitive,” he said.

Here is another of air cargo’s main advantages, besides speed. “It’s easier to start a new market with airfreight than with seafreight,” Spoel said. “When a new trade lane opens up, the best way is to try it by air first. Then, after the market matures in a few years, they may switch to seafreight.”

Air also has the advantage of reaching new markets where there are no ports or well-maintained roads. “You can’t always dock a boat everywhere,” he said. “You may have to rely on inland transport, and that’s not always the case. In Europe you can get just about anywhere by truck in about five hours. But in Africa and Latin America, it can take days to get to a population center.

By paying close attention to the short growing seasons for many kinds of produce, forwarders and carriers can use modal shift to their advantage by arranging shipments during times of peak demand. Air cargo can be used to “supply the markets during the beginning of the season” and ship commodities “to cover the ‘first to market’ shipments,” said Lufthansa Cargo’s Dehio. “Later in the season [shippers] may shift to ocean where possible, depending on the duration of the ocean voyage and the sensitivity of the fruit.”

In some ways, carrying perishables can become a defensive tool for some carriers to protect the market share they already have.

“New markets will go by air early on, which is what we call the ‘shoulder seasons,’ on the front and back of the growing season, where demand spikes,” Connell said. “There are multiple windows of opportunity for airfreight, because there are definitely multiple short seasons. In the early spring, we are always short on lettuce, so there’s a nice lettuce spike going into Amsterdam, and we’ll need three to four weeks of air cargo that can meet the standards.”

There has been more opportunity in the last 18 months for perishable airfreight, since marine companies began adopting the slow-steaming technique to save fuel and reduce greenhouse gas emissions, Connell added. “Rates on the ocean can’t really get any lower,” he said. “And with the new labeling requirements for meat, the slower ships present problems with ‘use-by’ dates under food safety protocols.”

## Perception is reality

The speed of air cargo can also give shippers the opportunity to have more precise control over how their products are perceived. “Airfreight offers the customers perishable goods with a ‘natural maturity,’” Dehio said. “As a fruit will be harvested at a later stage of ripeness than a fruit transported by seafreight, the airfreight product can be sold and bought as ‘ready-to-eat,’ which makes a difference in quality and taste.”

For these kinds of products that are essentially still alive and ripening slowly during transport, known as climacteric fruit (apples, bananas, melons, apricots, tomatoes, and others), K+N’s Solano said the savvy shipper can plan to stagger air deliveries based on their customers’ tastes. For example, she said, “Germans tend to like the sour, unripe papayas, but those in the Netherlands like riper ones.”

This can further help shippers differentiate their air-carried products from those that have been chemically treated to delay ripening for long ocean voyages. “Consumer decisions are either taste- or price driven,” Dehio explained. “There is a noticeable consumer trend to healthy products, and consumers are becoming increasingly critical of ‘treated’ goods.”

As a result, Dehio said there’s been “an increase in purchasing behavior for high-end quality food, where consumers perceive ‘air flown’ as fresher, and prefer a ripening process on the plant as long as possible as opposed to ripening during transportation.”

Of course, there are limits to this strategy, too, said CFI’s Connell.

“There’s no such thing as a golden strawberry” that’s going to save an air carrier’s market share. “People won’t pay a lot more for airfreight-delivered perishables. We have seen certain markets trade down, normally, to take slightly less quantities for a slightly lower price. The middle class still wants to save money and has the ability to trade down. And once they’re gone, they probably won’t be coming back.”

To some extent, this manipulation of their customers’ expectations may have gone too far, “as many consumers expect to see certain commodities in the shelves on a regular basis as opposed to accepting a seasonal availability,” Dehio added. Roses from Kenya are not just sold on Mother’s Day and Valentine’s Day and berries and mangoes that should last a few weeks or months are now expected year-round. The key, however, is that “air flown” mangoes are sold at higher retail prices, he said.

Back in Spain, Coma, of Fruits de Ponent, said he appreciates being empowered to think more strategically with his airfreighted flat peaches. “It allows us to collaborate in marketing campaigns with retailers,” he said. “As a new product, with not big quantities, the flat peach is difficult to plan in terms of buying, because you don’t know how customers will react. Airfreight allows us to react immediately to demand.”

