WWW.AIRCARGOWORLD.COM

# Air Cargo World

NOVEMBER 2007

INTERNATIONAL EDITION

## Seeking Greater Gateways

Better Booking • India • Forwarder Probe

SKYTEAM CARGO

**SIROCCO IS A STAR, HE IS RACING IN DUBAI IN 2 DAYS.**
**WITH SKYTEAM CARGO, HE WON'T EVEN REALIZE HE HAS BEEN IN THE AIR.**

equation — Express airport-airport for urgent shipments

cohesion — Just-in-time delivery for specialized shippers

variation — Safe and secure delivery for specialized shipments

dimension — Reliable, on-time delivery for consolidated shipments

Thanks to our 8 member airlines, we bring you 791 destinations in 149 countries with over 15,000 daily flights.

SKYTEAM CARGO
WHATEVER YOUR NEEDS, WE FLY IT WITH CARE

skyteamcargo.com

AEROMEXICO Cargo · AIR FRANCE CARGO · KLM CARGO · Alitalia CARGO · CSA CARGO · DELTA CARGO · KOREAN AIR CARGO · nwa cargo

Air Cargo World

INTERNATIONAL EDITION

November 2007 CONTENTS Volume 10, Number 9

## COLUMNS












## DEPARTMENTS



*WWW.aircargoworld.com*

BPA WORLDWIDE

*Air Cargo World* (ISSN 0745-5100) is published monthly by Commonwealth Business Media. Editorial and production offices are at 1270 National Press Building, Washington, DC, 20045. Telephone: (202) 355-1172. Air Cargo World is a registered trademark of Commonwealth Business Media. ©2007. Periodicals postage paid at Newark, NJ and at additional mailing offices. Subscription rates: 1 year, $58; 2 year $92; outside USA surface mail/1 year $78; 2 year $132; outside US air mail/1 year $118; 2 year $212. Single copies $10. Express Delivery Guide, Carrier Guide, Freight Forwarder Directory and Airport Directory single copies $14.95 domestic; $21.95 overseas. Microfilm copies are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Opinions expressed by authors and contributors are not necessarily those of the editors or publisher. Articles may not be reproduced in whole or part without the express written permission of the publisher. Air Cargo World is not responsible for unsolicited manuscripts, photographs or artwork. Please enclose a self-addressed envelope to guarantee that materials will be returned. Authorization to photocopy items for internal or personal use is granted by *Air Cargo World*, provided the base fee of $3 per page is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, and provided the number of copies is less than 100. For authorization, contact CCC at (508) 750-8400. The Transactional Reporting Service fee code is: 0745-5100/96/$3.00. For those seeking 100 or more copies, please contact the magazine directly.
POSTMASTER and subscriber services: Call or write to *Air Cargo World*, Subscription Services Department, PO Box 5051, Brentwood TN 37024; telephone 888-215-6084.


BOEING


BOEING
TOGETHER, ONE BIG ADVANTAGE AFTER ANOTHER.
The new 777F and the 747-8F make for an unbeatable combination. Already the most capable and flexible freighters in the industry, together they fulfill virtually any large payload (from 100-135 tonnes), range and market requirement. Add to that industry-leading efficiency and you've got the biggest advantage of all—the highest profit potential combination in the business.
BOEING

## Editor's Note

# Air Environment

**The European Union must think the International Civil Aviation Organization is part of Europe. Perhaps this perception comes from the Anglo-French charm of Montreal, site of ICAO headquarters, or the occasional anti-American statements from Canadian politicians trying to curry favor with their constituents. That's the only explanation we can think of for the EU's unwarranted attack on the technically based ICAO for not openly supporting the European Emissions Trading Scheme.**

The EU lashed out at ICAO last month at the end of its 10-day meeting for taking no action on Europe's proposed emissions cap-and-trade plan requiring airlines who fly over its air space to trade carbon permits, and pay more if they wanted to increase flights.

ICAO officials and others say privately the biggest problem with emissions trading is that it can't be verified.

ICAO did form a new Group on International Aviation and Climate Change to be composed of senior government officials, who will form a framework to seek ways to reduce harmful aircraft emissions. ICAO's solution did not sit well with the EU ministers, who want all airlines flying in European airspace to participate in emissions trading by 2012.

U.S. airlines and those from non-EU countries oppose unilateral imposition of emissions trading, saying it violates international air service agreements.

European politicians insist they won't back down on their proposal. So it appears some kind of court action involving multiple parties is inevitable, but not before other avenues for dispute resolution is explored.

One path leads back to ICAO. Interested parties could take action through ICAO under Article 84 of the Chicago Convention, the treaty governing international aviation. Article 84 was used successfully several years ago to resolve a dispute between the U.S. and the EU regarding an ICAO requirement allowing huskitted aircraft to meet Stage III/Chapter III standards. The solution from ICAO is known today as the four-part balanced approach to noise mitigation.

A compromise on emissions trading could be reached under relevant bilateral agreements. Should these government-to-government talks not yield a solution, then lawyers on both sides of the Atlantic will make a lot of money, but also waste a lot of time.

In the interim, the EU environmental ministers should hold their tongues and consider what is ICAO's basic mission. Beyond establishing technical and operational standards and procedures, ICAO's role is to bring the various countries together so they can decide on policies to enhance air transportation. It was never designed to be a political institution or serve as a proxy for the EU.

Robert W. Moorman


**Air Cargo World**

**International Trends & Analysis**

**Editor**
Paul Page • PPage@aircargoworld.com
**Managing Editor**
Robert Moorman • rmoorman@aircargoworld.com
**Contributing Editors**
Roger Turney, Ian Putzger, Mike Seemuth
**Art & Production Director**
Jay Sevidal • jsevidal@aircargoworld.com
**Editorial Offices**
1270 National Press Bldg., Washington, DC 20045
(202) 355-1170 • Fax: (202) 355-1171

**GROUP PUBLISHER**
Noreen Murray • (973) 848-7082 • nmoreen@joc.com
**Publisher**
Steve Prince • (770) 642-9170 • sprince@aircargoworld.com
**Advertising/Business Office**
1080 Holcomb Bridge Rd. • Roswell Summit
Building 200, Suite 255 • Roswell, GA 30076
(770) 642-9170 • Fax: (770) 642-9982
**International Advertising Offices**
*Europe, United Kingdom, Middle East*
David Collison • +44 192-381-7731
**dci.collison@btinternet.com**
*Hong Kong/Malaysia/Singapore*
Joseph Yap • +656 337 6996
**joseph.imsa@pacific.net.sg**
*Japan*
Masami Shimazaki • +81-3-5456-8230
**wms@sweet.ocn.ne.jp**
*Thailand*
Chower Narula • +66-2-641-26938
**worldmedia@inet.co.th**
*Taiwan*
Ye Chang • +886 2-2378-2471
**epoch.ye@msa.hinet.net**
*Australia, New Zealand*
Fergus Maclagan • +61-2-9460-4560
**maclagan@bigpond.net.au**
*Korea*
Mr. Jung-won Suh • +82-2-3275-5969
**sinsegi@igroupnet.co.kr**
**Reprints, Classified Sales**
Laura Rickman • lrickman@aircargoworld.com
(770) 642-8036
**Administrative Assistant**
Susan Addy • saddy@aircargoworld.com
**Display Advertising Traffic Coordinator**
Tracey Fiuza • tfiuza@joc.com
(973) 848-7106
**Electronic Rights and Syndication**
Barbara Ross • bross@joc.com
(973) 848-7186

**CUSTOMER SERVICE OR TO SUBSCRIBE: (888) 215-6084**

Commonwealth Business Media
United Business Media

400 Windsor Corporate Park
50 Millstone Rd., Suite 200
East Windsor, NJ 08520-1415
(609) 371-7700 • (800) 221-5488

President and CEO Alan Glass
Senior Vice President, CFO Dana Price
Vice President, Magazine Group Peter Tirschwell
President, PIERS Brendan McCahill
Vice President, Directory Databases Amy Middlebrook
Vice President, Human Resources Kenneth P. Slivken
Vice President, Production & Manufacturing Meg Palladino
Director of Circulation John Wengler
Director of Creative Services John White
President, BACK Aviation Steven G. Casley

POSTMASTER: Send address change to: Air Cargo World, Subscription Services Department, PO Box 5051, Brentwood TN 37024 —



*For more information visit our website at www.aircargoworld.com*

# News Updates


## Antitrust Probe is Forwarded

**With the legal ramifications of an international cargo pricing probe still coursing through the airline industry, authorities in Europe and the United States are pressing new investigations into whether some of the world's largest forwarders fixed fuel surcharges and other prices.**

The investigations into potential antitrust violations expanded last month with the search of Panalpina offices in Basel, Switzerland, a raid on Schenker's facility near New York's Kennedy International Airport and subpoenas delivered to various international forwarders. Authorities also have contacted Kuehne + Nagel, EGL and DHL Global Forwarding.

The investigation appears to be a coordinated effort involving numerous government agencies on both sides of the Atlantic. "The antitrust division is investigating the possibility of anti-competitive practices in the international freight forwarding industry, and we're coordinating with the EU and other relevant foreign competition authorities," said a spokeswoman at the U.S. Department of Justice.

An official at the Swiss Federal Competition Commission told reporters a tip from one of the companies involved in the investigation led to the raids.

The new investigation comes as the probe of the air carriers over their surcharges appeared to reach a crescendo.

British Airways has paid more than $550 million in penalties and some of its cargo executives were outside a plea agreement and so potentially exposed to prosecution. U.S. authorities fined Korean Air $300 million and Lufthansa Cargo paid some $85 million in penalties and industry officials said the airline was cooperating with authorities in the investigation.

In Basel, the Swiss Federal Competition Commission searched for evidence in an investigation into alleged collusion in transportation services. The commission is investigating the Association of Swiss Forwarders and several forwarder, including Panalpina. U.S. antitrust authorities earlier conducted a similar investigation in the company's headquarters in the U.S.

Panalpina said it is "not aware of any violations of antitrust regulations" and is fully cooperating. Meantime, Panalpina recently suspended services in Nigeria, including import services for oil and gas customers, as a result of an ongoing bribery probe by the U.S. Department of Justice.

In New York, the FBI raided Schenker offices, ordering staff to turn over all records connected to fuel surcharges, according to sources in the forwarding industry. Meanwhile, the European Commission is investigating Schenker's offices in Essen, Germany. Similar investigations have been conducted at Schenker's offices in South Africa and Switzerland.

"Free and unhampered competition is a top priority for Schenker," the company said in a statement. "Consequently the company has assisted the representatives of the competition authorities in all matters connected with these investigations. Schenker will continue to contribute to the clarification of the facts of the case.

Several forwarding companies have been targeted for investigation by competition authorities in Germany, Switzerland, South Africa and the U.S., according to a statement issued by the EU Commission.

DHL confirmed it has received requests for information from Swiss, EU and U.S. authorities, but no DHL premises have been searched.

Separately, Seattle-based Expeditors International of Washington and the Houston offices of Kuehne + Nagel of Houston received subpoenas from the DOJ regarding the ongoing inves-

tigation of businesses within the air cargo industry.

## Holding Pattern

**Boeing's new 787 passenger plane isn't quite as efficient as the manufacturer had hoped, at least on the production line, but the aircraft maker is still moving at full speed in the freighter market.**

**Just days after Boeing acknowledged initial 787 deliveries would be delayed up to six months, Guggenheim Aviation exercised options to add three 777 freighters to its previous orders for three of the aircraft.**

**The company also has ordered four 747-8 freighters and contracted to have seven 747-400s modified through the Boeing Converted Freighter Program.**

**The 777 order appears to validate the growing popularity of the freighter. "The 777 freighter is in a class by itself," said Richard Aboulafia, vice president of analysis for the Teal Group.**

**No doubt the 777 is needed to replace MD-11 freighters, and "there are only about 20 planes left for conversion," said Aboulafia. The A330 freighter is now available, but the aircraft does not have the 777s full capability, he said.**

**The popularity of the 777 freighter is expected to grow in time because of continued high fuel costs. Common sense dictates it is better to fly a twin if you don't need the 747-400s capacity, said Aboulafia.**

**The 777 order came as Boeing was taking something of a hit in the passenger arena.**

**The manufacturer said the launch delivery of its much-trumpeted 787 to All Nippon Airways had slipped to early December 2008. Airbus, meantime, was glowing on the delivery last month of its first A380 passenger airliner to Singapore Airlines, nearly two years late. The plane's first commercial operation was between Singapore and Sydney but SIA says it will fly the three-deck plane on a Hong Kong-San Francisco rotation.**

**Delay of the 787 Dreamliner program prompted the replacement of the top officer Mike Bair with Pat Shanahan, who comes from Boeing's missile defense program. Bair took a lateral move as vice president of business strategy and marketing.**

## Down Growth

The International Air Transport Association is offering a somewhat subdued forecast for international freight growth over the next five years.

IATA said in its new projections for the airline industry that international air freight tonnage should growth at an average annual rate of 4.8 percent between 2006 and 2011. That's not only well behind the 6.4 percent average annual growth some experts forecast over the next 20 years, it's far off the average 6.2 percent annual growth air carriers reported from 2002 to 2006.

Released at the annual Arab Air Carriers Organization meeting in Damascus last month, the forecast also takes a downbeat view of passenger demand.

IATA projects average 5.1 percent annual growth in passenger traffic through 2011, down from the 7.4 percent yearly average between 2002 and 2006.

## UPS Accord

UPS workers are expected to overwhelmingly ratify the precedent setting labor contract, giving the world's largest parcel carrier labor peace for several years and potentially putting more pressure on its chief rival, FedEx.

Last month, UPS and the International Brotherhood of Teamsters reached a tentative agreement that would provide hikes in salaries and benefit contributions for health and pension plans. The contract would go into affect after the current accord expires Aug 1, 2008.

With far-reaching provisions that will be felt across many parts of the transport industry, the agreement serves as something of a capstone to the career of UPS Chairman Mike Eskew, who will step down at the end of the year as part of a leadership changeover that has taken on a timely pattern that's nearly as predictable as air express deliveries.

