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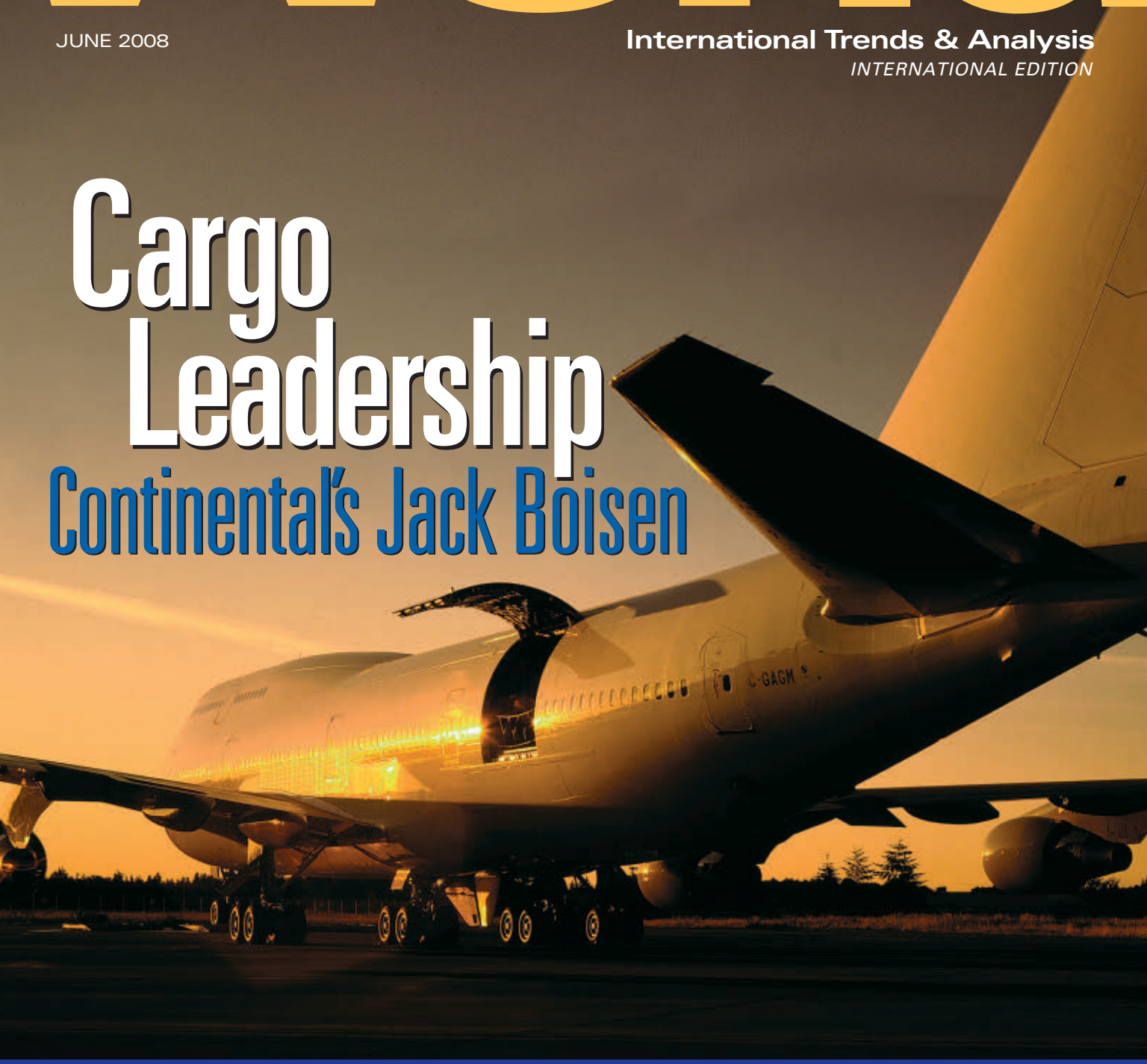

Cargo Leadership

Continental's Jack Boisen

Baltics • Cargo Conversions • Military Lift

Air Cargo World

INTERNATIONAL EDITION

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Editor's Note

Pure Fiction

There are a few times when the United States Congress is off its game. One is before the summer recess when lawmakers rush proposed laws to the floor without fully vetting their value. The other occurs during an election year when little gets done, but plenty gets debated. That seems to be the case in the recent and second shutdown in the Senate of legislation authorizing funding for the Federal Aviation Administration.

The most galling part is not that the Democrats wanted to add billions of dollars in unrelated funding to shore up the Highway Trust Fund, offer tax credit bonds for railroad infrastructure and fund a "train to nowhere" in New York as well as allow the air traffic controllers union to use this bill as a mechanism to re-open contract negotiations with FAA. Or that the Senate Republicans wouldn't seriously consider a passenger rights provision. More troubling is that both sides knew from the outset this bill was going nowhere. And all the members had to do was to play their role convincingly to their constituents that they cared, that their motives were pure, even if their political opposites were not. This was congressional theatre at its worst. Even the Senate leaders could be accused of bad acting.

Senate Majority Leader Harry Reid accused Republicans of obstructionism for limiting debate on another version of the bill containing the passenger rights provision, while Republican Leader Mitch McConnell said the bill "was on a fast track to passage" were it not for the pork- barrel antics of Democrats. No one really believed McConnell's rosy assessment, but congressional observers agreed both sides really wanted this reauthorization bill grounded until the next administration came to power.

Sen. Jay Rockefeller, D-W.Va., chairman of the Senate Commerce Aviation Subcommittee, seemed to apologize for his colleagues not seizing this "golden opportunity to chart a new course for aviation in this country." Others were surprised at the partisan tone of the whole process.

The impact on the Federal Aviation Administration of the Senate shutting down funding authorization will be subtle. FAA's NextGen air traffic control technology will go forward, as will the wider use of ADS-B, technology. But sidetracking the appropriations bill indefinitely limits FAA's ability to plan for the future, and increase funding for a particular program. And that is bad for everyone, including air cargo.

Congress must now pass another continuing resolution by the end of June or FAA will be forced by law to send out "warn" letters (pink slips) to every agency employee. It's likely Congress will authorize FAA funding for six months or nine months, just long enough for the next occupants of the White House to set up shop. But don't expect this particular bill to ever again reach the big stage.

Robert W. Moorman

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International Trends & Analysis

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News Updates

Traffic Hardly Gassed Up

Air freight traffic around the world took a turn downward at the end of the first quarter and there were signs the business wasn't so much drying up as going over to water. Several logistics operators, including Panalpina, reported sharp growth in ocean volume well ahead of air business, and the rapid acceleration in jet fuel prices raised more concerns that more trade would shift from airports to seaports.

The price of jet fuel reached $3.995 a gallon in Rotterdam by mid-May, an increase of more than 10 percent over the average price in April and within sight of doubling the price in Europe just one year ago.

In a warning on its earnings in its fiscal fourth quarter, FedEx said its fuel spending was 7 percent, or $100 million, beyond its earlier projections. British Airways said it had budgeted $900 million for fuel this year but now expects to spend closer to $1.6 billion.

David Shepherd, BA World Cargo's senior vice president for Europe and the Americas, said with oil prices on a new surge the possibility the price would reach $150 a barrel later this year is "living larger in the headlights."

The rising fuel prices came as a small recovery in air freight traffic in recent months slowed down.

U.S. domestic air cargo traffic took a sudden, steep turn downward in March, falling 5.5 percent, the largest decline in the business in nearly four years, according to the Air Transport Association. Overall cargo traffic for U.S. carriers fell 1 percent in March, the first decline since last June. International cargo edged up 2.7 percent, a figure that included just a 0.5 percent increase over last year in Atlantic air trade, the worst showing in that market since May 2005.

Cargo traffic growth for European airlines also slowed down sharply in March, expanding only 1.5 percent.

The increase reported by the Association of European Airlines was the lightest expansion in eight months and a sharp pullback from the 7.2 percent gain European carriers showed in February.

Air trade in March with Asia — the largest market for European carriers — was flat with the same month a year ago.

Globally, freight traffic grew 4.4 percent in the first quarter and 3.3 percent in March, according to the International Air Transport Association. But the March growth came on a 4.2 percent increase in capacity, IATA said.

U.S. domestic air cargo had been edging back up after a long period of stagnant volume, but the decline in March compared to the same period last year marked the first drop since last September and the largest slide in traffic within the U.S since May 2005.

American Airlines said its cargo traffic fell 8.6 in March and 3.6 percent in April.

Guilty Plea

The first person going to jail over the air freight industry price fixing scandal is one of the longest-serving airline cargo chiefs in the United States.

According to the U.S. Department of Justice, Bruce McCaffrey, the longtime vice president of freight for the Americas at Qantas, agreed to pay a $20,000 criminal fine, serve eight months in jail and cooperate with the continuing investigation.

Charges filed in the U.S. District Court in Washington, D..C. allege that McCaffrey and co-conspirators plotted to fix rates on cargo shipments charged to U.S. and interna-

tional customers from January 2000 until February 2006.

McCaffrey was Qantas' highest ranking U.S. executive, but the company refused to offer him any legal support. Faced with a possible fine of $1 million, and a maximum prison sentence of 10 years, the 65-year-old McCaffrey accepted the plea bargain offered by the Justice Department, and is the first person involved in the continuing investigation to be jailed.

A former cargo executive at National Airways in New York and then at Pan Am, McCaffrey had been at Qantas for nearly 28 years and was a well known figure in North American air freight circles.

Four airlines, including Qantas, have pleaded guilty and paid fines. The latest was Japan Airlines, which pleaded guilty in April and was sentenced Wednesday to pay $110 million. Qantas pleaded guilty in January and was ordered to pay $61 million. British Airways and Korea Air each pleaded guilty in August and received the harshest sentences so far. Each must pay $300 million.

Virgin Atlantic, which blew the whistle on British Airways in 2006, and Lufthansa, are cooperating with the investigation.

Sales Mission Accomplished

The government of Iraq's $2.2 billion order for 30 737-800s could represent the first step in re-establishing the country's scheduled commercial airline operations and its air freight business.

Iraq also has options for 10 additional 737s and was working with Boeing on a deal for 10 787 Dreamliners, which could open the door for an Iraqi national airline to provide long-range commercial service.

"Today marks a new beginning for Iraq," Minister of Finance Bager M. Jabor Al Zubaidy said during a signing ceremony attended by Prime Minister Nouri al-Maliki and Scott Carson, president and chief executive officer for Boeing Commercial Airplanes.

"Today is truly a milestone event for Boeing and for Iraq," said Carson. … We envision the day when a modern and efficient fleet of airplanes will directly support Iraq's economic development and growth."

Boeing and Iraqi officials have discussed how Boeing can assist with the reconstruction of Iraq's aviation infrastructure and preparation for the delivery of the new aircraft. Boeing is expected to help train pilots and support personnel, as well as arrange for the maintenance services.

Record Profits

Emirates SkyCargo revenue for 2007 increased 20 percent over the previous year to $1.8 billion, despite soaring fuel prices and other profit-threatening challenges.

The division carried 1.3 million tonnes of cargo, a 10.9 percent improvement over the previous year's 1.2 million tonnes.

Cargo revenue accounted for 19 percent to the airline's total transport revenue.

The Emirates Group, which includes the airline and ground handling business Dnata, posted a $1.45 billion profit for the year ended Mar. 31, 2008, on revenue of $11.2 billion compared to the previous year's $8.5 billion.

During the year, the airline's fleet expanded with the addition of 11 new 777s. Emirates' fleet reached 114 aircraft, including 10 freighters, by the end of March. But Emirates reduced its freighter fleet from 12 to 10 aircraft as a result of the soft market, said Ram Menen, divisional vice president of cargo for Emirates Airlines. The airline will begin receiving the 777 freighters this year; the 747-8 freighters will start arriving in 2009. TNT is flying Emirates' 747-400 extended range freighter, already arrived.

VarigLog Down

Brazilian cargo airline VarigLog's announced plan to shutdown all European operations for "economic and operational" reasons indicates plainly the difficulty of operating in an area known for high costs and stringent noise and environmental regulations.

In a terse statement to customers last month, the airline said it would soon close its offices in Spain, Italy, and Germany. No other details were provided and the company could not be reached for comment.

At one time, the cargo airline was a wholly-owned subsidiary of the money-losing passenger airline Varig. VargiLog was sold for $48.2 million in 2006 to Volo do Brazil, a consortium that included Matlin Patterson and Brazilian investors Marco Antonio Audi, Marco Hapfel and Luiz Gallo.

VarigLog was No. 48 in Air Cargo World's ranking of cargo airlines in 2006. The carrier posted 864,000 freight tonne kilometers in 2007, a 29.6 percent drop over the earlier year due to the folding of the passenger carrier Varig.

São Paulo-based VarigLog, which has a fleet of 18 aircraft, operates domestic freight services to several

News Updates

destinations within Brazil, including capital city Brasilia and Campinas.

Dubai's Dollars

Dubai couldn't be much further from where U.S. dollar bills are minted, but Ram Menen is certainly feeling the weight of the currency lately.

Despite strong financial returns at Emirates Airlines, carrier's vice president for cargo says his airline has been buffeted along with the rest of the industry by dollar's dive on world currency markets.

The impact around the world "has been huge," Menen said in interview. "But my question is, where is the dollar going to be in five year's time?" That is the point, he said, where something must be done.

The dollar has lost 30 percent of its value against the euro since late 2005 and was trading last month at just 64 cents to the European currency. That's a reversal from the position of the currencies in the 1990s and its proved tough on the finances of airlines that buy jet fuel and other services in dollars around the world.

Whether that means the dollar will lose its vaulted position as the currency of international business, said Menen, is "a million dollar question and one that I've been asking economists and financiers."