The types of fruit that will be most attractive will be the ready-to-eat ones, “with excellent organoleptic conditions” (affecting all the senses), he said. They are “picked from the trees in the best conditions and delivered to the stores in a very short time between the optimal picking moment and when the consumer eats it.”

Shippers should focus on these competitive differences and try to encourage the carriers to continue sharing advantages that only air cargo offers, Coma said, including a really short transit time.

“As our production of flat peaches has grown, our air cargo has, as well,” he added. “Airfreight allows us to bring fresh fruit a long way.”

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# 3D

# Printing & Cargo: Threat or opportunity?

By Michael A. Moore



Many people still think of 3D printing (3DP) as a toy for the “maker” geeks crowd. Today, that toy status of 3DP is official. Mattel recently introduced a 3D printer for kids called the ThingMaker, which runs on cutting-edge 3D design and printing technology from Autodesk, the same company that brought the world AutoCAD.

The Autodesk/Mattel collaboration will provide kids of all ages with a new, immersive experience by combining beloved physical toys with digital adventures. ThingMaker is fun, but it is also serious – it’s a training tool to prepare today’s kids for tomorrow’s essential tech skills. For over the next few decades, the technology is expected to transform the manufacturing sector as we know it today.

By the time these ThingMaker kids are adults, some of them may be operating more advanced 3DPs to build everything from custom-made replacement auto parts to space station components to new human organs whenever they’re needed, wherever they’re needed. What today takes aircraft to fly half-way around the world in less than a day, this technology might be able to do with the click of a mouse in seconds.

Because of its potential for on-demand, custom-made manufacturing capabilities, 3DP technology, to some in the airfreight business, represents a dark cloud on the horizon, threatening disruptive changes for the logistics status quo. There is no question that changes will occur – what is difficult to predict is the scale of the disruption, the forms it will take, and the timeline for the full impact to be felt.

Some say it’s already here. Digital disruption is “everywhere but operating at different speeds,” said Angus Dawson, who leads McKinsey & Co.’s Strategy and Corporate Finance Practice across Asia. “The fact that disruption is happening at different speeds for different industries shouldn’t lead those industries where it’s happening slower to assume it’s not happening.”

The full potential impact of 3DP is still a flyspeck on the radar screens of the global logistics community – most executives and managers know a little about the technology but are not aware that it represents a disruptive game changer to their business models.

“I think it’s difficult to say how it will play out in the long run,” said Thomas Bek, global manager of oil, gas and industrial projects at Blue Water Shipping, a global heavy-lift logistics and transport services provider. “We use a lot of 3D visualization to plan our equipment moves, and are about to use 3D-printed ship and equipment models for a large, complex move, but the long-term implications of 3D printing technology are something we have not really focused on.”

Blue Water is not the only logistics services provider that is late to the gate regarding 3DP. “I know a little about the technology,” said logistics consultant Skip Grindall, who recently retired from his position as vice president of mining logistics at C.H. Robinson. “But the implications of 3D printing for the logistics industry is not something I can recall ever being discussed as a potential game-changer.”

## Just getting started

In the three decades since the dawn of 3D printing, the world has seen “countless disruptive technologies,” said Alan Amling, vice president of marketing for UPS Global Logistics & Distribution. Some – like smart phones – stuck around and continue to shape the way we live and communicate. Others – like pagers – shook things up for a while but quickly slipped into oblivion as more compelling innovations edged them out.

“3D printing, however, is a different kind of disruption,” Amling added. “It’s a slow burner, but it’s one that promises to revolutionize how we design and manufacture products. It’s hard to tell exactly what role 3D printing eventually will take in manufacturing. But we’re confident that it’s going to make an impact. That’s why air cargo and logistics companies should start exploring the potential now, if they haven’t already.”

Some of the more immediate effects could be a reduction in air cargo’s market share for the rapid transport of prototypes, aerospace and automotive sub-assemblies, spare parts, mold tools, electronics assemblies and consumer products, and other high-value, time-critical goods. 3DP will pave the way for accelerated re-shoring, near-shoring and right-shoring of manufacturing, allowing goods to be manufactured closer to the end user and requiring less lead time and a shorter supply chain.