Getting the deal done nearly a year before the old contract expires means UPS is preparing for the inevitable 2008 rate hikes with its costs lined up. It also provides UPS what the company has long wanted — an agreement to withdraw from the huge and financially troubled multi-employer Central State Pension Fund. The company will pay $6.1 billion to get out of the fund, and it will have to set up a separate pension plan jointly run by the Teamsters, but the company has long believed it subsidizes the pensions of other companies because of its large Teamster membership in the common fund.

"This plan has been under funded and problematic for a number of years," said Jerry Glass, president of F&H Solutions, a human resources and labor consulting firm.

If UPS raises its rates, "it won't be because of the sizable pension plan contribution," said Glass. "UPS is a

well managed company and is looking at what makes financial sense over the long-term." It is not fixating on the $6 billion contribution, said Glass.

The accord is bound to cause concern at DHL and FedEx, particularly. For years, FedEx has battled the Teamsters and other unions about organizing its workers. The FedEx Ground division is embroiled in numerous lawsuits with drivers who claim they are fulltime employees, not independent contractors as management contends. A federal judge recently approved class-action status for a lawsuit filed on behalf of around 14,000 drivers. FedEx said it plans to appeal the decision.

Eskew will cede the chairman and chief executive positions to Scott Davis, the company's vice chairman and chief financial officer. Eskew began his career with UPS, but Davis, 55, joined UPS in 1986 when it acquired the technology company II Morrow, where he was CEO. Davis is the first UPS chairman in memory who had a career outside the company.

## Adding 2000

**The Cargo 2000 group says a new management structure will help the airline-forwarder organization push more rapidly toward meeting its strategic goals.**

**Restructuring following the death of its leader, Ron Cesana, the freight industry quality standards group says new Executive Director Lothar Moehle will be joined by the end of the year by a technical director and three regional directors, new positions the group says are focused on expanding Cargo 2000 services.**

**"Cargo 2000 is a continuous improvement organization and we are putting in place an organizxation structure that reflects and supports this," said Mick Fountain, chairman of the International Air Transport Association-backed interest group.**

**Formed back in the 1990s to focus on implementing common technology platforms for international freight transport, Cargo 2000 says its certification of quality standards in cargo processes is expanding. The group counted 72,600 lane segments in its performance measurement system by the end of August, up some 35 percent from the same month a year ago.**

**Overall performance by its member airlines and forwarders also is improving, the group says. Reports showing shipments flown as planned — a key measure of airline service to forwarders — reached 87 percent in August, up 2 percent from the same month a year ago. And the forwarder performance measure of waybill accuracy rose 1 percent to 91 percent. Cargo 2000 also is pressing what it calls its Qcargo Network initiative aimed at drawing small and mid-sized freight forwarders into the group, part of an effort to expand membership that now includes ground handlers. Smaller forwarders have complained that Cargo 2000 has been been focused largely on the world's larger elite forwarders.**

## ASTAR Talks

Pilots at ASTAR Air Cargo, one of the two main sub-service operators for DHL in the United States, may be headed closer to a strike after three years of contract negotiations.

The pilots have already conducted informational picketing in Wilmington, Ohio and are preparing to ask the National Mediation Board to release it from mediation, said a union spokesman.

The pilots will vote first on whether to authorize the local Air Line Pilots Association unit to sanction a strike in the event the sides are released from mediation. The NMB could release the parties from negotiations or order the sides back to the bargaining table. Granting of the request to be released will trigger a 30-day cooling off period, after which the ASTAR pilots could strike and the company could lock out the pilots from the property.

An ALPA spokesman said a walkout would be a last resort, but the frustration level was running high after four years without a raise. The pilots want pay raises similar to what ASTAR man-

agement has provided itself, said an ALPA statement. Pilots are also seeking job protection and retroactive pay.

Management downplayed the possibility of a strike by its pilots. "Negotiations between ASTAR and its pilots are currently ongoing under the exclusive control of the National Mediation Board," said Doug McKeen, senior vice president of employee relations and communications.

Earl Smith, chairman of the local ALPA unit, said, "We're giving it one more try to achieve a new contract." But, he added, "Management seems unwilling to do anything other than change some work rules that will reduce pay."

The tension at ASTAR is growing as DHL also is beginning contract negotiations with the Teamsters union, which represents some 10,000 company drivers in the United States.

## Road Backup

**World Airways carried some good news to its new owner with a new agreement to operate a freighter for Etihad Airways.**

**The one-year contract is for an MD-11 World will operate for Etihad between Frankfurt, Shanghai and Mumbai.**

**For Abu Dhabi-based Etihad and its Crystal Cargo division, the operation brings in immediate new lift as the airline looks to expand a business that already is one of air cargo's fastest growing airlines.**

**For World, it's a major contract following a troubled financial period that ended with World Air Holdings' sale in mid-August for $315 million to Global Aero Logistics, the company that operates U.S. passenger charter carrier ATA Airlines.**

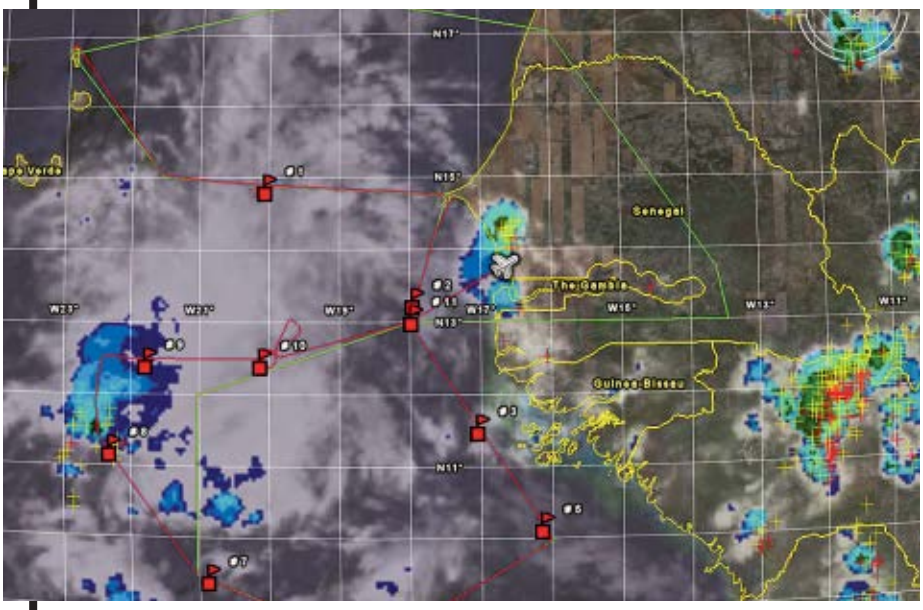
**World Airways will provide international air service with its fleet of MD-11 freighters, said Rob Binns, chief marketing officer.**

**Launched in 2004, Etihad operates a fleet of regional freighter aircraft plus two A300-600RFs. Etihad carries more than 130,000 tons of cargo in 2006, a 96 percent increase over 2005.** ■

NORTH AMERICA

# Sky Eye

## It's been called the backbone of air traffic control modernization, but is ADS-B worth the cost?




**The technology has been around since the mid-1990s and it will be several years before it is fully implemented. But the Federal Aviation Administration's recent notice that it would require all aircraft flying in U.S.-controlled airspace be equipped with Automatic Dependent Surveillance Broadcast technology by 2020 took a technology heavily supported by cargo airlines one step closer to reality.**

ADS-B, which is said to be 10 times more accurate than current technology, will be implemented in two phases: ADS-B "Out" and "In."

The Out phase began in August when FAA awarded ITT the $1.8 billion contract to build and manage the ADS-B ground stations. Unlike previous navigation-related contracts that were government controlled, ITT will own the equipment, and the FAA will pay subscription charges for ADS-B broadcasts to suitably equipped aircraft and air traffic control facilities.

By Robert Moorman

Ground stations for the new system will be brought online across the country, starting on the East Coast. Nationwide coverage is expected by 2013.

But even with the ground stations and a required ADS-B receiver onboard the aircraft, the pilots will still depend on air traffic controllers.

Not so when "In" is in. The long-term benefits of ADS-B, the ones freighter operators in particular believe will allow them to redraw their flight plans in a far more efficient manner, will be realized with the implementation of the second phase, in which all aircraft flying in controlled airspace will be required to have satellite-based avionics linked to ADS-B technology.

Once that happens, the aircraft will, in effect, become independent ATC systems.

The cost to implement the ADS-B avionics will range from $162,000 to $217,000, according to FAA's program office. Future generations of onboard ADS-B equipment will range from $210,750 to $670,000.

The accuracy of ADS-B is expected to allow air traffic controllers to reduce separation standards between aircraft, substantially increasing the number of aircraft that can be managed in U.S. airspace. That is good news for much of the troubled U.S. aviation industry, considering traffic is projected to grow from 740 million passengers in 2006 to a billion by 2015.

The technology will have a cascading effect, aiding business and the environment. As the industry moves toward a more interactive ATC system,

ADS-B-equipped aircraft will fly more direct routes, saving millions of dollars in fuel costs and reducing harmful emissions.

## Freight Trailblazer

UPS, which led ADS-B development, and has equipped much of its fleet with the technology, certainly believes the cost is worth it.

UPS is working with Aviation Communication Surveillance Systems, the government mandated spin-off from the AlliedSignal and Honeywell merger six years ago. SafeRoute is the suite of ADS-B applications that ACSS produces.

What is ADS-B exactly? "It's a 'here I am' system for the aircraft," said UPS Captain Karen Lee, a 747 pilot and resident ADS-B expert. "It's a technology that allows the aircraft to tell anyone where it is."

ADS-B is expected to save UPS a million gallons of jet fuel per year, provide a 30 percent reduction in noise and a 34 percent reduction in nitrous oxides emissions that contribute to global warming.

Operationally, ADS-B will allow UPS to begin to use continuous descent approaches instead of the step-down approaches now practiced, allowing the carrier to bunch aircraft on arrivals. The end result: 10 percent to 15 percent increase in landing capacity, Brown said.

The company's reason for pushing this technology has little to do with altruism. "Yes, UPS is helping to advance the air transportation and help the environment," said Steve Alterman, president of the Cargo Airline Association. "But UPS is a business and understands that the benefits of implementing ADS-B outweighs the costs."

Implementing ADS-B fully is expected to cost upwards of $20 billion, a significant portion of the $40 billion the FAA and industry expects to spend to build and equip NextGen, the shorthand name for air traffic control modernization .

The technology "will cost the industry a lot of money, but it will be worth it in the long run," said Alterman.

UPS has original ADS-B technology on 75 757s, 32 767s. But the whole fleet is equipped with the ADS-B signal, which allows the aircraft to be identified and located by ADS-B equipped ground stations and aircraft. UPS has equipped its entire 747-400 fleet with the next generation ADS-B as well as one 767 and one 757.

## Free Flight

While much of the industry supports ADS-B as a replacement for an antiquated radar system, questions remain on who pays what and from where the money will come.

In addition, there are several technical and regulatory challenges facing the industry, including "international interoperability, frequency bandwidth and navigation source redundancy," said an Air Transport Association issue brief.

In other words, some worry other countries may develop technology or standards incompatible with ADS-B.

Lee said Eurocontrol and Mitre, a not-for-profit research and standards organization in the United States, have worked to ensure that there is one standard for the international and the U.S communities.

"I don't think we're seeing any signs of any one group straying off to develop a different technology," said Lee.

The value of ADS-B to NextGen is not in question, said ATA President James C. May, but the issue is the apparent inability of the U.S. Congress to find an equitable funding mechanism for NextGen.

A U.S. House committee had a hearing scheduled last month on the benefits to be derived from ADS-B, according to one staffer, as well as the implications of letting a private company own the infrastructure.

# Domestic Woe

**Kitty Hawk Cargo is flying through all-too-familiar territory.**

Just a couple of years removed from bankruptcy protection, the freighter operator filed again for Chapter 11 reorganization as its bid to restructure its business was hit hard by changing demands and a sagging U.S. economy.

The company said the filing is meant to "address financial challenges and identify a strategic or financial investor." Kitty Hawk said it plans to operate its entire network while reorganizing and looks for interim financing.

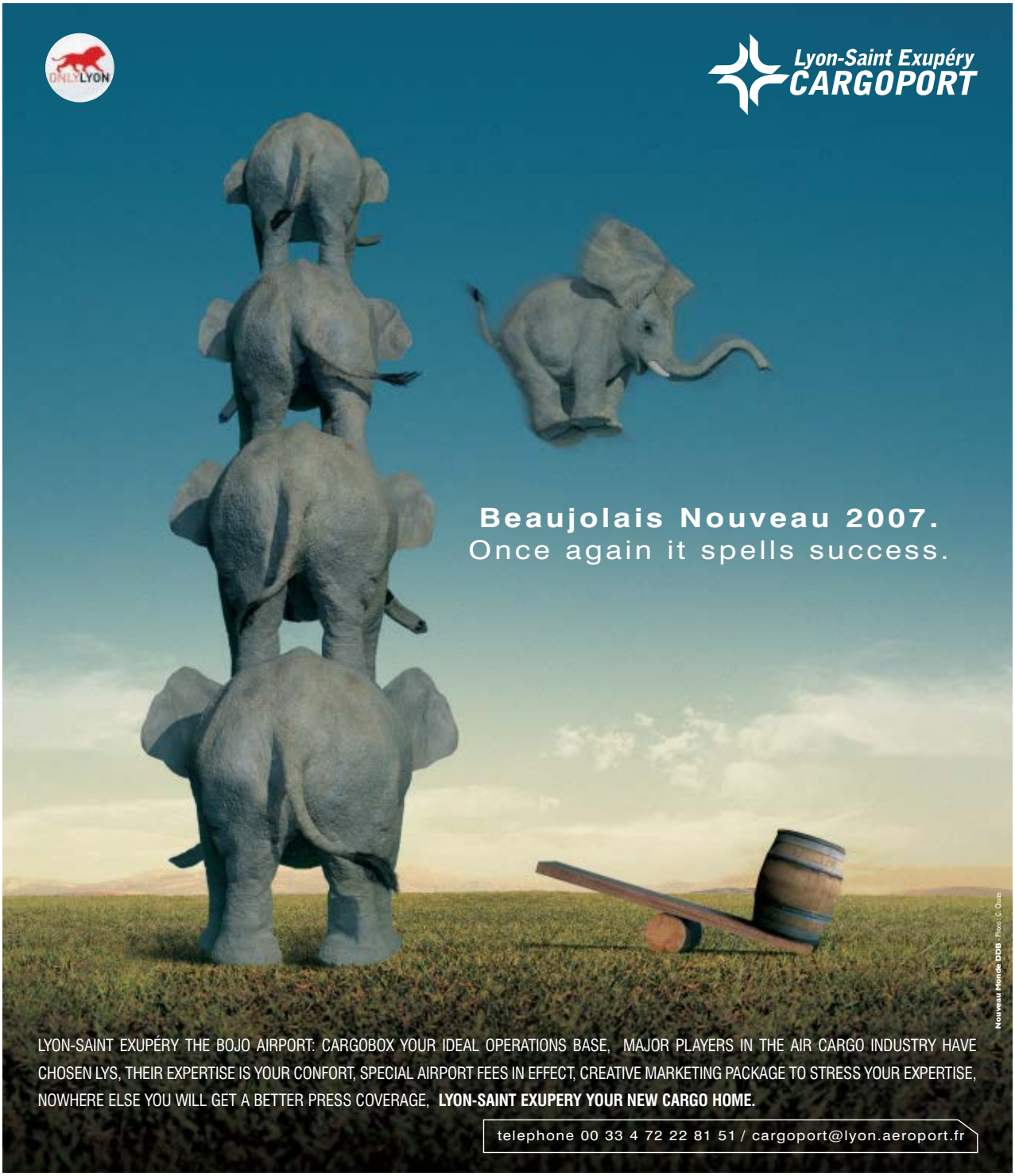
The airline has been remaking air operations by working in younger, more fuel-efficient aircraft. But faltering demand for Kitty Hawk's brand of expedited air transport has pressed the company to slash rates over the past year to meet competition from truckers, and its own startup trucking business hasn't brought in cash fast enough to make up the difference.