If the dollar continues to decline, two things will happen, he said. "The dollar will stop being the international currency and there will be a move toward insourcing in the U.S," Menen said. The structural change will also be huge, particularly in the air cargo industry, where the supply chain and manufacturing activity will change and a significant geographical shift will happen.

Despite the doom and gloom scenarios, Menen believes the U.S. dollar's decline is "bottoming out," and full recovery will take about a year.

The shift of business from air to sea, he said, is a temporary phenomenon with historical precedent. "There has been a shift, but it is nothing that we didn't see in the late 1980s and mid-1990s," he said. "I'm not overly concerned about this shift. It's cyclical. The future of air freight will continue to be driven by time and efficiency and will always be part of the plan.

Still, Menen said a sagging world economy has pushed Emirates' growth back by three years, prompting a "re-adjusting" of capacity.

The airline recently launched combination service to Houston, doubled its all-freighter operations into Toledo, and is set to bring San Francisco and Los Angeles online later this year.

"Our growth will continue to be organic," Menen said. "South America is of great interest to us, so you will probably see a lot of us in that region."

But you won't see A380 freighters there, or anywhere, for a long time, he said. Emirates was an initial customer of the cargo version of the plane, but has since gone elsewhere for its main deck capacity.

"It has to change a lot before it becomes a freighter, in terms of capacity, efficiency, a lot of things," he said. "Which is why we converted our A380 freighter orders to passenger planes and also went for the 747-8 freighter."

Going Electric

TNT and UPS are making moves to lower the carbon emissions of their road fleets.

The express carriers both announced last month purchases of environmentally friendly electric vehicles. TNT is introducing over 100 electric trucks in the United Kingdom, China and Australia.

TNT Express and Smith Electric Vehicles claims to have launched the largest fleet of zero emission electric vehicles. The 7.5-ton-capacity trucks will prevent the release of up to 1,299,000 kilograms of carbon dioxide into the atmosphere.

"Greening our road fleet is a must to achieve TNT's quest to become the first zero emissions express and mail company," said TNT Chief Executive Officer Peter Bakker.

UPS ordered 200 hybrid electric vehicles, in addition to another 300 compressed natural gas vehicles for its U.S. delivery fleet. ■

NORTH AMERICA

Deutsche Treat

New leader named for troubled U.S. operation; company's turnaround could include rate hikes

Frank Appel, the new Deutsche Post World Net CEO, is wasting little time in making good on his promise to address the dismal performance of the German giant's DHL U.S. operations.

On May 6, Appel named Ken Allen the new CEO of its beleaguered DHL Express division's U.S. operations, replacing Hans Hickler. The change took place at the DPWN shareholder's meeting in Cologne, Germany. Hickler will remain with the company, but his new position was not specified.

The new CEO is just the start of anticipated major changes in DHL operations, some of which could mean service higher prices and service changes for shippers.

The Allen announcement came a day after DPWN said it will meet its operating profit forecast, even with an early Easter that cut into so many other companies' profits.

by Michael Fabey

The new DHL may resemble the older model — focusing mostly on major U.S. markets and dropping the smaller ones.

That strategy, according to DHL insiders, includes pushing some of the ground segment shipping off onto the United States Postal Service, reducing U.S. facilities by about a quarter, focusing on the company's top 2,500 customers and increasing the rates for those customers, in some cases very significantly.

It's part of an ongoing restructuring in North American operations some analysts projected would lose $900 million this year alone. Appel's new look at the business comes after the departure under a legal cloud this year of Klaus Zumwinkel, who oversaw DHL's rapid, acquisition-fed expansion in the United States and its efforts to combat that DHL calls the "duopoly" of FedEx and UPS in the market.

Raising Rates

While DHL has been focused on its own operations, the new actions under Appel and Allen include a close look at the shipping contracts that are at the heart of the company's express business.

"DHL walked into some of its largest customers and announced a 15 percent increase," Tim Sailor of Navigo Consulting said. "It was non-negotiable."

DHL would not address any possible rate hikes or other strategic moves, saying the company doesn't comment "on speculation."

While express competitors often

follow suit during annual price increases, industry experts say this likely won't be the case in a market dominated by UPS and FedEx.

Talking about the increases demanded so far of shippers, Sailor said, "That traffic was probably priced so low, even with the 15 percent increase, UPS and FedEx would probably be higher."

Still, experts said, quite a few DHL customers were reviewing their options.

"I think this will lead to more market share for UPS and FedEx," said Dan Boaz, a former UPS industrial engineer who now heads Airfreight.com. "It's a chance for them to pick up some customers."

Even expedited ground carriers, which have been hunting for smaller shipment sizes, stand to benefit, Boaz said.

"I expect UPS and FedEx will be aggressive with DHL's customers," said Bill Knasinski, vice president of parcel and logistics solutions for GENCO, which advises shippers, including DHL customers. "It's great incremental freight for UPS and FedEx's robust networks."

Staying Put

If DHL adopts the measures, they are a far cry from the withdrawal from the U.S. market some investment analysts want.

Backers of a larger pullout cited the global success of TNT without a strong U.S. network. But many freight experts say pulling out doesn't make sense.

"You can't be one of the top three global players out there and not be in the United States," Boaz said.

About half of all DHL cargo originates in, moves through or is destined for the United States, one analyst said.

DHL insiders say the moves the company has made so far, including cuts in the work force and other possible changes, won't come close to stemming the nearly billion-dollar annual losses. DWPN has long acknowledged U.S. operations as a drain on profits and the maneuvers thus far look meant to mollify financial analysts and investors.

DHL appears to be making headway.

The company announced ratification during the first week of May of its first-ever national agreement with the Teamsters union. The same day its parent announced its financial good news, DHL said it signed an exclusive agreement to handle U.S. and international packages for high-end retailer Lord & Taylor.

DPWN says it's made progress on a DHL turnaround plan and should be ready to announce the strategy by the end of May. The company apparently wants to cut operational losses in half by 2010.

Now, DHL is figuring out ways to be more efficient with a leaner work force.

The new Teamsters agreement, which covers about 10,000 employees, should help the company do just that.

The agreement applies to practically all DHL's unionized operations nationwide. The deal provides for increased operational flexibility that allows DHL to enhance labor resources management and improves its competitive position. It also provides for annual wage and benefit increases for DHL's Teamster-represented work force.

"It is my hope that this new national labor agreement will provide a great relationship-building opportunity for DHL and the Teamsters," Hickler said.

Unless the DPWN strategy for DHL in the United States works, however, the opportunity may prove to be short-lived.

Paradise Found

Aloha Airlines cargo division will be sold to a Seattle-based freight operator for $10.5 million following a sales agreement brokered by a bankruptcy court judge.

Aloha service, which fell victim to the shutdown of the Aloha passenger airline operations, resumed interisland operations last month with three 737-200s.

A court appointed trustee was to oversee the financially troubled carrier until the sale to Seattle-based Saltchuck Resources, the parent company of a large interisland shipper, is complete. The remaining Aloha cargo employees will work for new Saltchuk subsidiary Aeko Kula, according to published reports.

The Aloha cargo operation shutdown abruptly last month after a principal lender, GMAC Commercial Finance. cutoff funding. The passenger operation ceased flying in March amid a spate of bankruptcies by smaller U.S. airlines.

United Airlines was expected to have taken over some belly freight, but not enough, and not in time. Shuttling down Aloha's air cargo operation was considered a major crisis for islanders and businesses alike, and prompted the immediate involvement of Hawaii's political representatives in Washington D.C., particularly Sen. Daniel Inouye, D-Hawaii, who help revive talks between Aloha and Saltchuk.

Aloha had handled around at least 85 percent of the interisland air cargo business.

Now Saltchuk's air cargo holdings are growing. The company announced it would buy Anchorage-based Northern Air Cargo, which reported revenues of over $50 million in 2007.

... Briefly

Globe Express Services opened corporate offices in New York and New Delhi. ... Hong Kong-based forwarder **Dachser** opened a station in Cincinnati, its 10th site in the United States. ... **AA Cargo** launched a Web-based service to provide access to customs status information on imports to the United States. ... **FedEx Ground** signed a 10-year lease for more than 52,000 square feet at **Calgary International Airport** with Trammell Crow's new AirFreight & Logistics Center TM 1. ... Air freight trucker **Forward Air's** net profit fell 2.8 percent in the first quarter to $10 million despite a 23.6 percent gain in operating revenue, to $82.1 million. The company said it completed the integration of one acquisition and is preparing for other acquisitions to position the business better for an economic recovery. ... **Emirates** plans to launch 777-200 service between Dubai and San Francisco beginning in October , bringing to four the number of U.S. destinations. ... **AMB Property** saw its net profit jump 68 percent in the first quarter to $42.9 million on just a 7.3 percent gain in revenue, to $176.5 million. The company attributed to the gain to its focus on "distribution facilities vital to the global supply chain." AMB also leased a 390,000-square-foot warehouse in Toronto to 3M. ... **Purolator USA**, the U.S. unit of the Canadian small parcel carrier, opened a 7,000-square-foot sort center near **Dallas-Ft. Worth International Airport**. ... Despite cost-cutting, the **U.S. Postal Service** lost $707 million in the second quarter, driven by a continued decline in mail volume resulting from a sagging economy. ... **Lynden International** acquired the Anchorage division of seafood logistics company Movers. ... **San Francisco International Airport's** cargo traffic fell 2.4 percent in the first two months of 2008, including an 8.1 percent drop in domestic freight. ... **Heavyweight Air Express** will represent **Jet Blue** for cargo sales in the New York region. ■

EUROPE

Waltz Time

In the face of rising oil prices, survival is the name of the game for Europe's mid-size carriers

Austrian Airlines believed it found a lifesaver this year in Saudi Arabian businessman Sheik Mohamed Bin Issa Al Jaber. At the time, he agreed to invest over $240 million for a 20 percent stake in the airline. So eager was Al Jaber, that on sight of the carrier's first quarter results for 2008, he wanted to raise his stake to 24.5 percent.

But suddenly it has all gone sour. The sheikh's lawyers said he wants out of the deal, claiming the airline provided misleading information over its financial position.

Austrian hit back hard, disputing allegations of deception. CEO Alfred Otsch declared it's too late for the sheik to pull out: "The exit that is now in the air and the reasons given for it are not comprehensible to us and we expect Sheik Al Jaber to comply with the contract."

by Roger Turney

Austrian embarked on a strategic shift in its business model. It wants to develop medium haul services to the Middle East, to connect via its highly successful Vienna hub operation with Eastern European markets.

It's a formula that already has brought the airline notable success, particularly in its long haul cargo business, for traffic flowing between the two key points of North America and Asia and fast growing Eastern European markets.

Greater emphasis is now being placed on expanding and developing the North American market. The carrier has served New York, Washington and Toronto, mostly with 777s, for some time. A year ago, it added service to Chicago.

Franz Zoechbauer, executive vice president for Austrian Cargo, said the O'Hare addition provides another opportunity to build its trans-Atlantic cargo business.

"The addition of Chicago has helped us highlight the strength of our Eastern European connections in the U.S. market for eastbound traffic," said Zoechbauer. "But in recent weeks we have seen the westbound market fall away quite badly due to the weakness of the dollar."

Down Over

Austrian's Asia network took a severe dent last year when the carrier withdrew from the Australian market, cutting services to Sydney and Melbourne. It also pulled Asian services to Shanghai, and Kuala Lumpur.

The loss of the Australian service was particularly tough on Zoechbauer.

"We were the only carrier in mainland Europe serving this market," he said, "so it meant really good business for us. Even Lufthansa Cargo pulled out several years ago."

Austrian Cargo can still take advantage of continued passenger services to Tokyo, Beijing and Bangkok, with Delhi and Mumbai also covered. But it has also had to absorb the loss of valued Asia main deck freighter space with EVA Air's withdrawal of MD-11 freighter services from Vienna. Austrian Cargo had contracted space on the EVA flights.

The airline still has a block space agreement to take space on the weekly Emirates A310 freighter service operated between Vienna and Dubai.

Closer to home, Austrian Cargo has struggled to maintain its own dedicated freighter operation between Vienna and Kiev in the Ukraine. "The service itself has been a big success," said Zoechbauer. "But we have had environmental problems with the AN-12 freighter we have been using to maintain the operation."

This had forced Austrian Cargo to cut services from five to three a week, but salvation is in sight. "We are about to put a 737 freighter on the route, which will mean we will be able to bring the service back up to full operation," said Zoechbauer.

Eastern Goal

Aside from the single local freighter operation, Austrian Cargo's real Eastern European selling point is its phalanx of road feeder services to nearly 20 destinations east of Vienna. It is the most intensive road feeder service operated by carrier in Europe serving that market.

Austrian Cargo's depth and success of service penetration to Eastern Europe and Russia is probably borne of the fact that it is a market in which others still fear to tread.

"It can still be very difficult," said Zoechbauer. "We need to constantly stay on top of the situation and be able to adapt our services at any time."

He points to the Russian market where Austrian Cargo recently switched Moscow operations to Domodedovo Airport. "This helped us gain much closer control of traffic moving through Moscow, particularly to beyond points in Russia," said Zoechbauer.

He is looking to build on limited opportunities with an expanded foray into the Middle East, but markets there come with special challenges.

The carrier was the first European airline to resume flights to Iraq after the war with service to the Northern Iraqi city of Erbil. But the security situation forced the airline to suspend flights last year. Now, it is resuming services with four A320 flights a week.

"We were doing good cargo business on that service before it stopped, even if it was one way traffic, so now we are looking to get back that support," said Zoechbauer.