That’s the potential bad news for the freight forwarding industry that has relied on the jet engine as its maximum rate of speed for the last half a century. The good news, for the air logistics industry, is that 3DP is still feeling growing pains – pains that center on cost, quality, materials, size and speed issues, at least for the medium term of five to ten years (see sidebar).

## Taking the initiative

The wiser freight forwarders and express firms that see the on-demand writing on the wall are taking advantage of

3DP’s slow evolution and deciding that they, too, can be disruptors in their own right. With enough printing media, forwarders of the future may be able to forego traditional shipping as well and 3D-print some “deliveries” themselves.

UPS and DHL, for instance, are already taking their first exploratory strides with this technology and have installed 3D printers in their respective research centers to see how they may be integrated into their operations.

UPS partnered in May of 2015 with a company providing 3DP services to the consumer products, packaging, aerospace, automotive, transportation and medical industries. “We invested in a startup called CloudDDM, which hosts a 3D printer facility – about 100 printers so far – at our global air hub in

Louisville, Kentucky,” said UPS’ Amling. “Customers upload their designs to CloudDDM and then select quantity, material type, color and print priority. CloudDDM can produce those parts late into the evening and pass them to UPS for next-day delivery. A lot of people and companies are already benefiting from this unique partnership.”

Amling says that once UPS has the 3DP service bureau model right, the company will expand it to their global operations.

DHL has also installed 3D printers at its DHL Innovation Center in Troisdorf, Germany, and the new Asia Pacific Innovation Center, which opened in late 2015. “The objective of the DHL Innovation Centers is to maintain that lead by developing highly innovative products and services based on technological, social and logistics trends of the future,” said Bill Meahl, chief commercial officer for DHL. “The DHL Trend Research team continuously analyzes and identifies new developments and their potential impact on the logistics industry along the entire value chain.”

For the last three years, forwarder Panalpina has worked with the Cardiff Business School, at Cardiff University in Wales, to find new data-driven ways to make their processes

### Prisoners of ‘the cube’

In his keynote speech at a 3D Printing Conference held during the last International Computer Electronics Show in Las Vegas, Carl Bass, CEO of computer-aided-design giant Autodesk, was uncharacteristically muted in his outlook on the 3D printing craze his company practically invented. The problem with the slow development of 3D printing, also known as “additive manufacturing,” was not the fault of engineers or underfunding but of basic physics.

He said that even if 3D printers were absolutely reliable and produced top-quality components – which they don’t always do – the major obstacle to large-scale industrial adoption is speed. “The problem with the speed of 3D printing is the cube,” Bass said, referring to the “square-cube” law, which states that, as an object grows in size, its volume increases at a faster rate than its surface area.

“If it takes an hour to print something, and I want something that’s twice as big, it takes not two hours, but eight hours,” he explained. “If I want something that’s twice as big as that, it doesn’t take 16 hours, it takes 64 hours. We’re talking about something that’s four times larger than the original will take two and a half days to print.” In other words, scaling up from today’s toy cars to real cars is a daunting challenge.

“For existing technologies, we’re always going to be raising print time to the third power, and that’s a difficult barrier to overcome,” Bass said. “But I think it’s going to change. Every one of the things I’ve spoken about is an opportunity.

The pace of innovation over the last five years is going to continue at an exponential rate... We will see more dramatic improvements over the next five years than the last five.”

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For the last three years, forwarder Panalpina has worked with the Cardiff Business School, at Cardiff University in Wales, to find new data-driven ways to make their processes

more efficient. In January of this year, the team collaborated with the Cardiff School of Engineering to focus on new manufacturing technologies in order to help Panalpina's customers identify the right products that could be switched from traditional to additive manufacturing techniques, such as 3D printing.

"We have a supply chain specialist and an engineer working together with leading experts at Cardiff Business School," says Mike Wilson, global head of logistics at Panalpina. "The findings of this exciting new project will find their way into our wider offering of Logistics Manufacturing Services, which has already successfully transformed the manufacturing and logistics strategy of important Panalpina high-tech customers."

## Power center shift

Just as the center of the world's economic gravity has shifted toward Asia, so has much of the focus on 3DP. China, naturally, is a world leader in adoption of 3DP manufacturing technology as the country moves from an imitator to an innovator in terms of engineering and manufacturing (E&M).

