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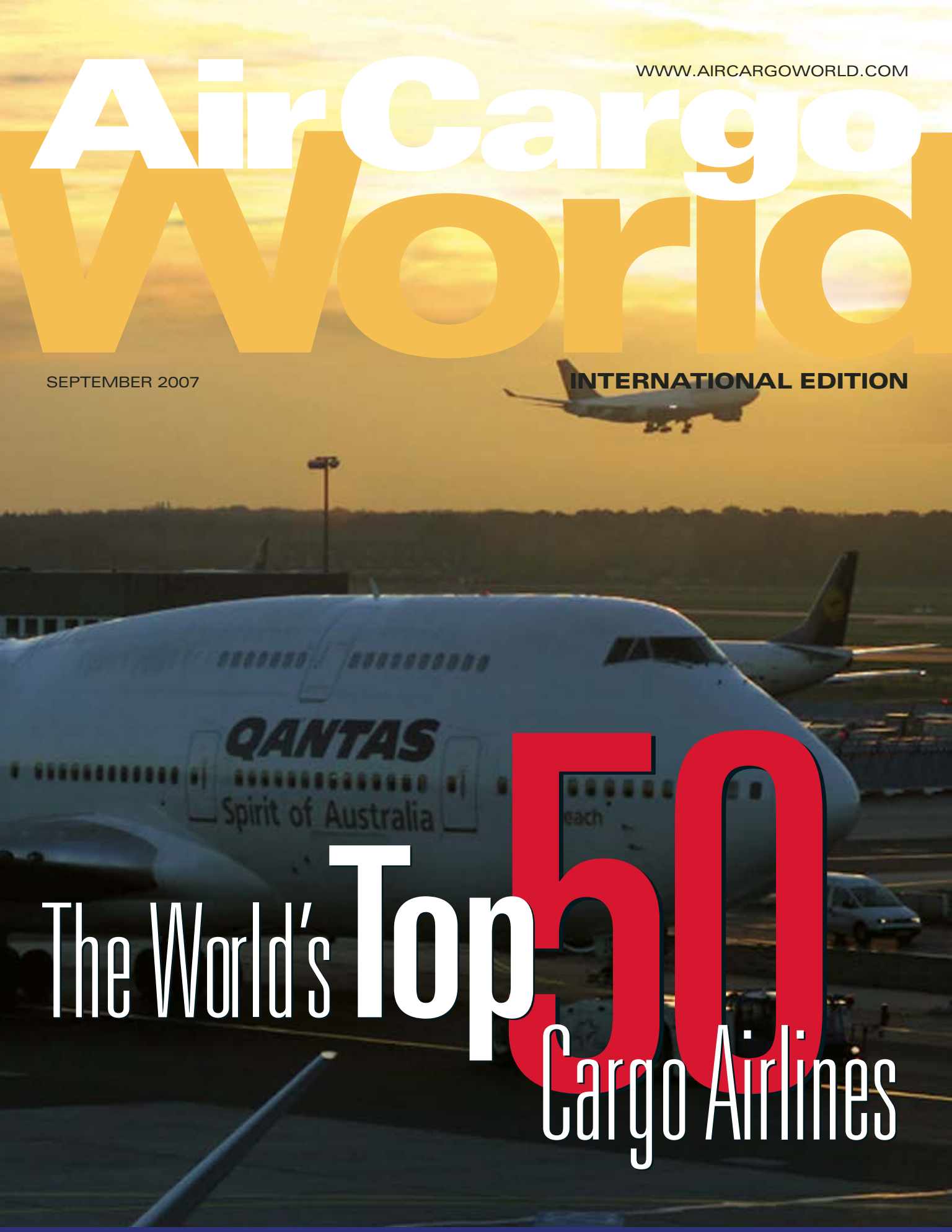
INTERNATIONAL EDITION



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Air Cargo World

INTERNATIONAL EDITION

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The annual ranking of the world's top 50 cargo airlines by traffic, with aircraft orders and cargo revenue.

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In today's cost-conscience environment, the management and care of Unit Load Devices is neary as important as getting goods inside the cans.

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BPA WORLDWIDE

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Editor's Note

Airbus Workhorse

This summer Airbus delivered the last production A300, a freighter, to FedEx with very little fanfare. The A300 may not have the historical significance to air freight as the DC-3 did for the Berlin Airlift of 1948-1949. But the big barrel fuselage widebody is worth more than the manufacturer's news release that fell across my desk.

Air cargo has had a love-hate relationship with the A300 freighter since it first entered revenue cargo service in 1974. Over the life of the program, over 821 A300/A310s passenger and freighter versions have been ordered. And despite complaints over reliability from FedEx and other operators, the A300 freighter has endured because, as one industry executive succinctly put it, "it carries a hell of a lot of cargo."

The -600 has a maximum payload of 107,000 pounds, with the capability for 21 maindeck pallet positions. Equally noteworthy, the A300 was the first widebody, twin-engine aircraft every brought to the market, with a two-person cockpit.

Though the A300 was built initially for passenger service, it was just a matter of time before the air cargo industry wanted their own variant.

Between 105 and 110 production A300 freighters were built in Toulouse and many more passenger versions were converted. The early freighter models were conversions, the -B4s, and their value to air cargo were quickly noticed.

The reasonable price tag continues to be a major selling point of the A300. Although listed new for $100 million per copy, the planes are significantly less today; used A300s are even cheaper. Passenger to conversion costs for a A300-600 aircraft is reasonable, between $8 million and $10 million.

Up until recently, the A300 was the only production freighter Airbus ever built. But the mantle has now been passed to the A330-200 freighter, a composite-filled, fuel efficient plane capable of carrying 68 tonnes of cargo compared to 48 tonnes for the A300. The A330-200 is longer with two additional pallet positions on the maindeck and up to eight pallets on the lower deck. Sixty-seven orders and commitments have been received for the A330-200 freighter.

But don't expect the A300 to disappear even after the A330 freighter enters service in early 2010. FedEx remains the largest operator with more than 120 in service. And China Southern Airlines is converting six A300s to freighters, the last of which will arrive sometime in 2009.

Despite its critics, the A300 freighter has many years of useful life left. No, it will never be remembered for its fuel efficiency, but neither will the gas-guzzling DC-8 or 747-200 freighters. The A300 will be remembered for its ability to carry millions of tons of freight over thousands of miles. And for those in air cargo, this is high praise.

Robert W. Moorman

Air Cargo World

International Trends & Analysis

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News Updates

Cargo's Revenue Drop

Cargo revenue of four leading U.S. combination airlines dropped in the second quarter, indicating a mounting challenge by passenger carriers to make money hauling freight in an industry undergoing structural changes.

"Domestically, belly cargo carriage by airlines has poor prospects," said George W. Hamlin, managing director of New York-based Airline Capital Associates. "But there is some life left on the international side."

Part of the reason for the drop, Hamlin said, is that the domestic small package market, which includes mail, has gone to the integrators or air freight truckers. FedEx is hauling an enormous volume of mail, as is UPS. As such, foundation revenue for belly cargo aboard U.S. passenger airlines continues to dwindle, said Hamlin.

Cargo revenue for United Airlines declined 6.7 percent in the second quarter of 2006 to $181 million, reflecting weaker Pacific freight yield and the end of carrying domestic mail at the end of the period. Revenue is expected to pick up, however, in later quarters as a result of the new, higher-margin, long-term contract signed with the U.S. Postal Service in April to restart carrying domestic mail, said a United spokeswoman.

American Airlines cargo reported revenue of $200 million for the second quarter, down 2.9 percent from last year. Cargo ton miles dropped 4.6 percent. Continental Airlines cargo revenue fell 2.7 percent to $109 million in the second quarter, while overall revenue for the period was $3.7 billion, a 5.8 percent rise compared with the prior year.

For Northwest Airlines, the only U.S. legacy carrier with a dedicated freighter fleet, the news is even worse for the largest cargo carrying combination airline until this year. Cargo revenue for NWA Cargo's second quarter dropped 16.1 percent to $198 million from $236 million.

Getting Secure

Air cargo companies say they're pleased enough with the way a landmark law on air shipping security in the United States worked out, especially given how strict some earlier proposals had been.

"We have always supported a multi-layered approach to cargo security," said Brandon Fried, executive director of the Airforwarders Association. This bill, said Fried, gives the Transportation Security Administration the flexibility to include other, less intrusive methods of inspection.

After several years of battles, and tough negotiations back and forth on seemingly arcane differences between such things as the definitions of "screening" and "inspecting," the U.S. Congress this summer passed and President Bush signed a comprehensive law covering goods shipped by air, sea and rail.

It includes a requirement for 100 percent screening of cargo carried in the bellies of passenger airliners to be phased in over three years.

The passage represents a victory of sorts for cargo interests by only requiring screening as opposed to full, physical inspection, which would have been costly and time consuming to the industry.

Under the phase-in, 50 percent of air cargo is to be screened in the first 18 months and 100 percent by 2010.

Screening is defined by TSA as, "physical examination or non-intrusive methods of assessing whether cargo poses a threat to transportation security.

Not everyone was pleased with certain elements of what was called "The Implementing Recommendations of the 9/11 Commission Act of 2007." The International Cargo Security Council, which represents com-

panies and government agencies concerned with the safe transport of cargo by air, sea and land, said the measure would effectively ban all cargo that was not scanned overseas. ICSC said the 100 percent scanning provisions would "severely disrupt global supply chains," said Graham Hauck, executive director of ICSC.

Logistics Power

CEVA Logistics, the former TNT Logistics, completed its hard-won acquisition of EGL, making the combined company one of the largest logistic powerhouses in the world.

CEVA paid EGL's former shareholders $47.50 for each share of EGL common stock.

Dave Kulik, president and CEO of CEVA didn't hide his enthusiasm on what the merger means. "We will become the fourth-largest integrated supply chain and logistics company in the world," Kulik said.

Kulik is relieved the lengthy, often acrimonious battle for one of the U.S. forwarders has ended. CEVA, an affiliate of of private equity firm Apollo Management, won a bidding battle with EGL founder and Chairman James Crane, who began the buyout struggle in December at $36 a share and finally lost to CEVA's winning bid of $47.50 per share. Crane founded Houston-based EGL in 1984 as a domestic forwarder.

"One reason Apollo was interested in EGL was they've got a very strong frontline of senior management," said Kulik.

Among those caught up in the bitter takeover battle was Joe Bento, who was accused by the Crane camp of passing proprietary information to CEVA, a claim CEVA and Bento denied. As president of Freight Forwarding, Bento is the most senior surviving member of EGL to remain. "Both EGL and CEVA possess unique strengths in logistics and supply chain management," said Bento.

> **"We will become the fourth-largest integrated supply chain and logistics company in the world."**

Valued at nearly $23 billion, the buyout was one of the most expensive in a period of enormous consolidation in the forwarder and logistics industry.

Kulik said EGL and CEVA combined would have some $7.5 billion to $8 billion in revenue.

Cologne Beckons

FedEx's announced move of its German gateway to Cologne/Bonn International Airport from Frankfurt because of curfew related restrictions shows how determined the company is to not let anything stand in the way of its growth plans for Eastern Europe and elsewhere.

There was a whiff of change in air last year when FedEx launched non-stop service between Cologne and its Memphis hub. FedEx will by 2010 be neighbors with UPS, which uses Cologne as its primary European hub. At the same time, DHL is leaving the neighborhood, moves its operations from Cologne to Leipzig in Eastern Germany next year.

"Due to a potential ban on night flights, the Frankfurt/Main location cannot provide FedEx with long-term planning reliability," said Michael Mühlberger, a vice president of operations for FedEx Express.