Ocean Sinks

After months of trying to refinance its debt-ridden operation, Italian freighter carrier Ocean Airlines filed for what appears to be bankruptcy protection but looks more like a fire sale.

The three-year-old cargo airline has been grounded since January and was seeking $55 million in new financing but entered receivership when that fell through.

Launched in 2004 amid a spate of startups of independent freight airlines in Europe, Ocean became the first big international carrier to fall victim to troubled financial markets and the escalating fuel costs hitting the airline industry.

Ocean Chief Executive Officer Rossano de Luca said in published reports the airline's problems were due to events beyond its control, such as skyrocketing fuel costs.

As recently as February the airline was still talking about acquiring six former Air France 747-200 freighters.

... Briefly

Russia and Turkey removed restrictions on cargo transport in the air services agreement between the countries. ... Ground handler **Aviapartner** expanded turnover 35 percent in 2007, to nearly $600 million. ... **Lufthansa Cargo** opened its animal facility at Frankfurt Airport. ... Standard & Poor's, the credit rating agency, placed **Scandinavian Airline System** on its credit watch with "negative implications," citing the airline's exposure to rising oil prices and tougher competition. S&P said only 43 percent of SAS's forecast fuel consumption this year was hedged. ... Cargo traffic for **Air France/KLM** grew 3.5 percent in April, with 8.9 percent growth in Americas business offsetting a 0.2 percent decline in trade with the Asia-Pacific. ... **Four Soft** Netherlands, a subsidiary of software supplier Four Soft, signed a contract with **Liege Handling Services** to implement its freight forwarding software at the Liege Airport. ... A cargo decline at **Alitalia** accelerated in March, when freight traffic fell 6.4 percent, leaving the carrier's business down 4.7 percent in the first quarter compared to the first three months of 2007. ■

PACIFIC

Building Cathay

For Cathay Pacific, the third cargo terminal in Hong Kong provides facility for expansion

Cathay Pacific will have Seimens Mobility build its hard-won new freight terminal at Hong Kong International Airport. Under the $180 million contract, Seimens will build a facility capable of handling 2.6 million tonnes annually to be completed by 2012, with capability of expansion to a capacity of 4 million tonnes.

by Ian Putzger

No airline likes to be described as a building site, but Cathay Pacific is clearly in building mode. The carrier, which won the blessing from the Airport Authority of Hong Kong to set up the third cargo handling outfit at its home base, is revamping its fleet and is looking to build a joint venture cargo airline with Air China.

Cathay was the driving force behind the push for a third ground handler at Chek Lap Kok airport. According to Ron Mathison, director and general manager of cargo, its handling costs at Hong Kong have been significantly higher than at many other airports. Not surprisingly, the airline's growth projections for Hong Kong's throughput have been more bullish than those of Hong Kong Air Cargo Terminals, which handles the lion's share of the total, including the Cathay portion.

Under the terms of the agreement with the airport authority, Cathay will invest some $615.6 million in the design, construction and equipment of the new facility that is scheduled to open in the second half of 2011. Occupying an area of 24.7 acres, the facility will be able to process 2.6 million tonnes per year, with expansion capability to 4 million tonnes. A separate management team in CPSL, a wholly owned subsidiary of Cathay, will operate the terminal.

"It will be a common use terminal open to all customer airlines," Mathison said.

Canopy Canapé

Meanwhile, HACTL has embarked on a $2.7 million project to construct three linked canopies to protected cargo on the ramp from weather conditions. The structures should be ready by the second quarter of next year.

"Despite a slowdown in air cargo tonnage growth worldwide, we believe that the long-term growth prospects remain good," said Cathay chief executive Tony Tyler. "2008 and 2009 are likely to be challenging, but we expect a pickup in growth during 2010-2012."

Last year, Hong Kong's throughput reached 3.74 million tonnes, up 4.5 percent from the previous year, while

cargo traffic movements went up 6.4 percent. Cathay and sister airline Dragonair moved 1.67 million tonnes in 2007, 3.2 percent more than in 2006.

This year is looking decidedly challenging for the carrier. In a research note issued in early March ahead of the release of Cathay's first quarter results, Merrill Lynch analysts described the carrier as "one of the most exposed (airlines) to a downturn, given its focus on the longhaul, premium and air cargo markets."

Cargo is feeling the pinch. "Demand out of the Pearl River Delta has slowed down and yield is under pressure due to excess capacity in the market," Mathison said. "However, the main concern is the high jet fuel price, which is rendering many freighter services uneconomic."

In response to the rise in jet fuel prices, Cathay is taking nine of the 11 747-200 and -300 freighters in the Cathay/Dragonair fleet out of service this year and next, earlier than originally planned. This will not reduce the carrier's main deck capacity, as six 747-400 extended range freighters and four converted 747-400 freighters are entering the lineup. By the end of 2009, Cathay and Dragonair will field 29 freighters between them. And the fleet will continue to grow. In 2009, Cathay is to start taking delivery of the first of 10 747-8 freighters on order from Boeing.

Trans Pacific

While recent route additions or increases by Asian carriers have focused largely on the Asia-Europe sector, Cathay is also boosting this year its all-cargo flights across the Pacific. Subject to government approval, Mathison wants to launch three weekly 747-400 freighter flights from Hong Kong through Anchorage to Miami and Houston in September. This will bring the number of U. S. gateways served with freighters to eight.

"Miami is the leading gateway to Latin America and Houston is an important center for the oil business," Mathison said. "We have also recently added two freighter flights per week to Hanoi and Dhaka as part of our network development plan."

Come October, Cathay will have better access to China, as the Hong Kong and Chinese authorities late last year agreed to relax a swathe of restrictions on aviation services between the two territories, including cargo flights to Shanghai and Beijing. However, Mathison sees no cause for stepping up Cathay's freighter flights across the border in the near future.

"There are already enough traffic rights available. We are one of the largest players in the Shanghai market with 21 Cathay/Dragonair freighter services a week from Hong Kong," he said.

Cathay's stature in the China market should take a giant leap forward once the long awaited joint venture with Air China materializes, according to Air China top management. This was supposed to happen before the end of 2007, but there have been no signs of progress for some time.

"The discussions are still ongoing. I can't say more than that, I'm afraid," Mathison said.

U.S. Bound

Great Wall Airlines, the Chinese all-cargo carrier that saw its initial bid for trans-Pacific service grounded by U.S. regulators, announced it would finally begin freighter flights to the United States this month.

The Shanghai-based airline said it would start 747-400 freighter flights to Seattle and Chicago three times weekly out of Shanghai with a stop in Seoul.

"Our focus for the rest of the year will be on growing our network to USA", said Tan Kai Ping, the airline's president. "We intend to introduce more frequencies and more destinations in the coming months."

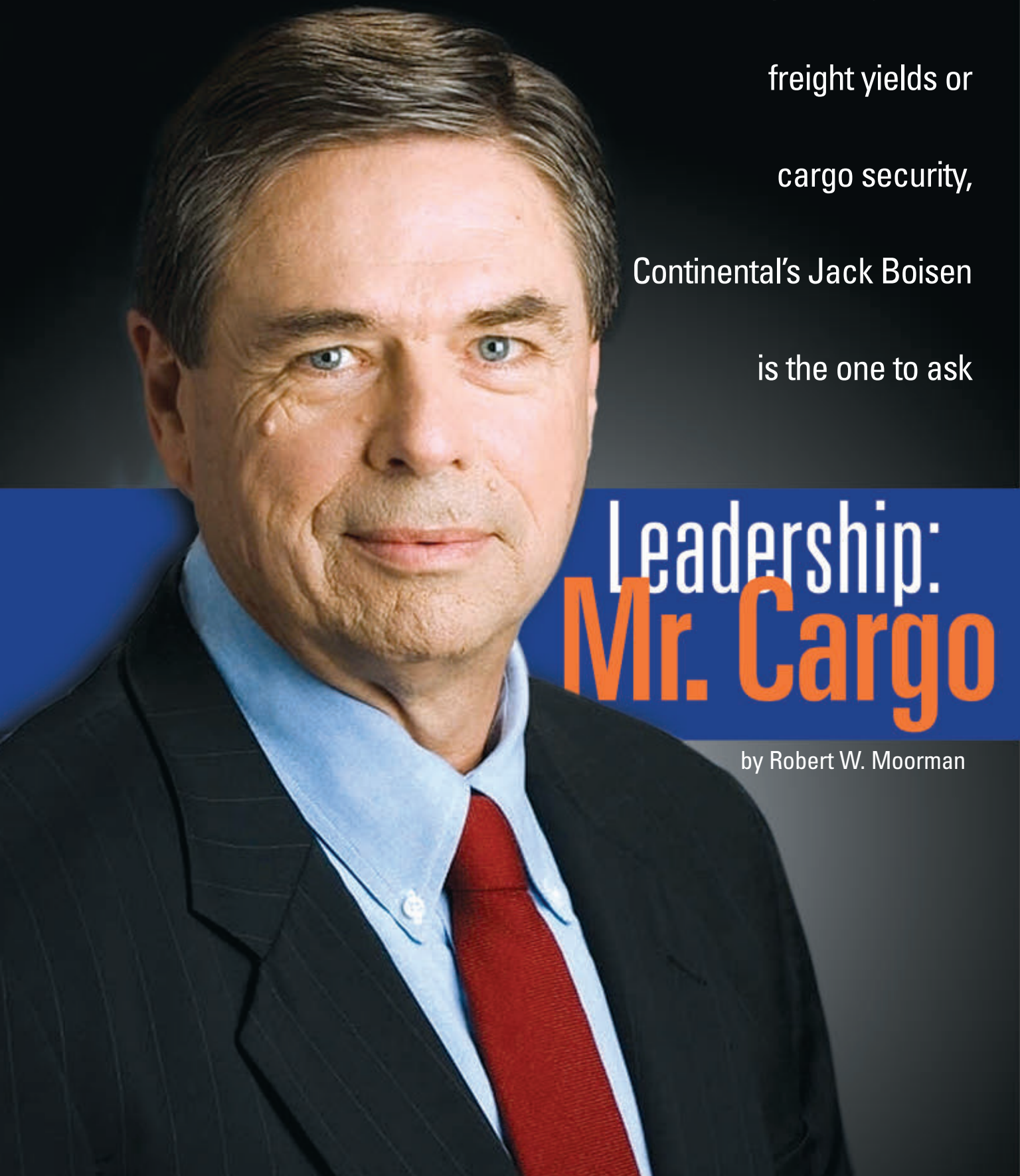
A joint venture between Singapore Airlines and business interests in China, Great Wall had hoped to start United States service last year. But the airline's bid was halted when the U.S. Department of Commerce cited one of its main investors for violating U.S. barriers against trade with Iran. That effectively barred U.S. businesses from doing business with the company or its subsidiaries, including Great Wall.

The airline, one of several recent startup freighter operations in China, has gone ahead with other services between Asia and Europe, including Amsterdam and Manchester.

... Briefly

Freight traffic for Asia-Pacific airlines grew 2.9 percent in the first quarter over the first three months of 2007 on a 0.7 percent gain in capacity. The 0.9 percent expansion in capacity in March marked the sixth straight month the **Association of Asia-Pacific Airlines** has measured capacity growth at less than 2 percent. ... **Korean Air** finished 2007 with a 9.3 percent gain in cargo over the year before on an 11.4 percent increase in capacity. The world's largest international air freight carrier said cargo revenue grew 13 percent over the year before and that yield expanded 11.7 percent in the fourth quarter over the same quarter in 2006, and grew 16.8 percent from the third quarter to the fourth quarter. ■

Whether the subject is inventory management, freight yields or cargo security, Continental's Jack Boisen is the one to ask



Leadership: Mr. Cargo

by Robert W. Moorman

Every airline executive has made mistakes during their career. Jack Boisen admits to two.

Years ago, while working for Trans World Airlines, Boisen was persuaded to become station chief in Boston, an operation not known for cordial relations between labor and management. Not surprisingly, he improved the operation and caught the eye of upper management.

"Then I made an even more stupid mistake and went into labor relations," said Boisen.

His trip to the dark side ended eventually and he "got back to the light," to air freight. Boisen is clearly a person who prefers pallets to people.

He's been the vice president of cargo for Continental Airlines since 1994. It is a role that suits him. He's comfortable with the complexities of air freight and has no desire to be chief executive officer of the airline, despite a 40-year career in the aviation business.

His background is rich and varied. Prior to joining Continental, Boisen was vice president of operations for Tracor Aviation in Santa Barbara, Calif. Before that, he was vice president of employee relations for Western Airlines and earlier held the same position for Braniff Airways. He also spent 12 years with TWA.

At Continental, Boisen led the implementation of Continental Cargo's revenue management program. He helped the airline realize greater cargo returns for narrow-body aircraft through a program called MAXREV that other airlines have pointed to as a model for greater cargo use of the passenger network. He was also the driving force behind the building of modern cargo facilities at Houston Bush Intercontinental, Newark Liberty International and New York Kennedy International. He was instrumental in developing a 23-point quality management program, in which Continental provides major customers such as DHL and Expeditors International with daily status reports, a program also used to measure Continental Cargo's performance.

Boisen is leading the airline's development of an express package QUICKPAK superstore at Newark set to open in June. Under Boisen's leadership, Continental became the first U.S. airline certified to carry cool chain containers. And he was the architect behind Continental's PetSafe transport program.

"If there is one person I would pick to speak on behalf of an passenger airline's cargo division, it would be Jack," said Steve Alterman, president of the Air Cargo Carriers Association.

Boisen is, in fact, doing a great deal of speaking for the combination airlines as well as his own carrier. Along with American Airlines Cargo Vice President David Brooks, Boisen has become an important voice in Washington on air cargo security. And his efforts in response to U.S. Postal Service service initiatives have helped Continental hold onto postal business and given other passenger carriers a path to retaining business that might have been lost.