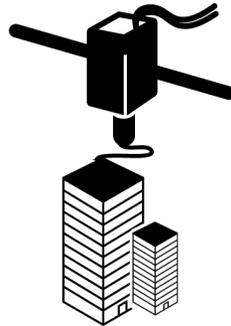
The implications for air cargo and logistics providers are promising, as high-value, time-critical parts, sub-assemblies and products are being flown to users around the globe, while at the same time China increases its imports of high-value, time-critical industrial parts, sub-assemblies and consumer goods to meet the demands of its growing consumer population.

China is not alone as it ascends the economic development ladder. DHL reports that its E&M customers are starting to look beyond the BRIC countries (Brazil, Russia, India and China) and towards emerging countries such as Mexico, Indonesia, Nigeria and Turkey (the so-called MINT countries). ASEAN members also are expected to perform well in the future and become attractive markets.

It can probably be safely assumed that the MINT countries and ASEAN members will strive to become competi-

tive by adopting 3DP and other new technologies. DHL states that in the medium to long term most E&M companies are planning to supply those new markets mainly from their facilities in China and other emerging countries.

Consequently, future demand for E&M products will be much more geographically fragmented as the number of markets and sub-markets grows. This fragmentation may translate to prime markets for the air cargo and logistics



communities, especially if China and other established manufacturing centers remain as supply chain hubs.

## The cloudy crystal ball

Most predictions of the medium- to long-term impact of 3D printing on the global air cargo/logistics industry have focused on the potentially negative, disruptive impacts of the technology – predictions based on worst-case scenarios that simplify the complex dynamics of the reality of the situation.

"I see more 3D printing as offering opportunity than negative disruption," said industry guru Terry Wohlers, who has published the 3DP-focused *Wohlers Report* for more than 20 years. Wohlers said that today's manufacturing processes, and their need for air cargo to transport needed components and sub-assemblies, will be around in the foreseeable future.

"To replace injection molding for large-size, high-quantity manufacturing doesn't make sense," he said. "There are multiple steps that have to take place after making basic parts, and many of those parts have to be shipped from one place to another."

Boeing's "World Air Cargo Forecast"

team leader, Tom Crabtree, agrees with Wohlers that 3DP offers an opportunity-filled future for air cargo and logistics companies that prepare for it, and that the need for air cargo will not disappear due to the combined onslaught of near-shoring and 3D printing. He says he does not see 3DP/AM as a disruptive threat to the air cargo industry – at least not now.

"Air cargo exists because nobody possesses perfect information all the time," said Crabtree. "It is an industrial tool – it transports high-value, time-critical tools, chemicals and full machines from one part of the world to the other. There is a huge European company that manufactures tooling for China – they will not use maritime [transport], they insist on air. There are machines and parts that will never fit into containers and must be transported across oceans. Airfreight is the tool that makes sure they are delivered on time."

The greatest challenge of 3DP to the global air cargo industry may be to recognize that the rapidly evolving technology will totally change the way most things are manufactured over the coming decades and to plan and adapt as the world changes.

"We constantly work to stay abreast of changing technologies and disruptors in the marketplace," said Dave Karp, president and CEO of Northern Aviation Services (NAS) and its subsidiary companies, Aloha Air Cargo and Northern Air Cargo. NAS customers include fishing, mining and oil companies in the most remote parts of Alaska. "As 3D printing technology continues to evolve, we will look for ways to best serve our customers."

The fate that awaits air cargo and logistics companies whose leaders fail to recognize the challenge that 3D printing presents to their futures is probably best summed up by McKinsey's Angus Dawson: "The worst thing would be to feel like it's not hitting your industry and to wake up in five years and find out that, actually, the fundamentals have changed. Don't get caught sleeping just because it's been slow in your industry."