"It was important for us right from the beginning to continue serving Germany and Eastern Europe from a central gateway in Germany. We have made a good choice in the Cologne airport."

Cologne airport provides better air traffic capacities, with easy links to highways and rail, says FedEx. With a volume of 689,000 tonnes, it is the second-largest cargo airport in Germany. FedEx plans a 500,000-square-foot sort facility in Cologne.

FedEx will continue to use Paris's Charles de Gaulle Airport as its primary European hub.

Green Gain

The creation of a new environmental post for the U.S. airline's chief lobbying group and language in the U.S. Congress to create a partnership to reduce engine noise and emissions suggests a greater seriousness on environmental issues in the air transport industry.

The appointment of Nancy Young as the new vice president for environmental affairs for the Air Transport Association seems to exemplify a change of mindset.

"Clearly climate change is the issue of the day," said Young, who first joined ATA in 2000 as assistant general counsel, and now returns to a newly created post. "So the various ways that climate change policy expresses itself is very important to the airlines."

Young said an important issue with environmental implications to ATA is the within the legislation in Congress regarding the modernization of the air traffic control system. "This translates directly into environmental improvements," Young said.

The ATA and the Federal Aviation Administration recently have pursued several initiatives to reduce the

noise footprint, such as the Continuous Descent Arrivals procedures, "but we are getting to the limit of what we can do," she said.

Another ATA priority is congressional support of aviation environmental research and development through FAA, said Young.

The House bill allows for the creation of the CLEEN Engine Technology Partnership. CLEEN — for Continuous Lower Energy, Emissions and Noise — is a joint research project between the FAA and industry to develop engine technology that is cleaner and quieter. FAA wants $22 million a year for the parntership.

Deal Dead

ABX Air and ASTAR Air Cargo may both operate for DHL in the United States but don't expect them under the same roof anytime soon.

Capping a short and often testy takeover bid this summer, ABX turned down a buyout offer from ASTAR that played out in a series of chilly written exchanges that suggested the carriers were on markedly different business tracks.

The offer of about $455 million came shortly after DHL took an equity stake in ASTAR, as well as an ownership piece of Polar Air Cargo. The deals also locked in greater control of capacity for a DHL express business that has generally preferred to take advantage common carriage than to operate its own aircraft.

ABX operates plenty of aircraft capacity for DHL in the United States, but the carrier has been blunt about its attempts to raise the share of its non-DHL business. ABX is adding capacity this year and next, but it's newer 767 freighters are going to charter operations, including an expansive new deal with All Nippon Airways.

Days after the deal fell apart, both airlines announced plans to boost their fleets. ASTAR finalized terms to buy two DC-8-73 aircraft with long-range capabilities and a spare engine leased from Bank of America's leasing division. ABX Air will spend $23 million to buy another 767-200 aircraft, modify it in Brazil and put it into service in the second quarter of 2008, as part of its larger plan to sell services to international airlines.

TNT Canada

TNT Express launched its own customs brokerage division in Canada, bringing to three the number of brokerage firms in North America. The other brokerage units are at JFK International and Los Angeles International airports.

The Toronto-based brokerage firm will handle all incoming freight into Canada.

"Our new division will take the guesswork out of international trade and guide our Canadian clients through the challenges of customs procedures," said Matt McDonough, president of TNT Express, North America. The new brokerage division will be able to help customers with questions on international regulations and tariffs, said the company.

Meantime, Global Aero Logistics, the Indianapolis-based parent of passenger charter specialist ATA Airlines, completed its acquisition of World Air Holdings, the parent company of World Airways and North American Airlines. The total transaction is valued at about $315 million.

World Airways provides charter services for passenger and cargo airlines, freight forwarders, the U.S. military and leisure tour operators with a fleet of 17 widebody aircraft.

GF-X Exchanged

Global Freight Exchange may have found a partner in software provider Descartes Systems Group, but will it be enough to prop up the struggling online booking portal?

The acquisition of U.K.-based GF-X adds electronic air freight booking capability to Descartes Global Logistics network.

Launched with enormous ambitions in the heady early days of the Internet in the 1990s, GF-X is one of three neutral booking platforms in the air cargo business. The other

two, Cargo Portal System and Ezycargo, were launched under the guidance of airline partners, while GF-X was started independently and later took on large airlines and forwarders as investors.

The business has built up worldwide scale, but not enough to make it financially solvent. And even officials at GF-X concede that an annual market of 30 million to 40 million air waybills probably is not large enough to support three competitors. The market, and the competition from booking portals Cargo Portal System and Ezycargo, haven't helped GF-X get firm financial footing, however.

Toronto-based Descartes suggests the market may be large enough if GF-X's booking functions are combined with other services.

"In combining with GF-X, we now have a customer-endorsed, comprehensive shipment management service that standardizes and automates the entire management process and can improve efficiencies or the air freight community," said Descartes CEO Art Mesher.

Robert Frei, head corporate air freight and development at Panalpina, said combining Descartes and GF-X would provide forwarders with a "single solution to manage the shipment process."

The purchase price was $5.4 million cash and 500,000 Descartes common shares to airline and forwarder partners, who agreed to maintain their investment in GF-X for between 11 and 18 months. If the GF-X business meets certain sales and other targets, the GF-X owners will pay Descartes $5.2 million in cash, essentially making up for the Descartes outlay.

Southern Add

In what could signify an investment trend in the cargo business, private equity firm Oak Hill Capital Partners will acquire ACMI provider Southern Air and combine it with Cargo 360, a Seattle-based start-up owned by Oak Hill.

CEO James K. Neff and his family will retain a large minority interest in the combined company. Neff will remain CEO.

The combined business will operate under the Southern Air banner, providing ACMI services to airlines worldwide. Southern Air will operate a fleet of 13 747-200s and has reached agreement to add another of the type, as well as two 747-400 freighters in 2008.

Plans are to acquire six new 777 freighters in the future.

Neff said the combined business will provide "significant cost savings and synergies" which will enhance the business.

Green Props

It seems everyone is becoming environmentally friendly these days.

Stefan Krauter, founder and CEO of the Vienna-based Cargo-Partner Group, believes turboprop power is the answer to a cleaner environment, specifically next generation, high-speed turboprop engines.

And one soon-to-be-built HSTP has caught Krauter's attention, the A400M, which *Air Cargo World* featured a few months ago. Not only is it fast, but also the A400M uses 20 percent less fuel than comparably powered turbofan engines, he said, citing Airbus statistics.

He goes on to advocate the development of a completely new pusher turboprop that will realize 15 percent fuel savings over current production turboprop engines and other powerplants. Further, he suggests, operators can make better use of alternative fuels like bio-ethanol through the preparation of the fuel/air mix. ■

Regional Reports

NORTH AMERICA

Domestic Doldrums

While the international air cargo market climbs, the domestic side is losing altitude. But for how long?

The domestic U.S. air cargo market was flat in the second quarter of 2007 and will likely remain so for the foreseeable future. But what industry experts can't seem to agree upon is whether this is a permanent shift based on changing markets trends, a seasonal anomaly or the inevitable result of a slowdown in the economy.

One thing is relatively certain. The international air cargo market for integrators and other air freight haulers is propping up the domestic side. Air freight traffic for North America was down 1.2 percent for the first six months of 2007, according to the International Air Transport Association, while the average traffic growth globally was up 2.7 percent for the period.

By Robert Moorman

The competition from surface transportation, plus the fuel surcharges have also made the cost of domestic air freight unattractive to cost-conscience shippers. A so-so economy and companies trying to minimize their transportation expenses haven't helped.

"Don't expect any real growth in the domestic air freight market in the future," said Art Hatfield, an analyst with Morgan Keegan. "Ground networks are becoming much more efficient on pretty lengthy hauls." Consequently, they've become viable competitors to the integrators, not just a cost-saving alternative.

Further, many of those shippers which have shifted to ground transportation for domestic cargo won't change back to air freight even if the economy does improve. But the domestic side is expected to rebound somewhat.

"As the economy improves, you can expect the domestic air freight shipments to increase at the same rate as the GDP," said Satish Jindel, president of SJ Consulting Group.

The domestic market is a mature one, however; so don't expect to see the double-digit growth of the late 1990s, analysts said. In its latest annual report, the Air Cargo Management Group noted a continuing flat domestic market for integrators and combination carriers, such as money-losing Kitty Hawk, which is seeking "strategic alternatives," including a buyer, as it copes with a declining market.

Robert Dahl, project director for ACMG said freight companies have regained much of the losses from the post-September 11 era, "but we haven't gone beyond that," he said. "And I don't see much improvement in the near term."

Major Leaguers

UPS, the world's largest package de-

livery company, and Forward Air, the United States' top airport-to-airport air freight trucking company, are considered good traffic bellwethers of the domestic and international markets.

In a conference call with analysts following the release of UPS's second quarter results, Vice Chairman and Chief Financial Officer Scott Davis said the flat domestic market was due more to a slowing economy and reduction of industrial production than a loss of market share to competitors, as some analysts believe.

"Toward the end of the year, we expect the small package market to more closely correlate to U.S. economic trends and, as a result, we should see gradual volume growth in our U.S. package business," said Davis.

Davis' comments could be more reflective of the domestic ground than air freight market, analysts cautioned.

U.S. domestic package revenue for UPS grew just over 1 percent to $7.6 billion. Operating profit in the domestic segment was marginal; operating margin dropped to 15.7 percent from 16.5 percent.

The international package market for UPS remained strong, especially in China. International export revenue jumped 14 percent to $2.5 billion on a 10.4 percent increase in volume. Asia export volume jumped 25 percent for the quarter. Overall, UPS earned a net profit of $1.1 billion on revenue of $12.2 billion.

Forward Air's net profit for the second quarter dropped 11.9 percent to $11.5 million from $13 million for the prior-year quarter. But the news was not all bad. Operating revenue for the second quarter rose 7.3 percent to $93.1 million from $86.8 million for the year-earlier period. The second quarter results included approximately $1 million of additional operating expenses related to adjusting the company's self-insurance accruals.

In commenting on the second quarter, Forward Air CFO Rodney L. Bell suggested the drop in earnings looked worse than they were because of comparisons with a strong period the year before.

"The second quarter was challenging as a result of the difficult comparisons with the second quarter of 2006 which, operationally, was the best in the company's history," Bell said. "These difficult comparisons were compounded by the challenging freight environment."

Ground Gain

While the domestic air market flounders, "I would argue that the ground parcel market has some growth potential," said Hatfield

Changes in distribution patterns, efficiency of ground networks and how people shop today are making air freight trucking "much more palatable," said Hatfield.

The Internet is the new shopping mall, taking marketshare from the brick-and-mortar stores. Yet both outlets continue to use ground delivery services of FedEx, UPS and DHS mostly, unless the package is a high-value item that needs to arrive the next day, and then air freight is used. The overnight express market is stable, but not a growth market either, said analysts.

FedEx, UPS and Forward Air will continue to look for ways to prime their domestic air freight market, but the golden word in air freight remains, international.