"Jack has been a wonderful ambassador for air cargo as a whole, but also represents in an unbiased way the interests of the U.S. carriers particularly," said Neel Shah, vice

"If you provide quality performance, it's good. If you're a bottom dweller, you will have lousy yields."

president of cargo for Delta Air Lines.

As chairman of the Air Cargo Council and president of The International Air Cargo Association, Boisen is in demand as a speaker at industry forums. This year, he discussed the impact on industry of the new air services treaty between the United States and the European Union at the International Air Transport Association's World Air Cargo Symposium, Air Freight Asia in Hong and recently at the Airports Council International – North America cargo conference in Los Angeles.

In an industry built on marketing, Boisen has become one of the world's most recognized emissaries selling the very business itself.

From the ground level operations that push cargo shipments and aircraft movements to the more subtle salesmanship involved in pushing the business both to customers and within his own airline, Boisen is well versed in a range of issues. But the subject that's gotten most of his attention in recent years has been the cloud looming over the industry — security.

He sits on the on the Air Transport Association's cargo security committee and is one of the primary forces shaping cargo security regulations.

Over the last two years, he's been a tireless advocate for combination airlines on cargo security in Washington D.C.

His involvement in cargo security goes back many years when the U.S. was trying to put together a known shipper program, modeled in part after the United Kingdom's program. But the U.S efforts early on were more of a paper exercise than an effective security program, Boisen said. TSA relied heavily on

consultants in those days and knew little of the challenges of providing air cargo security.

In contrast, the United Kingdom's 20-year-old known shipper program, which had its roots in security policies adopted to deal with various terrorist organizations, was "light years ahead of the U.S.," Boisen said.

But in 2000, Continental, the Federal Aviation Administration and an Israeli software company developed a prototype electronically generated known shipper list. More than 500,000 Continental airway bills were tested through the prototype for over a year. Then September 11 happened and the promising prototype languished until the agency eventually adopted it as part of its known shipper security program.

Boisen says he's conflicted about the federal law requiring 100 percent screening by August 2010 of all belly cargo carried by airlines. He said its doable, but there are several logistical challenges facing the industry.

"It comes down to a couple of areas," Boisen said. "There is the problem of [screening] banded cargo on skids or pallets as well the shipper-built units."

If say, a forwarder receives an LD-3 or banded pallet from the manufacturer of direct shipper, it's likely that such a container has been secured from the manufacturer to the airline, Boisen said.

But the question remains how to screen a full and wrapped pallet. Canines can do it and that method shows promise, he said. But there is no accepted technology that can screen a large pallet without ripping it apart.

Boisen labels "overly optimistic" the Transportation Security Administration's claim that Indirect Air Carriers can screen 40 percent of the cargo.

Boisen is all for screening of belly cargo, but the 100 percent requirement he finds arbitrary and politically motivated.

"It was crammed down everyone's throat by certain Democratic members of Congress," Boisen said. "The entire world says it's a waste of time and violates the proper risk management processes that have been adopted by regulatory authorities in Europe and Asia.

"I think the U.S. is absolutely wrong. And the end result could be that some airlines won't accept cargo at smaller stations because it doesn't make financial sense."

That's just one example of what many say is Boisen's willingness to cut the heart of an issue and and offer straight talk instead of homilies.

Yet it also takes some coaxing to get Boisen to talk about himself.

Only after prodding does Boisen say his proudest professional moment was putting together the Continental Airlines cargo team that has "achieved so much."

Boisen prefers talking about his employer Continental and the cargo division, which posted around $453 million in revenue in 2007, a 3 percent bump to initial projections.

He's also relentless in putting service first. Which could be why Continental's $258 million, five-year contract with the United States Postal Service is going well.

As several airlines have learned,

the USPS is a tough customer, but seems pleased with Boisen and company. Paul Vogel, USPS managing director for global business and senior vice president has known Boisen for more than eight years.

"Jack re-focused Continental to be a world-class provider of air services to the Postal Service," said Vogel. "He also contributed to industry efforts that restructured the way USPS purchases domestic services from air carriers.

"Those efforts led to a new competitive bidding process for mail transportation contracts awarded in 2003. When those contracts were up for renewal in 2006, Continental was one of just seven airlines that had kept up its on-time delivery and service performance to continue carrying mail."

Vogel said Boisen's contributions extend to international shipping as well. Boisen and a colleague from American Airlines represented U.S.-flag carriers at progressive talks with the International Post Corporation, a cooperative association of 24 national postal operators in Europe, North America and Asia Pacific.

"The talks, which Jack helped facilitate, brought about overall improvements in how the entire air carrier industry and Posts around the world work together," Vogel said. "It benefited the air and postal industries, but more importantly, it brought better service to our customers worldwide."

"I think the U.S. is absolutely wrong. The result could be some airlines won't accept cargo at smaller stations because it doesn't make financial sense."

Boisen said the relationship with the USPS has been mutually beneficial and very profitable for Continental. "If you provide quality performance, it's good. If you're a bottom dweller, you will have lousy yields," he said.

Boisen's straight talk about industry challenges doesn't stop when he talks about his own airline.

Despite the challenges facing Continental and its fellow passenger carriers, Boisen expects growth over the long term. But he also has a realistic view of cargo in the carrier's portfolio.

"For the short-term, we need to continue to mine where we're flying," Boisen said.

In other words, Continental needs to enhance the areas into which it now flies. Thanks to the new trans-Atlantic treaty, Continental now serves London Heathrow Airport, a much more lucrative market than London Gatwick, where Continental has been flying. Ninety-percent of Continental's air cargo arriving at Gatwick had to be trucked to Heathrow to reach the airline's customers.

Redirecting efforts to Heathrow has paid off. For the first 14 days of April, Continental's London-U.S. cargo revenue was up 59 percent year-over-year. Margins are better because the trucking and double-handling costs "have practically disappeared," Boisen said.

As for Continental's 777 combination service to Hong Kong and Beijing, Boisen said traffic is up around 20 percent year-over-year and he's not particularly concerned about suggestions of overcapacity issue in the Asia-Pacific region.

"Some of the older planes flying there now — like the 747-200s and DC-10s — will wind up in the desert, offsetting the capacity problem," he said. ■

Region Focus:
Baltics

The Baltic states and Finland remain relatively small air cargo markets, inspiring their carriers to come up with creative transit strategies

When eight Eastern European countries joined the European Union in 2004, some of them — such as Hungary and Slovakia — enjoyed a rush of manufacturing investment from major multinationals that has made them prospective exciting new markets for air cargo carriers.

Estonia, Latvia and Lithuania, tucked up at the eastern end of the Baltic Sea were less fortunately placed. Too far from the center of Europe, they have remained relatively small air freight markets, producing as little as 35,000 tonnes of air freight imports and exports a year between them, according to one estimate.

Neighboring Finland, a much longer established air freight market tends to be regarded as a niche market for air cargo, and has only attracted the attention of one major freighter operator to date.

Baltic Cargo EXCHANGES

by Peter Conway

Scandinavian Airline System was one of the first foreign carriers to enter the Baltic states after independence from the Soviet Union, starting passenger services to Tallinn in Estonia in 1989, and to Riga in Latvia and Vilnius in Lithuania in 1990. SAS talked up the cargo potential at the time, but the market still appears to be more about potential than the movement of goods.

Daiva Palm, SAS's cargo sales manager for the Baltic states and Russia, says Estonia managed to attract some manufacturing from Finland — for example, mobile phone assembly — while Lithuania has textile industries, which used to export to the United States but now, due to competition from China, have switched the European and Japanese market. Riga, meanwhile, has a maritime spare parts industry.

Riga can also cite a Scandinavian company making spare parts for the brewery industry. All three states traditionally acted as a gateway for transit traffic to Russia, which has been reduced by the opening up of a direct route through Kalingrad, between Lithuania and Poland.

"It is a niche market, but big enough to warrant a service on a prime day at the end of the week."

Göran Åberg, chief executive of Schenker Oy, the Finnish subsidiary of the global forwarder, says industry does not use much air freight in the Baltic countries. "Import volumes to each country are about 500 tonnes a month, and exports half of this," he says, adding that companies specializing in the assembly of mobile phones in the region reached their maximum air freight volume in 2005.

Some carriers have considered flying freighters to Tallinn, using it as a hub for Helsinki and the surrounding area.

"It is the only location in the Baltic countries with ferry connections offering short delivery times to Finland and Sweden,"Aberg says. "Tallinn airport still has lower costs, and noise and pollutant emission limits are quite free, though European Union regulations may have an effect on this."

SAS has flown an AN-26 freighter to Vilnius five times a week from Copenhagen for over a decade. But the entire 5.5 tonne payload on the inbound flight is taken by DHL, with SAS only using the outbound leg for exports from Lithuania. From Estonia and Latvia, by contrast, it is easier to truck.

Trucking is the primary way expedited cargo leaves or arrives in the Baltics. It is easy for carriers from the rest of Europe to set up road feeder services in the region. And it is a primary reason the three countries were welcomed into the European Union in 2004.

"Air freight volumes transported by land considerably exceed volumes by air," says Åberg. "Air freight lorries depart for Helsinki for Stockholm daily and delivery takes one day. Frankfurt to Tallinn takes 57 hours.

For Air Baltic, based in Riga and Vilnius, this relative lack of import and export traffic means the cargo department has to be creative. The passenger carrier operates eight Fokker-50s, 13 737s, and just added two 757-200s in April, with more to come later in the year. Its network is mainly European, but has been expanding into the former Soviet countries recently.

Air Baltic started services to Odessa in the Ukraine and Tiblisi in Georgia last year, and added Almaty and Yerevan earlier this year. It also serves Kiev, Tashkent, Minsk and other destinations.

Transit from Western Europe to these countries is two thirds of the carrier's cargo business, says Toms Andersons, head of cargo. "There is very little export traffic from Riga," he says. "The one industry that remains quite strong is medical supplies from Latvia and Lithuania, old Soviet factories, which still do business with Georgia, Kazakhstan and other Central Asian countries. But generally, exports are declining."

Instead, Air Baltic sources cargo in Germany, Italy, France, Spain and Scandinavia, and flies it on to destinations such as Tibilisi, Baku, Yerevan and Almaty. Eastbound traffic volumes are a quarter of westbound ones on these routes.

"It is more seasonal, with some vegetables from Georgia and Uzbekhistan, although Kiev, Minsk and Tibilisi do have other export traffic," says Andersons.

Transit is also a key part of the story at Finnair. It saw a 22.5 percent increase in scheduled cargo tonnage in the first quarter of 2008 due mainly to an expansion of routes into Asia. That followed an 11.5 percent rise in 2007.

Traffic on Asian routes was up 24.5 percent in that year, and 36.1 percent in the first quarter of 2008, and now makes up nearly 70 percent of cargo volumes.

The cargo department benefits from a passenger strategy of expanding into Asian markets. Finnair decided in 2005 to aim for daily services to the major cities in the region. It launched Hong Kong in May 2005, Guangzhou in September, Nagoya in June 2006, Delhi in October, and Mumbai in June 2007. Seoul will be next, in June this year.

Timo Riihimaki, vice president of global sales cargo says over 60 percent of inbound cargo from Asia is transit, mostly to Scandinavia, the northern part of Europe, the Baltics and Russia. Most of this onward transit is by truck, given that Finnair's belly capacity on such routes tends to be limited.

The routes are served by seven MD-11s and three A340s, the latter aircraft added to the Finnair fleet since June 2007. Two more A340s are expected, then seven more Airbus widebodies (A340s or A330s) which will replace the MD-11s by 2010. Longer term, the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fleet plan includes 11 A350s, due for delivery between 2014 to 2016.

Outbound to Asia, Riihimaki says Finland does not generate enough export cargo to fill the bellies of the aircraft. But Finnair Cargo is "very active" in the Swedish cargo market.

One problem for Finnair is that a clutch of Asian freighter operators — Korean Air, Cathay Pacific, China Airlines and Jade Cargo — have in the past two years started serving Stockholm.

Riihimaki admits the new entrants have "definitely increased the legwork needed to compete in the Swedish market," but Finnair still manages to grow.

Reasons include an efficient road feeder, which reaches Finland by ferry overnight in time to catch afternoon departures to Asia, and also the frequency of Finnair's services.

"With our daily services, we provide a higher frequency option than the freighter services from Stockholm, which are all two to three times a week," Riihimaki says. "This is a big advantage for pharmaceutical manufacturers."

Helsinki enjoys a geographical advantage, sitting right on Great Circle routes from Central Europe to Asia,


Riga, Latvia

which gives it better bellyhold payloads. "Our longest sector to Asia is 10 hours, while to New Delhi, the flight time is just six hours. So on an MD-11 or A340 we can get 20 tonnes even with a full passenger load," he says.

Finnair also shares a freighter with Cargolux, the only operator to put main deck capacity into Helsinki; it stops there once a week en route to and from Hong Kong. Unlike the Asian freighters operating into Stockholm, which are looking for westbound export cargo to balance out their European routes, Helsinki is mainly used as a feeder service to channel cargo from Finland to Cargolux's Luxembourg hub, and vice versa, says Robert van de Weg, senior vice president sales and marketing for Cargolux.

"It is a niche market, but big enough to warrant a service on a prime day at the end of the week," he says. "We connect cargo from Finland through our hub to destinations in the U.S. and throughout Africa, the Middle East and Asia." Out of Asia, there is relatively little direct traffic from Hong Kong to Finland, he says, but the Luxembourg to Finland leg benefits from cargo fed in from such Asian destinations as Korea and Singapore.