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### IATA: Total Freight Growth by Region

Region	% Growth YoY in FTK	
	Feb-16	YTD
Africa	-1.7%	-2.2%
Asia/Pacific	-12.4%	-5.7%
Europe	-2.4%	0.9%
Latin America	2.7%	1.4%
Middle East	3.7%	6.8%
North America	-4.0%	-2.6%
Industry	-5.6%	-1.6%

Source: IATA

### AAPA: Asia-Pacific Carrier Traffic February 2016 & YTD

Source: Association of Asia Pacific Airlines

	FTK (mil.)	FATK (mil.)	Freight Load Factor	
Monthly	Feb - 2015	4,926	7,532	65.4%
	Feb - 2016	4,331	7,626	56.8%
	YoY % Change	-12.2%	1.3%	-8.6 points
YTD	Jan - Feb 2015	10,084	15,904	63.4%
	Jan - Feb 2016	9,458	16,237	58.2%
	YoY % Change	-6.2%	2.1%	-5.2 points

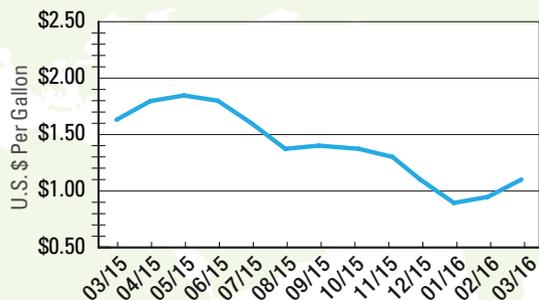
For February 2016, air cargo demand among the Asia-Pacific carriers fell by 12.2 percent, year-over-year, while YTD demand shrank by 6.2 percent during the first two months of the year. Andrew Herdman, AAPA's director general, concluded that the region's air cargo business "is showing further declines, reflecting the slowdown in global trade and raising some deeper concerns about the future outlook for the wider global economy."

February airfreight volumes, measured in freight tonne kilometers (FTK), were 5.6 percent lower, year-over-year, in February. However, the results should not be taken at face value; IATA notes two irregularities that make February data insignificant on its own. First, Chinese Lunar New Year fell earlier in the year, causing normal February traffic to ship out before the start of the month. Second, the U.S. West Coast port disruptions in 2015 caused a one-off surge in airfreight demand. Instead, IATA notes that compound annual growth since 2014 until present has been 3.1 percent. IATA predicts "ongoing headwinds continue to point to another year of just modest growth in 2016, as a whole. Indeed, the broader global trade backdrop remains subdued."



### USEIA: Jet Fuel - Spot Price, YTD

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

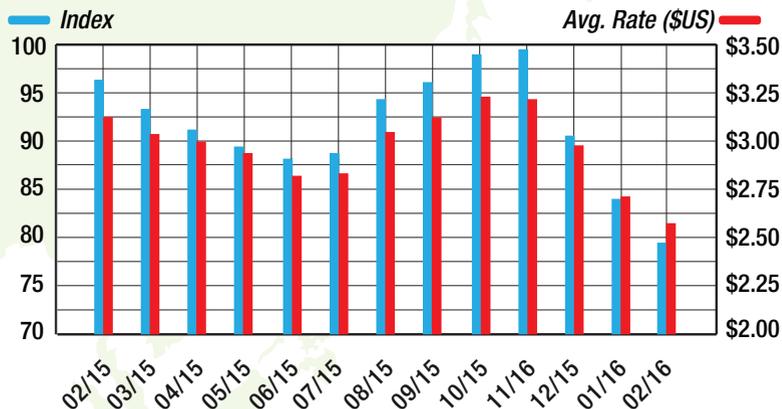


Source: U.S. Energy Information Administration

After a major decline which began in December 2015, wholesale prices for U.S. Gulf Coast, kerosene-type jet fuel seem to be, once again, on the rise. Prices rose 12 cents to \$1.09 in March, the highest price since November 2015. Year-over-year, the price fell 54 cents between March 2015 and March 2016.

### Drewry's East-West Airfreight Price Index

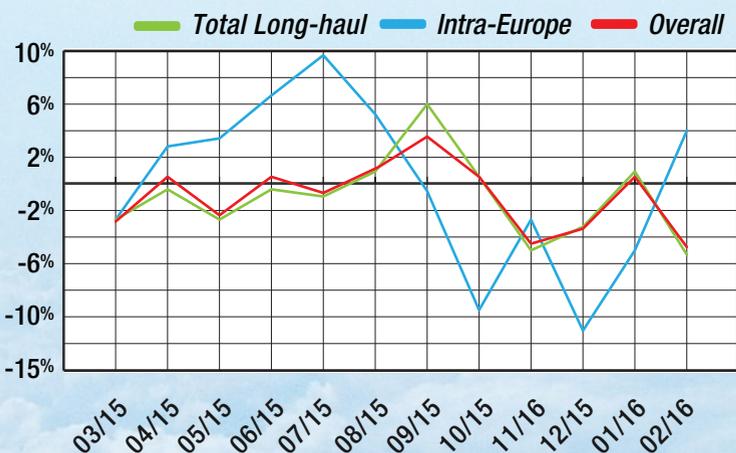
Source: Drewry Sea & Air Shipper Insight



Weighted average of all-in "buy rates" paid by forwarders to airlines.