"Kitty Hawk is in a difficult area of the business, in which the integrators have taken most of that business," said George Hamlin of Airline Capital Associates. "They've been trying to resurrect their domestic business, but it looks like this isn't happening."

Kitty Hawk lost $8.8 million on revenue of $44.4 million in its quarter ending June 30.

## ... Briefly

U.S. airlines' cargo traffic edged up 1.8 percent in August but domestic business was up only 0.5 percent and the domestic traffic measured in cargo ton miles was barely above what the U.S. carriers measured in 2000. For the first eight months of the year, international cargo traffic was up 1.2 percent while domestic business was 0.3 percent behind last year, according to the **Air Transport Association**. … Canada and the European Union were set to begin talks toward a liberalized aviation agreement over the Atlantic and the Canadian Airports Council said it hoped for a treaty similar to the pact negotiated between the E.U. and the United States. … **UPS** is offering customers a paperless international shipping option, UPS Paperless, as well as a package return capability, UPS Returns, to 98 countries and territories. ... Freight traffic at New York's **Kennedy International Airport** fell 4 percent in July from the same last year, the fifth straight monthly decline at the airport. Freight was up overall 0.1 percent at JFK in the first seven months of the year. … Pennsylvania-based forwarder Pilot Air Freight changed its name to **Pilot Freight Services** to reflect its broader array of services. … The **Federal Aviation Administration** issued a proposed rule to require all aircraft to be equipped with Automatic Dependent Broadcasting avionics by 2020, seven years after the $1.8 billion ground system developed by a team led by ITT is expected to be finished. … Cargo tonnage at **Miami International Airport** grew 8 percent in August despite a 3.3 percent drop in mail, and cargo at the gateway was up 6.3 percent in the first eight months of 2007. … **Priority Solutions International** opened a full-service station in Minneapolis. … **Cargolux** added a sixth weekly 747-400 freighter frequency between Luxembourg and Mexico City. … **Alitalia** extended its Milan-Miami MD-11 freighter service to Mexico City under an agreement with **Centurion Air Cargo**. ■




Beaujolais Nouveau 2007 : efficient team work.

BRITISH AIRWAYS WORLD CARGO

PANALPINA on 6 continents

RUSLAN International

swissport cargo services

AVIAPARTNER

CATHAY PACIFIC

DHL GLOBAL FORWARDING

FedEx Express

WFS Worldwide Flight Services

SDV

BEAU JOLAIS

EUROPE

# Tabula Rasa

## Cargoitalia may be the new fighter in cargo, but it has an experienced corner man


**The arrival of air cargo veteran Stan Wraight and two 747-200 freighters is giving fresh impetus to Cargoitalia's efforts to become a significant player in the global freighter market.**

Not that the Italian cargo carrier has exactly tip-toed entry in the business. Launched more than a year ago by ex-Alitalia Cargo boss, Massimo Panagia, the airline hit the ground running with the immediate launch of service to no less than 14 destinations out of Italy.

Said CEO Panagia: "We were determined from the start to provide our customers with an extensive network of destinations and a well-developed range of services.

By Roger Turney

"We have been achieving 75 percent load factor on most of our flights, with strong yields in many markets."

In markets in which Cargoitalia competes directly, the airline has secured a 15 percent share of the Italian cargo market, said Panagia. Overall, that equates to about a four percent share of the entire Italian market.

That, he said, has been achieved by working the markets in which it operates as a capacity retailer and not a capacity wholesaler. "We tend to shy away from block space agreements," said Panagia, although chasing the break even marker in the first year has been challenging.

Setting up Cargoitalia's instant network led to the launch of North Atlantic service to New York, Chicago, Houston and Mexico City.

The network also stretches eastbound to Hong Kong and Shanghai and Ho Chi Minh City in Vietnam. There is also service to Kuwait and Dubai and Cairo and Lagos, Nigeria.

Intra-European feeder flights from Barcelona in Spain and Munich in Germany service its Milan Malpensa hub in Northern Italy.

"These intra-European services are an important marker for us," said Panagia. "It confirms that we are not just focused on the Italian market, but that we also want to engage with the broader European market."

## Old Friends

The airlines growth is all the more remarkable given that it launched services with a fleet of two leased DC-10 freighters, one of which has been replaced by an MD-11 freighter.

The carrier's network may be extensive, but to date it is one which has been sparsely fed.

Panagia recognized early on the airline needed to consolidate its position, yet also look to the future. "It quickly became apparent that there

was one major bottleneck holding up the airline's development — and that was me — because I had to make all the decisions," said Panagia.

He resolved that situation by hiring an old friend, Wraight, to become chairman of the privately owned cargo carrier. "Stan and I have known each other for many years and he is fully aware of the business model we want to create at Cargoitalia," said Panagia.

Wraight is equally ebullient in his praise for Panagia. "I am very impressed with how far Massimo has brought Cargoitalia, a truly customer focused company," said Wraight.

**"These intra-European services are an important marker for us. It confirms that we are not just focused on the Italian market."**

## Moving Forward

Wraight, the former chief executive of AirBridge Cargo and former senior executive at Atlas Air and KLM Cargo, is determined to build the business as well as make same quick gains. One way is to reach out to his old pals.

"We want to improve and expand the current network and one of the ways of achieving that will be to talk with various potential strategic partners in the coming months to ensure we meet the targets we have set ourselves," said Wraight.

Cargoitalia has help propel its growth by wet-leasing two 747-200 freighters from U.S.-based Tradewinds Airlines.

Wraight said both aircraft would be put to work on trans-Atlantic routes serving the existing points of New York, Chicago, Houston and Mexico City, along with Atlanta at the start of the winter season.

The airline is also keen to resume service to Osaka in Japan. Service was

initiated in the original network surge, but Cargoitalia found the route not viable with DC-10 freighter. It is looking to return with MD-11 freighter service.

Panagia said the airline wants to eventually operate a fleet of five to six 747-400 freighters, with at least three of the aircraft in service by the end of next year. Originally, the airline wanted to operate an all MD-11 freighter fleet.

Capacity should follow growth and not the other way around. Said Panagia, "It is no good injecting over-capacity into a market and then hoping that growth will somehow follow. This is a policy which simply intensifies competition, forces rates down and ultimately destroys the equilibrium of the marketplace."

## ... Briefly

**Lufthansa Cargo's** traffic grew 4.9 percent in August and the 4.1 percent expansion in traffic in the first eight months of 2007 left the airline's average cargo load factor up 1.5 percentage points over the same period last year. ... **Silk Way Airlines** started 747-freighter service from Luxembourg to Kazahkstan's Almaty International Airport. ... U.S. forwarder **IJS Global** struck a deal with South Africa's **Value Clearing and Forwarding** to have the company represent IJS in South Africa and the rest of sub-Saharan Africa. ... **Ethiopian Airways** placed an embargo on imported consolidated shipments moving through house air waybills, telling cargo customers the practice without an approved bonded warehouse at Addis Ababa's airport was "causing unnecessary congestions and irregularities" at the airport. ... The re-launch of the **BAe-146 Quiet Trader** program is on schedule and the first converted aircraft, a Series 200, is slated for completion in early-to-mid 2008, according to BAE Systems Regional Aircraft. Twenty-nine -146QTs remain in service after being converted in the mid-1980s. ... **Air France Cargo** went live on the **Cargo Portal System** booking portal. ... **DHL** bought Israeli international delivery company **Flying Cargo**, which has represented DHL's forwarding business in Israel. ... Forwarder **BDP** opened an office in Milan at the Malpensa Avioport Logistik Park. ... Cargo traffic at **Air France/KLM** grew 3.8 percent in the first nine months of 2007, with a 6.2 percent expansion in Asia-Pacific trade offsetting a 1.2 percent decline over the Atlantic. ... **British Airways** cargo traffic fell 1.1 percent in September, the 12th time in the last 13 months BA has lost ground in cargo. ... China's **Hainan Airlines**, which flies three times weekly between Brussels and Beijing, named **European Cargo Services** its general sales agent throughout Europe. ... **AirBridge Cargo** added a weekly stop in Tel Aviv on its 747 freighter service between Amsterdam, and Moscow. ... **AMB Property** expanded into the United Kingdom with the purchase of a 320,000-square-foot facility at the East London Distribution Park, 10 miles from central London and closer to the site of the 2012 OIympic Games, which AMB believes will fuel strong logistics demand. ... **TAP Air Portugal** started weekly freighter service between Lisbon and Brussels with an A310-300 leased from **Royal Jordanian Airways**. ... **Skyroute Logistics** began offering freight service to Tehran from Luxembourg, with 747 freighter transport to Dubai and transfer to an IL-76 freighter to Tehran. ... **United Airlines** started nonstop 777 passenger flights between Los Angeles and Frankfurt. ... **Continental Airlines** named **LUG aircargo handling** its freight handler in Frankfurt for daily 777 passenger flights. ... **Menlo Worldwide** moved into a larger facility near Amsterdam Airport Schiphol, the multi-client 70,000-square-foot facility at the AMB Douglassingel Distribution Center that will be Menlo's new European headquarters. ... **Lufthansa Cargo** won approval of its Customs-Trade Partnership Against Terrorism security certification in the United States. ... **Traxon Europe** began providing monthly error logs, or message improvement program reports, as part of its freight messaging system. ... Freighter operator **Cargo B Airlines** received operating authority for twice-weekly services between Brussels and Libreville, Gabon, and Johannesburg and Nairobi, and the Belgian airline said it would later add service to South America. ... **Olympic Airlines** launched an express service, Olympic Courier, from London to Athens. ... **Coyne Airways** started twice-weekly 747 freighter service to Almaty, Kazahkstan out of Hahn Airport in Germany. ... **Frankfurt Airport** moved 173,870 metric tonnes in August, a 4.6 percent jump for the month and topping a previous record by 7,567 metric tonnes for August 2006. ... **Singapore Airlines** will have **Swissport** resume its cargo handling for SIA at London Heathrow Airport effective Jan. 1. ... Cargo traffic at **Munich International Airport** increased 12.8 percent in the first nine month of 2007 over the same period last year. ■

PACIFIC

# Where's Qantas?

## Newfound independence could boost the cargo division's growing focus outside Australia


**Home market? What's so great about a home market, anyway? Qantas may have shelved plans for a Thai-based cargo airline, but elsewhere it is operating freighters on routes that do not touch Australia. The kangaroo airline has 747 cargo planes leased from Atlas Air and fly from the United States to Brazil and back and across the Atlantic to Frankfurt and Dubai.**

But aviation treaty terms require a visit to its home turf en route to the world's favorite air freight market. "When we go to China, we have to go through Australia," said Bruce McCaffrey, Qantas vice president of freight for the Americas.

Besides its passenger service, the carrier runs five 747 freighter flights a week to the United States, all routed through Shanghai.

By Ian Putzger

The Chinese city has become a key hub Qantas' cargo network. Until last year, it had looked as though Bangkok would assume that mantle. Back in 2004, Qantas and CTI Holding of Thailand agreed to set up a joint venture cargo airline to be based in Bangkok. Qantas was to hold a 49 percent stake in the venture that was aiming to serve Asian markets within a range of five to six flying hours with MD-11 freighters. The initial targets were India, Singapore, Shanghai and Hong Kong.

However, last year Qantas announced the plan had been put back indefinitely, citing high fuel costs and lack of available aircraft.

## Hardly Home

This has not crimped management's appetite for forays outside its home turf.

In January, the airline announced ambitions to acquire a minority stake in an Asian airline, but nothing has emerged since on that front. Vietnamese carrier Pacific Airlines reportedly was the primary target of those ambitions.

At the end of August, Qantas bought Singapore-based express operator DPEX Worldwide for an undisclosed sum. Grant Fen, executive general manager of Qantas Freight, called the acquisition an important step to enter the Asian express market and expand Qantas' footprint in the region. DPEX's network coves 18 countries in Asia.

While Qantas has been looking increasingly for opportunities outside its home base, the cargo division is on its own trajectory away from the parent.

Following the failed $11 billion takeover attempt of the Australian flag carrier by a consortium led by Macquarie Bank and Texas Pacific

Group this year, the airline has embarked on a far-reaching restructuring effort that seeks to establish four different business units, including the core flying business.