Inbound cargo includes consumer goods, and also supplies to Nokia and other electronics industries. Nokia manufactures mainly outside Finland, and doesn't generate much export traffic, but it does ship internationally some high-end products by air. The other big Finnish industry is paper mills, which need spare parts and supplies that sometimes come by

air. There're also some land-based transshipments of cargo via Finland to nearby St. Petersburg, as well as to Belarus and the Baltic States.

One good business in the past for carriers in the Baltic states had been operating Russian freighter aircraft within the European Union. Europe's regional freighter operators and charter brokers found good uses for the aircraft, usually Antonovs.

But the EU is now tightening up on the operation of these aircraft, citing violation of safety regulations and a number of crashes. The most recent crash involved a AN-32 in Moldova, just outside the EU, in April.

This has hit some Baltic-based carriers hard.

One is Enimex of Estonia, which operates five AN-72s, a ramp-loading turboprop freighter with a 7.5-tonne payload capacity. Until recently, the aircraft was used to ferry horses and for humanitarian work. Andrey Kisli, general director of Enimex, says the carrier is now grounded, because the AN-72 is not type-certified in Europe and because the European Air Safety Agency won't accept aircraft documents written in Russian.

Enimex tried putting the aircraft on the Moldovan register in May 2007, but was blocked by the authorities after only three months. It also tried to lease ATP freighters, but Kisli says local authorities in Estonia then would not accept the carrier's airworthiness certificate, even though it was issued by the United Kingdom.

Crashes involving Enimex aircraft in 2001, 2002 and 2003 may have influenced this decision. The last of those crashes led Estonia's government to temporary suspend Enimex's certificate.

The carrier fights on, but it is trying to sell its AN-72s. Kisili says the company is down to 15 staff, compared to 100 in May 2007. Most of these employees are primarily occupied in keeping the AN-72s in good order.

A Baltic carrier that does seem to be making a successful transition from Antonovs to Western freighters is RAF-Avia of Latvia.

It currently has five AN-26s, a 5.5-tonne turboprop, and two Saab 340 turboprops, each with 3.5-tonne payloads. Jelena Rigere, acting commercial manager says its aircraft fly for TNT, DHL and other express customers, and charter broker Air Charter Service out of the UK's East Midlands airport.

She admits the EU has only given permission for the AN-26s to fly until September, but says the Antonov Design Bureau is preparing all the necessary documentation to satisfy EASA requirements.

That said, she concedes the aircraft has a limited lifespan; they need four flight crew — including a navigator and a flight engineer — which are not required on newer Western built aircraft.

For this reason, RAF-Avia hopes to switch to the Fokker 50, ATP or an ATR-42 or larger -72. Rigere admits the cost of purchasing such freighters is a problem, but says longer term this has to be the solution for the carrier. ■

Companies converting passenger airplanes to freighters face constraints on supplies of used aircraft, competition from new-production freighters, and caution in many corners of the airline industry.

Boeing, for example, expects to finish about 20 percent fewer freighter conversions this year than last year. But several other conversion houses appear likely to keep their output at, or near, last year's levels, especially if feedstock supplies expand.

Air passenger traffic has been growing faster worldwide than air freight volume, limiting the available supplies of planes for conversion, especially such popular models for conversion as the 767-300 and A300-600. Also keeping older planes in passenger fleets has been the much-delayed debut of the Boeing 787. In January, Boeing said initial deliveries of the 787 Dreamliner had been postponed from late 2008 to early 2009. Another limit on opportunities to convert large passenger planes to freighters has been Boeing's success in selling large, new-production freighters such as its 747-400 extended-range.

With money tight, experts believe air freight operators will rely more than ever on converted freighter aircraft

Conversion's Open Door

by Mike Seemuth

Boeing this year expects to convert 30 aircraft to freighters, including 13 747-400s, eight MD-10s, seven MD-11s and two 767-300s. That would be an annual decline of eight from the company's 38 freighter conversions last year: 17 747-400s, a dozen MD-11s and 10 MD-10s.

"There are a lot of feedstock issues right now," Boeing spokeswoman Jennifer Hawton said.

But Airbus sister company EFW expects 2008 output at its conversion plant in Dresden, Germany, will equal last year's 18 converted freighters.

"They're expecting around 18 conversions in 2008," said Toulouse-based Airbus freighter marketing manager Jonathan Lesieur. Additional Airbus freighter conversions are expected this year from a production facility in China run by Flight Structures, a subsidiary of Florida-based B/E Aerospace, which has contracted to deliver six A300-600 freighter conversions to China Southern Airlines.

While many A300s and A310s "are staying in passenger fleets and not coming out in large numbers," their availability has improved at least temporarily, Lesieur said. "Up until a few months ago, it was a very tight feedstock. It was very difficult to get aircraft. Today, it seems to be a little bit more open."

Some conversion houses are encouraged by expectations that soft demand for U.S. air passenger service may idle more planes.

Major domestic passenger carriers have reduced the number of flights they operate while several smaller players, including Frontier Airlines and Skybus have gone out of business and stopped flying altogether.

"Even the guys who aren't declaring bankruptcy are pulling planes out of passenger service at the moment."

At the same time, demand in Asia and Europe has buoyed the freighter market. Although U.S. economic weakness has flattened air freight volume in North America this year, carriers are expanding cargo capacity to serve the Asia-Pacific region, the Middle East and other solid growth markets.

North American air cargo and air passenger traffic both pale by comparison with the rest of the world. Global air passenger traffic increased by 5.2 percent in the 12 months ended in February over the prior year, while global air freight volume grew by 3 percent over the same periods, Airports Council International reported. Comparable ACI data for North America show passenger traffic grew year-over-year by just 2.7 percent, and air freight volume declined by 0.3 percent.

Some cargo airlines that sell wet-lease service have seen reduced demand from the scheduled carriers they serve. "Those are the first [flights] canceled by the linehaul guys," said Kevin Casey, president of the freighter conversions division of Pemco World Air Services. "A few months ago, we started to see those guys not needing airplanes that were on standby, or in maintenance, getting ready to back on the line."

But Casey said recent weakness in freighter demand has mostly affected owners and operators of large widebodies, such as 747-400s.

"Essentially, we're seeing widebody capacity coming out," he said. "On the narrow-body side, it's not nearly as pronounced. We're finding that narrow-body freighter conversion demand is pretty much the same as it has been. Better yet, feedstock is becoming available, and market values are backtracking a little bit. We've seen a huge premium over the last couple of years," Casey said.

Pemco, a specialist in 737-300 and 737-400 conversions, expects to finish 12 this year, the same as last year, at its company-owned conversion center in Alabama and at licensed operations in China. "We have the capacity to do double that," Casey said. This year's output may exceed a dozen 737 conversions if feedstock improves. "There has been a lot of pent-up demand lately because of a lack of feedstock, and I expect that to break in the months ahead," he said, citing capacity reductions by U.S. passenger carriers as a major reason why feedstock may improve.

"Even the guys who aren't declaring bankruptcy are pulling planes out of passenger service at the moment."

Some passenger airlines have trimmed fleet size by returning

leased planes to owners well ahead of the lease expiration date, said Brian McCarthy, vice president, sales and marketing, of Precision Conversions, a specialist in 757-200 conversions "What we're seeing happening now is that these airlines ... are very definitely asking people to take airplanes back early, by one or two years at least, because they can see traffic is falling off here in the next year," McCarthy said. As a result, aircraft leasing companies may have more idled 757-200s and other models suitable for freighter conversion by year's end.

A more ample feedstock of 757-200s could produce more conversion business for Precision in the second half of the year after a slow start in the first half. "Fleet planning seems to be changing by the minute, but we can see several jets coming available this calendar year," McCarthy said. "It is changing for us in a positive way. I think demand is going to be pretty strong in the back half of the year."

Precision expects to deliver at least nine 757-200 freighter conversions this year, the same number it delivered last year, and perhaps more if orders increase as feedstock improves. Precision manufactures cargo doors and door framing at its hometown in Beaverton, Ore., for airframe installation by the company's Jacksonville, Fla.-based business partner Flightstar Aircraft Services.

"We can expand from a single nose-to-tail line, which usually produces six or seven airplanes in a calendar year, to a dual line or even a triple line, because we have that much tooling," McCarthy said.

Precision could produce more conversions this year than last by farming out some work to licensed operators. "We have many MROs [maintenance, repair and overhaul operations] that want to do our 757 conversion now," he said. "If we do crank up additional capacity, which is fairly likely, that might put one to two additional airplanes across the finish line."

The long-term outlook for freighter demand remains encouraging for conversion houses.

Boeing's rolling 20-year forecast puts the number of freighter deliveries through 2028 at 3,350, including 2,480 aircraft converted to freighters, or nearly 75 percent of total deliveries. Airbus also expects conversions to account for about three quarters of future freighter deliveries.

Long-term demand for the biggest freighters could favor new-production models over conversions. Conversions long accounted for about half of all deliveries of 747s and other large freighters that Boeing forecast, said Dennis Floyd, the company's vice president of freighter conversions, but "that flipped a little bit in this past year. It had been kind of 50-50, and last year, it tilted toward more new builds than conversions."

In Boeing's forecast of global demand over the next 20 years, deliveries of new-production 747-400s and other large purpose-built freighters outnumber deliveries of comparable conversions by 630 to 460.

Smaller planes, however, are likely to dominate future conversion activity. Boeing expects conversions of planes, such as 727s and 737s, will account for virtually all of the 1,290 deliveries of standard-size freighters forecast over the next 20 years.

The long term can't get here soon enough for conversion houses still reeling from feedstock shortages. Israeli Aerospace Industries' Bedek Aviation, which performs Boeing freighter conversions, has seen conversion programs for the 747-400 and other models slowed by scarce supplies of used planes. Bedek also faces widespread competition from rivals ranging from specialists like Pemco and Precision to Boeing itself, the only other source of 747-400 freighter conversions in the world.

"We know that the available feedstock will grow in 2010 and onwards, and we are actually looking into building our capacity accordingly, so we can address the market when the market will be there," said Jack Gaber, vice president of business development in North America at IAI.

But Gaber said constraints on available aircraft make the near-term outlook less promising. "I have low expectations for 2008," he said. ■

Adding Value

by Roy W. Hecteman

When you cut through the jargon and buzz words, "Adding Value" is what a forwarder does. It is the sole reason for their being. But as true as that is, we have come to take this for granted.

All of the things a forwarder does with each shipment are no longer recognized for the value they bring to their customers. Not convinced? The following have all become so commonplace they are rarely recognized for the added value they represent:

Route optimization — This is the sorting through the myriad options to ensure a shipment gets from shipper to consignee in the timeframe required at a reasonable cost.

Aggregated buying power — The combined volumes of a forwarder's customers allow it to reduce buying costs, which in turn accrue to the benefit of the shipper.

Pick Up and Delivery Services — Networks of ground carriers are built over time which provide national and worldwide coverage.

Security Compliance — Most shippers have little if any understanding of the aviation security processes being carried out on their behalf on every shipment. Without this work, freight would not fly.

Export Compliance — Getting the freight on its way and avoiding costly delays by failure to comply with complicated regulations.

Pre-clearance Documentation – Helps ensure that time is not needlessly lost with destination customs formalities.

Assembly and Distribution Services — Allow bulk moves from port-to-port, yet service any number of suppliers or end-users.

Track & Trace — Provides shippers with a single point of contact for shipment status across the entire chain.

Single Carrier Responsibility for Loss & Damage — When the rare problem happens, the forwarder is your single point of contact and bears ultimate responsibility to the shipper.

The forwarding community would be well served to re-emphasize the importance of this work and the value it represents.

Those are the basics. But what have you done for me lately?

To move onward, forwarders must continue to innovate, much as they have in the past. Four areas of interest should be:

E-Commerce: E-commerce is generally thought of as productivity tool in our industry, driving efficiency throughout the supply chain. But e-commerce can also add tremendous value for all parties.

The possibilities are endless, but to envision just one — procurement and order fulfillment.

Imagine a manufacturer in Australia looking for widgets needed to feed his assembly line. Using his forwarders website, he can locate suppliers throughout the U.S., receive price quotes and availability, place an order, arrange payment, and book shipment for a date and service level appropriate to his needs.

In this expanded role, the forwarder is no longer an afterthought, but is a full partner in the supply chain.

3PL Services: The lines between forwarders and 3PL's have been blurring for some time. Many forwarders today provide a smattering of 3PL services such as warehousing, distribution, cross docking, pick-and-pack and other services.

Where they come up short is that these services are frequently viewed as ancillary to the forwarders core business. They're viewed as one-off opportunities rather than a part of the forwarders standard menu of services.

Many forwarders count 3PL's among their customer base and may see venturing into their world as a potential conflict, as well as a needless investment. Some forwarders don't

mind the blurring roles between services of forwarders and 3PLs, while others see it as threatening conflict of interest. Yet those questions will continue to be asked. It could be that those forwarders that excel in both worlds will come out on top.

Solutions: The concept of "solution selling" has been around for years, much talked about but not practiced.

Yet, what greater value is there than helping a client solve growth-stunting challenges? The selling process is not about taking orders; it's about building strategic relationships.

Each shipper has their own unique set of challenges, internal mandates and goals. The integrators do a fine job of offering a set menu of service offerings, but the offerings are fixed and offer little or no flexibility. The forwarder who can tailor services to meet their customers specific needs will have a distinct advantage. On the down side, the sales cycle is longer and more complex. On the plus side, the relationship moves away from transactional to collaborative.