Drewry's East-West Air Freight Price Index fell for a fourth consecutive month, down 3.8 points in February 2016 to a reading of 79.2, hitting the lowest point on record since the firm began indexing airfreight rates in May 2012. The firm blames the twin forces of bloated capacity, paired with stagnant growth. "Airfreight rates [will] remain challenged over the course of the year by weak global demand yet rising capacity, as buoyant passenger traffic releases more belly-hold space" said Simon Heaney, Drewry's senior manager of supply chain research.

Source: Association of European Airlines



### AEA: European Carrier Traffic

Monthly year-over-year percent change in intra-Europe, long-haul, and overall freight traffic (FTKs) for European airlines over the last 22 months

February overall FTK figures for the European air carriers bucked the trend experienced in other regions with a 4 percent increase, year-over-year, compared to last February. European carriers were impacted to a lesser degree by the 2015 U.S. West Coast port slowdowns and the Lunar New Year, which was responsible for irregularities in other regions. Long-haul FTKs were down 5.8 percent, y-o-y, and intra-Europe FTKs also fell 4.9 percent, y-o-y.

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# Events

## 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](http://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](mailto:ighc@iata.org).

## MAY 18-19

**3PL Value Creation Summit – Hong Kong:** Armstrong and 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](http://3plsummit.asia).

## MAY 24-26

**TIACA Executive Summit – Hollywood Beach, Florida, USA:** 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. For more information, visit [www.tiaca.org/?page=ExecutiveSummit](http://www.tiaca.org/?page=ExecutiveSummit).

## JUNE 7-8

**The Future of Logistics Conference – London, U.K.:** The subject of innovation forms a core part of Transport Intelligence's new conference series. This conference provides delegates the chance to participate in high-level, thought-provoking discussions on the most transformative subjects in the logistics industry. For more information, visit [ti-insight.com/conferences/london-2016](http://ti-insight.com/conferences/london-2016).

## JUNE 8-10

**Air Cargo 2016 – Phoenix, U.S.:** This will be the twelfth annual conference and ex-

hibition 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 [aircargokonference.com/aircargo2016](http://aircargokonference.com/aircargo2016).

## JUNE 12-15

**Air Cargo Summit – Shanghai, China:** This new event is jointly organized by the TFS 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 [aircargosummit.com](http://aircargosummit.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](http://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](http://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. For more information, visit [fiata2016.org](http://fiata2016.org).

## OCTOBER 10-12

**ELEVATE/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. This year, *Air Cargo World* will present its inaugural ELEVATE conference, focusing on the latest innovations in freight forwarding. For more information, visit [cargofactssymposium.com](http://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](http://tiaca.org) or send an email to [kgibson@tiaca.org](mailto:kgibson@tiaca.org).

## NOVEMBER 22-23

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

## DECEMBER 8-9

**Cold Chain Distribution Conference & Exhibition – London, U.K.:** This 11th annual conference will include lively debates, market updates and a platform for delegates to stay ahead of this lucrative market. Save the date to meet with your industry colleagues, regulators and suppliers. For more information, visit [smi-online.co.uk/pharmaceuticals/uk/cold-chain-distribution](http://smi-online.co.uk/pharmaceuticals/uk/cold-chain-distribution).

# 2017

## FEBRUARY 8-9, 2017

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

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## Committed to raising our collective Cargo IQ

by **Brandon Fried**

**R**ecently, while speaking at the World Cargo Symposium in Berlin, IATA's CEO Tony Tyler called for a further transformation in the airfreight industry, saying that quality of service should be its priority. Indeed, industry performance has been lackluster over the past few years. As

global recessionary pressures reduced yields, shippers began seeking the shelter of other transportation modes to save money. Forwarders agree that adverse economic conditions continue to create challenges, but from our perspective, we are damn good at what we do and working harder to be even better.