The other units would revolve around the fleet, frequent fliers and freight. Days after the agreement to buy DPEX, Qantas Chief Executive Officer Geoff Dixon confirmed the wheels had been set in motion to create a separate cargo entity. He said he believed the freight unit could be successful as a standalone entity.

"We've taken steps to separate cargo from the airline. It will be a separate company with its own P&L, but part of the Qantas Group," McCaffrey said. He said no target date has been set yet for the spin-off.

Peter Burn, president of consolidator Swift International in New Zealand and a former head of cargo for Air New Zealand in the United States, said that the changes have benefited cargo.

"It certainly gives them focus," he said, citing a big improvement in the carrier's cargo revenues over the past four years as well as more innovative freighter routings.

"They have been given a real mandate to up the cargo revenue and get value prior to selling it off," he said.

The ownership models under consideration could leave the cargo division in the hands of another company and management has suggested it has been approached by interested parties about a possible sale of the freight and the frequent flier program. A decision will not be made until the carrier's results are released next spring.

## Headwinds

Qantas signaled in August that it was expecting pre-tax profit for 2007/08 to be 30 percent higher than in fiscal 2007, which reached $1.03 billion, resulting in a net gain of $719.4 million, up 49 percent from the previous year.

According to McCaffrey, one company that has expressed interest in the freight division was an Australia trucking firm.

Besides the question of future ownership, Qantas Freight will be facing a decision on its long-term fleet plan.

The route for the passenger side is sealed with the first A380 due to come on stream next year. The cargo division is looking at the possibility of buying freighters, McCaffrey said, adding that the decision is still "a couple of years away."

Until then, it will be status quo for freighter operations. "We will continue the wet-leases with Atlas until we've made a decision what we want to do with our freighter plans," McCaffrey said.

Some forwarders would love to see an injection of maindeck capacity on the South Pacific.

Julian Keeling, president of wholesaler Consolidators International, warned of a capacity crunch until mid-November, due to high passenger loads and strong headwinds, which essentially rule out bellyhold space on Qantas' passenger flights between Los Angeles and its home market.

"We're pretty full at the moment," said McCaffrey. The strength of the Australian dollar has boosted southbound traffic "much more than we originally predicted".

## ... Briefly

Freight traffic for Asia's air carriers grew 5.3 percent in August on a 5.2 percent gain in capacity, giving airline 3.1 percent expansion in freight business in the first eight months of 2007, according to the **Association of Asia-Pacific Airlines**. … The **World Cargo Alliance** of regional and national forwarders will have its annual meeting in Kuala Lumpur next year under an agreement to "co-locate" the meeting with the bi-annual International Air Cargo Forum. … **Korean Air's** cargo traffic grew 15.1 percent in its second quarter ending June 30 and cargo revenue increased 6.5 percent. Cargo yield fell, however, 6.5 percent compared to the same quarter last year and was down 7.6 percent in the first six months of the year. … Australia and the United States agreed to hold talks toward liberalizing an aviation treaty that now includes open skies provisions only for cargo services. … Hong Kong-based **World Courier** expanded its cold chain transport services to 36 cities in China, setting up a domestic network in a country the company says will be the fourth-largest pharmaceutical market in the world by 2012. … **DHL** started offering freight customers in Asia the ability to file all shipment electronically through a service called DHL eMailShip. … **Asiana Airlines** chose a software integration package from Maryland-based **GXS** to secure the electronic transfer of cargo information through the **SITA** communications channels. … **Qantas** will train up to 200 **Nippon Cargo Airlines** pilots on 747-400 operations under a five-year contract between Qantas Group Flight Training and NCA. ... **Menlo Worldwide** completed its acquisition of Singapore-based logistics operator **Cougar Holdings** and acquired Shanghai-based **Chic Holdings**, a logistics business with 130 stations in 78 cities in China serving international and domestic business. ■

Region Focus:
Western Airports


# Don't call it a Gold Rush just yet, but air freight operators are finding life better in California these days

# Finding the California Pass

by Robert W. Moorman

For years, shippers, forwarders and air carriers complained loudly about the lack of adequate cargo facilities at San Francisco International Airport. Some went so far as to label the 80-year-old airport anti-air cargo. The airport passed on FedEx's plans for a new hub there in 1988, so the carrier went across the bay to the more accommodating Oakland International Airport.

But there are new signs that the fog that's stymied some air services at SFO is lifting.

Earlier this year, passenger airline Southwest Airlines announced it would return to San Francisco after pulling out in March 2001 over high operating costs and delays that were affecting much of the Southwest operation. The airline will have 26 flights per day by this month – 12 more than it had when it left – and expects to carry in excess of 10 million pounds of loose cargo in 2008, said Wally Devereaux, director of cargo sales.

Although Southwest is not a big player in air cargo, the news could represent a change in mindset for SFO leaders.

In addition to Southwest, SFO has welcomed Virgin America and combination carrier Aer Lingus. Cathay Pacific Airways will soon add an additional Hong Kong flight. And the airport is negotiating with two international carriers with significant belly cargo capacity which want to serve India, according to one SFO official.

Next year, United Airlines will begin daily service between San Francisco and Guangzhou in the busy industrial region of Southern China. The award is part of an accord signed last July between the United States and China that calls for doubling the number of daily flights between the two countries over the next five years.

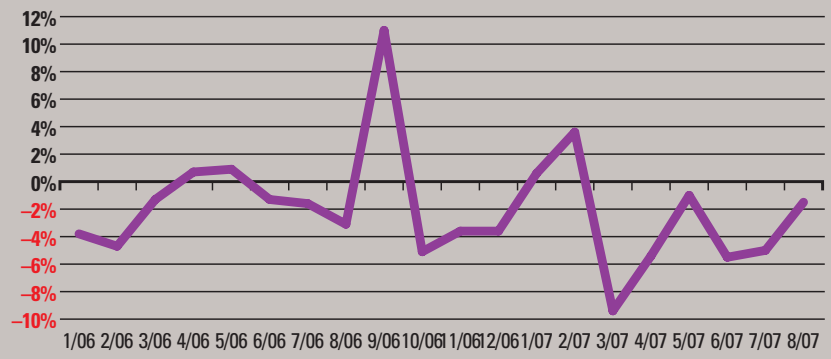
But shippers and third-party developers remain guarded about whether the growing attention to passenger flights will find its way to the cargo side. They point to the 48-year old facilities that have yet be rebuilt or replaced, and an ongoing lawsuit involving a third-party developer.

In 2004, airport developer Airis SFO, a wholly owned subsidiary of Airis Holdings, filed a lawsuit against the airport for preventing it from developing a $200 million cargo facility that Airis said could have rejuvenated the moribund cargo business there. The suit charged that SFO executive staff "deliberately derailed" plans to build the 633,000-square-foot cargo and office complex.

The airport says it's more flexible these days, but remains short on available real estate. "Because of land constraints, we're looking at developing a common use cargo facility run by a third party [common-use handler]," said Gary Franzella, associate deputy airport director for San Francisco International Airport.

## LAX Traffic

**Monthly year-over-year percent change in freight at Los Angeles International Airport over last 18 months.**




Source: Los Angeles World Airports

SFO and other California airports are in the midst of a massive contradiction. California would rank as the world's eighth-largest economy if it were a country, and its one of the world's largest exporters of agricultural products.

But for the state's major air gateways, the one precious commodity in short supply is space for expansion. From the San Francisco Bay to the Los Angeles Basin, California's most familiar airports are hemmed in by packed highways, mountains and sprawling suburbs. State officials and private developers have tried to push some of the economic growth to alternative gateways, including former military bases, but only with limited success.

SFO may be constrained, but the situation is far better than it used to be.

"The capacity constraints facing SFO in 2001 aren't there right now," said Daniel B. Muscatello, managing director for cargo and logistics at industrial development specialists Landrum and Brown.

Before September 11, the airport was always crowded, inefficient and expensive for shippers. But airline-operating costs are half today what they were in 2001, according to Southwest. A new runway system has made the airport more efficient, and the new international terminal and other projects are complete, which is good news for forwarders.

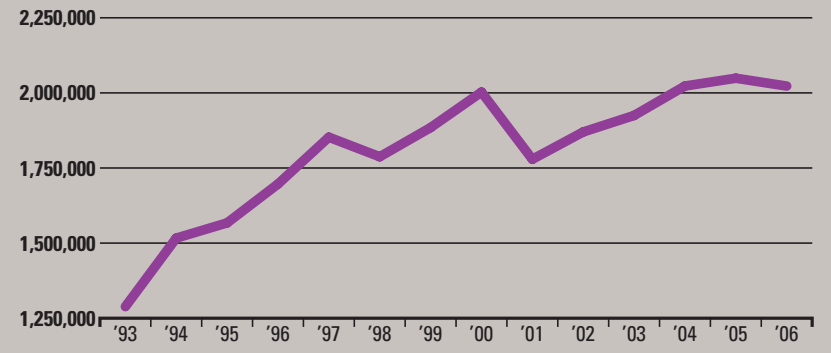
Franzella expects SFO will handle more agriculture products going to Asia in the future, although air cargo's share of California's agricultural exports remains relatively modest. Airborne shipments out of California airports have accounted for between 4.5 percent and 6.4 percent of the food trade over the past ten years, said a revised report by California State University titled, California's Agricultural Export Trade: The Role of Air Cargo, a 2007 Update.

Yet San Francisco leads the region in value of cargo, importing nearly $9 billion and exporting $7.6 billion worth of goods in the second quarter of 2007, according the World Institute of Economic Research, using U.S. Census state data. The airport's import/export business is heavy in electric and industrial machinery.

There could be practical reasons

## LAX Skyline

**Los Angeles International Airport annual air freight tons.**




Source: Los Angeles World Airports

Developing air cargo facilities at an airport takes significant capital. But it also requires enormous patience on the part of the developer and shippers.

Environmental assessments, endless hearings and mounting concern over air cargo security delays projects for years. Nowhere is the process tougher than in green-striving California.

In early 2008, Aeroterm, an air cargo facilities development and management company is expected to break ground on its massive Pacific Gateway Cargo Center at LA-Ontario International Airport – six years after the Request for Proposal for this project was issued by the Los Angeles World Airports.

## Holding Patterns

The regulatory and entitlement process, particularly in California, "is getting to be longer and much more complex," said John Cammett, chief executive officer of Aeroterm, who has overseen the PGCC project from the beginning.

Cammett said the more detailed the information the builder supplies the authorities regarding engineering, master plan and environmental concerns could help expedite the construction and redevelopment of the facility.

The PGCC development – part greenfield, part of the old Lockheed campus – is the exception to the rule. Because of land constraints, "what we're seeing is a lot of redevelopment," said Cammett. That means being efficient by making the most out of what is already available.

San Francisco, Oakland and LAX airports fall into this redevelopment category. Instead of taking a parcel of land on-site and giving it to an airline or integrator to develop, airport managers are looking to increase throughput of cargo by building a cost effective and flexible structure with multiple tenants, said Cammett. ■

why San Francisco appears friendlier to cargo these days.

Air freight and mail loads continue to decline. For the first seven months of 2007, total cargo and U.S. mail declined 7.7 percent. It remains to be seen if cargo becomes a factor at San Francisco after a long hiatus.

Oakland International Airport proudly claims to be the "San Francisco Bay Area's Air Cargo Center."

As the home of FedEx's regional hub, and site of a 24-hour, seven-day cargo operation, the claim appears to be more than an act of hubris.

In 2006, OAK ranked No. 31 in the world in cargo, with 679,179 tonnes handled, a 1 percent increase over the previous year. San Francisco was rated No. 33, with 594,732 tonnes handled in 2006, a 0.7 percent increase over 2005.

The domestic air cargo business at Oakland has suffered lately due to the growth of the air freight trucking industry, which is "taking a page right out of the U.S. Postal Service playbook," said Ray Keiser, Keiser Phillips Associates, a consultant to the airport.

Keiser said much of the freight to be shipped within 1,500 miles from the Oakland area typically is trucked.

Still, Oakland is predicting 3 per-

cent annual growth for the domestic air cargo business for the next two years, and a one-percentage point rise in the third year, said Keiser.

International traffic is picking up as well, but determining what constitutes pure international air freight can be challenging, said Keiser. A lot of the international air cargo shipped to Oakland by FedEx, UPS and DHL is cleared initially in Anchorage, and then declared domestic freight upon arrival in Oakland.

Nevertheless, the airport predicts a 4 percent annual growth rate for the next two years for international traffic at Oakland.

**Determining what constitutes pure international air freight can be challenging.**

But Keiser doesn't anticipate the arrival of any new air cargo carriers at Oakland. FedEx, UPS and DHL now account for 95 percent of the air freight handled there.

Nor is there any expansion expected. The site between the mountains to the East and the city close by on the West leaves little room for more facilities.

Los Angeles International Airport handled 951, 502 tons of air freight for the first six months of 2007, but LA-Ontario International Airport, 35 miles east of downtown Los Angeles, in what California officials call the Inland Empire, is steadily becoming a major force for freight in the region.

Ontario is the regional hub for UPS Airlines and a center for trucking; it's also a site of considerable activity by FedEx Express. UPS and FedEx carry 57 percent and 26 percent, respectively, of the air freight at Ontario.

In recent years, however, air freight growth at Ontario has been modest, although freight related employment has risen.

"UPS is moving a tremendous amount of freight, but not as much of it by air," said Michael Webber, a development consultant who provides cargo related analysis for Los Angeles World Airports. LAWA manages both Ontario and Los Angeles International.

Ontario serves two purposes for UPS, said one company official.

It is an origin location for local LA traffic with evening departures to the East and morning arrivals to there. Ontario also serves as an overnight sorting center for the West Coast.

"It's been a steady growth location for us," said Bill Simpson, UPS vice president for long range planning. "We've added capacity on lanes by using larger aircraft. It is certainly our key point for distributing our Asia origin and destination volume throughout the West coast."

Simpson said UPS has no immediate plans to add additional aircraft for domestic and international long-



Ontario, Calif., may get much of the attention, but the March Global Port about an hour's drive from Los Angeles shouldn't be overlooked.

The 350-acre commercial cargo and distribution development at the south end of March U.S. Air Force Reserve Base near Riverside, Calif., has loads of potential in becoming a center for cargo, but faces a number of obstacles as well.

