Expect immense pressure on yields, Ram Menen says

Nearly two years after retiring as head of Emirates SkyCargo, following an illustrious 40-year career as an airfreight pioneer, Ram Menen returns to help kick off the CNS Partnership Conference today with his Keynote Address. Air Cargo World spoke with Ram just before the conference to chat about some of the themes he will discuss this morning, including yield pressure.

Q: What are some of the most significant recent changes you’ve seen in the air cargo industry?

Besides the impact of security and the volatility in oil prices, the biggest change that the industry has seen is that various global players are revisiting their supply chains and manufacturing capabilities. There has been a re-evaluation of on- and off-shoring activities. Will this have an effect on globalization? My view is no. Some components will still be produced in places that are cost-efficient, while assembly and final production capabilities might move closer to the regions or countries where the demand is greatest. Modal competition is likely to remain intense. However, air cargo demand is driven more by economic cycles and will continue to be driven by the growth in e-commerce activities. The real modal competition will play out between rail and ocean, especially on the Asia/Europe lanes.

Q: How do you see airfreight capacity changing in the near future?

Available air cargo capacity is slightly challenged by the reduction in maindeck capacity over the last three years. This capacity is likely to stay on the lower side but will be offset by more widebody passenger belly capacity being inducted into the market. Because this capacity is likely to be cheaper and less sensitive to the directionality of trade, it will put immense pressure on yields, which will create even more pressure to increase pure cargo capacity. Another challenge that pure cargo operators have is that the availability of more economical assets via

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Welcome to CNS 2015

Dear Aviation Colleagues,

Welcome to Orlando and the 2015 CNS Partnership Conference. It is our honor to have you at this great venue, with so many of your aviation colleagues from around the world. I do hope you take full advantage of the social activities we have arranged, as well as the opportunities to attend our industry panels and networking events.

Our conference theme echoes past reflections and new directions of the air cargo industry. This is the 25th anniversary of the CNS Partnership Conference, and I ask each of you to think back on the accomplishments we, as an industry, have achieved over the last 25 years. Since 1990, when the first Partnership Conference opened, the industry has broken down trade barriers to create international commerce and opened new trade routes that have linked markets all around the world. In doing so, countless new industry jobs were created. CNS works with organizations such as IATA, TIACA, AFA and FIATA to lead the way in creating common goals and create new directions.

Our CNS conference program features panel discussions scheduled for today and Tuesday morning to allow you ample time for networking opportunities. This year we offer attendees the CNS “Hot Spots” as an additional opportunity for freight forwarders to meet with the airlines in a business setting. With the response we have received from the industry, I’m sure it will be a success.

The CNS Advisory Board has worked hard to present an outstanding lineup of speakers and panelists to deliver their message of what matters in air cargo and how you can make a difference. I know if you take the time to participate at the sessions, the benefits to you and your company will be measurable.

Finally, I ask for your help in acknowledging our sponsors who helped bring to you this year’s event. Their continued support ensures that the annual CNS Partnership Conference remains the premier air cargo industry event in North America. So, if you meet a sponsor representative, please take a moment to say thanks.

I wish you all an enjoyable and rewarding conference. If I can be of any assistance, please don’t hesitate to ask.

—Warren Jones, President, CNS
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Q&A: Ram Menen - continued from page 1

passenger-to-freighter conversions are also drying up. Converting passenger aircraft to freighters is an expensive process that adds more weight and creates payload penalties, which will compromise the commercial viability of the asset. The recent restriction on carriage of lithium-ion batteries by air will also cause challenges to air cargo trade. This is something that the industry is trying deal with.

Q: How has the growth of globalization affected business?

Globalization is always good news for the air cargo industry. Even with the on/off shoring efforts, the traffic of components will add to the growth of business. Globalization of the markets and shorter life cycles of goods driven by evolutions in technology will also boost international traffic volumes.

Q: Why has the adoption of e-freight and other digital tools been so slow in the industry?

Our industry has traditionally been too slow to adapt, as there are too many folks — still with middlemen mentality — who are trying to make a buck off each other. The mindset is “What's in it for me?” rather than “What's in it for us?”

Q: What's in it for me?

There is a general lack of trust between the various players who go on to complete the chain. It took the industry over 25 years to adopt a common barcode standard! This will change as members of the younger generation, who are extremely comfortable with technology, take over. Consequences are that the industry has not been able to fully embrace the 21st-century practices and bring in the efficiencies that technology offers. The current model of doing business has to change... The interaction between shippers, forwarders, airlines, consignees and every other agent should become more direct by providing services through the web, including the flow of cash.