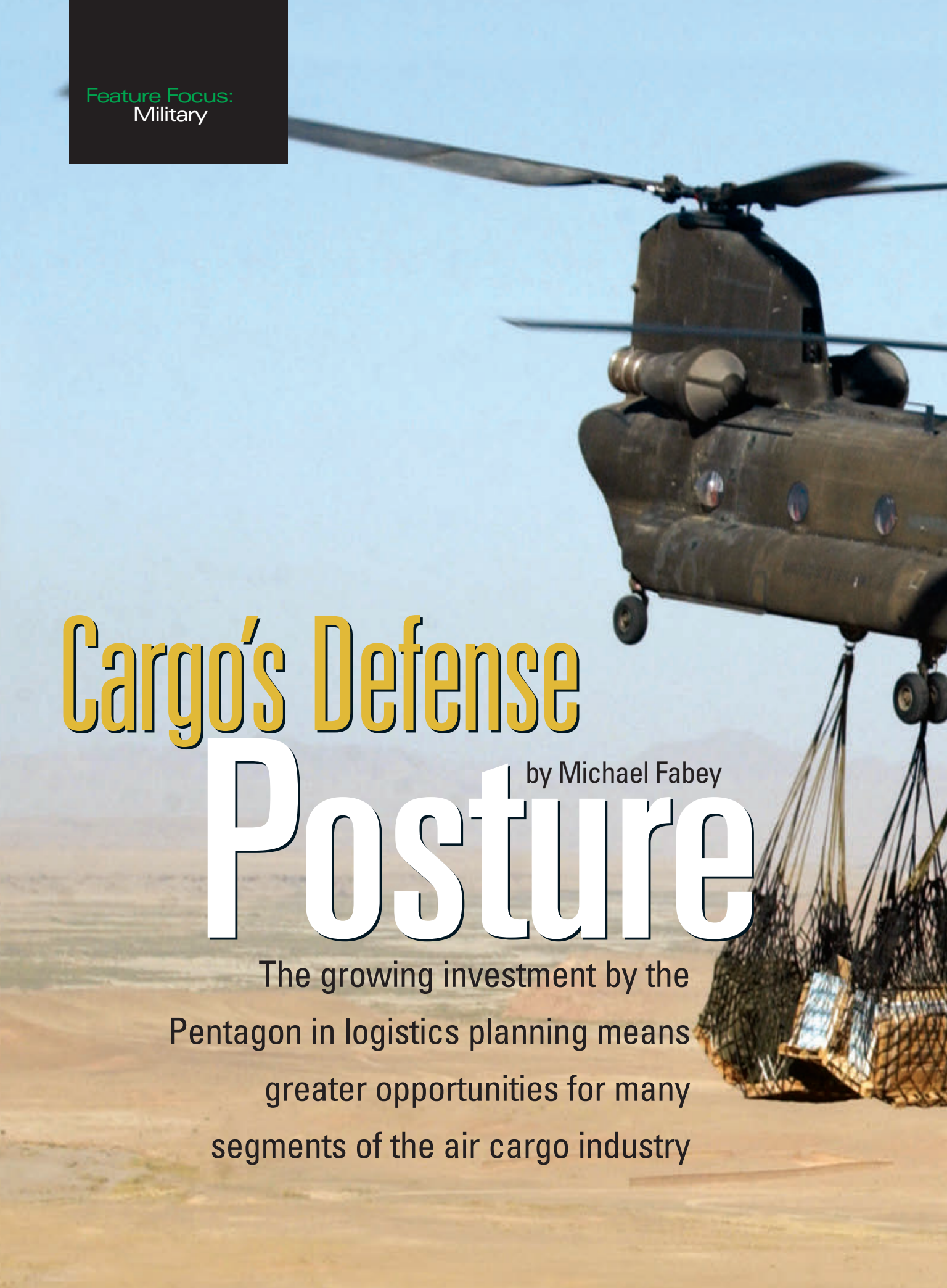
Integration: This is where it gets to be fun – combining elements of all three.

Each opportunity, each case, will dictate the proportion of each element to build unique solutions. But it goes beyond that. Successful integrated solutions add value for both parties and forge partnerships in the truest sense of the word.

The term "value added" is one of those terms like "logistics" that is over used and under delivered. What adds value for one customer may be worthless to the next. There is no one size fits all.

What adds value is a collaborative solution, customized to meet individual needs, one that continues evolve overtime as circumstances dictate.

Roy Hecteman is senior advisor for air freight and logistics at OAG, a sister company of Air Cargo World. He worked for many years in the air forwarding industry, and held senior management positions at Integres Global Logistics, iCargo and Circle International.



Cargo's Defense Posture

by Michael Fabey

The growing investment by the Pentagon in logistics planning means greater opportunities for many segments of the air cargo industry

War has proved to be big business for American air freight companies serving military needs.

Lifted by battle-surge needs in Iraq and Afghanistan, the U.S. Defense Department-related air freight industry expenses have been boosting the revenue of carriers and forwarders moving that freight.

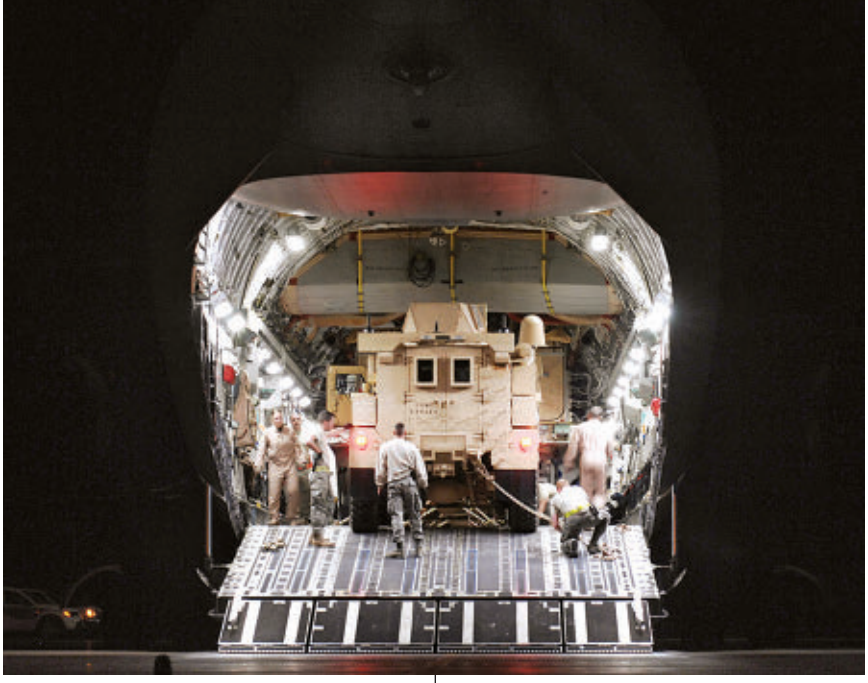
Contracts and contract modifications for companies flying cargo and passengers to the war zones in 2006 and 2007 totaled about $5.6 billion, according to an Air Cargo World analysis of data provided by the National Institute for Computer-Assisted Reporting.

That's only a piece of the financial logistics pie the U.S. Department of Defense is icing and slicing for contractors in the business.

Like any massive global corporation with far-flung transportation needs, the Pentagon is trying to absorb sky-rocketing fuel costs while navigating through the logistical logjams caused by an overseas business surge.

And DOD is compensating by investing more heavily in logistical planning, consolidating its networks and outsourcing its transportation needs more than ever.

As a result, there will be even more opportunities for the



500-plus forwarders, logistic providers and other transportation companies that do business with the DOD.

The work could provide a needed financial security blanket for transportation companies during the tough economic times without tying up the providers' networks that could create a logjam for other shippers.

"Opportunities to do business with the DOD have greatly improved for those companies that qualify," said Gerry Post, president of forwarder Concert Group Logistics. "There seems to be more 'commercial thinking' in decisions being made than there has been in the past. That bodes well for companies that are offering more creative solutions based on experiences with their non-military customers."

Loren Thompson, a military analyst for the Lexington Institute, said, "Logistics is a management headache for the military."

The DOD is now looking to companies like Menlo Worldwide Government Services for logistics aspirin.

Last fall, the Pentagon signaled its intentions by awarding a domestic cargo forwarding contact to Menlo. It was initially worth more than $500 million but had a total estimated value of more than $1.6 billion.

The contract represented a major shift in how the Pentagon views its logistical needs. Historically, the DOD has left it up to defense contractors to manage freight shipments in subcontracts with various forwarders or other transportation companies.

Before the freight was offered under one contract, about 60 percent of it had moved by less-than-truckload, almost a third by air and a 10th by truckload.

"Most of the DOD business went through the contractors," said Brandon Fried, executive director of the U.S. Airforwarders Association.

The Menlo contract is just an appetizer for the Pentagon, which has a much bigger spread for its transportation needs. The DOD needs to ferry freight on a daily basis, from equipment troops need in battle to the raw materials needed to manufacture those machines to the men and women manning them.

Of the $515.4 billion requested for the DOD in the Bush administration's fiscal year 2009 budget request, about $158.3 billion, or nearly a third, is for support, readiness and operations, including logistics needs.

"Of every dollar the Pentagon spends, say, on fixed-wing aircraft operations, you can factor in another 60 cents for logistical needs," said James McAleese of McAleese & Associates, a defense analyst and consultant.

Logistics is one of the Pentagon's new "capability portfolios" for determining how it will fund its programs. As part of the budget request, the DOD said, "The Department must continue to improve its logistics capability and processes to meet the demands of the new operational environment."

Indeed, the Defense Department is looking for partners, who know how to grease the supply chain and for whom logistics is a core concern.

The Pentagon is backing up that black-and-white message with a whole lot of green.

In 2007, the DOD dished out about $6.4 billion in contracts and contract modifications for logistical services, making it the sixth highest expense for the Department for the year. Logistical services accounted for about 11 percent of those leading Pentagon-designated expenses for the year, the analysis shows.

To put that in perspective, those type of expenses ranked a mere 20th among DOD's costs in 2001, accounting for only about 2 percent of the top 20.

In 2007, logistics accounted for 5 percent of the top 20, making it one of the fastest growing expenses through the decade .

The growing logistics costs reveal only a portion of the total DOD transportation financial picture.

Pentagon cargo travels by land, sea and air and U.S. Defense Department contracts run the gamut, providing more than $4 billion last year for carriers, forwarders and other transportation services for nearly 500 companies around the globe.

But when Pentagon combat commanders need something fast, they rely on air. The DOD will even reach deep into its pocket to air ship heavy pieces of equipment that normally would travel by sea if it feels that speed can be the difference between life and death.

Such is the case with mine-resistant, ambush-protected vehicles. The Pentagon uses MRAPS to protect

> "Opportunities to do business with the DOD have greatly improved for those companies that qualify."

troops, especially those in convoys, from improvised explosive devices, the roadside bombs that have been one of the most lethal weapons in the insurgents' arsenal in IRAQ.

The Pentagon just awarded Anchorage-based Lynden Air Cargo an estimated $108.7 million revised firm fixed-price contract for international airlift services with a minimum guarantee of $47.3 million to fly "urgent missions" to move the MRAPs.

Pentagon deals include more than 300 companies and cover charters, transportation of people and equipment, parcels, expedited packages and other goods.

For air cargo carriers and forwarders, these contracts represent steady long-term business in a volatile market. For some carries, buffeted by declining domestic volume, they're a lifeline.

People are the leading commodity being transported on aircraft that are part of the Civil Reserve Air Fleet, a group of 37 volunteer carriers with about 1,400 aircraft.

"This is a very profitable business for the airlines. The government pays its bills, and those active in it have a dedicated marketing or sales person at Scott Air Force Base in Illinois full time," said Ted Braun of FreightPath. "The DOD depends on the CRAF for more of the run of the mill missions."

One of the CRAF members is Polar Air, owned by Atlas Air Worldwide Holdings, which reported $296 million for the first three quarters of 2007 in military charters, a $67 million increase over the previous year.

The military says commercial planes carry 90 percent of the passenger lift and 40 percent of the cargo.

Last fall, Atlas Air hired retired Air Force Maj. Gen. Thomas P. Kane as vice president of defense and government. Kane was the Air Mobility Command's director of strategic planning, requirements and programs.

As Kane said about working with the military; "It's all about trust."

Another freighter operator, ABX Air, figures its recent acquisition of Cargo Holdings International will make military business about a quarter of the company's overall revenue base — compared to zero before.

The biggest air carrier is FedEx, with about $1.3 billion worth of contracts, though, the company points out, some of those transactions concern other airlines under the general FedEx deal.

Evergreen International flies in a close second with about $1 billion while UPS brings up a distant third with about $128 million.

But the Defense Department also relies on about three dozen other companies to provide stevedoring, terminal and other maritime-related services, which accounted for a bit more than $62 million in 2007.

The total of all "transportation" costs — the kind of contract historically and traditionally awarded to about 130 companies such as Menlo — is about $227 million. The top contractor, excluding Menlo, for the work in 2007 was American Auto Logistics, with six transactions worth about $197 million in all.

The average cost per contract or modification for the group was about $335,000 and the median per-transaction cost was about $17,292.

In accepting the contract, however, Menlo officials acknowledged the biggest challenge would be mediating the different cultures of the commercial and military worlds.

Transportation companies, which often boast of their abilities to bend the rules to cut costs or time, will have to stay more inside the box.

Just ask National Air Cargo, which recently pleaded guilty to overbilling the federal government and agreed to pay a $28 million fine. The company pleaded guilty to a single felony count of making a false statement involving a shipment that added $400 to the government's bill. Prosecutors had alleged the company overbilled the federal government millions of dollars by falsely claiming that it delivered freight on time. It was also alleged that National sometimes used trucks when air delivery was required by a contract.

Rodney Personius, a lawyer for National, blamed the military's own rules. He said the Air Force and Defense Department has contradictory guidelines and regulations — the DOD fails to recognize the difference between an air carrier and forwarder.