MGP was put on the map in 2004 when DHL selected the site for its 303,000-square-foot West Coast distribution hub.

But March might have been overlooked were it not for the efforts of Ray Brimble, founder of Lynxs Holdings, which still owns a substantial share of the project but has no managerial role. In January 2007, Brimble formed a joint venture with GECAS, called the Lynxs Group, which is not involved with MPG.

## Marching In

DHL was leaning toward the old Norton U.S. Air Force Base near San Bernardino as well as Ontario.

"We're in the process of entitling additional property, said Mark Yeager, general manager for MGP. "But it's slow going with a joint use airport, so we're taking baby steps."

It is no secret DHL wants to expand its MGP operation into an international gateway within a year. But those plans have met with some stiff resistance from area citizen groups concerned about noise and nighttime flights.

A planned direct Polar Air Cargo flight between China and March has been postponed for at least a year because of this concern, sources said.

DHL, which has a 49 percent non-voting stake in Polar Air Cargo and a 25 percent voting share, declined to be interviewed for this article.

Obstacles aside, there is no denying the cargo potential for MGP. "Right now, we're trying to get the word out," said Yeager. ■


haul service from Ontario. But the airline eventually will transition from using MD-11s for Asia service to a 747-400 freighter. UPS has ordered 13 747-400s; eight new freighters are from Boeing, and three will come from Cargolux and two more from EVA Air.

UPS said it's also ordered 27 new 767-300 freighters and expects to place some at Ontario after deliveries begin in 2009.

While space at LAX is limited, and focuses on finding the optimal use of what's there, Ontario doesn't have adequate finished space.

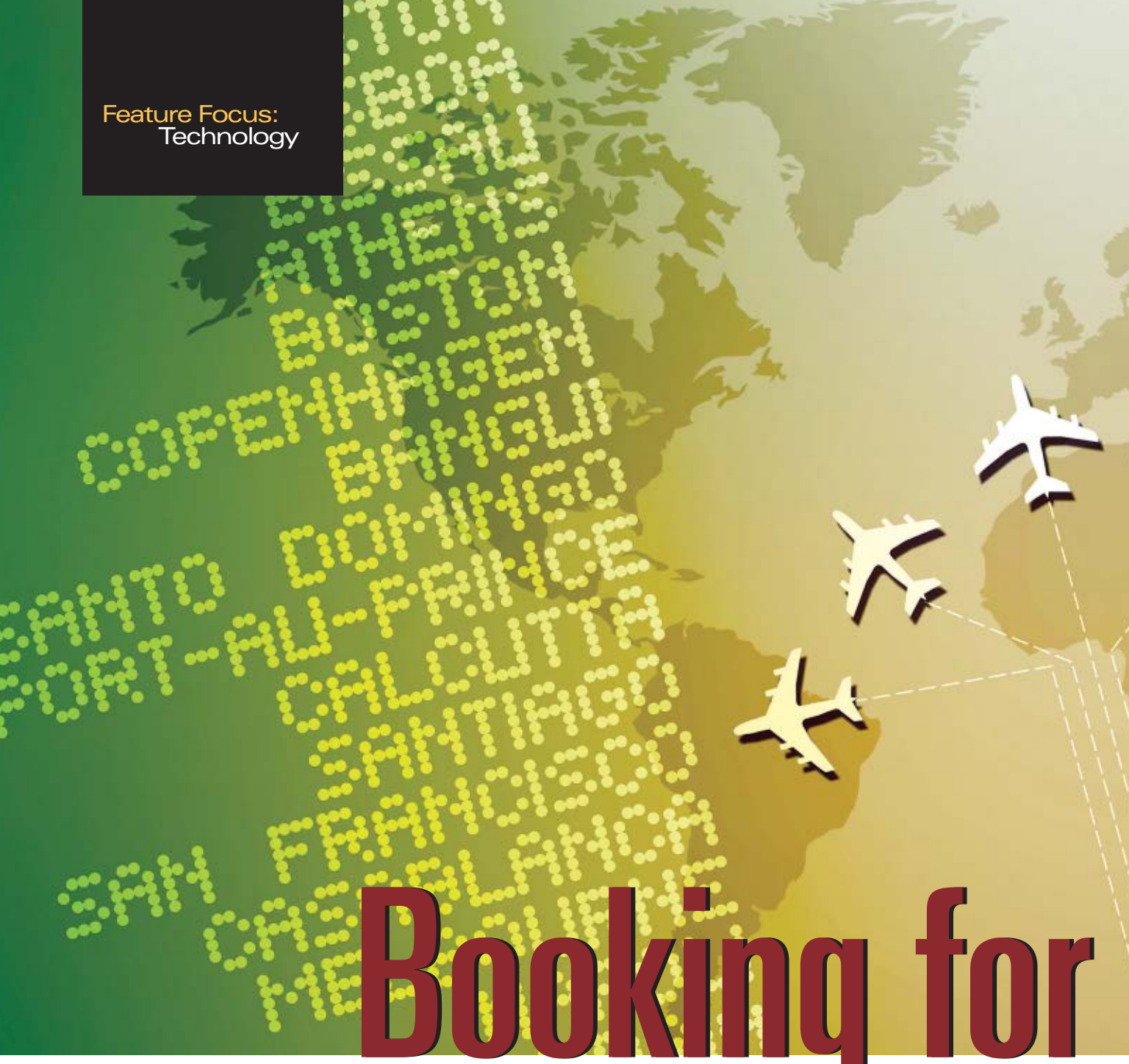
Which is why the one-million-square-foot Pacific Gateway Cargo Center is considered key to further development at Ontario. Several shippers have expressed interest in leasing space at PGCC, said Aeroterm, the center's developer and manager.

LAWA was to have decided in mid-October whether to grant Aeroterm's application to build the PGCC. With a green light, Aeroterm expected it could break ground during the first half of 2008, and have tenants by January 2009, said Aeroterm Chief Operating Officer Louis Beauchemin.

There are huge blocks of land under LAWA's control that are available for development on or near the Ontario airport. Developing Ontario provides LAX the flexibility to develop a "sensible approach" to its own capacity management issues, said Webber.

At LAX, there are tangible signs of change. In the last 10 years, LAWA replaced older cargo facilities with newer ones such as the Cargo Building A on Century Boulevard in 2000. In the late 1990s, new facilities were built for FedEx, Mercury Air Cargo and Singapore Airlines. But there hasn't been any new cargo facilities built recently because LAWA is focusing on the development of a Master Plan for LAX, which is passenger oriented, said LAWA Spokesman Tom Winfrey.

Nevertheless, said Webber, there appears to be better utilization of available land at LAX to accommodate the combination carriers, particularly. ■




# Booking for

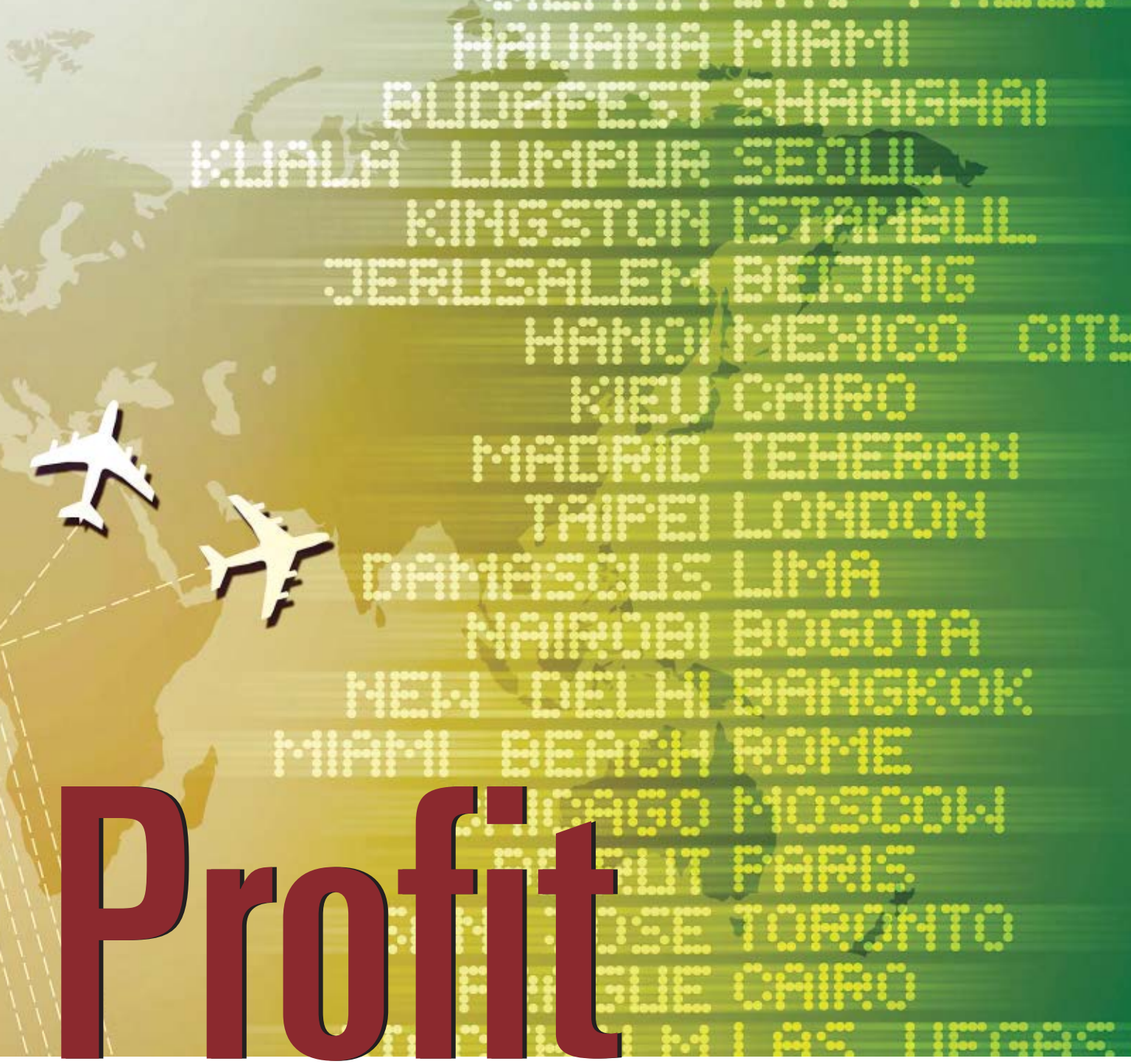
## Air cargo carriers are becoming believers

by Mike Seemuth

Southwest Airlines soon will deploy a new cargo reservation system allowing shippers to book shipments over the Internet instead of delivering their goods to a Southwest warehouse facility first.

"In today's environment, we only manifest shipments at the point of acceptance," said Wally Devereaux, Southwest's director of cargo sales. But starting next year, "you will be able to go online; it will be an option."

The new online option and more will come courtesy of Lufthansa Systems, a division of the Lufthansa Group focused on airline information technology. Its AdvancedCargo software package also is expected to make Southwest cargo routing more efficient. "Our current system today does-




# Profit

## in the earning potential of technology

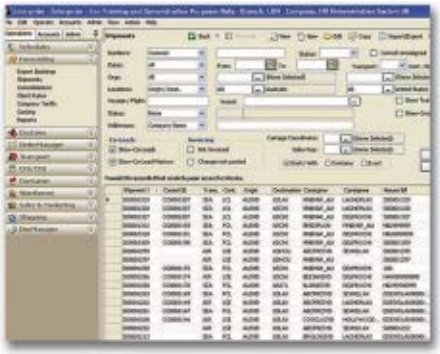
n't necessarily look for the optimal routing considering all the factors that are available like baggage loads and current freight bookings," Devereaux said.

Southwest's investment in information technology is a dollar sign of the times in the cargo industry.

Most of the large international carriers are on one of three online booking portals – Cargo Portal System, the recently sold Global Freight Exchange or Asia-focused EzyCargo – and many of those that aren't are finding it necessary to offer tools online that include online booking.

For much of the industry, booking is only part of the picture. The portals are finding keeping track of shipments beyond the booking and they're offering interactive tools that connect to carrier sites. It may not exactly be the Web-based check-in of the passenger world, but for freight shippers and forwarders, technology and shipping increasingly are part of the same picture.

Dallas-based Southwest, for one, is adding an online cargo-service booking option as part of a broader upgrade its cargo point-of-sale system to improve customer service and lower transaction costs.


When fully operational next year, the package of cargo software will provide both a self-service option for shippers who book online and also faster on-site service for shippers at Southwest cargo facilities.

"Our point-of-sale system was becoming a little outdated, and I think 'a little outdated' may be a kind way of saying it. … We had to make some significant improvements from a technology standpoint," Devereaux said.

Investments in online conveniences for shippers dominate much of the IT spending by air cargo carriers and forwarders.

"With air cargo, I think carriers want to drive up [customer] loyalty through their Web sites, build more of a relationship," said Christopher Shawdon, vice president of logistics solutions at Unisys, which provides the technology behind CPS. "It's a bit like for you and me when Amazon e-mails us and says, hey, thank you for buying this, and since you bought that, you might want to buy this."

Mergers also can influence airlines' online technology choices. The cargo side of Air France, for example, recently joined CPS to book service from carriers and track shipments online. KLM, the Dutch airline Air France merged with in 2004, has sold service since 2003 through or CPS.

Air France cargo service will continue to be booked through rival Global Freight Exchange, or GF-X, owned by Canada-based Descartes Systems Group, because GF-X reaches forwarders that CPS does not, Shawdon said.

"You need to think about different portals for different clients," he said. "Air France decided they needed to cover their entire base, and that's where CPS works well." Other carriers marketing service on CPS portal include American Airlines, Air Canada, Continental, Northwest and United, each in a drive to improve operating margins.

The self-service nature of online bookings can elevate carriers' profit margins not only by streamlining the process but also by minimizing any post-booking dispute that may arise.

"When a customer makes the choices, there's less room for dispute about, oh, I didn't say I wanted this on the phone; I wanted that," Shawdon said. This is one way "getting people to move to online services can drive up the profitability you get from a flight, and that's very interesting for carriers," he said.

Security needs also motivate carriers and forwarders to invest in electronic alternatives to traditional modes of booking and tracking service.