Q: Will the rise of e-freight be considered a threat to forwarders and shippers?

This will not make any entity, especially the freight forwarders, redundant. Unlike on the passenger side, cargo is a complex business. Every element within the supply chain brings with it expertise needed to complete the chain — they are all peas of the same pod, but with different expertise and roles. Shippers complain that the air cargo industry is not investing enough in the future of the business — that the margins are very low and cash flow is very cumbersome. Shippers also have to take a bit of responsibility to facilitate efficient cash flow. With the onset of e-commerce, cash is already in before the goods are shipped — the same goes for passenger tickets. We pay for the ticket when we book, well before the actual flight. So, why can’t we apply the same principle in the air cargo business? The shipper should be able to book and buy capacity directly from the airline and then be able to procure/contract the services needed to get the ground logistics directly from the forwarders online. This way, all parties get paid for the services they render, and the web can then become an online portal to manage the supply chain operations and create total transparency all around. This has got to be the way forward if this industry is ever to modernize.

Q: What is the best way to mentor the next generation of air cargo executives?

I am not aware of any online platform where the more experienced seniors can volunteer their time for mentoring the newer generation. IATA has created a new program called FAMEs (Future Air Cargo Executives), where they are trying to provide a program to develop young executives. TIACA, in cooperation with SASI, have also created short training programs for young air cargo professionals, which have met with a fair amount of success.

Q: Where can we expect future freight demand to come from, and why?

Demand for air cargo will continue to rise. Changes in technology, shorter life-cycles of commodities, growth in e-commerce activity and the rise in pharmaceutical transport will all contribute to this growth. As the science of managing inventories develops, time will be critical in any activity in achieving cost efficiency. Time savings will drive the requirements for bringing products to market faster, which will be the key to product success.
Cargo drones: Will Matternet be the ONE?

The water cooler topic of late seems to be drones. The technology for small, unmanned aircraft systems (UAS) for use in domestic commerce is evolving faster than standards for larger drones, but efforts to regulate the little copters has the aviation industry wringing its hands.

Tomorrow, at 10:30 a.m., CNS attendees will learn more about these fascinating vehicles during a session with Andreas Raptopoulos, the CEO of Matternet, a Menlo Park, Calif., company that has developed the “Matternet ONE,” the first smart drone for transportation. Matternet ONE is operated by cloud software from a central dispatch of sorts. It can fly autonomously, beyond line-of-sight as far as 20 kilometers, carrying a load below one kilogram in weight. Raptopoulos said Matternet is ahead of the competition regarding UAS technology.

Raptopoulos said the Matternet ONE is designed for last-mile delivery of items such as documents, medicines and small electronics. The problem in the United States is that FAA regulations, at present, are very limiting. The agency is working on proposed UAS rules, which currently include flight ceilings of 400 feet, a stipulation that they must be in the line of sight of the operator at all times, daytime-only operation and a requirement that the operator have a pilot’s license and current medical certification – just to name a few. The agency is expected to deliver completed rules for drones next year.

But Raptopoulos said companies like Amazon, FedEx and UPS are putting pressure on the FAA, because demand for this type of local, affordable service is rising. In fact, Paul Misener, Amazon’s vice-president for global policy, testified before a Senate aviation subcommittee March 24, urging the FAA to hasten its plans and allow independent drone flights beyond the sight of the operator, which drone advocates say is necessary to allow these devices to be used to their full potential.

Amazon was given permission to test a drone in the U.S., but by the time the FAA approved it, the UAS in question was already obsolete. Raptopoulos said his company evaded this restriction by testing its vehicle in Europe and the Himalayas.

During tomorrow’s presentation, Raptopoulos said he will make a major announcement involving a partnership with two major companies that will use these vehicles. One of those companies, he said, is a major cargo operator, which will be represented at the conference, and will also be participating in the announcement. “We’re going to make a big splash at the conference,” he said.

Additionally, the International Civil Aviation Organization (ICAO) is working on new safety standards on larger drones that cross borders, but the agency is considering helping countries draft domestic rules for integrating drones into their airspace, according to a report in Reuters. Industry analyst Teal Group predicts that the UAS industry will evolve into a US$91 billion market in 10 years. And while the ICAO can’t interfere with state sovereignty, it does set the safety standards that usually become requirements in its 191 member countries. On March 23, aerospace manufacturers urged member countries to work with the ICAO to create common global safety standards for drone use, such as licensing and pilot qualifications.

“We shouldn’t drag our feet on developing a global regulatory system,” said Marion Blakey, the chair of the International Coordinating Council of Aerospace Industries. The manufacturing trade group represents businesses such as Boeing and Airbus.