... Briefly

A vibrant international package delivery business help offset a soft domestic market for **UPS**, giving the world's largest package delivery companies a net profit of $1.1 billion in the second quarter. UPS reported revenue of $12.19 billion, up from $11.74 billion for the same quarter in 2006. But U.S. domestic package revenue grew just over 1 percent to $7.6 billion for the quarter, while international export revenue jumped 14 percent to $2.5 billion on a 10.4 percent increase in volume. .... Atlanta-based **Air Courier Dispatch** renamed itself **Aeropoint Delivery Solutions** as it consolidated its recent acquisitions, Dallas-based **Telesis Express** and **Paragon Air Express** of Nashville, an air charter company specializing in Cessna Caravan and Piper Saratoga. ... **ARGO Tracker**, a maker of tracking and cargo monitoring software, formed a strategic alliance with **Global Solutions Insurance Services** for a preferred commercial transportation program. The program, which bundles the availability of preferred insurance rates, is expected to reduce insurance costs 10 to 30 percent. ... **Iberia Airlines** launched five-times-weekly A340 flights between Madrid and **Washington-Dulles International Airport**. ... More than 80 percent of the pilots and flight engineers of **Capital Cargo International Airlines** voted to merge their independent Capital Cargo Crewmembers Association with the Air Line Pilots Association International. ... Freighter operator **Amerijet International** opened a shipment drop-off station in Ft. Lauderdale, Fla., next to the company's corporate headquarters. ... Cargo airline **Kalitta Air** will become the first tenant of the 41-acre Anchorage Global Logistics Airpark Development, part of the $55 million cargo expansion plan at **Ted Stevens**

Anchorage International Airport. … **Williams Gateway Airport Authority** for Mesa, Ariz., in partnership with FAA and the Arizona Department of Transportation, is updating the airport's master plan, which considers demand and capacity and facility requirements. … . **Skybus Airlines** and **Mercury Air Cargo** have entered into a strategic partnership in which Mercury will provide marketing, sales, accounting and operational oversight for all Skybus flights throughout the U.S. using the Mercury World Cargo brand. … California-based logistics company **UTi Worldwide** is acquiring controlling interest in two Israel forwarders, **Newlog,** a subsidiary of Zim Integrated Shipping Services, and certain assets, including goodwill of **Transclal Trade**. UTi will own 75 percent of the merged company, while 25 percent will go to Zim. … **Old Dominion Freight Line** has opened a new 47-door service center in Long Beach, Calif. … Forwarder **IJS Global** will install Cargowise's edit Enterprise software system **CargoWise edi**, a provider of forwarder and brokerage software across its worldwide network in one package. The contract represents the largest and most comprehensive in CargoWise edi's history. … **Forecast International** projects that 9,528 large commercial jet transports, valued at some $986 billion, will be produced between 2007 and 2016, with Boeing and Airbus accounting for 56 percent and 43 percent. Russian and Ukranian companies are expected to account for the remainder. …. … The agreement extends through 2011, and is projected to generate $10 million to $15 million in revenue in 2007. … **Purolator USA**, the U.S.-based subsidiary of Canadian distribution services company Purolator Courier, launched a separate online site, *www.purolatorusa.com*. Purolator USA also opened a station in Salt Lake City. … **Martinair** named **Pacific Cargo Management** its cargo general sales agent in the San Francisco area and **ExP-Air Cargo** its GSA in Canada. **Martinair** started weekly MD-11 freighter flights from Atlanta to Bogota. … Logistics provider **Agility** opened an office in San Diego to strengthen cross-border between the region and Mexico. … Cargo traffic at **Los Angeles International Airport** fell 5.7 percent in April, leaving the business there down 2.4 percent in the first four months of 2007. … **FedEx** signed a 30-year lease agreement with the Memphis-Shelby County Airport Authority. The 30.5 million square foot area at Memphis International Airport will cost the integrator $6.8 million in 2007. … **Air Canada** is requiring all animals to fly only on its freighter flights, having banned them from the cargo hold of passenger airliners. … **DHL Global Forwarding** moved into a 220,000-square-foot facility next to **Atlanta Hartsfield-Jackson International Airport**, which the company says is the largest such forwarding operation in the Atlanta area. DHL says the site will be its southeast U.S. hub for air and ocean service and what it calls a "pivot" point for domestic heavy freight distribution. … **C.H. Robinson Worldwide**, a leading logsitics company, declared a regular quarterly cash dividend of 18 cents per share. ... Forwarder **Target Logistic Services** and **Sameday Right-O-Way**, a Canadian transportation company, formed a strategic partnership for goods moving between the two countries. … Forwarder **Airgroup** opened an office close to Miami International Airport that will serve as an international gateway for the subsidiary of **Radiant Logistics**. ■

EUROPE

The Iceman Cometh

Icelandair has plans for greater scale in cargo business that go beyond hauling of fresh fish

Out in the chilly waters of the North Atlantic sits the volcanic plug that is Iceland, an island nation with one major product for export — fish.

Having one product makes life difficult for national cargo carrier, Icelandair Cargo. Eighty-percent of its cargo revenue comes from carrying fresh fish to the US and Europe. No wonder the airline is sometimes referred to as the flying fishmonger.

But it is a position the airline wants to change.

"It is our intention to completely reverse the present reliance we have on our home market and become a truly international cargo carrier," said Petur Eiriksson, managing director of Icelandair.

"We intend to achieve this by expanding the reach of our U.S. network, also by extending operations for the first time to Asia, India and the Arabian Gulf. Finally, we want to establish a main European hub in order to provide a bridge between European and U.S. markets."

Some might dismiss this ambitious strategy were it not for the fact that Icelandair Cargo has already made moves to achieve this goal. It recently became one of the lead carriers to order the new Airbus A330-200 freighter. The aircraft "gives us the kind of payload and range for which we're looking," said Eiriksson. The airline has ordered four A330-200s, with a promised payload uplift of 69 tonnes.

By Roger Turney

More Lift

But there is a problem with the strategy. The A330-200 freighter will not go into production until late 2009 and the airline won't take delivery of its first two aircraft until spring 2010, with the second pair arriving in 2011.

At present, Icelandair Cargo operates a fleet of five 757-200 freighters and the plan is to add at least one aircraft each year until the A330-200s arrive.

Adding more 757s to the mix is a Band-aid at best. The 757 freighter doesn't have the payload and range the airline will require fly to Asia and the U.S. West Coast.

A quick fix, Eiriksson said, would be to purchase 767 passenger aircraft and convert them to full freighters. This would allow the carrier to begin to expand its freighter network well before 2010.

But because there is a scarcity of 767s on the market, this alternative too has problems. Also, the 767 freighter has a lower payload capability at 64 tonnes and its range is about

800 miles less than the A330-200 freighter, Eiriksson said.

Icelandair Cargo currently flies to eight destinations in Europe, the US and Canada. Much of that available capacity is outsourced in one way or another.

Three of the aircraft are sourced out to TNT, which operates them five days a week to support its European express hub at Liege in Belgium. Icelandair Cargo gets the aircraft on the weekends.

In a variation on the same theme, Icelandair Cargo flies four days a week from Iceland to Brussels with flights on which DHL takes up 40 percent of the capacity to feed into its main European express hub.

In its own right, Icelandair Cargo operates freighter services to Humberside and East Midlands airports in the U.K., to Jonkoping in Sweden, to New York and Charlotte in the U.S. and to Halifax in Canada out of Keflavik airport.

As for the obscure tie-up between Jonkoping and Charlotte, the airline has a major contract with a Swedish manufacturer to ship machinery to Charlotte with a once a week flight, Eiriksson said. It is the kind of business Icelandair Cargo needs to get more of if it hopes to expand operations.

Europe Base

"One of the most important elements in developing a more international strategy will be to establish a main line hub in Europe," said Eiriksson.

That hub will most likely be at cargo-minded Liege airport, where the carrier has developed strong ties with TNT. Liege has no nighttime restrictions.

The European hub, Eiriksson said, will be the feed point for new services to Asia, India and the Arabian Gulf. He declined to name the Asian cities to be served, but added, "our intention is that we will stay away from the main trade lanes and seek to develop niche markets."

"One of the most important elements in developing a more international strategy will be to establish a main line hub in Europe."

In order to stay within the demands of traffic rights provisions, most flights will continue on to Iceland, and then head further across the North Atlantic to the US. Here, the plan is to extend service to new destinations, such as Chicago and Atlanta plus the West Coast. A recently signed open aviation treaty between Iceland and Canada will allow Icelandair Cargo to further extend its reach into North America.

"The intention is to provide an almost seamless network from Asia into Europe and then from Europe to the U.S.," said Eiriksson.

A required stopover in Iceland will not severely disrupt that operation, he said.

... Briefly

European airlines showed their strongest monthly growth in air freight in 15 months in June, with traffic growing 4.8 percent over the same month a year ago, according to the **Association of European Airlines**. Trans-Atlantic operations led the recovery, with traffic on the North Atlantic growing 8.4 percent and South Atlantic business soaring 20.6 percent, while trade with the Far East remained stagnant, edging up 0.7 percent. ... Air freight at **Munich Airport** grew 16.4 percent in June over the same month a year ago, pushing the airport's tonnage up 11.3 percent for the first six months of the year. The growth included a 19.2 percent increase in cargo carried on freighters in the first six months of the year. ... **Lufthansa Cargo's** operating profit for the first six months of 2007 plummeted 38.3 percent to $39.7 million compared to $64.3 million earned during the same period last year. Cargo revenue for the cargo division dropped 5.8 percent to $1.79 billion compared to $1.9 billion for the same period in 2006. ... **British Airways** cargo traffic fell 2.9 percent in the quarter ending June 30, including a 1.5 percent decline in June, BA's tenth straight monthly downturn in cargo traffic. ... **Coyne Airways** named **The Cargo Connection** as its sales agent in South Africa, the freighter operator's first representation in that country. ... **Volga-Dnepr** started tests of its new-built IL-76TD-90VD freighter, the Russian aircraft that has been redesigned to meet European environmental standards. ... **Cargolux** added a second weekly flight to Kinshasa from Luxembourg. The airline also took its 15th 747-400 freighter from **Boeing** in August ... **South African Airways** started road feeder service out of Dublin for its twice-weekly Johannesburg-Amsterdam MD-11 freighter service, with **IAM** as general sales agent for the service. ... **Schenker** bought logistics opera-

tor **Spain-TIR**, extending the company's bid to create a pan-European network covering all transport modes. ... Cargo traffic at the **Air France/KLM Group** jumped 6.9 percent in July, the best showing this year. Trans-Atlantic business fell 1 percent but Asia traffic soared 11.4 percent on just a 0.9 percent increase in capacity. ... **Iberia Cargo** started using an electronic air waybill in its commercial service, saying the paperless process also would simplify cargo handling. Iberia also announced it will use **Traxon Europe** for its electronic communications in Spain. ... **Emirates** started five-times-weekly A330-200 passenger flights between Dubai and Venice, with 13 tonnes of capacity available. ... **Aer Lingus** is doubling its long-haul capacity with the purchase of six A350 and six A330-300 aircraft. ... **Fraport Cargo Services**, the subsidiary of the Fraport Group, will continue handling freight of Emirates SkyCargo for the next five years, under a new contract. Fraport also welcomed the first freighter aircraft of **Air India** at Frankfurt, an A310 bound for Chennai. ... Germany's **DVB Bank**, which specializes in transport finance, bought majority control of **TES Aviation Services**, a Wales-based aircraft engine asset management service provider. ... Korea's **Asiana Airlines** started weekly 747-400 freighter flights to Moscow Domodedovo Airport on a flight that will continue to Vienna. ... India's **Jet Airways** started five-times-weekly 777 passenger service out of Brussels to Newark and Mumbai. ...Russian airline **KD Aviaion** named Leipzig-based **EasternAirCargo** its general sales agent in Germany. ...Mumbai-based **Kale Consultants** has acquired Zero Octa of London, making the combined company one of the largest providers of revenue accounting services. ■

PACIFIC

Opening Skies

Southeast Asia nations are setting the pace, with cargo flights completely open next year, and the heavy hitters may follow

Being a Korean carrier is not a lot of fun at the moment. The domestic air cargo market is in the doldrums, and the greener field next door is turning less lucrative as more competitors flock to China.