The House Armed Service's Committee's Readiness Subcommittee has directed the U.S. Government Accountability Office to investigate the contradictions and problems with the regulations NAC was accused of violating.

"The government's argument," Personius said, "overlooks that NAC is a freight forwarder, not an air carrier, which enables NAC to move freight either by air or land, using the least expensive mode which will ensure timely delivery." ■

A Moving Vision

Air Cargo Operators Enhance United Arab Emirates Reputation for Innovation

In just three years, the company reported, Maximus Air Cargo has become the Middle East's largest source of heavy-lift air cargo services. With its fleet of eight specialized aircraft, Maximus — based in Abu Dhabi, capital of the United Arab Emirates — has earned an enviable reputation for being reliable and cost-effective, moving everything from massive industrial components to critical aid for international disaster sites.

Paced by its An-124-100, which can move a payload of up to 120 tonnes, the Maximus fleet includes two A300-600RF, three IL-76TD, and two L382G Hercules. These aircraft ensure Maximus can handle virtually any load, of any size, almost anywhere in the world.

Thomas Bommer, Maximus' manager of marketing said that his five-year-old Antonov has extraordinary capabilities unmatched by other airplanes. He noted that, with an interior dimension of 21 feet by 14.4 feet that can be loaded or unloaded with minimal ground support via its front and rear ramps, it is ideal for heavy-lift or mass volume payloads. "That self-sufficiency, which includes multiple winches and overhead cranes, makes it perfect for situations where on-the-ground infrastructure is weak or virtually non-existent," he said.

Examples of Maximus Antonov lifts include special communication units, caravans, broadcasting vehicles, helicopters, 20-foot and 40-foot containers and the logistics equipment for the Red Bull Air Race, with high build, or massive volumes of general cargo. Particular about time-sensitive shipments to challenging areas, Bommer said, "The Antonov can often handle, in a single flight, what another aircraft might require two or more trips to accomplish."


Photo courtesy of Emirates Airlines

When it's time to move oil field gear, gas turbine components, or essential apparatus for oil drilling and exploration, Maximus' fleet is complemented by its savvy and knowledgeable management team.

"For each move, Maximus relies on a qualified and certified load master and flight manager, accompanying each flight," Bommer said. "They ensure everything is done properly, from tie-downs to securing equipment, to the proper care and handling of live animals, to dealings with airport authorities and customs. Our flight manager is the prime point of contact between the customer, our operations control, the crew and all third parties involved."

One of the company's proudest air cargo achievements is its handling of relief supplies. These include recent moves between the United Arab Emirates, Pakistan, France and Jordan and the heart of the Darfur relief area.

Last January, Maximus signed an agreement to expand its partnership with

World-class logistics, global reach

Swift Freight International, headquartered in Dubai, United Arab Emirates, has been a leader in global freight logistics since its inception in 1989. Providing a comprehensive range of transport solutions, Swift connects the world to Dubai. The organization has expanded at a rapid pace, and now offers customers global reach through its network of 46 offices in 21 countries in Africa, the Middle East, Asia and North America.

Recently Swift Freight has been acquired by Barloworld Logistics, a subsidiary of BARLOWORLD, SA. The acquisition compliments reach and network of each other, benefiting existing customers.

In recognition of its outstanding achievements, Swift Freight International has been the proud recipient of more than 80 international awards, including the acclaimed ISO 9001:2000 certification.

Swift Freight offers following services:
Humanitarian Logistics • Air Freight • Ocean Freight and NVOCC • Sea Air combined transportation • Logistics, Warehousing and Supply Chain Management • Perishable Logistics • Relocations • Project Cargo

Swift Freight has one of the largest networks in Africa, with 24 branches. With agent networks, it covers more than 35 destinations in Africa. Swift's network in the Far East, India, Middle East, North America well connects Africa to the world. In addition, however, Barloworld Logistics has an excellent network in the rest of the world that complements Swift's network.

Recently Swift opened its Washington, D.C. station to service humanitarian logistics requirements from North America. Swift Freight has a good experience in handling humanitarian logistics in Middle East and in Africa. Swift Freight and Barloworld Logistics combined are now better equipped than ever to handle humanitarian and peace operations logistics.

Mr. Baluch, founder of the Swift Group, was the first President of the UAE National Association of Freight and Logistics, and the President of FIATA (The International Federation of Freight Forwarders Associations) from 2003 to 2005. He serves on the board of directors of The International Air Cargo Association (TIACA), the advisory board of Dubai Logistics City, and the marketing committee for the Dubai Flower and Perishables Centre.

Swift Freight International is also known as Swift Global Logistics, in North America, Far East, Singapore, Bangkok and a few African Countries. For more information please visit: www.swiftfreight.com

SWIFT FREIGHT INTERNATIONAL
www.swiftfreight.com

the United Arab Emirates' Red Crescent Authority (equivalent to the Red Cross Societies) to cover all relief air transport services requirements, both regionally and internationally.

The United Arab Emirates' Red Crescent selected Maximus as its official partner due to their impressive fleet of aircraft including two specially-upgraded L382G, Bommer said. With more than 2 million yards normal range with full payload, the Hercules is renowned for its ability to carry up to 20 tonnes of humanitarian supplies to and from short runways, even without minimal ground support equipment. And the L382G's capability of aerial dropping dramatically shortens the lead time needed for the deployment of relief goods, therefore contributing to saving lives more effectively.

"We ensure that maximum effort is applied to solving all of our customers' outsized, heavy or special cargo needs with unmatched safety and security," Bommer stressed. "We then add a level of customer service normally applied to premium passenger operations, thus providing maximum value for money."

Their track record speaks for itself, providing a high level of experience and knowledge. "We are privileged to serve our customers by applying experience evolved from a full generation of scheduled, charter, government, military, humanitarian, royal, VIP and private air transport," Bommer said. He further

pointed out that the requirements of their Air Operators Certificate are nearly identical to the most stringent European and North American requirements in every significant area.

The recent acquisition of Dubai-based international freight forwarder Swift Group by Barloworld Logistics of South Africa will catapult the company into the global logistics arena. According to Warren Erfmann, group chief executive of Barloworld Logistics Middle East and Asia, this is especially the case in regard to multimodal transport solutions, with several niche services and logistics activities between South East Asia, the Indian sub-continent, Europe and Africa. Swift has an extensive African network, which offers Barloworld Logistics the opportunity to sell additional supply chain services into these markets.

Erfmann is especially pleased about Swift's Dubai location and the government's determination to maintain its status as the global logistics hub. With projects like Dubai World Central, which will house Dubai Logistics City and the new airport, he said, "it is evident that the Emirates is poised for further growth in the logistics and freight business."

Furthermore, 19-year-old Swift "is a leader in global transportation and logistics, with well-established services between Southeast Asia and Western Europe and a number of innovative freight logistics solutions specific to African markets." Erfmann pointed to Swift's repertoire of logistics solutions for clients who want to capitalize on the African market, as an example. "We have a service catering to clients from the Far East and Indian Sub Continent that moves goods into Africa via our own Sea Air Model (SAM). That involves sea-air combined transport service from Far East or India into Africa via Dubai," he said.

He continued, "SAM, with its fixed departure schedules and transit time has been brought down from upwards of 40 days to approximately 16 days. Further, it has helped the trading and forwarding community to plan and improve business cycles.

From Africa the company uses the reverse of SAM freighters to transport perishables, Africa's number one commodity, Erfmann explained. This service, called Swift Perishable Logistics, "brings perishable goods from Africa to Dubai Flower Center, which is equipped with world-class cool chain facilities and offers value-added logistics services,

such as sorting and consolidation and packaging for direct customers. These goods are then distributed to markets, such as Middle East countries, the Mediterranean, C.I.S. (Commonwealth of Independent States), the Far East and Australia," he said.

The company recently launched a U.S. office to serve as an informational location for nongovernmental organizations and other humanitarian groups needing to move relief goods into Africa. "We take advantage of the strategic location of Dubai as a transit hub. And with its friendly customs service, lack of bureaucracy and open sky policy, our services are reliable and viable for a sensible business preference in moving goods into Africa," Erfmann said.

He does not hide his enthusiasm for enhanced African trade. One of the many reasons Barloworld Logistics chose to acquire Swift is that Swift recognized the potential of Africa early on and established a network of offices throughout the continent to ensure a steady and solid logistics solution. Swift currently has 24 offices in 14 countries on the continent and the company is "perfectly positioned to take advantage of the ever booming trade with Africa," Erfmann said.

But success in Africa requires on-the-ground presence. "In order to capitalize on the market and export its products, one has to be physically present within the continent and establish relations to coordinate transportation flows," Erfmann stated. "Often, these encounter difficulties due to unfavorable process of customs clearance and high level of bureaucracy."

"Africa has always been a place of massive potential. The continent is endowed with plenty of natural resources, a pleasant climate, cultural diversity, and a rich historical past. And, Africa is fast establishing its status as a leading international hub for the logistics industry." ■

People

Airlines

Lufthansa Cargo Charter: The charter division of Lufthansa named **Volker Dunkake** head of global sales and services. Dunkake began his Lufthansa Cargo career in 1989 in the handling unit and moved to charters in 1999. He became head of the airline management team in 2003. LCC also named Simone Schweitzer head of finance and administration. She has been head of the internal accounting division at Lufthansa Systems.

Alaska Air Group: The airline named **Joe Sprague** as vice president of Alaska Air Cargo. Sprague, formerly staff vice president of in-flight services, joined Alaska Airlines in 2000 as regional sales director for Alaska. He was also managing director of government affairs in Washington, D.C., and staff vice president of the airline's public affairs division.

Ace Air Cargo: The Alaska regional freight operator named **Greg Hawthorne** director of sales and marketing. Hawthorne has been with ACE for four years as director of operations at the Unalaska station.

Integrators

UPS: The carrier named **Romaine Seguin**, a 25-year veteran of the company, to vice president of operations for Europe, the Middle East and Africa. The started with UPS in Missouri and moved to Europe first in 1989 as a member of the company's integration team in the United Kingdom and France. She was most recently a district manager in Minnesota. UPS also named **Cindy Miller** vice president of operations for South Europe. A 20-year UPS veteran, Miller had been head of the Metro Chicago district.

DHL: The carrier named **Tony Shortell** senior vice president for global customer solutions for the Singapore-based Asia-Pacific region. A 15-year company veteran, Shortell had been a senior vice president at DHL Global Forwarding for the Asia-Pacific.

Third Parties

Exel: The North American division of the global contract logistics operator named **Fred Takavitz** senior vice president for customer development, technology and DHL Solutions. A 19-year Exel veteran, Takavitz had led the technology business unit at Exel's global customer solutions program. Exel also: promoted **Adrian Kumar** to vice president of retail solutions development, from senior director at the unit; and named **Rick McCann** senior director of operations for automotive. An 11-year company veteran, McCann had held management roles in operations, solutions and project management.


Gilbert


Nevhagen

Geodis Wilson: **Philippe Gilbert** and **Peter Nevhagen**, together now run the global freight management division of French logistics group Geodis as executive vice presidents, succeeding CEO Jeff Hoogesteger. Nevhagen and Gilbert will continue in their existing roles as chief marketing office and chief operations officer, respectively. They will report to Jean Louis Demeulenaere, the new chairman of Geodis Wilson, and will work toward integrating the forwarding business that had been TNT Freight Management into the group's logistics services.

Chapman Freeborn: The charter specialist named **Yannis Gerault** general manager for France. Gerault has more than 15 years experience in air cargo. He worked in aircraft parts and automotive logistics at Schenker and at GEFCO.

Choice Logistics: The New York-based mission-critical service parts logistics operator named **Charles Robinson** vice president of global operations. Robinson has more than 12 years of supply chain and operations experience, most recently as a distribution director for Starbucks Coffee, where he implemented new distribution strategies in North America and the United Kingdom. He was also director of materials management for Europe, the Middle East and Africa at Emerson and worked with Ericsson Telecommunications.

Kenco Logistics Services: The Tennessee-based logistics company named **Andy Smith** president as part of a series of changes in management. A 19-year veteran of the logistics industry, Smith joined Kenco in 1999 and was appointed COO in 2004. Kenco also named **David Caines** senior vice president of logistics. He joined Kenco in 2002 and previously held positions as operations manager for KM Logistics, director of KM Logistics, and director of Kenco Logistics services. And Kenco named **David Gilley** senior vice president of sales and marketing. Prior to joining Kenco he served as executive vice president of Returns Distribution Specialists.

Davies Turner: The British logistics group named **Ciaran Delmar** and **John Culligan** joint managing

directors of Davies Turner Ireland. They joined the company from senior roles at Expeditors Ireland. Davies Turner's line manager for Ireland, Fred Stephens, recently retired.

AVIARETO: The Dublin-based operator of the International Registry of Mobile Assets for the air transport industry named **Rob Cowan** managing director. He succeeds Niall Greene, who remains on the board of directors. Cowan previously worked for several international telecommunications and information technology firms in a variety of senior business roles.

Associations

AIA: **Donald R. Forest**, a veteran of the U.S. Commerce Department, was named chief operating officer of the Aerospace Industries Association. Forest will be responsible for the daily operations of AIA and implementing the association's strategic performance plan. An experienced manager, Forest was vice president and chief representative of Citigroup CitiInsurance in China from 2001 through 2005.

ACI-International: The airports group named **Alberto Blaye**, information technology director of Aeropuertos Argentina 2000, chairman of the ACI Cargo Subcommittee. Blaye succeeds Stephan Poirier, vice president for business development at the Calgary Airport Authority. Blaye said his priorities would be to attract more members from the Asia-Pacific, Middle East and Africa. He is also expected to use his IT experience to help make the cargo industry more efficient and responsive to customers' needs.