"The old way is a phone call to generate a manual waybill, and then you would ship that over to the shipper and they would fill out the information," said Steve Fox, vice president of product marketing in the Americas for DHL.

By sending electronic bills instead, "you're not exposing the customer's account number and all the potential fraud that could come along with that to all the parts of the supply chain, from the shipper to the receiver," Fox said.

DHL has rolled out a self-service Internet tool called Import Express Online. Users can specify all instructions for their shipments including terms of sale, pickup schedule and amount of insurance desired. Shipment status can be accessed on demand or retrieved from automatic status notifications via email.

DHL rolled out the online importing tool in the U.S. within the last two years, and, so far, the carrier has introduced Import Express Online in about 95 of the 220 countries it serves.

"It was not outsourced. It was an internally generated tool," said Fox, who previously worked for America Online as director of safety and security products.

"I know the risks in the online world," he said, " and that's the only real downside to all this convenience. If you don't take the right steps to secure the information, all the bad things happen faster along with all the good things."

UPS, meanwhile, was preparing to release an improved version of its WorldShip 9.0 self-service customer software. Version 10.0 due out in January 2008 will have a new feature allowing users to order local less-than-truckload shipping service.

Additional upgrades were made "to make it as easy as possible for a WorldShip user to switch between a ground freight shipment and an air freight shipment," said Joe Monteleone, UPS product manager for WorldShip.

Integrating version 10.0 with users' databases should be easier for small businesses that can't afford to keep a systems analyst on staff. Monteleone said the program's new prompt-driven installation wizard asks "more general questions, not techie questions: Do you want to import addresses? Yes, I want to import addresses."

Atlanta-based UPS also is deploying proven IT technology to markets abroad.

In Central America, UPS recently began equipping drivers with handheld devices called DIADs, or Delivery Information Acquisition Devices, to account for shipment activity.

The DIAD deployment "improves customer information, improves tracking, reduces errors, and reduces bad sorts. It's a tremendous benefit," said Tom O'Malley, vice president of UPS air cargo operations in Latin America.

Some air freight carriers and forwarders also are investing in their ability to fulfill the delivery requirements of retail sales online.

**Investment in technology is showing up in spending on equipment as well as IT infrastructure.**

**Consider, for example, how Continental Airlines is upgrading its ground-handling equipment for cargo.**

**Continental has been working with La Porte, Texas-based Refrigerated Container Supply to develop temperature-controlled cargo carts for ground handling.**

**"That's a new product we're going to have rolling out in 2008," said Mark Mohr, Continental's manager of cargo product development and specialty sales.**

## Cool Investment

**The new carts are expected to help the airline tighten its temperature-sensitive cargo handling chain. "The weakest link is the ramp and within the warehouses," Mohr said.**

**Refrigerated Container brings an impressive high-tech background to the table. "They've actually been commissioned by NASA and Boeing to develop containers that will store space station batteries in defined temperature ranges," Mohr said.**

**Continental also signed long-term leases this year for an undisclosed number of temperature-controlled containers from Sweden-based manufacturer Envirotainer.**

**The Envirotainer products supplemented the airline's existing supply of containers and strengthened its door-to-door cool chain service for temperature-sensitive shipments including pharmaceuticals.**

**"Primarily, this is something that is being driven by the pharmaceutical industry," Mohr said. The cool-chain service also attracts shippers of perishable fish, flowers, vegetables and fruits. ■**

For example, Illinois-based freight forwarder SEKO has upgraded an internally developed fulfillment software system sold as a private-label service to support the Web sites of such retailers as Home Depot, JC Penney, Neiman Marcus, and Wal-Mart.

Domestic deployment of the upgraded SEKO system began in early October at the forwarder's stations in Dallas, Los Angeles and Louisville, in time for the Christmas rush period. The forwarder has 47 U.S. stations.

The SEKO system integrates home delivery scheduling and routing functions and provides drivers with manifests and optimized route maps that maximize the number of right-hand turns. It also provides retail customers with Web links to track the progress of truck drivers carrying their purchases.

"Customers will be able to track that truck [driver] while he's doing his daily deliveries, and they'll be able to see where they are the next stop that day, and how far the truck is from their home," said SEKO's Chief Information Officer, Tom Madzy.

"So much more of our business today is home delivery," Madzy said.

I think a lot of forwarders are going to home delivery of heavyweight products: big screen TV sets, couches, you name it; more and more stuff is being sold over the Internet," said Madzy.

Enterprise resource planning, or ERP, software can help forwarders optimize their internal operations. ERP software often is sold as an IT asset that facilitates intra-department data sharing and efficient resource allocation.

Most forwarders in the market for such software want tried-and-true features, however, and not necessarily the latest bells and whistles, said Cris Arens, president of Chicago-based ERP software source CargoWise.

"They're looking for proven solutions. They're not looking for the latest trend anymore," Arens said. "There are just so many examples of wasted money spent in the logistics space. I think at one point there were something like 40 dot-coms that had a (venture capital) bunny behind them, and they're all gone." ■

# Building for Bangalore

By Phillip Hastings

With its growing export trade, a rapidly expanding domestic economy and an aviation regime that provides open access to freighters, India should be poised to take a major role in the global air cargo industry. Most shipping experts believe the country could take a huge leap forward over the next five years or be restricted to just a few faltering steps, missing out on much of its potential future growth.

India's exports are raising the country's cargo profile, but larger growth will only come with improved infrastructure

The key has nothing to do with the miles of technology companies in Mumbai nor the textile businesses in Delhi. For shippers and carriers, the future of the country's role in air transport depends entirely on the country's success in pushing through extensive infrastructure improvements.

Certain East Asia gateways, such as Delhi, have been hit by a downturn in outbound air cargo volume, resulting in substantial excess cargo capacity on key routes to Europe and North America and putting severe pressure on rates.

The excess capacity situation looks unlikely to go away any time soon as Indian carriers, including a newly-merged Air India/Indian Airlines group and fast-growing private operator Jet Airways, as well as foreign airlines continue to add more belly-hold and maindeck space.

Vikram Paul, Delhi-based vice president Asia Pacific air freight for forwarder UTi Worldwide , said it is generally accepted in India that all infrastructure would have to be substantially upgraded over the next few years if the country was to fully exploit its growth potential.

"If we miss that window of three to five years, then I think we could lose a huge opportunity," Paul said.

In many ways, the same is true of India's air cargo industry. "Infrastructure-wise, there are still a lot of weaknesses here in terms of airport handling performance, a general lack of facilities, the need to further upgrade EDI links with customs," said Paul. "So, yes, I would say the air cargo sector, too, has five years to get its act together or risk missing out on a much bigger future."

One way the Indian government wants to upgrade the country's overall air transport sector is to privatise the management of several leading airports previously operated by Airports Authority of India.

In Delhi, for example, Indira Gandhi International Airport is now run by a public private partnership called Delhi International Airports, or DIAL. It is led by Indian infrastructure organization GMR Group, which has a 50.1 percent stake to AAI's with 26 percent ownership. Other investors include: German airport management group Fraport, 10 percent; Malaysian airport operator Eraman Malaysia, 10 percent; and India Development Fund, 3.9 percent.

DIAL has a mandate to modernize that gateway in time for Delhi to host the Commonwealth Games athletics event in 2010.

DIAL recently reported several major development projects at Delhi were currently on schedule for completion by mid-2008. The projects include a third runway, which is expected to be complete before the opening of a new international and domestic terminal in 2010.

Significant developments are planned on the freight side of the airport's operations, where total annual throughput is projected to in-

crease from a current 420,000 tonnes to about 540,000 tonnes by 2010, and on up to 980,000 tonnes by 2017 and more than two million tonnes by 2026.

At present, all international air freight at Delhi is handled by GMR Group through a 229,658-square-foot terminal. The Indian air transport industry has been expecting an official invitation to offer space for an additional freight handling operation.

Sudhir Mathur, DIAL's chief commercial officer, said the aim was to attract "another cargo handler, one with global experience, to run its own facility."

There was space for a terminal building of between 65,216 square feet to 82,000 square feet, with more land available on the other side of the road for processing activities.

"It will be very basic but we would like it to be built as soon as possible," said Mathur.

Mathur said DIAL was also planning to develop a cargo village on land to the south of the existing freight terminal for warehousing for forwarders and other logistics service providers. "We hope to get the go-ahead to start work by the end of this year," he said.

While welcoming such developments, Indian air cargo industry executives argue that other new innovations are also urgently needed.

In particular, the industry is pushing for the development of off-airport handling services to speed up the throughput of international traffic, both at Delhi and other leading gateways. This would allow export shipments to be delivered to airports in pre-loaded pallets, while import pallets could go directly to customs warehouses or consignees.

Rajendra Varma, regional operations and quality manager for Air France Cargo-KLM Cargo, said there have been some movements of shipper-built export pallets out of Delhi on a "piecemeal basis."

Potentially more significant, however, was the establishment in Chennai earlier this year of the first, and to date only, permanent off-airport station for handling air cargo import traffic. That, said Varma, had involved allowing an inland sea freight station to additionally handle air freight imports.

Now, said Varma, talks were continuing between the Air Cargo Agents Association of India, the Board of Airlines Representatives and Indian customs about the wider development of off-airport handling for both export and import air cargo at other major Indian gateways.

Another key issue requiring attention is the performance of the EDI system linking that sector with the country's customs authority. Airlines and forwarders complain the system is often not working.

Jean-Pascal Cetran, Air France-KLM's cargo director for India, Nepal and Bhutan, said development of EDI clearance was generally moving in the right direction "despite a few hiccups from time to time," but further enhancements were needed.

Forwarders are less sanguine. "The present system is suffering from a lack of updating over the last three years," said UTi's Paul. "The quick fixes are not going to cost that much but it is a question of how you approach the government and customs to get the right responses from them."

Meanwhile, forwarders and airlines are dealing with an unexpected problem with the country's seemingly unassailable export economy.

The Indian rupee has appreciated about 10 percent against the U.S. dollar since the middle of 2006, which has made some of India's traditional flown exports, such as garments, less competitive in U.S. and other world markets. Predictably, this development has led to substantial excess cargo capacity out of some Indian gateways, pushing freight-hungry airlines to push rates down.

"We are being offered rates as low as 20 cents a kilo out of Delhi, which is more than 30 percent down on typical prices in 2005 when the market was stronger," said Sanjay Verma, the locally-based air freight director for international forwarder Geodis Overseas.

While airlines hope 2008 will see some recovery in Indian exports, any such boost could be largely negated by a continuing increase in available capacity as both Indian and foreign airlines continue to expand their services.

National carrier Air India, which recently merged with domestic operator Indian Airlines, publicly stated this year it plans to become more active in international cargo.

The airline launched its first freighter service to Europe at the end of June and now is using converted A310 all-cargo aircraft to link the Indian gateways of Bangalore and Chennai with Frankfurt and Paris, via the Middle East Gulf, four times a week. Air India plans to develop a substantial freighter fleet, initially comprising of converted A310s and 737s, but subsequently also including some longer-haul 747 freighters operated under the name Air India Cargo.

India's largest private airline, Jet

Airways, too is targeting cargo as a key business growth sector and has talked about soon acquiring freighter equipment. Right now, the focus is on exploiting the belly capacity on its fast-expanding international passenger service network.

In early September, the airline introduced a five- times- a-week A330-200 service between Delhi and Toronto, via Brussels. Other international points already served by Jet, which currently has a fleet of 66 aircraft including five 777-300 extended range, include Newark, London Heathrow, Singapore, Kuala Lumpur, Colombo in Sri Lanka, Bangkok and Kathmandu, Nepal.

Foreign carriers, too, are enhancing their Indian networks and capacity, with Middle East carriers particularly prominent in the build up.

Examples include Dubai-based Emirates, which was due to add a ninth Indian point, Ahmedabad, to its network last month with a six times a week combination service using the A330-200s. Qatar Airways boosted its Indian coverage to seven cities at the end of September with twice-weekly A320 flights to Nagpur from its home hub in Doha. Qatar plans to follow that up with new services to Ahmedabad in December.

Abu-Dhabi-based Etihad Airways, which flies to Mumbai, New Delhi, Trivandrum and Cochin, recently revealed plans to increase frequencies on existing Indian routes and potentially add up to eight more points in that country.

All three Gulf regional carriers also already operate regular A300 or A310 freighter services to and from various Indian sub-continent points.

Meanwhile, AF-KLM Cargo is due to replace the 747-200 freighter used on services to Europe out of Delhi, Chennai and Bangalore with newer 747-400 extended range freighters.

"The main significance is that the 747-400ERFs will give us a steady payload of 100 tonnes, whereas in the hot temperatures of the Indian summer, the payload on the older aircraft could sometimes be 20 tonnes less," said Cetran. ■

Feature Focus:
Freighter Conversion

# Medium Grows Hot

by Douglas W. Nelms

# The largest growth in the freighter market is coming in the mid-sized aircraft market

**Airbus and Boeing are leaping with both feet into the rapidly growing mid-sized widebody freighter market, but they are taking slightly different routes. Airbus is offering the new, purpose-built A330-200 freighter while Boeing is offering a freighter edition of its somewhat older 767-300. Both are offering conversions at the same time.**

**But even though both also are offering conversions for two of their older passenger widebodies, Airbus is using entirely in-house conversion for the A300 and A310 while Boeing out-sources conversion options for its older 767-200s and -300s using a variety of programs.**

The expansion of freighter programs is based on the expectation that the air cargo market will triple over the next 20 years, with the biggest growth in the mid-sized freighter category. Freighters with payload of roughly 50 to 70 tonnes will account for 1,603 out of the 3,580 new aircraft required, Airbus says in its forecast, with the integrated express carriers making up the largest part of the market.

Virtually all of these mid-sized freighters will be either Boeing derivatives — the 767-300, 767-200 and 767-300 converted freighter — or Airbus A300-600, A310-300 and A330-200 freighters.

These will replace the aging DC-8s and DC-10s that fill out freighter fleets below the large widebody category. The MD-11 freighter also is starting to show its age, say aircraft experts, although the replacement aircraft for that larger and newer aircraft is more likely to be Boeing's 777 freighter.