Moreover, emerging rivals in China not only compete on their own turf but also attack Korea's diminished cake, and the intruders include the offshoot of Korean Air itself. Seoul was one of the first destinations of Chinese freighter start-ups Jade Cargo International and Great Wall Airlines, and it is also on the radar of Grandstar Cargo International Airlines, the joint venture between KAL and Chinese logistics giant Sinotrans, which is expected to commence operations in December.

Ken Choi, president of KAL Cargo, is not fazed by the competition, pointing out Grandstar and the other Chinese cargo airlines cannot match the Korean carrier's frequency. In any case, he sees no point in seeking shelter behind aviation treaty restrictions. "I think there will be open skies between Korea and China," he said.

At the moment, there is no blueprint for such a regime, but elsewhere barriers to intra-Asian aviation are set to tumble.

By Ian Putzger

The Association of Southeast Asia Nations, the trade bloc of 10 states, is setting the pace. ASEAN's road map for liberalization of air traffic calls for open skies for air cargo next year, with full deregulation of passenger flights between member states by 2015. Unlimited flights between the capital cities of member states are slated to kick off as early as December 2008.

SIA Grows

Skeptics say the agreement has no teeth to enforce compliance by ASEAN member states, which could be a concern as legacy carriers trying to keep low-cost passenger carriers off their turf, such as the highly restrictive Jakarta-Singapore route.

Malaysian Airlines earlier signaled opposition to a fast track liberalization effort amid noises that Malaysia could emerge as a loser under open skies, while Singapore would be a winner. These developments have prompted warnings of delays on the route to open skies. However, those concerns are mostly in connection with low-cost passenger carriers; the road seems relatively clear for cargo.

Singapore Airlines, the pre-eminent cargo operator in the ASEAN arena, has thrown its weight behind the open skies initiative.

"The SIA Group supports greater liberalization of air services, be it in ASEAN or in other parts of the world where we operate," said Tan Chong Beng, senior manager of industry affairs and mail at SIA Cargo. "This is for the simple reason that we believe airlines should be allowed to operate based on commercial requirements and compete freely."

Intra-Asian traffic accounts for about 40 percent of the airline's overall cargo volume. This share has remained steady over the past 12 months, as intra-Asian traffic grew a modest 0.5 percent, which Tan attributed to more competition and a rise in direct services from North Asian points to North America and Europe.

With more capacity coming on stream in these sectors, this trend should continue, he said.

Export Drive

The majority of ASEAN nations' trade is with countries outside the group.

ASEAN statistics show that in 2005, 75.1 percent of its trade was with external partners. According to a recent survey in The Economist, Southeast Asia remains reliant on exports, with the majority headed to North America and Europe.

The "2007 BACK Aviation World Air Freight Forecast" (*Air Cargo World*, May 2007) predicts intra-Asian traffic will outpace its compound annual growth rate of 4 percent of the past five years in the coming decade. BACK projects a momentum of 6.7 percent average annual growth, driven by demand for capacity between Thailand, Singapore, Japan, Korea and Taiwan.

Japan recently emerged as another champion of unfettered flying in the region.

Tokyo, which is in negotiations with ASEAN about a free trade agreement and has made noises about similar ambitions with the United States and the European Union, is pushing for an intra-Asian open skies regime. A Japanese carrier executive said this could expand the planned opening of Tokyo's Haneda airport to international flights. An international cargo terminal is due to open at the airport in 2011.

ASEAN, meanwhile, is in talks with China and India about open skies agreements.

Ron Mathison, director and general manger of cargo of Cathay Pacific, welcomes the prospect of open skies but warns that eliminating regulatory barriers would not be enough.

"Further liberalization will benefit the industry, but there is a concern whether airport and air traffic control infrastructure can keep pace with the rapid growth that will result," Mathison said.

... Briefly

International freight traffic grew by a "disappointing" 2.8 percent for the first six months of 2007, the **Association of Asia Pacific Airlines** reported, while capacity grew by 4.6 percent compared to the same period last year, resulting in a 1.1 percentage point decline in the freight load factor, to 65.4 percent. ... **Japan Airlines** cargo revenue edged up 0.6 percent in the quarter ending June 30, to $377 million. The airline lost $36 million in the quarter after losing $190 million in the same quarter a year ago. JAL also said it would start all-cargo service to Vietnam when it takes its third 767 freighter in October. ... Chinese cargo airline **Yangtze River Express** started four-times-weekly 747-400 freighter service between Shanghai and Luxembourg. ... **Cathay Pacific** will extend its freighter service between Hong Kong and Dallas and Atlanta from four to six per week. Cargo traffic at the combined **Cathay Pacific/Dragonair** business grew 21.3 percent in the first six months of 2007 but the expansion came on a 25.8 percent increase in cargo capacity. ... Hong Kong-based **Birkart Logistics** opened a station in Brisbane, its third site in Australia. ... **Dnata**, the ground handling arm of Emirates Group, signed a joint-venture agreement with China West Airport Group to provide services in Xi'an International Airport. ... Thailand signed an aviation treaty with Israel that lifts restrictions on capacity and allows connections to third countries. ... **Emirates** is adding a third daily 777 flight between Dubai and Johannesburg. ... **International Cargo Centre Shenzhen**, the ground handler at China's **Shenzhen International Airport**, won certification from the Transported Asset Protection Association for its security standards. ... **Menlo Worldwide's** Hong Kong facility was certified under the TAPA security standards. ... Japan Airlines started daily 777-200 flights between Delhi and Tokyo. ... Korean Air Cargo named Hong Kong Air Cargo Terminals its ramp handler in Hong Kong, expanding its relationship with HACTL to cover all its ground services. ... **Thai Cargo** opened a cargo library at the Bangkok Suvarnabhumi International Airport Customs Free Zone. ... **DHX-Dependable Hawaiian Express** purchased an 18,000-square-foot building to house its full service headquarters at the Agana, Guam airport. ■

The World's Top

FedEx and UPS remained the top two global air cargo airlines in the *Air Cargo World* rankings of top carriers in 2006, but there is significant growth among the Middle East and Asian carriers. Korean Air retained its No. 3 spot, with added capacity helping the carrier post an 8.6 percent increase in traffic after a negative year in 2005, followed by Lufthansa Cargo and Singapore Airlines.

But the integrated express carriers remained dominant with their sprawling domestic businesses and growing grip on international trade. FedEx was first in traffic with just over 9 million freight tonne kilometers and fifth in international traffic, while UPS was the second largest domestic cargo airline with 5,315 million FTKs and No. 14 internationally.

Led by Korean Air, four of the top 10 carriers were Asian, suggesting this market remains strong despite a drop in East-to-West international traffic and domestic traffic in certain sectors.

The fastest-growing carrier last year among the top 50 was South African Airways, which is adding capacity to take advantage of a surging national economy and expanded its business nearly 34 percent over 2005. But the long-term growth story is in the Middle East, where carrier Emirates

jumped to the No. 12 spot from No. 15 in 2005 on a 19.9 percent increase in traffic. It was the fifth straight double-digit gain at the carrier and means Emirates has more than tripled its traffic, based on FTKs, since 2002. Emirates' neighbor Etihad Airways just missed the list at No. 52, suggesting a new generation of cargo carriers is emerging, taking share from the big airlines.

While the Middle East and Asia remain strong markets, the overall numbers also reflect a stagnant year for most of the cargo-carrying airlines. Many posted modest gains or losses in what looks like a battle for market share.

The top 50 list is based partly on traffic figures reported by the International Air Transport Association.

In addition, several carriers have provided numbers separately. Where available, we have included figures from "wet lease" carriers. That means some traffic may be counted twice, but our goal remains to show the relative scale of all carriers that fly cargo.

Where available, we include cargo revenue figures for the airlines. We also include notable orders for aircraft, particularly freighters, that could affect growth plans. Traffic is listed in freight tonne-kilometers.

An expanded list of rankings to 60 airlines, as well as the rankings for international carriers will be available at our website, www.aircargoworld.com

50 Cargo Airlines

Rank	Country	2006 FTKs	06/05 % change
1. FedEx Express	**United States**	**15,145**	**5.1**
Increase follows 1.2 percent decline in 2005. Ranked first in domestic traffic with 9,009 million FTKs and fifth in international traffic. Reported $22.68 billion in express revenue in the 12 months ending May 31, 2007, 6 percent better than the year before, and $1.96 billion in operating profit.			
2. UPS	**United States**	**9,341**	**2.9**
Increase down from 23.4 percent growth the year before. Second-largest domestic cargo carrier with 5,315 million FTKs and No. 14 internationally. International export volume grew 11.9 percent in 2006 while domestic cargo volume grew 3.9 percent to 2.26 million air express packages per day.			
3. Korean Air	**South Korea**	**8,764**	**8.6**
Top international freight carrier with 8,680 million FTKs flown in 2006. Operates 20 747-400 freighters and two A300-600Fs. Has five 747-8 freighters and five 777-300 freighters on order, in addition to 747-400 extended-range freighter orders. The airline moved into the freighter conversion business last year with the purchase of 20 kits for 747-400 passenger-to-freighter conversions. Cargo traffic grew 11.9 percent in the 2007 first quarter on an 18.2 percent increase in capacity.			
4. Lufthansa	**Germany**	**8,091**	**5.4**
Second-largest international freight airline with 8,077 billion freight tonne-kilometers flown in 2006. Top European cargo airline with 22.2 percent of FTKs reported by European carriers in 2005. Lufthansa Cargo operates 19 MD-11 freighters and has ownership share of China-based Jade Cargo International. Owns majority of Jettainer cargo container company and cargo counts division sells belly capacity on several airlines.			
5. Singapore Airlines	**Singapore**	**7,991**	**5.1**
No. 3 in international freight, SIA Cargo operates 14 747-400 freighters in addition to space on SIA passenger flights. Holds a 25 percent stake in China's Great Wall Airlines.			
6. Atlas Air/Polar Air	**United States**	**7,799**	**n/a**
Includes Atlas Air, the wet-lease subsidiary of Atlas Air Worldwide Holdings, and sister company, scheduled freighter operator Polar Air Cargo. Separate traffic measures unavailable.			
7. Cathay Pacific	**Hong Kong**	**6,914**	**7.1**
The No. 4 international cargo airline added Dragonair this year. Cargo makes up 21 percent of overall revenue and the $728 million in cargo revenue in first half of 2006 was 4.9 percent better than 2005. Freighter revenue of $385 million grew 10.4 percent. Owns 14 747 freighters and had three Boeing-converted 747-400 freighters scheduled for delivery this year and six 747-400 extended-range freighters for delivery in 2008 and 2009.			
8. China Airlines	**Taiwan**	**6,099**	**1.0**
No. 6 in international freight traffic, the airline owns 19 747-400s. Has a 25 percent stake in Chinese cargo carrier Yangtze River Express Airlines, with controlling owners Hainan Airlines.			
9. Air France	**France**	**5,868**	**6.1**
Part of the Air France-KLM Group, Air France had 16.2 percent of cargo traffic reported by European carriers in 2006 while group had 29.6 percent when combined with KLM. Cargo traffic grew 3 percent in first half of 2007. Air France's fleet of 12 747-200 freighters is being replaced by 747-400 extended-range freighters and five 777 freighters ordered in 2005.			
10. Cargolux	**Luxembourg**	**5,237**	**1.7**
The launch customer for the 747-8 freighter with 13 firm orders. Revenue grew 5.5 percent in 2006 to US$1.5 billion. Freight traffic grew 6.2 percent in the first half of 2007, including 8.2 percent in June.			
11. EVA Air	**Taiwan**	**5,160**	**–2.4**
Cargo traffic declined for second year in a row. Fleet includes 14 MD-11 freighters and three 747-400Fs, and 10 747-400 combis.			
12. Emirates	**United Arab Emirates**	**5,027**	**19.9**
Backing up its order of A380 passenger aircraft — part of an overall order book of 107 planes — the airline has eight 777 freighters and 10 747-8 freighters on order. Emirates SkyCargo had $1.5 billion in cargo revenue in its fiscal year ending March 31, 19 percent better than the year after growing 29.2 percent in 2005. The 1.2 million tonnes of cargo was 13.5 percent more than the year before. Operates five 747-400 freighters, one 747-200F and three A310 freighters.			
13. British Airways	**United Kingdom**	**4,733**	**–0.7**
The airline posted the second straight yearly decline in freight traffic. Uses leased freighters for about one-quarter of freight traffic. Cargo revenue of $296 million in quarter ending June 30 was down 11.9 percent from last year. Cargo makes up about 21 percent of overall revenue.			