Manufacturers

Boeing: The aircraft manufacturer named **Paul Kinscherff** president of Boeing Middle East. Kinscherff will be based in Dubai. **David Dohnalek**, will succeed Kinscherff as Boeing's treasurer. The United States-based aircraft maker also named **Naveed Hussain** vice president of engineering and technology, based in India. Hussain has held several positions in two decades at Boeing, most recently as director of flight engineering for Boeing Integrated Defense Systems. Meanwhile, Boeing also named **Antonio De Palmas** president of European and NATO relations, based in Brussels. De Palmas, 44, had been Boeing's director of communications in Italy.

Airports

Schiphol: Amsterdam Airport Schiphol named two cargo business development directors, **Bart Pouwels**, 41, and **Saskia van Pelt**, 37. Pouwels' background is in logistics, including work as sales manager for DHL Express, while van Pelt, also a logistics expert, spent the last four years as senior marketing manager for the Port of Rotterdam. ■

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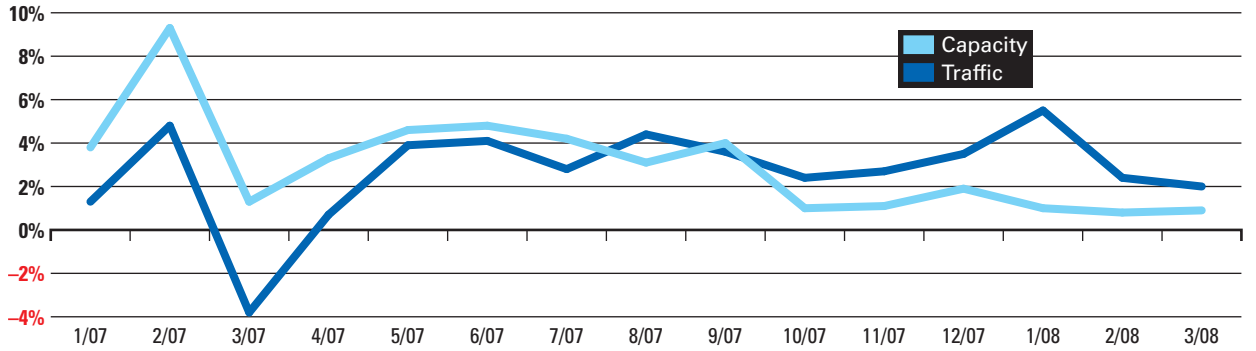
the AirCargo Bottom Line

Carrying Asia

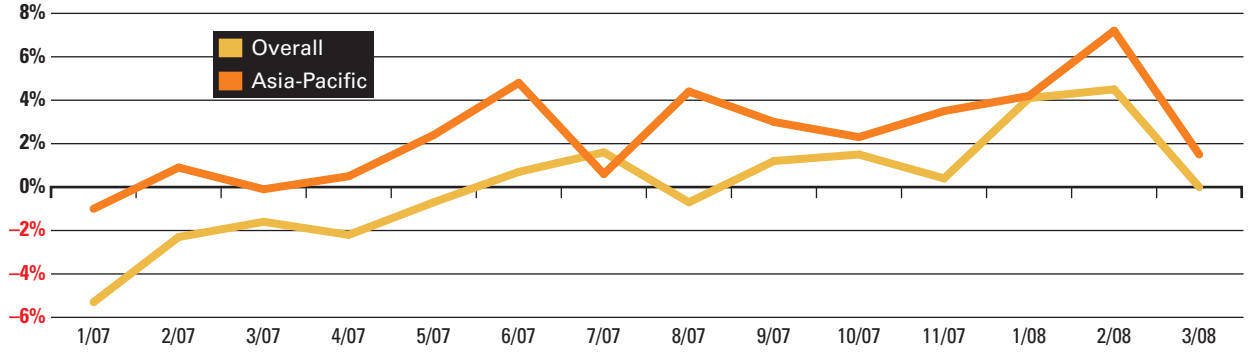
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

Carrying Europe

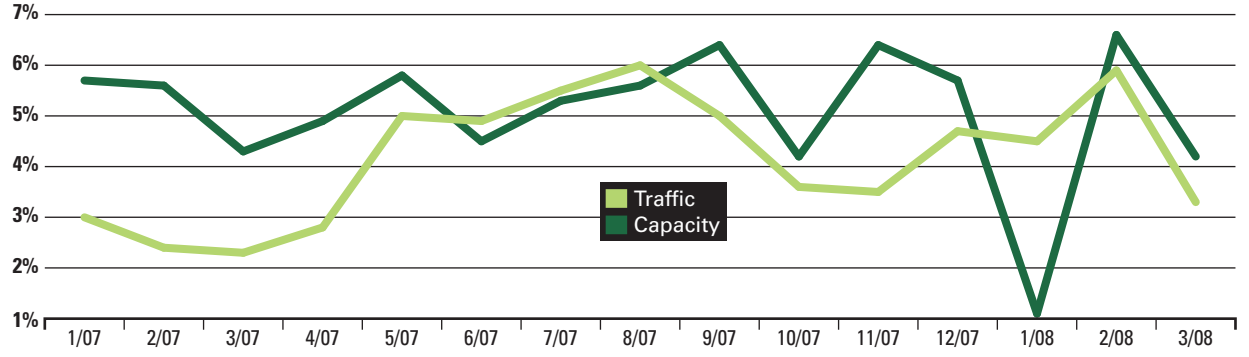
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

Carrying International

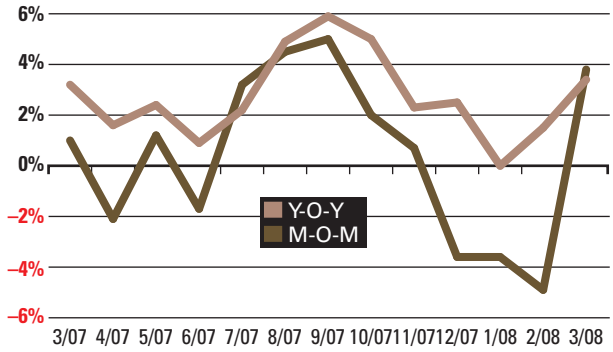
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide, in freight tonne-kilometers and available tonne-kilometers.



Source: International Air Transport Association

Semi Months

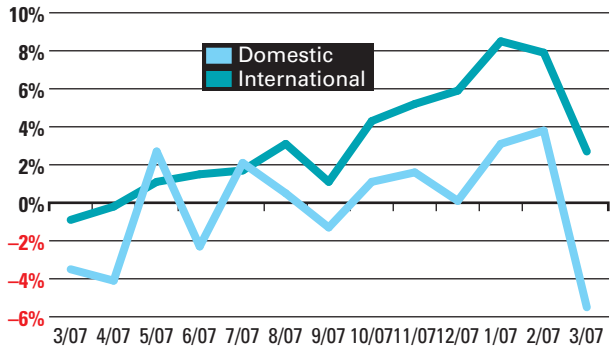
Worldwide monthly year-over-year percent change in sales of semiconductors and month-to-month percent change.



Source: Semiconductor Industry Association

U.S. Airlines

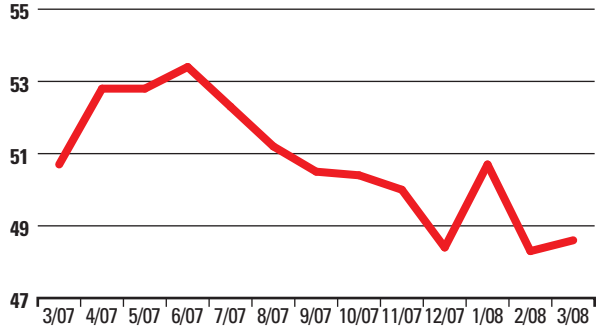
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

Making Goods

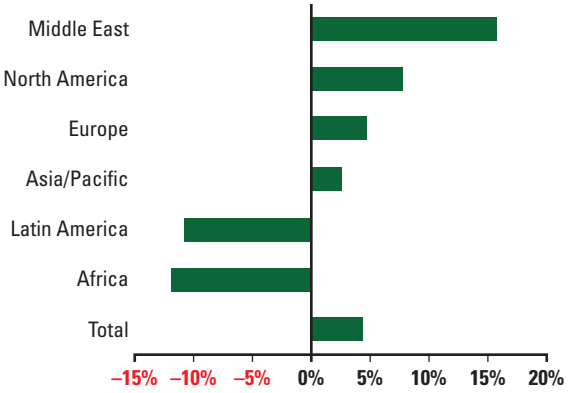
Monthly index of manufacturing activity in the United States over last two years. A reading above 50 shows expansion, below 50 contraction.



Source: Semiconductor Industry Association

Sharing Markets

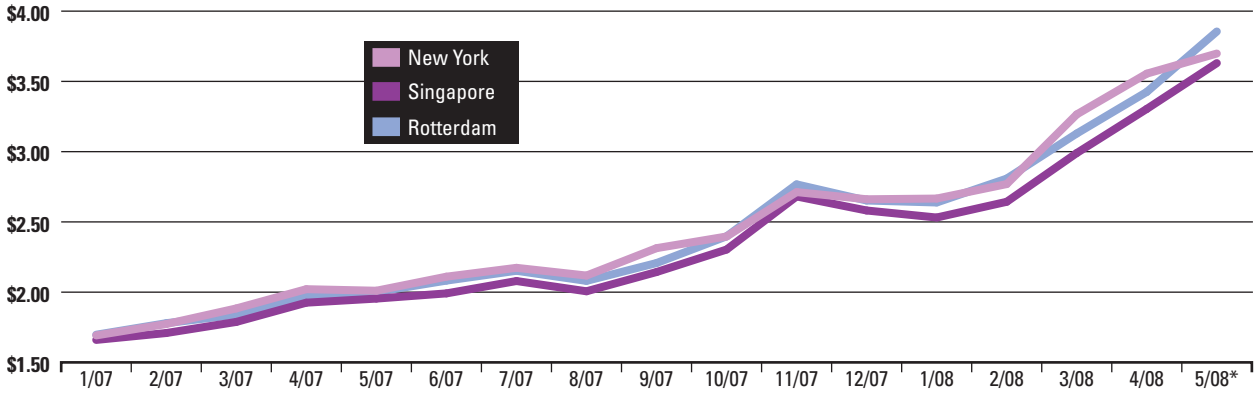
International air cargo year-over-year percent change in first quarter of 2008.



Source: IATA

Pump Price

Average monthly jet fuel prices in key markets over the past year.



** Through May 16*

Source: U.S. Energy Information Administration

Events

June 17-19

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

June 23-25

Toulouse: European PLM Summit, at the Airbus meeting facility, the event brings together experts and users of product lifecycle management techniques and technologies. For information, call +44 0 207 202 7558 or visit: *www.plmsummmit.com*

July 28-30

Atlanta: Global Logistics Summit, at the Westin Buckhead, a World Business Research event with shippers from Circuit City, Nike, Home Depot, PETCO and others looking at global sourcing and logistics. For information, call (212) 885-2744 or visit: *www.globalogisticssummit.com.*

Aug. 20-21

Miami: MATTECH 2008, at the Miami Beach Convention Center, the Material Handling, Manufacturing Technology, Logistics & Supply Chain Expo for the Americas & the World will focus on the total manufacturing process. For information call (941) 320-3216 or e-mail: *contact@inforintermat.com.*

Sept. 15-17

Miami: CargoFacts 2008, at the Miami Loews Resort, bringing together aircraft buyers, sellers, financiers, service providers and operators of both passenger and freighter aircraft. For information, call (206) 587-6537 or e-mail: *conference@cargofacts.com.*

Sept. 15-17

Toulouse, Francee: **The Ninth Annual Aviation Industry Suppliers Conference**, at the Hotel Palladia, bringing together all the parts that make up the aviation industry. For information, contact: *jspeed@speednews.com.*

Sept. 21-24

Boston: Airports Council International-North America annual conference and exhibition, looking at how business is ramping up. For information, call (202) 293-8500 or visit: *www.aci-na.org/conferences.*

Sept. 23-26

Vancouver, B.C.: FIATA World Congress, at the Vancouver Convention and Exhibition Centre, the annual meeting of regional freight forwarders from around the world. For information, call +41 22 33 99 586 or visit: *www.fiata2008.com.*

Oct. 5-8

Denver: CSCMP 2008, the annual mega-meeting is educational, inventive and packed with shippers looking for, and often finding, the leading trends in managing supply chains and moving goods. For information, call (630) 574-0985 or visit: *www.cscmp.org.*

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

Oct. 13-15

Kuala Lumpur,: Airtropolis Expo 2008, at the convention center, the Mack Brooks event looks at airport planning and takes place alongside the 14th Routes World Development Forum, the World Fleet Forum and the ICAO/World Bank Conference. For information, call +44 1727 814400 or visit: *www.airtropolis.org.*

Nov. 4-6

Kuala Lumpur: International Air Cargo Forum, the bi-annual event is the air cargo industry's sprawling global meeting and stops this time in Malaysia. For information, For information, call (786) 365-7011 or visit: *www.tiaca.org.*

Nov. 11-13

Seoul: AVSEC World 2008, the International Air Transport Association event looks at risk management and what it calls a "common sense approach" to aviation security. For information, call +41 22 770 2525, or visit: *www.iata.org/events/calendar.*

Nov. 16-18

Ft. Lauderdale, Fla.: Transcomp and Intermodal Expo, the annual meetings of the National Industrial Transportation League and the Intermodal Association of North America includes talk of shipper-carrier relations and a large exhibition. For information, call 703-524-5011 or visit: *www.iana.org.* ■