To some extent, they will also be replacing the Ilyushin IL-76, which is now prohibited from flying into many airports. However, they probably will not be able to replace the IL-76 special outsized cargo capabilities, something freight forwarders would like to see.

"There is going to be a need to replace the outsized aircraft such as the IL-76 and AN-124s," said Brandon Fried, executive director of the U.S. Airforwarders Association. "The IL-76s can't come into the U.S., and often time the cargo doesn't require the huge 124s. So we'll need smaller aircraft with bigger doors. That's a big issue. For the new freighters coming out, the 767s, 777s and A330s, the bigger the door, the better. There is so much odd-sized freight out there."

Some IL-76s are being upgraded into the IL-76TD-90VD through the replacement of the original Soloviev D-30KP turbofan engines rated at 26,500-pound thrust with Aviadvigatel PS-90A engines, rated at 35,300-pound thrust. The Volga-Dnepr Group announced at the Paris Air Show in June it had signed a general agreement for three of the converted freighters. Delivery of the first aircraft will be within 15 months of the final signing.

Three IL-76 airframes at the Chkalov Tashkent Aircraft Production Company have been reserved for conversion. Options were also placed on 10 additional IL-76TD-90VDs for the future.

Volga-Dnepr said at the show their market research suggested a potential need for 15 to 20 additional 50-tonne payload aircraft by 2015. However, many in the cargo industry are concerned about whether there is a realistic return on investment from putting

> **Boeing has been working in the cargo market for a long time.** Airbus is young in the market, so we are developing a family (of freighters) to catch up.

expensive new engines on the IL-76's 35-year-old airframe. The IL-76 first flew in 1971.

Of the mid-sized freighters that will be filling the air cargo need for the next 20 years, only the Airbus A330-200 and Boeing 767-300 will be built straight off the assembly line as cargo aircraft.

Airbus launched the A330-200 freighter program in January and the plane is to enter service in late 2009. The 767-300 freighter launched in 1993.

The only other Airbus aircraft in the mid-sized category is the A300/A310 family; 813 of those were built and 180 have been converted to freighters. Conversion of the A300/310s is done at the EADS Elbe Flugzeugwerke facility in Dresden. The line is set up to complete 20 conversions a year, with three slots for 2007 still available as of the end of May.

But Airbus ceased production of the A300/A310 family this year to turn its attention to the newer plane.

The A330-200 freighter is Airbus's attempt to catch up to Boeing in the freighter market, competing directly against the 767-300 freighter, according to Estelle Dumoulin, senior marketing analyst in the long-range marketing group of Airbus.

"Boeing has been working in the cargo market for a long time. Airbus is young in the market, so we are developing a family (of freighters) to catch up. With the good commercial results of the A330-200F so far, we are confident that we can achieve that," she said.

Boeing says its aircraft account for 80 to 90 percent of the global freighter market, and 25 to 35 percent of those planes were built off the assembly line as freighters.

Orders placed at the Paris Air Show brought the total order book for the A330-200 freighter to 66 aircraft — 64 firm orders plus two options — from seven customers, four of them leasing companies.

The A330-200 freighter is truly a new technology aircraft, requiring less maintenance with greater economy and a higher daily utilization from greater reliability, Dumoulin said.

Boeing's purpose-built mid-sized 767-300 freighter is a derivative of the 767-300 extended-range passenger airliner. As such, the freighter is often referred to either as the 767-300ERF or the -300F, although it is the same aircraft.

The freighter was launched in January 1993 and entered service with UPS in October 1995. As of mid-June, Boeing had built a total of 668 767-300s, including 46 freighters. The order book for the freighter stands at 83, including orders for 33 aircraft taken just in the first half of 2007, Boeing says.

Jim Edgar, Boeing's regional director of cargo marketing, says the versatility of the 767-300 freighter is "invaluable in successfully serving the diverse needs of the regional and thinner intercontinental markets." As a mid-sized freighter, "It is a logical complement to the industry's only complete freighter family and contributes significantly to the more than 90 percent of the world's freighter capacity that is provided by the Boeing freighter family," he said.

Boeing also has conversion programs for older passenger 767s, as well as for turning the few remaining MD-11s into what Boeing calls the MD-11BCF. However, with a 100-ton payload, the converted freighter is really just outside the mid-sized category. Boeing also noted as of the end of 2008, there will be only 22 out of 141 passenger MD-11s built that have not already been converted.

The MD-11 freighter will be replaced by the 115-ton payload 777 freighter, which was launched in May 2005 and should enter service late next year. An announcement at the Paris Air Show for six additional 777 freighters for GE Commercial Aviation Services pushed the 777 freighter order book to 78.

There is no conversion program for the passenger 777 since the aircraft is still too new to be considered a candidate for conversion. Typically, widebody aircraft become likely conversion candidates 15 to 20 years into passenger service.

The 767-400 is the only other mid-sized widebody candidate for conversion to freighters, although Boeing said with only 38 produced, it isn't viable for a conversion program.

The 767-300 is one of Boeing's

newest conversion programs, launched in October 2005 with All Nippon Airways as the first customer. The 767-300 converted freighter will have virtually the same cargo capability as the 767-300 factory-built freighter, with about 52 tonnes of structural payload at a range of approximately 3,100 nautical miles at 412,000 pounds maximum takeoff weight.

Under the Boeing Converted Freighter program, Boeing is totally responsible for all modification designs, management, certification and after-delivery service.

Boeing also manages the modification centers that actually perform the touch labor.

The 767-300 conversion modification centers are Singapore Technologies Aerospace in Singapore and Alenia Aeronavali in Italy. It takes about 120 days to convert the plane to a freighter, and the plane can carry 24 88-by-125 inch pallets on the main deck plus 14 LD-2 containers and four 96-by-125 inch pallets on the lower deck.

There are two 767-200 "special freighter" programs available.

Aeronavali has a license from Boeing to convert 767-200 planes to cargo configuration. Israel Aircraft Industries' Bedek Aviation Group began a conversion program in late 2001, designated the 767-200BDSF. It initially converted nine 767-200s for Airborne Express without a main deck cargo door. It then obtained supplemental type certificates in the United States, Europe and Israel for conversion with a maindeck cargo door.

The company has converted 29 767-200s for ABX and GECAS, with the GECAS aircraft flying for Tampa Airlines in Colombia and Star Air in Europe. Hadassah Paz, a spokesman for Bedek Group, said the company has "quite a number of firm orders and options for the 767-200 conversion, (but) because the passenger segment is booming, customers currently have difficulties getting feed stock." Conversion is done in Israel and Brazil.

Paz also said Bedek has launched a 767-300 conversion program under a 50/50 partnership with Mitsui. These will be converted through the establishment of the M&B Conversion Company in Dublin.

The first 767-200 freighter conversion under the Boeing approved service bulletin was nearing completion at Aeronavali's Venice facility for flight this fall, according to Giuseppe Gambino, Aeronavali's sales manager. Boeing will perform all the certification test flying, Gambino said. The company has firm orders for five conversions, including the test aircraft once certification is completed. Options on another five conversions have also been placed, and Aeronavali "is in serious discussions" with several other possible customers, Gambino said.

Cargo conversion of the 767-200 takes about four-and-a-half months and costs roughly $12.5 million, he said. However, Air Cargo Management Group put the cost of the 767-200 converted freighter at $9 million to $10 million and conversion of the A300-600 or A310-300 at $8.5 million to $9.5 million.

Total cost of conversion obviously depends on numerous factors, including the cost of the airframe plus engines and avionics. And while it used to be that a general rule of thumb was that the low initial cost could overcome the longer term higher cost of maintenance and fuel, that rule could be changing.

Fried noted as jet fuel moves closer to $4 a gallon, "there is a compelling argument to purchase one of those (newer) aircraft. I've heard that there is a 25 percent efficiency of the newer aircraft over the planes that are out there now." ■

# People

## Airlines

**Atlas Air Worldwide Holdings**: The parent of freighter operators Atlas Air and Polar Air Cargo appointed **Jason Grant** senior vice president and chief financial officer. He succeeds **Michael Barna**, who resigned to pursue other interests. Grant, 35, had been senior vice president for network planning and business development. He has held various positions since joining AAWH in 2002 from American Airlines, where he was manager of financial planning and financial analysis.

**Korean Air**: The airline named **James Jin-Ho Yoon** regional general manager for passenger and cargo sales in Hong Kong and Macau. Yoon started at Korean Air in 1989 as a freighter load controller. He later held several positions in cargo at the Seoul headquarters.

**Martinair**: Martinair Cargo and Tampa Cargo named **Daniel Baquerizo** general manager for the Miami hub for both carriers. A 30-year cargo industry veteran was most recently regional cargo director for Florida West International. He held positions before that with American Airlines, Mercury Air Group, Diamond Air Freight, Estafeta and Custom Air Transport. Martinair also named **Tanny Kwok** sales manager for Northern China, based in Tianjin. He replaces **Ming Cheung**, who retired. Kwok, 51, has been in forwarding for more than 30 years, starting with Kintetsu World Express. He also held senior positions with forwarders including ABX Logistics and Scan Logistics.

**British Airways**: BA World Cargo appointed **Gurmeet Kalra** commercial manager for Hong Kong, Taiwan and the Philippines. Kalra has been with BAWC since 1992, working in a variety of positions in India and the United Arab Emirates. He was the senior customer service executive and passenger traffic executive at Abu Dhabi airport.


Saif

**Emirates**: The Dubai-based airline named **Jassim Saif** cargo vice president for the United Arab Emirates, a new position aimed at increasing customer service through the regional Gulf Cooperation Council. Saif is a 20-year cargo industry veteran who had been Emirates' cargo manager for the UAE.

**AirNet Systems**: The Ohio-based regional cargo airline named former American Airlines executive **Thomas Kiernan** and economist **Robert Milbourne** to its board of directors. Kiernan, a management consultant since 2001, was with American and its parent AMR for 33 years and held positions including senior vice president of corporate services and president of Sabre Computer Services. Milbourne is president and chief executive officer of The Columbus Partnership, a civic group. He was budget director for the state of Wisconsin and a vice president and economist for Kohler, the plumbing products manufacturer.

## Integrators

**DHL**: The carrier named **Dan McHugh** chief executive officer for the Asia-Pacific region, a position that includes chairmanship of the DHL Express Asia-Pacific Management Board. He replaces **Scott Price**, who was named CEO of DHL Express for Europe earlier this year. McHugh, a longtime senior executive at APL and before that at Sea-Land, had been commercial senior vice president at DHL Express Asia-Pacific since April 2005. DHL Express also named **Shoeib Reza Choudhury** chief financial officer for DHL Express Singapore, succeeding **Dennis Tan**, who took a position at DHL's corporate headquarters in Germany. Shoeib, who joined DHL in 2000, was previously Asia Pacific vice president for business controlling and worked on the design and implementation of costing and yield management processes in DHL Asia Pacific.


McHugh

**FedEx**: The board of FedEx Corp., parent of FedEx Express, Memphis, elected **Gary W. Loveman**, chairman, president and chief executive of Harrah's Entertainment to its board of directors. The FedEx board named the head of the casino business to its audit committee and its information technology committee. Loveman joined Harrah's in 1998 from the Harvard University Graduate School of Business Administration, where he was an associate professor.

**UPS**: The company named **Bill Hook** vice president of healthcare logistics, a new position overseeing a new enterprise team focused on global healthcare logistics. A 20-year veteran of the healthcare industry, Hook was president of Livingston Healthcare Services when UPS acquired the company in 2000. He earlier was president and chief operating officer of Medigas. UPS named **Angela L. Watson** to succeed him as vice president of healthcare strategic accounts.

**DHL**: DHL Express made several appointments in India as it organized a South Asia division within its Asia-Pa-

# People

cific operations. The carrier named **Devdip Purkayhasta** vice president of strategic planning and business development for South Asia, Ryan Dsouza national sales manager and **Sandeep Juneja** a national manager for India.

## Third Parties

**Agility**: The forwarder named **Thomas J. Griffin** president and chief executive officer of Agility Project Logistics, the business unit focused on project cargo and the oil and gas sectors. The 10-year company veteran replaces Gregory Rusovich, who is leaving to focus on recovery efforts in New Orleans, his home town. Griffin is a 35-year industry veteran who had been senior vice president of the Houston-based business unit.


Barton

**Aeronet**: The California-based logistics concern named **Heather Barton** regional vice president for the U.S. Western region, including Seattle, Dallas, Las Vegas, Phoenix and Nashville. Barton joined Aeronet in 2004 as vice president of strategic business development. Aeronet also named **Richard Izykowski** manager of ground services. The 25-year industry veteran joined Aeronet in 2003 and had been operations manager.

**Phoenix International Freight**: The Illinois-based forwarder promoted **Emil Ray Sanchez** to chief financial officer. Sanchez, formerly vice president of finance, began his career with Phoenix in 1989 as a messenger. The company also created a regional management structure and named **Matt McInerney**, formerly Phoenix's New York/New Jersey general manager, to regional manager for the Northeastern region. Phoenix also promoted **Raj Dias** from regional director for the Indian subcontinent to vice president for South Asia.

**Lynden International**: The forwarder promoted **Steve Tofts** to director of international services. Tofts has been with Lynden for three years as director of business development for the Americas division.

**TwoWay**: The British forwarding division of Jordan-based Aramex named **Joen Groenewoud** sales director in Los Angeles.

**Trans Global Logistics**: The Hong Kong-based forwarder named **Arun Seth** regional director for the Indian sub-continent. Seth had been country manager for India. Malik Nalir was named regional sales director for the Indian sub-continent from his post as general manager for TGL in Sri Lanka.

**DGX**: The forwarder named **Julie Choi** regional director for the Northeast United States, based in New York. The 25-year logistics veteran started her career in Hong Kong at a major trading house. She later worked for German forwarder Rohlick & Co. in New York and ran her own forwarding business, Total Service Overseas, before joining DHX-Dependable Hawaiian Express.

**Dove Logistics**: The Grapevine, Texas-based company named **Chad Hughes** manager of business development. Hughes is the former vice president of sales for T.D. Rowe, a supplier of coin operated games, and was district manager for ARAMARK Uniform Services in Nashville.