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Rank	Country	FTKs	Percent change
14. KLM	**Netherlands**	**4,703**	**1.2**
Cargo traffic fell 0.9 percent in the first six months of 2007 for the member of the Air France/KLM Group. KLM has 17 747-400-combi aircraft and three 747-400 extended-range freighters.			
15. Japan Airlines	**Japan**	**4,679**	**-2.9**
Second straight annual decline in freight traffic. Has 12 747 freighters, two of them factory-built 747-4000Fs. Starting new intra-Asia cargo services with 767-300 freighters.			
16. Martinair	**Netherlands**	**3,712**	**5.5**
Has three MD-11 full freighters and four convertibles and four 747 freighters, the largest all-cargo operator at Amsterdam Schiphol. Partly owned by KLM, it was negotiating for sole ownership by the carrier.			
17. Northwest Airlines	**United States**	**3,248**	**1.2**
Left Chapter 11 bankruptcy protection in 2007, the airline has 14 747-200 freighters. The $946 million in cargo revenue in 2006 was best among U.S. combination airlines. Cargo revenue declined 16.1 percent in second quarter to $198 million.			
18. Air China	**China**	**3,194**	**17.6**
The world's fifth-largest domestic cargo carrier and second to China Southern, its domestic traffic makes up nearly one-quarter of Air China's overall traffic.			
19. Asiana Airlines	**South Korea**	**2,922**	**20.1**
Cargo recovery came after decline in 2005 because of a pilot strike. Operates six 747-400 combis and is converting three to freighters, joining cargo fleet that includes five 747-400Fs and one 767-300 freighter in regional service. Has a cargo code-share with All Nippon Airways.			
20. American Airlines	**United States**	**2,840**	**1.2**
Reported $401 million in cargo revenue in the first half of 2007, the most among U.S. combination airlines. Cargo traffic fell 2.1 percent in the first six months of 2007.			
21. Malaysia Airlines	**Malaysia**	**2,593**	**0.6**
MASkargo operates seven 747-200 freighters and two new 747-400 freighters this year.			
22. Lan Airlines	**Chile**	**2,579**	**7.8**
The largest cargo operator in Latin America operates nine 767 freighters. Cargo revenue doubled from 2002 to 2006, to $1.07 billion last year. Has agreement with Lufthansa to share space between Latin America and Europe.			
23. United Airlines	**United States**	**2,560**	**–3.4**
Cargo revenue of $349 million in first six months of 2007 was 6.7 percent less than the year before. Cargo traffic fell 7.1 percent in the first six months of 2006 because of lost mail volume.			
24. Qantas	**Australia**	**2,502**	**5.5**
Qantas Freight subsidiary includes Australian Air Express domestic operation and three 747-400 freighters wet-leased from Atlas Air flying to Europe, the United States, Hong Kong and Shanghai.			
25. China Eastern	**China**	**2,422**	**7.6**
Joint venture owner of China Cargo Airlines operates A330s and A340s internationally, with A320s and 737s in domestic passenger service. The world's sixth-largest domestic cargo airline and No. 3 in China with domestic freight traffic of 560 million FTKs.			
26. Nippon Cargo Airlines	**Japan**	**2,218**	**–8.2**
Has nine 747-400 freighters and eight 747-8 freighters on order, working in cooperation with Cargolux on the 747-8 development as launch customers, to upgrade fleet that includes 10 747-200 freighters and two 747-400Fs. Added two new 747-400 freighters to that order this year for delivery in 2008. New business plan called Phoenix Project will take the airline strategy to 2015.			
27. Thai Airways	**Thailand**	**2,107**	**5.2**
Operates 747-400 and 777 passenger aircraft.			
28. China Southern	**China**	**1,802**	**7.8**
The world's third-largest domestic cargo airline behind FedEx and UPS with 1,027 million domestic FTKs, more than half of China Southern's freight traffic.			
29. Kalitta Air	**United States**	**1,737**	**–17.0**
Has 17 747 freighters operating in combination of scheduled and charter service.			
30. Delta Air Lines	**United States**	**1,700**	**–3.4**
Second straight annual decline in cargo traffic. A member of SkyTeam Cargo and was No. 4 among U.S. passenger airlines in cargo revenue. The $118 million in cargo revenue in the second quarter of 2007 was down 8 percent from the previous year.			

Rank	Country	FTKs	Percent change
31. All Nippon Airways	**Japan**	**1,539**	**8.3**
Sold its stake in Nippon Cargo Airlines to NYK Line in 2005. Has three 767-300 freighters ordered.			
32. Alitalia	**Italy**	**1,422**	**4.2**
Ranked sixth among European airlines with 4 percent market share in FTKs in 2006. With two 747-200 freighters and one MD-11 freighter, the airline was converting four MD-11s to freighters. Traffic grew 26.3 percent in the first half of 2007.			
33. Virgin Atlantic	**United Kingdom**	**1,332**	**15.1**
Jumped from 30th to 27th in IATA rankings in international freight traffic. Has firm orders for six A380s to join fleet of A340 and 747-400 passenger aircraft. Cargo traffic grew 10.7 percent in first half of 2007. Ranked seventh last year among European carriers in share of FTKs.			
34. Continental Airlines	**United States**	**1,285**	**4.6**
Cargo traffic fell 3.6 percent in first six months of 2007. Cargo revenue of $216 million in first half of 2006 was down slightly from the year before.			
35. Air Canada	**Canada**	**1,241**	**–2.1**
Second straight annual decline. Canceled delivery of two 777 freighters it ordered in 2005.			
36. Evergreen International Airlines	**United States**	**1,226**	**1.4**
Operates five 747-100 freighters, seven 747-200Fs and five DC-9 cargo aircraft mostly in charter and wet-lease operations.			
37. South African Airways	**South Africa**	**1,219**	**33.8**
Agreement with Gemini Air Cargo last year resumed all-cargo operations with leased freighter lift. Cargo revenue grew 7.3 percent last year, advancing plan to double cargo revenue over five years.			

Rank	Country	FTKs	Percent change
38. China Cargo Airlines	**China**	**1,202**	**–4.4**
Joint venture of China Eastern Airlines and China Ocean Shipping Co. operates two A300 freighters and six MD-11 freighters from a Shanghai hub. Ordered two 747-400 extended-range freighters in 2005.			
39. Southern Air	**United States**	**1,145**	**n/a**
A charter and ACMI carrier, the airline acquired its 10th 747-200 freighter this year. Was recently sold to private equity firm Oak Hill Capital Partners.			
40. Gemini Air Cargo	**United States**	**1,112**	**–7.8**
The wet-lease operator for other airlines emerged from Chapter 11 bankruptcy protection in August 2006. Operates DC-10 and MD-11 freighters and customers include FedEx Express, Air Canada, Avient and South African Airways.			
41. Dragonair	**Hong Kong**	**1,097**	**–22.1**
Purchased by Cathay Pacific in 2006. The airline doubled cargo traffic from 2002 to 2005 before falling last year. Has six 747 freighters.			
42. World Airways	**United States**	**1,087**	**9.6**
Has six MD-11 freighters in a fleet that includes charter and wet-lease passenger and cargo operations for airlines, including large contracts for United States military, which make up 60 percent of all revenue. With sister company North American Airlines, the carrier was sold this year to Global Aero Logistics, parent of passenger charter carrier ATA Airlines.			
43. Saudi Arabian	**Saudi Arabia**	**1,086**	**6.4**
Airline has four MD-11 freighters and one factory-built 747-200 freighter with nose-loading supplementing 21 747s and 23 777s in passenger fleet. Freighter operations to Brussels, New York Kennedy, Shanghai, Hong Kong, Delhi and Khartoum. Nine-times-weekly Brussels service includes daily trucking network of 20 cities in Europe and three Brussels-JFK flights.			

Rank	Country	FTKs	Percent change
44. Iberia	**Spain**	**1,056**	**8.5**
Cargo traffic grew 13.3 percent in first half of 2007. Introduced electronic air waybills this year.			
45. Swiss International Airlines	**Switzerland**	**1,039**	**–6.4**
Owned by Lufthansa, SWISS and its Swiss WorldCargo operation manage cargo for A330 and A340 international flights. Fell to 35th in international freight traffic after ranking 25th in 2003.			
46. El Al	**Israel**	**886**	**0.9**
Operates four 747-200 freighters.			
47. Qatar Airways	**Qatar**	**868**	**–0.2**
Decline follows 85 percent increase in 2006. Operates one A300-600 freighter to Amsterdam, Chennai and Khartoum. Has 20 777s on order, including 777-200 freighter, and has four A380 passenger aircraft on order.			
48. Varig	**Brazil**	**864**	**–29.6**
The Varig Log cargo unit of the passenger airline Varig Brazilian Airlines paid $24 million for the airline's assets in 2006. Varig Log cargo business operates three DC-10, two MD-11 and six 727 freighters. About one-quarter of Varig's cargo traffic is domestic.			
49. ABX Air	**United States**	**834**	**–45.5**
Flies 99 freighters, mostly for DHL in the United States, but seven 767 freighters are in growing charter operation and expects to have 13 767s by next year. Customers include All Nippon Airways.			
50. Air New Zealand	**New Zealand**	**834**	**6.8**
Operates a 747-400 freighter on rotation through Shanghai, Honolulu, Frankfurt and Chicago. Launched airport-to-airport National Cargo business in 2006 after end of joint venture agreement with NZ Post that sold door-to-door domestic cargo capacity.			

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A SOLID DEMAND

Middle East tonnage growth remains robust

Air-cargo growth in the Persian Gulf region continues to be resilient in the face of high fuel prices that have amplified the energy inefficiencies of air transportation and the advent of time-definite ocean freight services that have lessened the reliance on premium-priced airfreight. A seemingly never-ending need for equipment and materials to support energy exploration activities, along with a growing appetite for consumer goods from an increasingly wealthy regional populace, continues to drive solid demand for air-cargo services. The U.S. air export trades into the Middle East are expected to remain particularly robust, with tonnage growth expected in the high single digits well into the next decade.

Dubai Cargo Village experiences growth

The 300,000 square-meter Dubai Cargo Village was built at a cost of $75 million in 1991 as a response to the growth in air and sea freight and to facilitate transshipment operations between the Indian subcontinent, Southeast Asia, Far East and Europe. The phenomenal growth of Dubai, the determined expansion of the Emirates Airline and the increased popularity of air-cargo transportation has produced remarkable results at DCV.

The central position of the United Arab Emirates on the world map is a vital factor in the phenomenal success of DCV, as it has become an important fulcrum for cargo movement in the region. Because of its consistent performance with a positive, steady growth, its world-class facilities and effective administration, it is no surprise that DCV is known as the best cargo hub in the region.