Despite low volumes, airfreight continues to be a premium service, generating enormous value for shippers and significant revenue for forwarders. The sector carries about a third of global shipping volume by value, as speed and flexibility provide essential characteristics that other modes find hard to deliver. There is always room for process and quality improvement, but most forwarders believe that we are on the right track.

Forwarders also understand that we cannot ignore customer sentiment. The recent IATA survey finding that shippers rated the airfreight industry a 7 out of 10 in terms of service was a significant call to action for the forwarding industry and its airline service partners. But while we welcome new initiatives geared to industry improvement, we remain leery of solutions that advocate for a one-size-fits-all solution. Forwarding is a diverse industry that has thrived on tailored solutions to complex problems and, in the long run, rigid "standards" can stifle innovation.

An initiative announced in Berlin was the rebranding of Cargo 2000, an IATA-sponsored interest group now called Cargo IQ. Its goal is to implement a new cargo management system worldwide for the air cargo industry. Its processes include quality standards and a system of measurements focused on improving air cargo efficiency.

We at the Airforwarders Association applaud the hopefully new-and-improved Cargo IQ as the program focuses on worthwhile goals, such as:

- cutting operational costs by reducing door-to-door air cargo processes from 40 to 19;
- dividing export forwarding, air transport, and handling to just seven steps each; and
- reducing import forwarding to only five levels.

The program depends on electronic data interchange transmissions between the parties, called "milestones," to keep track of progress throughout the shipment process.

But while the former Cargo 2000 provided an ambitious roadmap to service performance quality, participation waned as its complexity and expense seemed reserved only for the privileged few possessing the manpower and

financial resources able to afford its steep price tag. Hopefully, the new Cargo IQ addresses this challenge with a more reasonable pricing structure for smaller forwarders wishing to participate.

The new Cargo IQ will probably need to address market realities all too familiar to forwarders, who understand that punctuality is often more important than speed itself. When dealing with heavyweight shipments, for example, most successful forwarders work to understand their customer needs, shipment characteristics, an array of routing options, and a raft of other factors, then work to set realistic expectations. For instance, a skid picked up on Monday afternoon in Omaha, destined for Frankfurt, arrives in Chicago on Tuesday morning, where the pallet gets screened, built, AES-filed and tendered to the airline. The cargo hopefully makes a flight that evening for arrival in Frankfurt on Wednesday morning. But customs clearance and recovery may take a day, so forwarders must allow for delivery on Thursday if the consignee's schedule coincides with the cargo's arrival. If not, a mutually agreeable acceptance time may push the delivery to Friday. Are four days from Omaha to Frankfurt slow service? In this and many cases, not if it meets customer needs and expectations, in which case the forwarder is providing punctual service when the client expects it.

During his speech in Berlin, Tyler questioned why cargo has not seen the same transformation process experienced in the passenger business, with developments including e-tickets, barcoded boarding passes, airport self-check-in kiosks and in-flight wi-fi. We agree that electronic sharing of shipment information has been slow to occur, and if Cargo IQ is to be a benefit to forwarders, a way to electronically transmit milestones, as well as meeting external security and e-commerce demands, will be required. But be careful when comparing passenger to cargo processes since differences outweigh similarities.

Forwarders achieve their success through personal interaction with customers, often viewing technology as a tool but not an overall solution to complex shipping challenges. Some customs organizations outside the U.S. still demand original paper for clearances, and even the airlines are not on a common, unified platform necessary to complete electronic transactions. This inconsistency may be why electronic airway bill adoption rates have been slow, as forwarders see a benefit to the airline but struggle to understand its value to them.

Also, the passenger e-ticket had a target by which all carriers had to comply. In the absence of an absolute deadline, and financial uncertainty, why would forwarders rush to make technology investments with such an unsure return on investment? Still, electronic sharing of data is coming and, as with wi-fi service on planes, there is more work to be done.

As an industry, forwarders and their airline partners can always improve our business, but the first step begins with open and honest dialogue acknowledging that personal service and process improvement starts with communication. Technology is a tool that is bound to make us more successful but will never replace the face-to-face meeting and a handshake.

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