Raptopoulos agrees that safety is foremost. The Matternet ONE won’t be coming in for a landing on your head, but rather on a landing pod specifically designed for the UAS.
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Scholarships - continued from page 4

wants to help young people break into this exciting field.

Today, at 10:30 a.m., CNS will present its Scholarship Awards – one worth $5,000 and the other $2,500 – to two lucky recipients. The scholarships will be applicable to any accredited U.S.-based college or university that offers courses in the logistics, transportation or international business field.

This year, the two finalists for the CNS Scholarships will be Timothy Maginn and Dana Zaher, both aviation students currently attending Middle Tennessee State University (MTSU). During the presentation, CNS officials will reveal which of the two finalists will receive the top $5,000 prize. To be considered finalists, Maginn and Zaher had to submit a PowerPoint presentation explaining why they should be considered and how the scholarship would contribute to their careers and/or personal goals. Other requirements included:

- A letter of recommendation from a CNS member.
- A letter of recommendation from the applicant’s teacher or counselor.
- An official copy of the applicant’s high school or college transcript in a sealed envelope.
- A copy of the applicant’s college acceptance letter or other proof of enrollment.

On Saturday, the CNS Advisory Board reviewed the presentations and have made their decision, which will be revealed today. The two finalists were flown, free of charge, to the CNS Partnership Conference to accept their awards in person. Be sure to stick around after the Refreshment Break to see the next generation rising.

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Cybersecurity and Air Cargo’s Challenges

Home Depot… Target Corp… Anthem… Sony… What do these companies all have in common? They all have had major attacks of the computer systems hacked and information stolen or websites and systems compromised. Even The White House is not immune from being victimized by this criminal behavior.

But what does this have to do with the air cargo industry? It’s all about the data and what can be done with it – and air cargo has a lot of wanted data.

Cyber threats are advancing more quickly than industry and government can keep pace. The threat changes faster even than the perception of what is actually at risk. Once you think you have the solution to stop the risk, it is time to start all over again. Global infrastructures face a growing cyber threat due to advancements in the availability and sophistication of malicious software tools and the fact that new technologies raise new security issues that cannot always be addressed prior to adoption.

Cyber threats can allow the theft of intellectual property and can cause supply chain risks. For air cargo, this could be digital piracy of company information, unauthorized views of supply-chain movements and possibly help in moving counterfeit goods via legitimate shipments. Even the highly priced life-science shipments hold information that is desired.

The potential economic consequences can be severe. The sting of a cybercrime is not felt equally across the board. A small company may not be able to survive even one significant attack. Companies may not even realize that they have been victimized by cybercriminals until weeks later. The air cargo business is not immune.

Our daily air cargo operations, economic vitality and corporate security depend on a stable, safe and resilient cyberspace. As members of the air cargo community become more reliant on modern technology, they also become more vulnerable to attacks.

Today’s panel, “Cybersecurity and the Challenges We Face in Air Cargo,” will be led at 9 a.m. today by Matthew Egggers of the U.S. Chamber of Commerce. His panel will include Dallas Bishoff of HP, Faye Francy of Boeing, and Thomas Mills of US Customs and Border Protection. These experts will discuss current issues related to transportation networks and what is on the forefront on how to confront them.

–Michael White is CNS’s Director of Cargo Facilitation, Security & Standards

Exploring Orlando: Around the City

All work and no play makes Jack a dull air cargo executive. For those interested in an extended stay, you can’t be much more centrally located among the state’s top attractions. In addition Disney, SeaWorld, and Universal, here are two other local gems:

Close to downtown, is the Harry P. Leu Gardens, a 50-acre botanical oasis, representing many species of plants and flowers. The Leu home and the gardens were donated to the city of Orlando in 1961 by Harry P. and Mary Jane Leu. The gardens are open daily from 9 a.m. to 5 p.m., with last admission at 4:30 p.m. Admission is $10. For more information, visit leugardens.org.

The Mennello Museum of American Art is just north of downtown on the shore of Lake Formosa in Loch Haven Park. The treasure of the museum is the permanent collection of paintings by self-taught artist Earl Cunningham (1893-1977), donated from the collection of Michael and Marilyn Mennello. A lakeside sculpture garden is another attraction and is the site of the Indie-Folkfest at the Mennello Museum. Open noon to 4:30 on Sunday; closed Monday; open 10:30 a.m. to 4:30 p.m., Tuesday-Saturday. Admission is $4. For more information visit mennellocollection.com.

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by Michael White
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