Not long after DCV's launch, increasing cargo traffic resulted in the original cargo building, equipped to handle 250,000 tons annually, to exceed its capacity. In 1997, the cargo terminal handled in excess of 400,000 tons and the trend shows that there will be a need to provide facilities for up to 2 million tons by 2014 and 2.7 million tons by 2018. To cope with the demand for cargo space, the Department of Civil Aviation has embarked upon a major cargo

(Continued on Page 34)

Saudi Arabian Airlines Cargo operates a fleet of five freighters to 10 different destinations in Africa, Asia, Europe and the U.S., as well as three destinations in Saudi Arabia.

The phenomenal growth of Dubai has helped drive the demand for air-cargo services in the Middle East.

(Continued from Page 32)

expansion program to increase freight handling capacity at the cargo village. Currently, DCV has reached an important milestone as it celebrates 15 years of dedicated service. Keeping abreast with the challenges of Dubai's pulsating economic boom, DCV continues to evolve to meet the constantly changing market needs and respond to new tasks.

DCV is centrally located and is extremely well connected. Situated adjacent to Dubai International Airport, DCV provides easy access to the airport that operates flights to 140 destinations

Dubai Cargo Village keeps up with Mideast's racing pulse

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Today, DCV has reached an important milestone as it celebrates 15 years of dedicated service. Keeping abreast with the challenges of Dubai's pulsating economic boom, DCV continues to evolve to meet the ever-changing market needs and respond to new tasks.

DCV is centrally located and is very well connected. Situated adjacent to Dubai International Airport, DCV provides easy access to the airport that operates flights to 140 destinations worldwide on more than 100 airlines. When DCV began operations in 1991, it was designed to handle 150,000 tons of cargo. But within a few years, the facility became too small for the rapidly increasing cargo demand. Today, with 112 airlines flying into the Dubai International Airport, the future of DCV looks very bright.

DCV forms a gateway between the East and the West to a market of more than 1.5 billion consumers. It is a purpose-built complex that has an annual freight-handling capacity of 750,000 tons. Last year, DCV handled 1.5 million tons of cargo, with the steady growth of 15 percent each year. This is expected to increase even further following the inauguration of the new Mega Cargo Terminal.

worldwide on more than 100 airlines. When DCV began operations in 1991, it was designed to handle 150,000 tons of cargo. But within a few years, the facility became too small for the rapidly increasing cargo demand. Today, with 112 airlines flying into the Dubai International Airport, the future of DCV looks very bright.

DCV forms a gateway between the East and the West to a market of more than 1.5 billion consumers. It is a purpose-built complex that has an annual freight-handling capacity of 750,000 tons. Last year, DCV handled 1.3 million tons of cargo, with the steady growth of 15 percent each year. This is expected to increase even further following the inauguration of the new Mega Cargo Terminal.

Ten worldwide destinations

Saudi Arabian Airlines Cargo, the division of the country's national flag-carrier, operates a fleet of five freighters, including four MD-11s, according to the airline's Web site. Its freighters operate to 10 different destinations in Africa, Asia, Europe and the U.S., as well as three destinations in Saudi Arabia — Jeddah, Riyadh and Dammam.

Saudi Cargo operates nine weekly flights to and from Brussels with continuing trucking services between Brussels and major European cities. It also operates three weekly flights between Brussels and JFK International in New York, with continuing trucking and air interline services to several destinations across North America. In addition, it flies twice weekly to and from Hong Kong, and two and from Shanghai, and one weekly flight each to and from Delhi and Khatroum. ■

In recent years, the management and care of Unit Load Devices has taken on more importance for air freight operators

Thinking Inside the Box

by Robert W. Moorman

The management of Unit Load Devices has become big business, although the name may not accurately describe its purpose.

At present, there are approximately one million ULDs in commercial service, at an asset value of $1.3 billion, according to the International Air Transport Association, which formed and maintains a central control over the interline movement of these containers. (see sidebar)

To be clear on what it is that needs managing, ULDs are defined as various sized containers or pallets used to carry luggage, mail or freight on wide body or narrow body aircraft.

Passenger airlines and all-freight carriers have either chosen to own and manage their ULDs or designate a third-party to do it for them. Whoever gets the job is faced with a difficult and complex task.

Mark Najarian, vice president cargo operations for American Airlines, which owns and manages 17,000 ULDs, described the process as “enormously complex” because American serves so many different customers worldwide with different equipment types.

"Balancing all that activity on a day-to-day basis is one of the biggest challenges we have," said Najarian.

It's much more than just dispatching and tracking the ULDs, say cargo experts. The airline or outsourced ULD manager must also calculate passenger load on each flight, along with the number of bags, mail and freight. The manager must also answer the following questions: Are there sufficient ULDs at each station? Are the containers usable? Damaged? The list goes on and on.

In addition, the cargo carrier or ULD manager must use data gathered daily as part of future market projection. There is also the issue of market seasonality, weather and mechanical problems with aircraft that must be considered.

For example, American is seeing huge passenger volumes from Europe to the U.S. this summer, which requires a lot of containers and yet limits some cargo. In a few weeks, the load dynamic will change.

"You can't just say, 'I have a system,"' said Najarian. "You are constantly tweaking it."

Mixed with this oversight, is the repair or replacement of ULDs, which costs American "millions of dollars" annually, said Najarian. As such, American is currently testing composite-filled ULDs for 767s. *(see sidebar)*

All airlines and independent managers spoke of the necessity for robust software systems and other technology to manage ULDs. None of the carriers or ULD managers interviewed said they use active or passive Radio Frequency Identification technology, better known as RFID tags.

American Airlines has two in-house software systems for ULD management. One, an operating system, tracks each ULD and monitors to see if there are a sufficient number at each station. In addition, American has developed web-based tools to give each station real-time information about the condition and availability of each ULD.

Continental Airlines is investing heavily in an in-house software system to manage and track its ULDs, not just those climate-controlled containers it leases from Envirotainer.

The new system, to be linked to Continental's legacy cargo system, will track all ULDs as well as provide

One of the bigger cost items for cargo carriers is the repair and replacement of the ULDs. Most are heavy and made of aluminum, which fold up like a beer can when damaged.

American Airlines is currently evaluating 400 Nordisk Twintex™ composite LD8 composite-filled containers for fuel and maintenance savings.

Twintex was introduced into the market a few years ago, but these containers are "forkliftable." American is one of the few carriers that still use this kind of ULD.

"How the composite containers perform over the course of its life and how it compares to an aluminum container is what is being evaluated," said Mike Magnotti, director of sales, North America, for Fliteline, which sells Nordisk aviation products.

Stronger Boxes

"These containers can take a lot of abuse compared to the aluminum containers," said Magnotti.

The composite panels provide weight savings between 12 pounds and 60 pounds over other aluminum containers carried by America.

Meanwhile, American is already using 2,000 composite filled LD3 containers for A300s and 777s manufactured by Aerobox Composite Structures, a New Mexico-based company, which hopes to emerge from bankruptcy by year's end.

"Typically, an aluminum container will on average experience two instances of damage where they have to be taken out of service," said Charles H.W. Edwards, managing member of AeroBox Composite Structures. "Our units cost about one-tenth that rate of damage per year of a traditional aluminum container." ■

its' operating history and inventory. Continental has tested the new system over the last quarter.

Some airlines have become ULD managers for other carriers. Since transitioning to wide body aircraft, UPS has become a third-party supplier, manager and maintenance provider for the many mostly unused ULDs for narrow body aircraft, said Dick O'Marra, UPS manager of ULD control. UPS claims to be the second largest owner of ULDs worldwide.

Like several other airlines, UPS is an active participant in the IATA Strategic Partner Program, which includes the IATA ULD User Group. This participation is part of UPS corporate transportation and coordinates strategic placement, tracking, maintenance and management of its own UPS Airlines ULD equipment as well as its inventory and re-supply coordinated through UPS Air Cargo.

UPS created its own load handling system nearly 10 years ago to track ULDs and has since expanded its use. The system creates an electronic form to generate a clock and tracking for number of days off its property with requisite penalties.

The storage database saved UPS $4.6 million within its first year of implementation. UPS has six ULD repair locations worldwide.

Smaller carriers are ramping up their ULD management. Alaska Air Cargo is in the process of implementing the AirClic bar-code scanning system to track ULDs through its route system. The airline currently uses a manual system to track ULDs.

Outside Partners

Jettainer, Unitpool and Envirotainer are three of the major independent outsourced managers of ULDs for the airlines. The businesses are, in effect, the ACMI equivalent for ULDs, minus the crew. The airlines benefit because the ULDs are taken off their balance sheet, providing a cost benefit.

Jettainer, provides ULDs to airlines on an as-needed basis, to be obtained from a pool at a hub typically. Its primary customer is Lufthansa, also a major shareholder. Years ago, Lufthansa decided to outsource the management of its ULDs as a cost saving move. An early effort with then-named Swissair and Singapore Airlines to jointly manage and invest in ULDs failed, but in 2003, Lufthansa teamed up with Denver-based Trenstar, a mobile asset management company that manages

The International Air Transport Association has always been concerned about the airworthiness of ULDs through the issuance of standards and specifications, but now has a greater role through its ULD User Group. The user group includes 60 airlines.

The ULDUG's main purpose is to maintain a central control center to track the interline movement of ULDs on behalf of participants to the IATA Multilateral ULD Control Agreement.

The principle purpose of the non-profit ULD Control Center is to make sure that a ULD is returned to its owner as soon as possible, but also calculates compensation for the temporary absence of the unit. Whenever an interchange occurs between participants, a control receipt is issued and entered into the system. The system generates reports on the length of time the ULD is out of the owner's circulation. In cases where the unit is not returned, the system calculates the ULDs replacement value, although ULDs are typically returned quickly, says IATA.

IATA's Role

IATA released the following statement regarding its concern of ULDs: " IATA's major concern in the deployment of ULDs is to ensure that they are in airworthy condition and that their integrity has not been compromised due to misuse and carelessness."

As for standards, IATA develops operational standards for ULDs concerning identification, contours and special use through its ULD Panel. The standards are published in the IATA ULD Technical Manual or UTM. The UTM also contains certification requirements and test parameters through the Panel in conjunction with the Society of Automotive Engineers – Aviation, and the International Standards Organization – Aviation. Civil aviation authorities to set Technical Standards Orders for type and design approval use the standards and specifications. Manufacturers of ULDs use the TSOs as well.

Published soon will be a new TSO covering the manufacture of containers, pallets and nets using a newly developed specification with revised test parameters. A new TSO covering the manufacture and certification of cargo restraint straps is also expected. ■

everything from beer kegs to special reusable containers for the chemical industry. Trenstar is a shareholder and provides on-demand consulting services for Jettainer, but has no management role.

Jettainer employs just 26 fulltime employees to manage 42,000 ULDs of varying size. Which includes eight ULD controllers, an IT team and customer service department. It has one ULD controller in Zurich to serve customer Swiss International Airlines, one in Philadelphia for US Airways and the rest are handled by headquarters in Frankfurt.

"It's a continuing monitoring process," said Peter Ahnert, director of business development for Jettainer. "Which is why we spend a lot of money on software."

Jettainer uses Jetware, an in-house tracking and analytical software system, which optimizes ULD usage while minimizes the operating cost. The company has also developed processes that give it automatic alerts when certain thresholds are not being met, such as not having enough inventory at a station.

> "The art of making money is how we finance the ULD fees."

Adapting to the airline's way of management is another key to successfully managing ULDs, said Ahnert. Lufthansa's station managers, for example have a greater involvement in ULD handling. Consequently, Jettainer monitors only overstocks and dispatching of ULDs.

Zurich-based Unitpool provides ULDs on as-needed basis. By pooling those assets at a hub, ULDs can be used more frequently, thus reducing the cost of ownership.