**Panalpina**: The Switzerland-based forwarder named **Alastair Robertson** head of human resources. Robertson, 46, had been with Swedish packaging firm Tetra Pak for 10 years in posts around the world, most recently with global responsibility.

## Ground Handling


Chun

**Envirotainer**: The Sweden-based manufacturer of temperature-controlled containers named **Martin Peter** vice president of sales, based in Zurich. Peter had been director of business development and marketing at the company since 2002. He worked earlier at an international consultancy specializing in product differentiation in transportation.

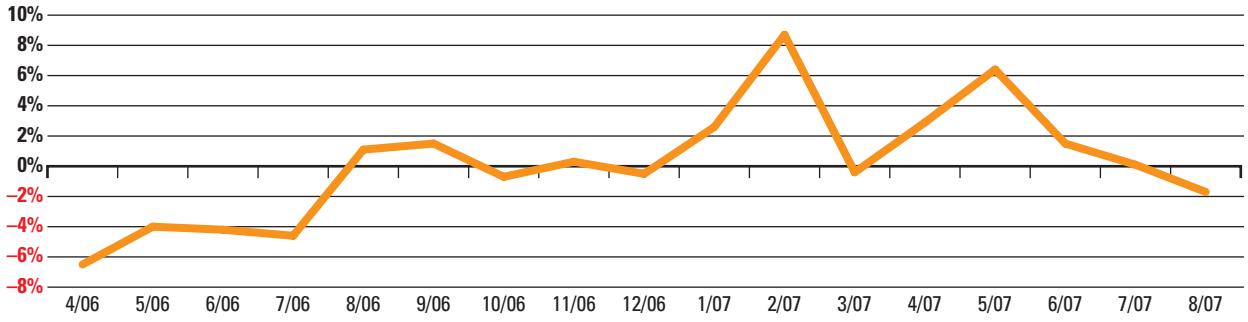
**AAT**: The Hong Kong Trade Development Council named **Stewart Chun** of Asia Airfreight Terminals its "young logistician of the year." Chun has been with the airport handler for 10 years, helping AAT achieve quality accreditation and working on development of industry-wide operating systems, procedures and service standards. ■

## Advertiser Index

# the AirCargo Bottom Line

## Sliced Apple

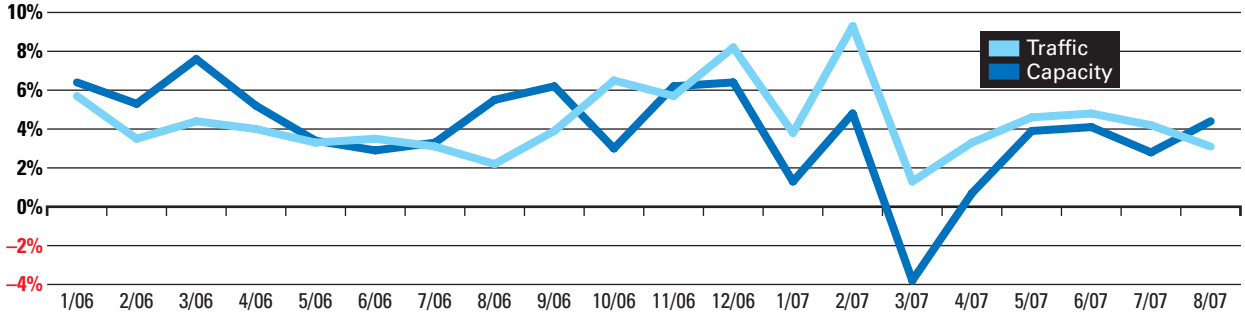
**Monthly year-over-year percent change in freight traffic at New York Kennedy International Airport.**




Source: Port Authority of New York & New Jersey

## Carrying Asia

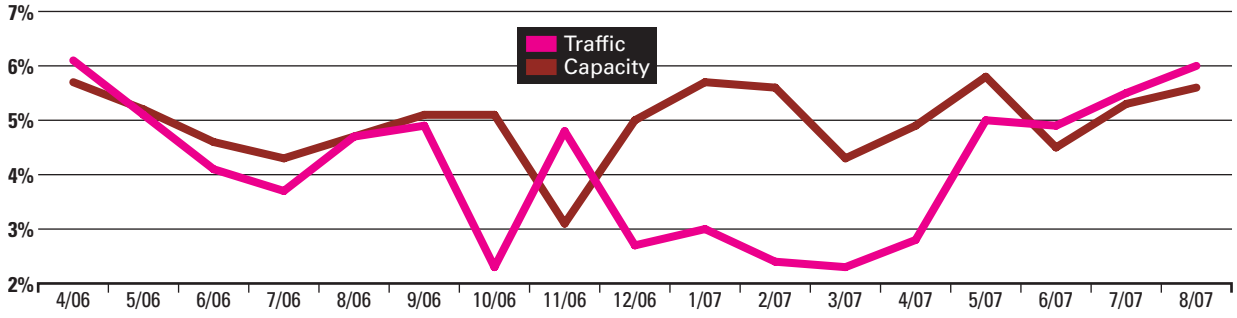
**Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.**




Source: Association of Asia Pacific Airlines

## Carrying International

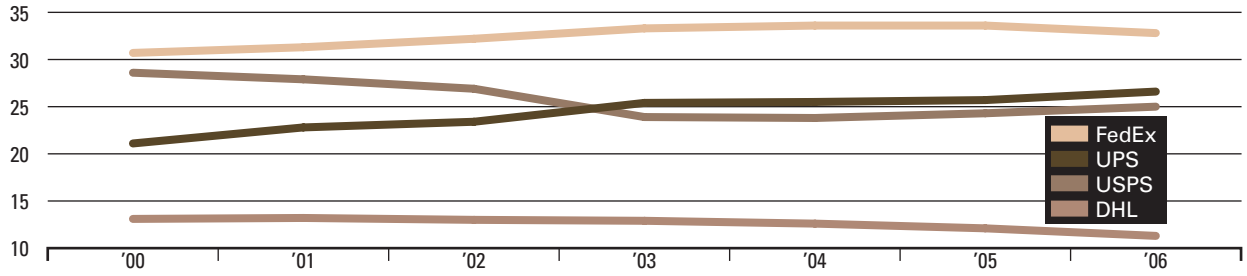
**Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide, in freight tonne-kilometers and available tonne-kilometers.**




Source: International Air Transport Association

## Shared Express

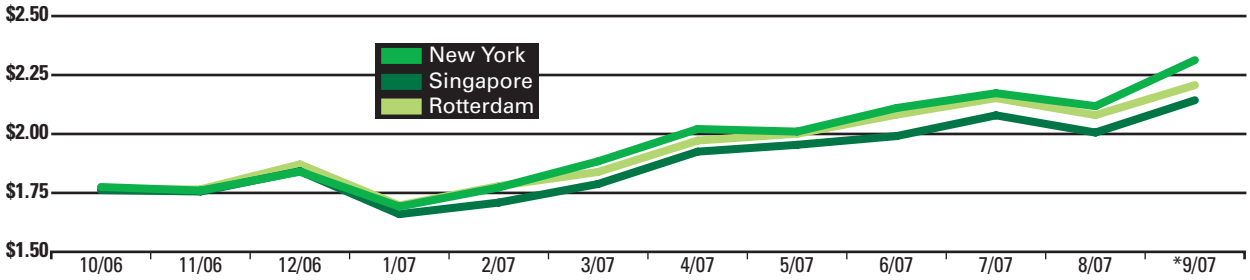
**Annual market share for U.S. air express volume.**




Source: Bear Stearns Equity Research

## Pump Price

**Average monthly jet fuel prices in New York, Singapore and Rotterdam over past year.**

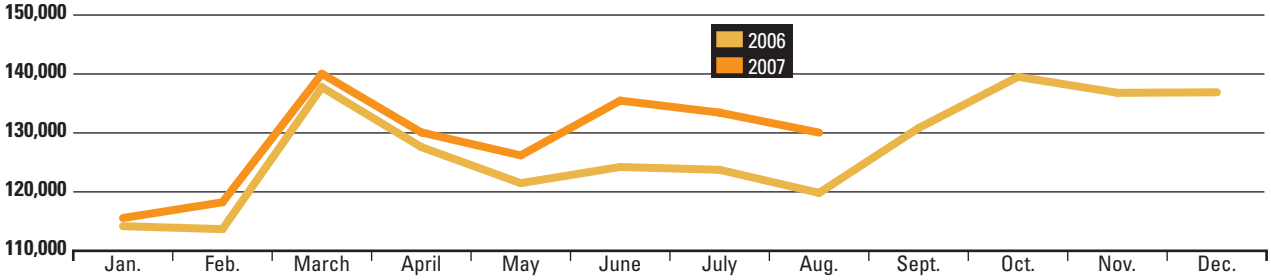



* through Sept. 21

Source: U,S. Energy Information Administration

## Dutch Treat

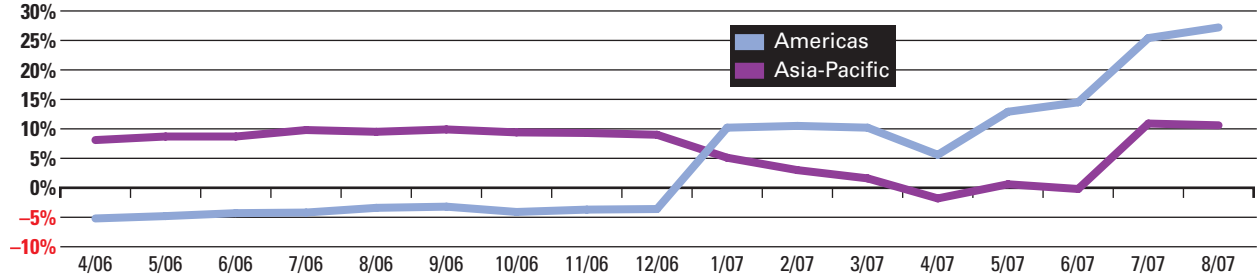
**Monthly freight tonnage at Amsterdam Airport Schiphol over the past year.**




Source: Schiphol Group

## Luft Balloon

**Monthly year-over-year percent change in freight traffic at Lufthansa in the Americas and the Asia-Pacific**




Source: Company reports

# Events

## Dec. 4-5

**Zurich: Managing Airline Operating Costs Conference**, at the Renaissance Zurich, the fourth annual eAviation Industry Group event includes fleet planning, financing aircraft and leasing economics. For information, call +44 207 828 4376 or e-mail: *alicem@aviation-industry.com*

## Dec. 4-7

**Hanoi: Vietnam Aviation Conference**, taking place with the Vietnam Logistics & Transport Conference at the Hanoi's Friendship Cultural Centre, an event focused on the shipping economy and cutting across modes. For information, call +852 (2) 2511 7427 or e-mail: *wcp@cpexhibition.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.*

## Jan. 30-31

**London: Cargo Aircraft & Operations Conference,** the sixth annual edition of the Aviation Industry Group event looks at conversions, environmental pressures, cargo airports and other freighter targets. For information, call +44 207 828 4376 or e-mail: *alicem@aviation-industry.com.*

## Feb. 12-14

**Bahrain: World Air Cargo Event**, at the Bahrain International Exhibition Centre, the annual tabmag event includes a conference and exhibit hall. For information, call +44 1784 255000 or e-mail: *p.cooper@aircargonews.net.*

## Feb. 25-26

**Puerta Vallarta, Mexico: World Mail and Express Americas**, at the Sheraton Buganvillas, the Triangle Management event hits the beach. For information, call +44 870 950 7900 or visit: *www.triangle.eu.com.*

## March 2-6

**Rome: IATA World Air Cargo Symposium**, at the Marriott Park Centre, the sprawling event is becoming the premiere annual event in the air freight world, with speakers including DHL's John Allen, Lufthansa's Carsten Spohr and others across nearly a full week of industry immersion. For information, call (514) 874-0202 or visit: *www.iata.org/events.*

## March 16-18

**Orlando, Fla.: AirCargo 2008**, at the Omni ChampionsGate, the annual three-sided meeting of the U.S. Air Forwarders Association, the Air and Expedited Motor Carriers Association and the Express Delivery Association. For information, call (703) 361-5208 or visit: *www.airforwarders.org.*

## May 4-6

**Palm Beach Gardens, Fla., CNS Partnership 2008**, at the PGA National Resort & Spa, the annual Cargo Network Services meeting is a must for the international air freight business in North America. For information, call (516) 747-3312 or visit: *www.cnsc.net.*

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

## May 12-14

**Copenhagen: International Air Cargo Association Executive Conference and Annual General Meeting**, a smaller, focused version of the larger TIACA Air Cargo Forum, the event looks at environmental issues, express competition and ocean inroads. For information, call (786) 265-7011 or visit: *www.tiaca.org.*

## June 17-19

**Shanghai: transport logistic China**, at the Shanghai New International Expo Centre, the Munich International Trade Group event includes a discussion forum and a sprawling exhibition. For information, call +49 89 949-20 245 or visit: *www.transportlogistic-china.com*

## Sept. 23-26

**Vancouver, B.C.: FIATA World Congress**, at the Convention and Exhibition Centre, the annual meeting of regional freight forwarders. For information, call +41 22 33 99 586 or visit: *www.fiata20087.com.*

## Nov. 4-6

**Kuala Lumpur: International Air Cargo Forum**, with an exhibit and conference, the bi-annual event is the air cargo industry's sprawling global meeting and stops this time in Malaysia. For information, For information, call +49 89 949-20 245 or *visit: www.tiaca.org/2008.* ■

# THE MOST ÎŇŢĖŘŃÅŦĮÖÑÀŁ DESTINATIONS OF ANY U.S. AIRLINE.

## Mumbai boosted to daily service Oct. 22.

The inauguration of 777 service between our New York area hub, Newark Liberty International Airport, and Mumbai in October links the world's financial center with India's commercial and entertainment capital. Mumbai is the 30th city in Continental's transatlantic network. So does that mean your world is getting bigger or smaller? Maybe we should just say closer and call it even. For more information or to book a shipment, contact your Continental Airlines Cargo sales manager or visit cocargo.com.

*Some service operated by regional carriers d/b/a Continental Express and Continental Connection.

Continental Airlines
Cargo

Work Hard.
Fly Right.®