"The main benefits to customers are in the synergies of pooling," said David Harman, CEO of Unitpool, which owns and manages 21,000 ULDs of varying size. "We take away the complex elements [of ULD management] because we supply the ULDs, repair and manage them. ULDs become a variable as opposed to a fixed cost," said Harman.

To better manage the assets, Unitpool's operations center in Bangkok tracks the location of each ULD with the help of tracking software now in its 34th iteration. The company employs 55 fulltime staff, which includes the 33 at the operations center and those in finance and marketing in Zurich.

A disposition team monitors the stock levels at each Unitpool station, deciding whether to replenish or move stock elsewhere. A designated coordinator is assigned to each airline. The coordinator reports to one of three regional managers. Two managers cover North and South America, and a third handles Asia.

Despite its growing sophistication, third party management of ULDs is a tough business in which to make money.

Harman described third-party ULD

management as an "immature industry" that requires a "certain economy of scale" to be profitable. He added: "The art of making money is how we finance the ULD fees."

Up until recently, third-party ULD management was a money-losing venture. "The new business model has proven to be successful, but for years, we weren't sure where the journey would take us," said Martin Peter, vice president sales, Envirotainer, which owns and manages a fleet of 4,000 ULDs.

"Two sides of the mirror," is how Patrick Tobler, Envirotainer's vice president of operations describes the management of ULDs. One side of the mirror reveals the "demand pattern" and container capacity needed. The other side shows the fleet dynamics, which tells controllers where are the ULDs and in what condition.

The company dispatches a forecasting and planning report daily to regional logistics managers on what is available. Envirotainer utilizes an in-house asset management software system based on a Savi platform. At each of its 50 networks is a service provider, which receives and releases the ULDs for service. Envirotainer conducts periodic audits showing performance indicators to enhance the management process.

The investment appears to be paying off. This summer Envirotainer signed a new leasing contract with Continental Airlines for the increased use of its' temperature-controlled air cargo containers. In the past, Continental got the containers from Envirotainer on an ad-hoc basis. The new agreement is part of Continental expansion as the only U.S. airline with a temperature-controlled shipping program, said Mark Mohr, manager of product development and specialty sales.

Whether they outsource or manage ULDs in-house, airlines are taking the management of these cargo containers far more seriously than in years past. The cost of acquisition, maintenance and repair of ULDs demand such oversight. ■

People

Airlines

Martinair: The Netherlands-based airline said **Paul Gregorowitsch** would succeed **Arie Verberk** as president and CEO. Verberk is retiring at the mandatory age of 65 after 12 years at Martinair. Gregorowitsch, 51, joined KLM in 1980 and has worked in passenger and cargo, most recently as commercial director of KLM's passenger division. Martinair also named **Tatyana Seselja** general manager of Martinair Cargo and Tampa Cargo, Martinair's affiliated business, in Lima. A former KLM employee, she had been manager of administration and finance at Martin Aviation since 1996 before joining Martinair Cargo in January 2007. Martinair also named **Brian Dawson** director of Caribbean and Central American cargo at its Miami hub. An 18-year industry veteran, he has worked at Challenge Air Cargo, Fine Air, Arrow Air and Cielos de Peru.


Graber

ABX Air: The all-cargo airline named airline industry veteran **John Graber** to the new position of chief operating officer. Graber, 50, had been at AAR as president and general manager of its aircraft services maintenance and repair division. A former pilot, he was also senior vice president and general manager of the military and charter businesses at ATA Airlines.

Polar Air Cargo: The freighter operator, in which DHL has a 49 percent non-voting stake and a 20-year commercial arrangement, named two DHL executives to senior posts. Former DHL Express executive **Randy Clark** was named chief operating officer and Olivier **Alexandroff**, former vice president of controlling for DHL Express U.S., was named chief financial officer. Clark is a former executive vice president of sales at DHL who was COO at Circle International and was at Emery Worldwide for 18 years before that.

Atlas Air Worldwide Holdings: The parent of Atlas Air and Polar Air Cargo named **Mark Swearingen** vice president of technical operations, succeeding Bill Kelley, who becomes vice president of safety and regulatory compliance. Kelley, a certified 747 pilot and retired Air Force officer, has been with the parent of Atlas Air and Polar Air Cargo since 1999. Swearingen, 46, had been a vice president at the SH&E air transport consultancy. He worked earlier in technical service and maintenance posts at Air Canada, Midwest Airlines, US Airway and UPS.


Boianova


Kuemmerer

Scandinavian Airline System: SAS Cargo named **Neviana Boianova** a sales executive for the U.S. Central region, based in Chicago. A 15-year industry veteran, Boianova had most recently been with DHL Global Forwarding. SAS also named **Susanne Kuemmerer** its cargo representative in Denver and Salt Lake City, through general sales agent Platinum Air Cargo. She worked for the Fritz Cos. in Denver before joining forwarder J. Birkart Spedition in Germany and later working for Lufthansa Cargo in Texas.

ASTAR Air Cargo: The Miami-based sub-service operator for DHL named **Stephen Dodd** managing director of corporate finance and chief information officer as part of a series of changes in the finance department. He joined ASTAR in 2003 after holding operations and management positions in various industries. The company also named **Pedro Motta** managing director of finance and accounting. Motta, a former commercial pilot in Brazil, joined ASTAR predecessor DHL Airways in 2002 as a senior financial analyst. He also will be acting controller and chief accounting officer. ASTAR also named **Martin Godly** managing director of operations finance. He joined ASTAR in 2003 as director of financial planning and analysis after 22 years as a consultant and employee at Pan American World Airways. ASTAR also named **Marta Nobo** senior manager for finance and assistant treasurer and named **Alejandra Ramirez Marin** senior manager for corporate accounting and assistant controller. ASTAR also named **Peter Blessing** managing director of flight operations. A 17-year pilot with the company, he was most recently director of flight operations.

Swiss WorldCargo: The air cargo division of Swiss International Air Lines appointed **Adolfo Liguori** director for Switzerland. He succeeds **Urs Stulz**, who was promoted managing director cargo Europe. Liguori, 47, had been head of product management and started at Swissair in 1984. He's held positions in revenue management, sales and product management.

Integrators

DHL: DHL Express named **Dennis Tan** senior vice president and head of global express controlling. Tan had been chief financial officer for DHL Express in Singapore since December

People


Tan

2005 after joining DHL in 1997 as a regional finance manager. DHL also named **Thomas D. Snowberger** senior vice president of human resources for DHL Express USA. Snowberger hand led human resources at University Hospitals Health System. He earlier spent six years with Germany-based E.ON AG, an investor-owned German utility company .

Third Parties

SEKO: The forwarder named **Dan Sarna** chief financial officer. A 30-year accounting and air freight veteran, Sarna joined SEKO 14 years ago.


Riordan

CEVA Logistics: The company named **Jerry Riordan** managing director for North America, replacing **Jeff Hurley**, who became senior vice president of CEVA's global automotive sector. Hurley was president of Budget Truck Rentals and before that was at Ryder, where he rose to president and chief operating officer of Ryder TRS, the truck rental division of the trucking and logistics company. CEVA also named **James Krepp** vice president of procurement and promoted **Kerry Zielenski**, a 25-year company veteran, to vice president of automotive logistics.

Technology

OAG: OAG Cargo named industry veteran **Mike Navin** managing director of the global air freight industry technology and communications business, saying he would lead "the next stage of development for the fast-growing communications portal for the global air cargo industry." At the same time, OAG Cargo gave **Bart Jan Haasbeek** and **Dirk de Rooij** responsibility for key accounts and business development, respectively, across all OAG Cargo products. OAG Cargo also appointed **Simon Wolfe** head of sales in the United Kingdom and **Kristyna Berankova** an account development executive. Wolfe was cargo sales manager at Varig Log and has worked in the U.K. cargo industry for 20 years. Berankova started at Czech Airlines in 2003 in London and later was at general sales agent Globe Air Cargo. ■


Navin


Wolfe


Berankova

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Events

Sept. 18-20

Warsaw: Cargo in Emerging Markets – Eastern Europe, the IATA conference is the third in a series of events that includes looks at challenges and opportunities outside the main trade lanes. For information, visit: *www.iata.org/events/calendar*

Sept. 18-19

London: Aircraft Value and Investment Conference, at the Holiday Inn Kensington Forum, by Aviation Industry Group and BACK Aviation Solutions, looking at market trends for new planes and those out of production. For information, call +44 20 7828 4276, or visit: *www.aviationindustrygroup.com.*

Sept. 23-25

Stockholm: World Route Development Forum, featuring the new "Routes Cargo Zone," the 13th edition of the popular event bringing together airlines, airports and service strategies. For information, call +44 162 550 2545 or visit: *www.routesonline.com.*

Sept. 25-27

Geneva: IATA Cargo Claims and Loss Prevention, the third edition of the IATA three-day event reviews challenges and encourages sharing best. For information, call (514) 874-0202 or visit: *www.iata.org/events/calendar.*

Sept. 30-Oct 3

Kansas City, Mo.: Airports Council International-North America Conference and Exhibition, at the convention center, including an airport forum with the Department of Homeland Security. For information, call (202-203-8500 or visit: *www.aci-na.org.*

Oct. 9-12

Munich: inter airport Europe 2007, looking at how to handle the ramp-up in airport operations. For information, call +44 (0) 172 781 4400 or visit: *www.mackbrooks.co.uk.*

Oct. 15-17

Seattle: Cargo Facts 2007, at the Westin, the Air Cargo Management Group's 13th annual aircraft symposium brings out the value in planes. For information, call (206) 587-6537 or visit: *www.cargofacts.com*

Oct. 21-24

Philadelphia: CSCMP 2007, at the Pennsylvania Convention Center, the annual meeting of the Council of Supply Chain Management Professionals, where shippers own the freight and the event, the logistics world's largest gathering of shippers includes a keynote by former H-P chief Carly Fiorina. For information, call (630) 574-0985 or visit: *www.cscmp.org.*

Oct. 18-22

Dubai: FIATA World Congress, at the Grand Hyatt, the annual meeting of the worldwide freight forwarder association. For information, call +41 43 211 65 00 or visit: *www.fiata.org.*

For more events, visit:
www.aircargoworld.com/dept/events.htm

Oct. 29-31

Chicago: Parcel Forum '07, at the Hyatt O'Hare, the annual meeting helps shippers think outside the box by looking at strategy and material handling. For information, call +44 (203) 378-4991 or visit: *www.parcelforum.com/2007.*

Oct. 29-31

Dubai: **SCMLogistics Middle East 2007**, at the Shangri-La, addresses supply chain and logistics strategies from the Middle East to the rest of the world. For more information, contact Anna Lee, 65 6322 2712 or email: *anna.lee@terrapinn.com.*

Oct. 30-31

London: The Mail Show, at the Hyatt O'Hare, the annual meeting helps shippers think outside the box by looking at strategy and material handling. For information, call +44 870 950 7900 or visit: *www.triangle.eu.com.*

Nov. 7-9

Miami: Air Cargo Americas, at the Sheraton Center, the ninth edition of the bi-annual definitive event looking at air trade to, from and within Latin America. For information (305) 871-7904 or visit: *www.aircargoamericas.com.*

2008

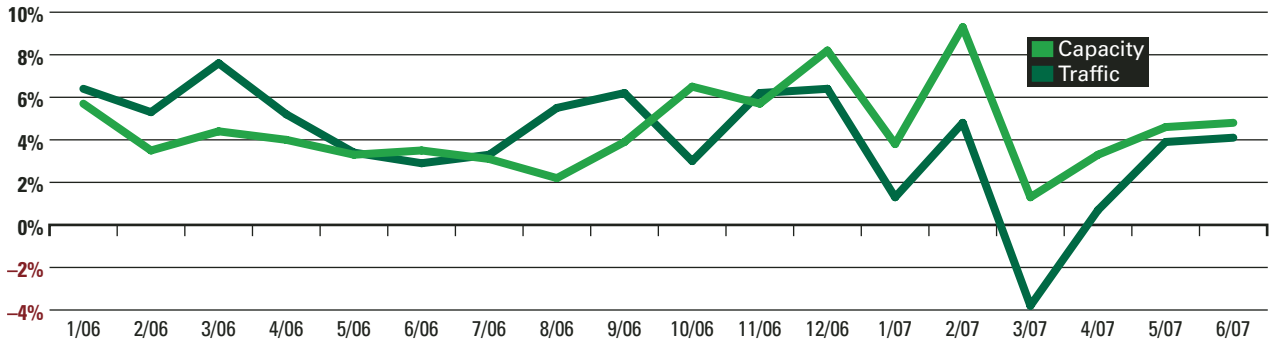
Jan. 23-25

Mumbai: Air Cargo India 2008, organized by the Stat Trade Times, looking at one of the world's fastest growing freight markets. For information, call +91 22 2757 0550 or visit: *www.statetimes.com/aci2008.* ■

the AirCargo Bottom Line

Carrying Asia

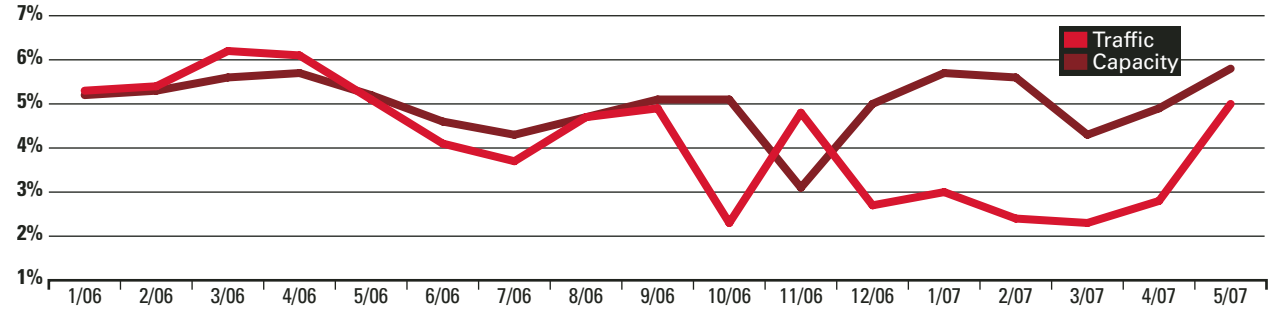
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

Carrying International

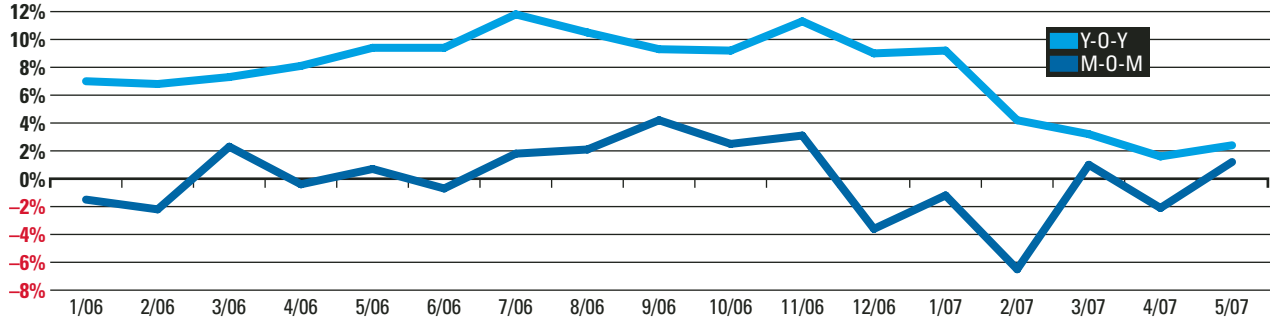
Monthly year-over-year percent change in total scheduled international air freight traffic and capacity worldwide, in freight tonne-kilometers and available tonne-kilometers.



Source: International Air Transport Association

Semi Months

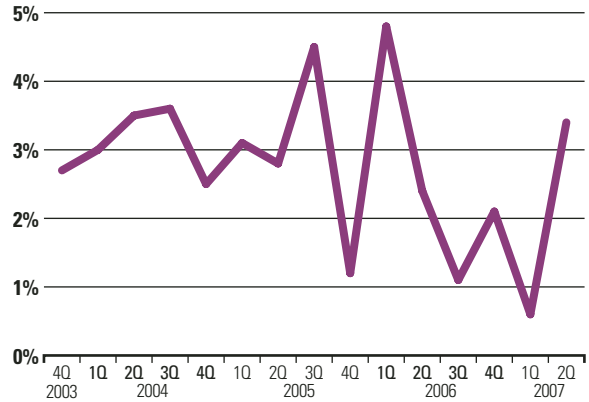
Worldwide monthly year-over-year percent change in sales of semiconductors and month-to-month percent change.



Source: Semiconductor Industry Association

Domestic Gross

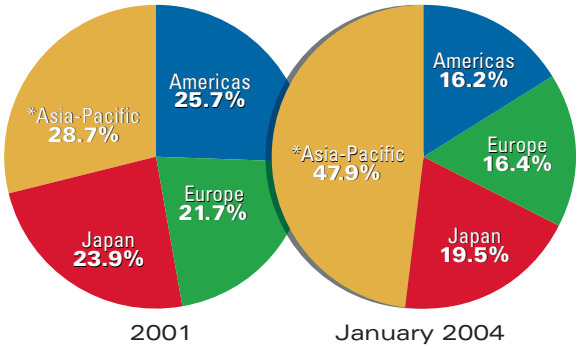
Annualized quarter-to-quarter growth in U.S. Gross Domestic Product.



Source: U.S. Department of Commerce

Sharing Chips

Share of worldwide semiconductor sales by region in 2001 and in May 2007.

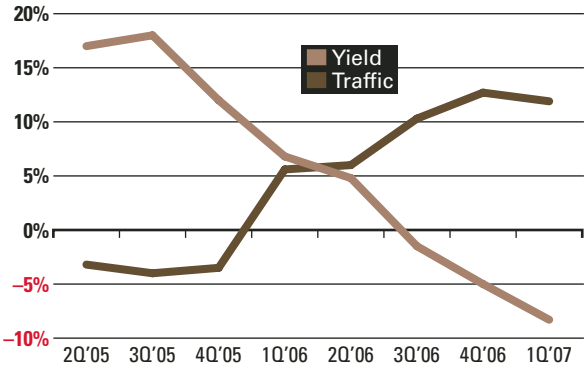


*other than Japan

Source: Semiconductor Industry Association

Hard Won

Year-over-year percent change in cargo yield and traffic at Korean Air.



Source: Company reports

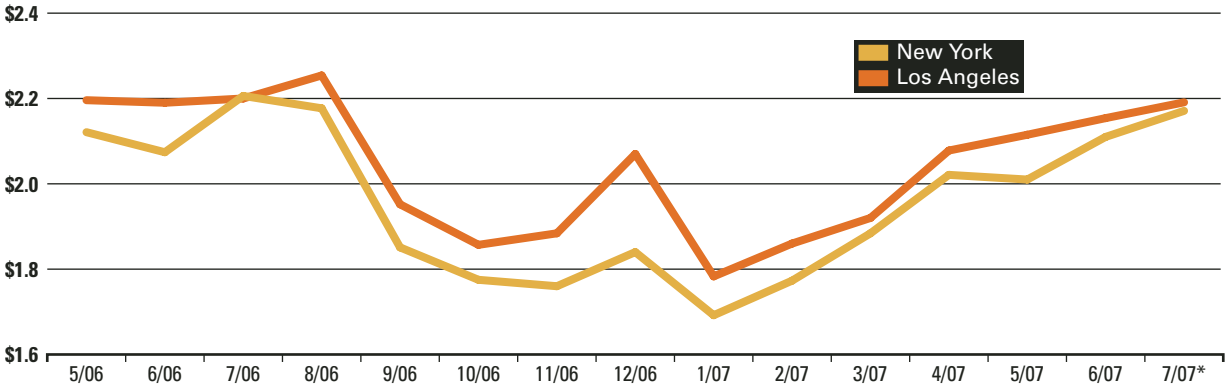
München Cargo

Munich Airport's year-over-year percent change in monthly freight traffic on passenger aircraft and on freighters.

Source: Munich International Airport

Pump Price

Average monthly jet fuel prices in New York and Los Angeles over past year.



* as of July 20

Source: U,S. Energy Information Administration

Screen

Brandon Fried • Executive Director • Airforwarders Association

As the annual August humidity haze enveloped the nation's capital, President Bush signed legislation requiring the screening of all cargo carried on passenger aircraft within the next three years. The use of the term "screen," in addition to provisions giving TSA flexibility in determining new measures and programs in the bill's final version, ensures passengers continued safety while also making sure the flow of commerce doesn't grind to a halt.

Being forced to open every box, as the term "inspection" denotes, would have signaled the death of the time sensitive airfreight industry. Imagine bottlenecks forming at airports while additional inspectors — at a cost of over $700 million — rifled through cargo trying to identify harmless contents posing no threat to planes. False positive readings caused by unproven technology, deployed by airports straining to comply with the short deadline regardless of outcome, would have created even more delays.

The new law includes physical examination as but one of the screening options available and also allows non-obtrusive screening methods such as x-ray, explosive detection systems and canines; explosives trace detection and additional personnel are also options.

The law requires the verification of a shipper through the known shipper database. This was not unexpected, given the new majority's skepticism with regard to the efficacy of the database and procedures to provide security. However, the Known Shipper program is an important safety tool that will probably continue to be used in conjunction with the screening system prescribed in the Act.

The most significant aspect of the law (dubbed the "9/11 Commission Act of 2007") is the acknowledgement that cargo security doesn't start at the airplane door nor begin inside the freight forwarder facility. Cargo security needs to involve the whole supply chain. The legislation provides for a voluntary program allowing for the certification of security methods used by shippers. Such a "certified shipper" program could promote industry best practices while increasing air cargo security in exchange for easier participant access to airports and aircraft. Industry experts estimate that a substantial amount of cargo would be screened through such a program, limiting the time spent on physical or personnel inspection of cargo.

The law affirms the role of the Transportation Security Administration (TSA) as the agency responsible to develop methods used to screen air cargo. This is a good move as TSA, despite widespread criticism, has kept U.S. skies safe since its inception. The industry continues to solicit stakeholder involvement in creating policy. Now it is time for all of us to help TSA improve by providing input based on industry safety best practices.

> It is up to our industry to make sure such costs are applied evenly, regardless of the use of passenger or cargo aircraft for transport.

Despite affirming TSA's role in cargo safety, the law requires TSA to provide Congress with periodic reports and classified briefings. Specific cargo screening exemptions shall remain in place but only after frequent assessments and scrutiny. TSA will continue to have authority but with accountability. Congress is expecting a final rule within a year detailing the methods and procedures employed to achieve the 100% three-year mandate.

Bush noted that while the legislation makes some progress, it authorizes billions of dollars for grants and other programs at levels he will not endorse. The House and Senate Conference report urged the TSA to consider establishing a system whereby ground service providers that perform cargo security screening services for passenger aircraft are compensated for costs incurred from the increased cargo security requirements. Exactly who pays these costs has not been addressed, but one can bet that forwarders and shippers will ultimately pay the price. It is up to our industry to make sure such costs are applied evenly, regardless of the use of passenger or cargo aircraft for transport. ■

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